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*S Group and  
responsibility*  
*2014*

<b>S Group</b>	1
<b>CEO's Review</b>	1
Review by the CEO – Unparalleled benefits and convenience from your own store	1
<b>S Group in brief</b>	2
Regional co-operatives	2
S Group's business model	3
Values, vision and strategy	4
S Group's key figures in 2014	6
<b>Business Operations</b>	6
Supermarket trade	7
Case: Kotimaista product line	10
Department store and speciality store trade	11
Case: Marks & Spencer	13
Service station store and fuel sales	14
Travel industry and hospitality business	17
Hardware trade	19
Case: Eläinmääntä	22
S-Bank	22
Case: New S-Bank's operations began in May 2014	24
Neighbouring countries	24
<b>Corporate Governance and Management System</b>	26
SOK Supervisory Board 2014	27
SOK Executive Board 2014	28
SOK's Corporate Management Team 2014	29
SOK Corporation's Corporate Governance and Management System	30
Responsibility Management	36
S Group's responsibility programme	37
Case: The Society's commitment to sustainable development	39
<b>Stakeholders</b>	39
Systematic stakeholder engagement	40
Transparency builds trust	40
Stakeholder dialogue on responsibility	41
Listening and working together	41
Good business practices guide our work	41
Dialogue with decision-makers	42
The village shop project aims to secure local services	42
Advocacy organisations for common interests	42
New models of stakeholder engagement	43
<b>S Group in figures</b>	44
S Group's key figures	44
Financials	44
Outlets	46
Co-op membership	48
Personnel	48
Environment	49
<b>Our actions</b>	50
<b>Well-being through cooperative activities</b>	50
Cooperative activities and co-op membership	50
Co-op membership offers ample benefits	51
Case: Co-op members influence the operations of their cooperative	52
S Group's social influence	52
Creating well-being locally	53
S Group's tax footprint	54
National and regional responsibility cooperation	55
Case: The rewarded ABC kohtaa nuoria project	57
<b>Personnel well-being and motivation</b>	57

Working at S Group .....	57
An interesting place to work .....	58
Growing young people into retail professionals .....	59
S Group as an employer .....	61
Employer support for the personnel's working ability .....	62
Case: The HyviS project for the promotion of good working life .....	63
A safe working environment is a fundamental right .....	63
Motivating performance-based rewards .....	64
Case: A model of incentive rewards .....	65
Competitiveness and work productivity are permanent objectives .....	66
Case: The right number of employees at the right time .....	67
Income and competitiveness through mastering multiple skills .....	67
Case: The Virettä vaihdosta exchange project .....	67
<b>Responsible products and services .....</b>	<b>68</b>
Responsible procurement .....	68
S Group's suppliers and service providers .....	68
S Group's private labels and own imports .....	69
Responsibility and product safety in procurement practices .....	70
Case: Berry-pickers' working conditions in Finland .....	70
Origin and traceability of products .....	71
Disclosing the country of origin .....	71
Traceability audit provides information on the procurement chain stages .....	72
Valued Finnish origin .....	72
Local products increasing in importance .....	73
Case: Satakunnan Osuuskauppa cooperative advocates local food .....	73
Monitoring production chains .....	74
Respecting human rights in the supply chains .....	75
Monitoring working conditions in risk countries .....	75
Case: Improving safety at work in textile factories in Bangladesh .....	77
Case: Sandblasting of jeans not permitted .....	78
More extensive monitoring through Sedex .....	78
Assessing the environmental impact of product manufacture .....	79
Responsible raw materials .....	79
Sustainably produced palm oil .....	80
Fish policy guides procurement and product range .....	81
Extensive range of certified products .....	81
A pending standard for sustainable production of cocoa .....	81
Demand for organic products still growing .....	82
Case: Organic chicken available in stores .....	82
Biofuel from waste .....	82
Case: Finnish biofuel EkoFlex E85 .....	83
Environmentally friendly packaging materials and alternatives to plastic bags .....	84
Product safety .....	85
Researched products .....	85
Daily self-monitoring measures in outlets .....	86
Case: Oiva audits in S Group outlets .....	86
Operating models for possible product defects .....	87
Responsibility of services .....	88
Sokotel hotels join the Green Key environmental programme .....	88
Allergy-free hotels .....	89
Case: Energy efficiency solutions through cooperation .....	90
Consideration of special groups .....	90
Electricity and natural gas to power cars .....	91
Comprehensive and extensive banking services throughout the country .....	91
<b>Resource efficiency .....</b>	<b>91</b>
Towards improved resource efficiency .....	91
S Group's Eco-balance .....	92

Energy savings and energy-efficiency .....	93
Measures for more efficient use of energy .....	94
Energy savings are based on consumption monitoring .....	94
Case: Efficient S-market Sääksjärvi .....	96
Finnish renewable energy plays a central role in energy procurement .....	97
Monitoring and management of emission risks .....	98
Measures to reduce carbon dioxide emissions .....	98
Case: Building a green logistics centre .....	99
ABC works to minimise environmental risks .....	99
Carbon dioxide emissions .....	100
Aiming for reduced amounts and increased reuse of waste .....	101
Reducing the amount of waste .....	102
Case: Food Waste Week .....	103
Case: Minimising food loss .....	104
Case: 'Putin cheese' .....	105
Case: Recycling products from the closed HOK-Elanto stores .....	105
Increasing reuse .....	106
Case: Increased effectiveness of waste management at S-market Pakila .....	107
Diverse recycling opportunities .....	108
<b>Reporting</b> .....	109
Responsibility reporting .....	109
GRI Index 2014 .....	110
<b>Financial Statements</b> .....	115
<b>LIITTEET</b> .....	115

## ■ CEO's Review

### Unparalleled benefits and convenience from your own store

“At S Group, we consider the consumer to be the king in retail. Our task is to be there for the consumer and to bring high quality and increased convenience in the daily lives of Finnish people. Our vision is to provide co-op members with unparalleled benefits and convenience from their own store.

Providing services and benefits to co-op members has been S Group's mission for more than a hundred years. The cooperative does not maximise profit but develops its operations in the long term for the benefit of co-op members. Cooperatives create well-being in their own regions with the aim of maintaining the vitality of the whole of Finland. The cooperative is a Finnish enterprise and will continue to be one.

The result of S Group and, in particular, SOK Corporation has improved compared to recent years. Factors underlying the result improvement include the streamlining of operations, cost savings, and reduced investments, in particular.

Thus, the foundation of our operations is sound. The savings generated enable us to reduce prices in the grocery trade, among other things, offering benefits to our customers. Nevertheless, we never compromise quality, our product range and responsibility.

We engage in active dialogue with our stakeholders. For example, we have asked them what S Group should do to be a leader in responsibility. Factors that stakeholders find important in S Group's operations include management of food loss, openness and transparency of operations, Finnish origin of products and services, as well as good HR work.

Companies are expected to be increasingly open and transparent in their operations. Rapidly developing digitalisation is strongly transforming retail and permanently changing consumer behaviour. The change in the operating environment also requires a completely new kind of approach and the increased openness of S Group. We need increased cooperation and innovative solutions both within S Group and externally.

We acknowledge that S Group does not know everything. Therefore, we established an Advisory Group of external experts to challenge us and offer us new perspectives in responsibility work, for example. We work together with Finnish start-up and growth companies in developing new digital services.

Customers want to be able to use our services when it fits their schedules. The services must be convenient and easily accessible. S Group wants to provide co-op members with unparalleled convenience and benefits from their own store by integrating the physical store, online store and electronic services into a seamless whole.

For us, offering increased convenience in the daily life of our customers is paramount. The consumer is the king in retail.”



**Taavi Heikkilä**, CEO, SOK

## **S Group in brief**

S Group is a renowned Finnish cooperative group of companies operating in the retail sector. It consists of the SOK Corporation and its subsidiaries as well as 20 regional and eight local cooperatives.



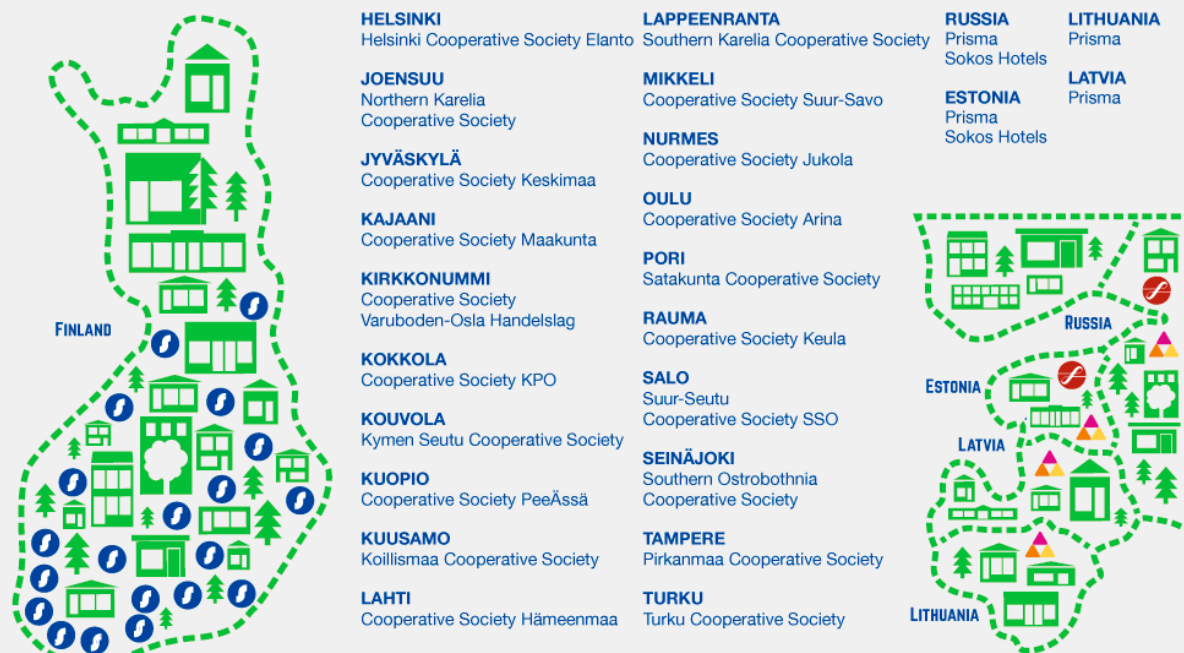
The co-op members own the cooperatives, which in turn own SOK Corporation. SOK produces procurement, expert and support services to cooperatives. SOK is also responsible for the strategic guidance of S Group and the development of the business chains. SOK Corporation comprises SOK and its subsidiaries.

The purpose of S Group's business is to provide co-op members with competitive services and benefits. The group wants to offer diverse services and an extensive network of outlets for co-op members everywhere in Finland. All operations are based on meeting customers' need for services and making everyday life easier through useful services and benefits.

## **Regional co-operatives**



## *S Group's* REGIONAL CO-OPERATIVES AND INTERNATIONAL BUSINESS



## S Group's business model

S Group's key business areas are supermarket trade, department stores and speciality stores, hardware trade, service station store and fuel sales, as well as travel industry and hospitality business. In addition, S-Bank offers banking services to co-op members. Prisma, S-market, Sale, ABC, Sokos Hotels, Rosso and several other S Group outlets are familiar places for Finnish consumers.

In addition to the Finnish market, S Group conducts international operations in Russia and the Baltic countries. There are Prisma stores in Russia, Estonia, Latvia and Lithuania. Sokos Hotels provide services in both St. Petersburg and Tallinn.

## S GROUP'S BUSINESS MODEL AND THE PURPOSE OF OPERATIONS



## Values, vision and strategy

The purpose of S Group's operations is to provide co-op members with competitive services and benefits in a profitable manner. Cooperatives were established more than a hundred years ago to deliver reasonably priced and high-quality products and services for their members, in other words, ordinary Finnish consumers. We are still on this same path.

Our operations are guided by our values, based on responsible cooperative principles:



## S Group's VALUES:



The retail sector is in the middle of the biggest change in decades. Competition is global in all lines of business, and global selections are also available to Finnish consumers through the web. Digitalisation is also dramatically revolutionising retail. It modifies business models and changes customers' consumption behaviour in an irreversible and unforeseen manner. The Finnish markets have for a long time been the most regulated in Europe, but deregulation is likely in the future. Deregulation will increase competition and choices, which will benefit consumers.

S Group's vision is to be a retail group that offers superior benefits and convenience from your own store by 2020.

Making this vision happen requires a lot of work. S Group must stay firmly abreast of the times but it must also remember its roots and basic ideology: responsible cooperative activities. When developing our services, we must keep our cooperative basic duty clear in mind: making everyday life easier for our co-op members. A cooperative enterprise must also be profitable, but maximising our profit is not needed. Profit is used directly to increase co-op members' benefits and developing our operations.

S Group's most central strategic objectives are improving profitability and increasing customer satisfaction. Responding to future challenges requires that the entire retail group operates in a more competitive, cost-effective, skilled and responsible manner. The company cannot be developed by only cutting costs and streamlining operations. Consumer demands are increasing, and consumers must be offered new services and new methods to purchase and obtain services. Therefore, S Group heavily focuses on the

development of innovative digital and other customer-driven service solutions, also working in cooperation with start-up and growth companies.

As a cooperative enterprise, S Group wants to be a pioneer in responsibility. In this work, we set objectives and engage in open dialogue with our stakeholders.

Our business operations must adapt to customers' needs. An increasing number of customers make purchases and use services online, and digital services are here to stay. Information essential for using online services, such as price, product and availability information, must be within easy reach of customers, regardless of time and place.

S Group's 20 regional cooperatives are cooperative enterprises owned by their members. Each co-op member owns an equal portion of their own cooperative. We want to cherish and further develop the relationship between the cooperatives and their co-op members.

## S Group key figures in 2014

S Group's key figures in 2014, EUR million	2014	2013
S Group's retail sales (incl. the whole S Group)	11,182	11,353
S Group's retail sales in Finland	10,599	10,799
S Group's retail sales in the Baltic countries and Russia	583	569
Cooperatives' retail sales	10,373	10,477
S Group's bonus sales	9,336	9,541
S Group's result*	274	226
S Group's investments	526	573
Bonus paid out to co-op members	361	379
Co-op members	2,156,828	2,109,025
Personnel	40,292	41,784
Outlets	1,643	1,642
<i>All sales VAT 0%</i> <i>*) Result before extraordinary items and taxes</i>		

## Business operations

S Group's key business areas are the supermarket trade, department stores and

speciality stores, the hardware trade, service station store and fuel sales, as well as the travel industry and the hospitality business. In addition, S-Bank offers banking services to co-op members. Individual cooperatives conduct automotive trade and agricultural trade.

Sales by business area in 2014, EUR million	2014	2013
Supermarket trade*	7,616	7,566
Department stores and speciality stores	324	338
Hardware trade	207	241
Service station store and fuel sales	1,774	1,817
Travel industry and hospitality business*	798	811
Automotive trade and accessories	301	406
Agricultural trade	150	162
Other	12	12
Total	11,182	11,353
<i>All sales VAT 0%</i> <i>*) Including retail sales in neighbouring countries (Russia and the Baltic Countries)</i>		

## Supermarket trade

S Group's supermarket trade in Finland consists of five different chains. The service network formed by the chain stores is always planned to meet the diverse needs of the local residents as extensively as possible.



### **Prisma – quality with affordable prices**

- 64 Prisma stores in Finland at the end of 2014.
- Affordable prices guaranteed.
- An extensive range of products, from steaks to coffeemakers.
- Located at central locations near good transport connections.
- A large and functioning store, where the organised presentation of products allows for a smooth shopping experience.

### **S-market – more than just economical**

- The largest grocery chain in Finland with 437 stores at the end of 2014.
- Convenient, fast, high quality, good service. Everything customers need for everyday use and special occasions.
- Each S-market has a unique product range. It is designed to meet the needs of the customer base of the S-market in question.

### **Sale and Alepa – local stores with service**

- 370 stores around Finland at the end of 2014. The Alepa stores are located in the Greater Helsinki Area.
- A convenient and straightforward store near the home or workplace.
- The stores are open every day from morning till night, some even around the clock.
- The product ranges offer familiar fresh products and other daily food items at permanently affordable prices.

## Grocery stores at ABC service station stores – for customers on the road

- The Sale, Alepa, S-market and ABC-market brands conduct grocery trade in 106 service station stores.
- The most convenient grocery shopping location for both customers on the road and local residents. Long opening hours, every day of the year. Open on holidays as well.
- The product range covers all basic everyday items: those for immediate use as well as the important supplementary items to large grocery purchases.

## Operating environment

The downward trend in the Finnish economy has also affected sales in the supermarket trade. The grocery trade is traditionally fairly steady even during more challenging economic times but customers' waning interest in purchasing consumer goods also impacts S Group's sales.

Price has become an increasingly important factor. Cheaper items are also sought by those who do not necessarily have a financial need to do so.

In January 2015, we reduced the prices of more than 400 products at Prisma stores and approximately a hundred products at S-markets. This was just the first step on the long journey, and the work continues. Lowering prices is not a temporary campaign but a continuing core activity in S Group.

## What's going on?

We want to provide service in the best possible manner. We must reconcile two worlds at different ends of a spectrum: one of people, interaction and various encounters, the other of systems.

S Group's supermarket trade wants to know the expected timing of the next economic fluctuation as well as the direction that raw material prices and consumers' inclination to buy will take. Analytics, forecasts and advanced IT will assist in this work.

One of the worksites to improve customer service and the efficiency of the entire Finnish food supply chain is located in Sipoo. A new, fully automated logistics centre for the grocery trade is being built there. The logistics centre, scheduled to open in 2016, will be the hub for the supply of approximately half of S Group's grocery trade volume.

Good and fair cooperation with Finnish producers, industry and trade will be crucial in the future as well. Eighty per cent of food sold by S Group is already produced in Finland. Local cooperatives are an essential part of their province, not only as providers of retail services but also as employers, cooperation partners and investors. Our provincial nature also demonstrated by the local products on the shelves of stores.

The growth of international online trade creates challenges to the consumer goods trade, in particular. The web is a great opportunity for us, opening up new opportunities to meet and serve customers. Physical stores will continue to do well in the future as well, as long as they are able to serve customers in the right way.

S Group's supermarket customers already have the opportunity to interact and influence on the Facebook pages of S-market and Prisma, for example. [The Foodie service](#) provides transparent information on all products and prices of the grocery stores. The service is one of its kind in Finland. Foodie also offers an online store of food items, available in the Greater Helsinki Area, Tampere, Oulu, Kuopio and Lahti.

## Highlights in 2014

- The Kotimaista product line was introduced in March.
- SOK entered the EU's register of the principles of good retail practices in April.
- Management of the supermarkets' consumer goods trade was combined with the grocery trade. The new supermarket trade chain management started operations in September.
- The supermarket trade competition strategy for 2015–2020 was completed in December.

S Group's supermarket trade	2014	2013
Outlets	920	908
Retail sales, EUR million (VAT 0%)	7,616	7,566
Market share in the grocery trade (%)	45.7	45.7

*In addition to Prisma, S Market, Sale and Alepa chains the Outlet and retail sales figures also include information from other supermarkets and the Prismas in Russia and in the Baltic countries.*

## Case: Kotimaista product line

The Kotimaista product line introduced in March 2014 is a response to customers' need to purchase Finnish food at affordable prices. The Kotimaista products are always produced in Finland, from Finnish raw materials, and are offered in stores under Finnish ownership. All Kotimaista products meet the requirements of the Hyvää Suomesta label and the Sirkkalehti label for the Finnish origin of products and produce.

The goal is to have a line of 400 products, which meets all household cooking needs. Currently, the line includes about two hundred products.



## Department store and speciality store trade

S Group's department store and speciality store chains include Sokos, Emotion and Marks & Spencer, as well as a few other speciality store trade chains.





### **Sokos – A department store in the heart of the city**

- 19 department stores (incl. the online store) at the end of 2014.
- The large and diverse Sokos department stores are located in the centre of Finland's largest cities.

### **Emotion – All about beauty**

- 35 units at the end of 2014.
- Emotion is the largest chain of speciality stores for beauty and well-being in Finland, with an extensive selection of top cosmetics brands, fragrances, hair care products, daily cosmetics, jewellery and health products.

### **Marks & Spencer**

- Three franchising stores at the end of 2014.
- Marks & Spencer is one of the leading retail chains in Great Britain. Its selection consists of high-class, high-quality clothing, household items and food items. In Finland, the selection focuses on women's and men's fashion and a limited variety of British delicacies.

### **Operating environment**

The key change factors affecting Finnish retail include the population structure, consumer behaviour and advanced technology. Consumers have quickly adopted technology in their daily lives, and they expect improved customer experiences as a result of the development.

Customers in the department store and speciality store trade, in particular, are quality-conscious and critical. At the same time, they lead busy lives and are price-conscious. In addition to expecting reliability and convenience from their retail partner, customers also want a touch of the unexpected.

The period of slow growth has had an impact on S Group's department store and speciality store trade, but the effect has been less concrete than with competitors.

## What's going on?

S Group's department store and speciality store trade aims to address the rapid changes in the operating environment in the best possible way. For example, more focus will be placed on understanding customer needs better in the future. In other words, developing new technologies and services will become more customer-driven.

The goal is to ensure that the Prisma and Sokos brands and roles will be as clear as possible to customers in the future. The Sokos department stores are in the process of clarifying their business idea. The objective is to highlight the strengths of Sokos and improve the competitiveness of the product areas. Demand areas have already been streamlined and fine-tuned in order to serve certain target groups better. Currently, the key product areas of Sokos stores are women's and men's clothing, cosmetics and home.

The increased focus in the operations enables better use of space, which allows the stores to complement their own selection with services provided by partners. S Group's first Marks & Spencer stores were opened in 2014. The new stores improve the quality and appeal of the fashion selection in the retail group.

Despite the challenging times in the speciality store trade, the Emotion chain has been performing well. In 15 years, the chain has established itself as Finland's leading speciality store for beauty care. Emotion's obvious strengths include professional service and a selection carefully crafted for different customer groups. Therefore, it is no wonder that the results of the chain's customer satisfaction surveys are among the best in S Group.

## Highlights in 2014

- Three Marks & Spencer stores were opened in Finland (Helsinki, Jyväskylä and Hämeenlinna)

S Group's Department store and speciality store trade	2014	2013
Outlets	76	78
Retail sales, EUR million (VAT 0%)	324	338

*In addition to Sokos-, Emotion-, Pukumies- and Marks & Spencer chains the figures also include information from other specialty store trade units.*

## Case: Marks & Spencer

S Group and the esteemed British icon Marks & Spencer started cooperation and opened stores in Helsinki, Jyväskylä and Hämeenlinna in 2014. This was just the beginning, and more new stores will be opening in 2015.

Marks & Spencer was looking for an established and experienced partner in Finland who knows the market and customers well. Selecting S Group as their partner supports Marks and Spencer's strategy, which is based on rapid internationalisation, multi-channel operations and customer orientation.

From S Group's perspective, the cooperation aims to enhance the product range offered to co-op members. Marks & Spencer's product range offers a wide selection of clothing for women and men of all ages and sizes, for both casual and special occasions. S Group can also learn a lot from the international partner and use the acquired knowledge for the benefit of the entire department store and speciality store trade. For example, maintaining a clear concept and integrating online trade with the brick-and-mortar stores are among Marks and Spencer's strengths.

## Service station store and fuel sales

ABC, Finland's most valued service station brand, takes care of both customers who are just travelling through and those who live nearby by offering quick, versatile services every day of the year. The services offered by ABC include fuel and restaurant services, an extensive grocery store, a consumer goods selection aimed at motorists and mobile customers, in particular.



### ABC service station stores

- 106 ABC Service station stores around Finland at the end of 2014.
- In addition to a petrol station, ABC service station stores always include a restaurant with a diverse menu and an affordable grocery store.
- ABC service station stores' selection of other services is extensive, including spacious and tidy restrooms, baby changing stations and a play area for kids; often they also have a car wash. Nearly all ABC service station stores also have a complimentary Wi-Fi connection.

### Unmanned ABC stations

- 300 unmanned ABC stations around Finland at the end of 2014.
- Located mainly beside S Group's larger outlets such as Prisma stores, S-markets and Sale stores.

### ABC Deli Stores

- 10 ABC Deli Stores in the Helsinki Metropolitan Area at the end of 2014.
- HOK-Elanto's small shops designed specifically for urban environments. The majority of them accompany an unmanned ABC station.

### ABC CarWash

- Most of the ABC CarWash facilities accompany ABC service station stores and unmanned stations, or Deli and Prisma stores.

- All ABC CarWash facilities are modern, clean and safe car wash outlets that offer an environmentally friendly way of getting your car clean.

## Operating environment

Today's consumer is seeking local experiences, offered by cafés and small shops. This phenomenon is part of a wider trend of people looking for authentic local offerings. Rising trends in terms of food and eating include, in particular, price and quality awareness, speed of service in fast food locations, fresh ingredients, a laid-back atmosphere and seeking new experiences.

ABC's fuel trade is dependent on international events. The global market prices of fuel were cut in half at the beginning of 2014, and this immediately reflected in ABC's sales. The price is expected to decrease further in 2015. For the time being, petrol is being produced at the same rate as before, although consumers globally have increasingly switched to using diesel.

## What's going on?

The ABC chain is a great success story, and after the strong growth phase of the network, it is time to focus on ensuring the chain's future. Products alone will no longer be sufficient as a factor distinguishing us from competition, but the focus must be on service. The quality of service will be an increasingly decisive factor in the success of a service station store.

The “Peukutettavan palvelun ABC” project, aiming to provide a level of service customers are happy to endorse, refers to the most extensive change in the chain's service culture and continuous renewal of the operations. The objective is to improve service throughout the ABC chain. The service will be provided using a local and personal approach, and ABC's skilled and committed personnel play a key role in this change. The chain's objective is to have the most loyal customers and personnel who are proud of their work.

In December 2014, Osuuskauppa Keskimaa opened the renovated ABC Keljonkangas, a unique, urban and very restaurant-like, and thus a new kind of a service station store. The chain's trusted basic assortment has been enriched by means of numerous exclusive restaurant portions, made from local ingredients.

Responsible work is routine in all operations of the ABC chain. More than 60 ABC units around Finland provide customers with the option of using a more environmentally friendly EkoFlex E85 fuel, and the number of electric car charging stations has increased. The chicken on the menu of the ABC restaurants is local, as are the à la carte beef and pork steaks. The ABC chain has been awarded the Key Flag label for the Finnish origin of its products.

ABC has signed [the Höylä III energy efficiency agreement](#), which contributes to increased energy efficiency of traffic. Driving economically helps achieve the emission reductions Finland is committed to.

## Highlights in 2014

- “Peukutettavan palvelun ABC” project.
- Renewal of the selection and appearance of prepared snacks and café items.

S Group's service station store and fuel sales	2014	2013
Outlets	439	437
Retail sales, EUR million (VAT 0%)	1,774	1,817
Market share in the fuel trade (%)	30	29.6

*In addition to ABC Service station stores, ABC unmanned stations and ABC Deli Stores the figures also include information from other service station stores and unmanned stations.*

## travel industry and hospitality business

Sokos Hotels, Radisson Blu and S Group's individual and chain restaurants offer diverse and experiential hotel and restaurant services for the varying needs of customers.



### Sokos Hotels

- 47 hotels in Finland, two in Tallinn, and three in St. Petersburg at the end of 2014.
- Sokos Hotels are owned by the regional cooperatives or Sokotel Oy, and they are always located in city centres or amidst leisure destinations.
- Sokos Hotels is Finland's most respected and most extensive hotel chain (Taloustutkimus and Markkinointi & Mainonta, 2014)

## Radisson Blu Hotels

- Seven hotels in Finland: four in the Greater Helsinki Area and one in Turku, Vaasa and Oulu each at the end of 2014.
- In addition to accommodation, S Group's hotels offer versatile conference, restaurant and leisure time services for the varying needs of customers.

## S Group's restaurants

- 750 restaurants at the end of 2014. Approximately seven million customers visit S Group's restaurants and hotels monthly.
- S Group includes the best-known restaurant chains in Finland, such as Rosso, Amarillo, Fransmanni, Coffee House and ABC Restaurant. Half of S Group's restaurants are chain restaurants.
- The individual restaurants include such well-known and traditional operations as Kappeli and Torni in Helsinki and Samppalinna in Turku.

## Operating environment

The travel industry and hospitality business reflects the general economic development. Currently, the Finnish economy is growing extremely slowly, and the reduced purchasing power of households is decreasing Finns' interest in travelling and eating out. Large traveller volumes are not expected from abroad either. The number of Russians travelling to Finland, which is important for the hospitality business in particular, has dropped due to the weakened exchange rate of the rouble.

Digital services are developing in leaps and bounds. Ensuring a good experience in digital services plays a very important role in the development of the hotel and restaurant operations. [The Sokoshotels online service](#) enables customers to get more information on hotels in advance, as well as offers a convenient way for them to make and pay for hotel reservations. [The Raflaamo service](#), launched in 2014, offers a convenient one-stop access to the menus and event information of the S Group restaurants. The use of tablet devices as part of the service experience is growing.

## What's going on?

Consumption will increasingly focus on the individual, which is why S Group must be able to think outside the box. Services that once offered everything to everyone may no longer offer anything to anybody. A good location alone will no longer be the number one reason for selecting a certain hotel; a reliable Internet access will be an equally important reason. Customers will seek restaurants which offer experiences and opportunities to spend time with friends and family. Food alone will no longer be the main reason for going to a restaurant.

S Group's travel industry and hospitality business will be developed in a contemporary manner. Sokos Hotels have been divided into the Original, Break and Solo categories in order to be individualised for everybody. The Solo units are high-quality hotels offering unique experiences. The Break hotels offers joy and energy, and the Original units focus on the local touch with warm-spirited service.



Today, service is the most important marketing tool. Exceptional service ensures customer satisfaction and recommendations to others. Therefore, personnel training in the hotels and restaurants is under continuous scrutiny in order for us to meet customers' wishes and exceed their expectations.

The diversity of the modern consumer creates interesting challenges for the restaurants. The customer selects a different restaurant in different situations. Sometimes healthful and ethically produced food is at the top of the customer's list, whereas other times customers may simply want to pamper themselves in an environment offering experiences. Yet other times, just getting something to eat quickly might be the main goal.

The modern trends of communality, experiences, ability to surprise and unique character describe the development business ideas in S Group's restaurants. FoodLab, the shared development incubator of HOK-Elanto and SOK, is a good example of communal development of restaurant food. Fast and convenient eating is increasing while the popularity of fine dining is waning. S Group also responds to consumers' wishes by introducing several casual dining and fast food concepts. Focus will also be placed on increasing opportunities for new and social experiences related to food.

## Highlights in 2014

- Opening the Solo Sokos Hotel Torni Tampere.
- Reform of the Rosso concept.

S Group's travel industry and hospitality business	2014	2013
Outlets	<b>813</b>	823
Hotels	<b>63</b>	63
Restaurants	<b>750</b>	760
Retail sales, EUR million (VAT 0%)	<b>798</b>	811

*In addition to Sokos Hotels and Radisson Blu Hotels the figures also include information from the hotels in Russia and Estonia.*

## Hardware trade

S Group's hardware trade includes the Kodin Terra and S-Rauta chains, which focus on building, renovation, interior decoration as well as yard and gardening.



## Kodin Terra

- 11 outlets around Finland at the end of 2014.
- Kodin Terra features approximately 35,000 products, and delivery sales offers another 35,000 products. Kodin Terra offers also a variety of additional services, such as installation, design and transportation assistance.
- The target group includes both consumers and corporate customers.

## S-Rauta

- 14 outlets around Finland at the end of 2014.
- S-Rauta offers an extensive selection of products as well as comprehensive solutions for the needs of renovators and building contractors. In addition to the vast range of products at the stores, S-Rauta also has an extensive assortment of products to order.
- The target group includes both consumers and corporate customers.

## Operating environment

Purchasing power and efficiency are pursued by growing the business volume in the hardware and gardening trade. Methods to grow volume in Finland and internationally comprises acquisitions and the establishment of new stores. On the other hand, large and successful international operators have been forced to adjust their business operations or to completely withdraw from certain markets.

Due to the weak economic situation, the market has been shrinking in the hardware trade three years in a row.

## What's going on?

The year 2014 was very atypical for the hardware trade. The positive tone and development of operations at the beginning of the year became more challenging during the summer due to the fluctuating market situation.

Even though the annual sales targets were not met, the operations were otherwise developed in accordance with the objectives. The product and service competence of personnel was improved in construction as well as yard and garden maintenance. In total, all S Group hardware units organised hundreds of trainings throughout the year.

The new Eläinmaailma (Pet World) concept was launched at all Kodin Terra units. Customers welcomed the new concept and the events organised at stores. Pet food and supplies are among the most popular product categories at the Kodin Terra stores.

S Group's hardware trade private labels were introduced in new demand areas. The quality of products was deemed excellent among professionals as well, and sales grew more than expected. For example, a new exterior paint was introduced in the REG product range.

For this year, the hardware trade has four key focus areas, which are all clearly visible to consumers. One of them is improving customer service and the customer experience by increasing personnel's product and service competence. The purpose is also to improve customer satisfaction by developing store presentations. The development of the multi-channel approach will continue in 2015. The Click & Collect service, which raised interest among customers, will be diversified by means of implementing an online payment option and other customer suggestions. In the Click & Collect service, the customer orders products online and picks them up at the store.

The streamlining of operations will continue in all S Group sectors. The hardware trade will aim to come up with product ranges which serve customers better, in cooperation with suppliers. The hardware trade has acknowledged the customers' need to renovate homes from start to finish with outside assistance. S Group believes that the demand for the "Do it for me" or turnkey services will grow, and therefore, this service will be a development area in the future.

The product range at hardware stores will contain high-quality products manufactured as ethically as possible. The volume of product complaints has been reduced by a half compared to the previous situation.

## Highlights in 2014

- Developing the Click & Collect service.
- Introducing the Eläinmaailma (Pet World) concept.
- Cooperation with S-Bank; loans tailored for the hardware trade.

S Group's hardware trade	2014	2013
Outlets	25	27
Retail sales, EUR million (VAT 0%)	207	241
<i>The figures include the information from the Kodin Terra and S-Rauta chains.</i>		

## Case: Eläinmaailma (Pet World)

The Eläinmaailma (Pet World) sections opened at all Kodin Terra stores expanded the range of pet supplies beyond dog and cat food and supplies. Currently, products for rodents, rabbits, pet fish, horses and other pets are also available.

The high-quality pet supply section has enabled Kodin Terra to reach plenty of new customers, and the concept has raised a lot of interest. Pets are also welcome in Kodin Terra.

## S-Bank

S-Bank is a Finnish in-store bank owned by S Group and LocalTapiola Group, which has approximately 2.7 million customers. It offers its customers extensive services for daily banking, savings, investing and the financing of purchases.



S-Bank's services primarily target the co-op members of S Group and LocalTapiola Group. The purpose of the operations is to work for a new and deeper kind of co-op membership, and the goal is to provide banking services with unparalleled convenience and usefulness.

Using the services has been made as easy as possible, and S-Bank's extensive service network extending throughout Finland offers convenient service hours to customers. Taking care of your daily banking is easy while you shop, since the bank has convenient, long opening hours. S-Bankers assist customers by appointment when more extensive financial matters, such as financing or making investments decisions, are concerned.

S-Bank's basic banking services, in other words the current account, online bank and the S-Etukortti Visa debit card are free of charge now and continue to be free in the future as well. Withdrawing and depositing cash is possible at the checkouts of more than 1,000 S Group outlets. In addition, convenience is increased in customers' daily lives by the easy-to-use online bank, the S-mobiili application for combined store and bank services, as well as a telephone service.

## Operating environment

Digitalisation is a key change factor in the finance sector and everywhere else. Various convenient digital services which make customers' lives easier are continuously being developed, and banks must keep abreast of the change in order to meet customer expectations. This is a challenge that S-Bank embraces.

Prolonged low interest rates affect banks' revenue. Another challenge faced by banks is the fact that a large portion of their costs are fixed, such as system or personnel costs, and influencing them is not possible in the short-term.

For S-Bank, digitalisation is an opportunity, which helps us provide service solutions that not only benefit the customer but are also cost-effective.

And while we invest in digital services, we continue to develop our agile network of bricks-and-mortar – we believe that to provide banking services with unparalleled convenience, both are needed.

## What's going on?

The year 2014 was one of the most important in S-Bank's history. S-Bank and LocalTapiola Bank merged to form the new S-Bank. Joining forces offers an additional boost for S-Bank's future.

Nevertheless, the new bank has also incorporated the good things from its past in the new operations: S-Banks' services continue to be based on equal and direct relationships with customers. The objective in S-Bank's all operations is convenience. Being able to simplify difficult and complex financial matters and explain them in clear language are among S-Bank's competitive advantages.

To develop convenient and useful services, we need to be familiar with our customers and their daily lives. S-Bank has actively involved customers in building new services. This has become an established, permanent practice.

## Case: New S-Bank's operations began in May 2014

S-Bank and LocalTapiola Bank merged to form the new S-Bank on 1 May 2014. As the new S-Bank launched its operations, the operations of the former S-Bank and LocalTapiola Bank were discontinued, and all of their customers were transferred to the new S-Bank. This transition required no customer action, but all existing contracts were automatically transferred to the new bank.

S-Bank's operations and range of services expanded as a result of the merger with LocalTapiola Bank. Mortgages were the most in-demand service among customers and were added to the range of services in the merger.

## Neighbouring countries

SOK Corporation has operations in Estonia, Russia, Latvia and Lithuania. In 2014, the operations in the neighbouring countries were overshadowed by the tense political climate and the steep weakening of the rouble.

## Successes despite challenges in Russia

- There are 19 Prisma stores and three Sokos Hotels in St. Petersburg.

The year 2014 was challenging in the Russian market. In particular, the weak economic situation and the political climate which had grown tense in the second half of the year, created uncertainties in the business operations. Although we did not quite meet the budgeted levels, the result of the Prisma stores can be considered a win in light of the extremely difficult conditions.

There were also successes. The highlight was the opening of Prisma Europolis. In addition, the import bans implemented in the autumn of 2014 did not weaken the product range of Prisma stores, since replacement products were purchased from local producers and outside the EU.

The objective for 2015 is to do better than the market. In the challenging situation, it requires improved effectiveness as well as development of the assortment and pricing structure, logistics, customer relationships and customer volumes.

The difficult market situation also affected the travel industry and hospitality business. At the end of summer, many travel agencies in St. Petersburg had to close due to economic reasons. Nevertheless, SOK's hotels have upheld a positive outlook and focused on growing market shares. Strengthening market shares was successful in certain areas.

Each of the three SOK hotels in St. Petersburg has its own unique look and feel. Bringing out the strengths of each hotel is paramount. The Energy.Relaxation.Balance concept of the Solo Sokos Hotel Palace Bridge is supported by the wellness centre and spa, one of the best in St. Petersburg, located at the hotel. The Solo Sokos Hotel Vasilevsky pampers friends of fine arts and culture, and the Original Olympia Garden is one of the top conference hotels of the city.

## Positive tone in Estonia

- There are five Prisma stores and a Prisma Express in Tallinn, two Prisma stores in Tartu and one in Narva. In addition, there are two Sokos Hotels in Tallinn.

The year 2014 was successful for the Prisma stores in Estonia. Sales, margin, efficiency and result all improved considerably, and the result broke a new record. The Estonian Prisma stores have been continuously renovated to a contemporary standard. The stores are more energy-efficient than before and self-checkout lanes have been added.

The absolute highlight of 2014 in the hotel segment was the opening of Solo Sokos Hotel Estoria in April. Guests have welcomed the hotel, filled with stories of Estonia. A completely renovated Merineitsi restaurant was opened in the Viru hotel, with cabaret performances and concert dining.

From the financial perspective, last year was successful. Although the events in Russia have affected Estonia as well, the operating margin of the hotels grew and the year was normal in terms of sales and results.

The year 2015 began with the renovation of 144 rooms in the Viru hotel. Once the renovation is complete, all of the hotel's more than 400 rooms will have been renewed over the course of a few years. At the same



time, the personality of the Viru hotel will be developed, and guests will be provided with a new look into the history of the legendary hotel. The business idea of the new Estoria will also be continuously developed.

## **Development steps in Latvia and Lithuania**

- There are five Prisma stores in Riga, Latvia, and four in Lithuania: two in Vilnius and two in Kaunas.

Compared to the main local competitors, the Prisma stores in Latvia succeeded extremely well in 2014. Sales increased by ten per cent, whereas the competitors' sales development remained at a zero level. The opening of the new Prisma Virsuleski was celebrated in Lithuania. This is a pilot unit in which consumer goods, among others, are laid out in a more customer-oriented manner and all refrigerated goods are behind doors. Virsuleski is the first hypermarket in the neighbouring countries to implement this approach. The supermarket has saved considerable amounts of energy and money by switching to cold storage equipment with doors.

Recycling has been improved in the stores of both countries. Employee comfort is being focused on, and results of job satisfaction surveys will be reviewed in a more transparent manner.

Local consumers have discovered the Prisma customer loyalty system. There are approximately 150,000 members in the customer loyalty programme in each country.

In the future, Prisma will be challenging the competing supermarkets more powerfully in both countries. The product range will be developed, the quality of fresh produce will be focused on, and customer interaction will be modernised by increasing digital services.

## **Corporate Governance and Management System**

S Group is a group of companies consisting of regional cooperatives and the SOK Corporation, which is owned by the regional cooperatives and their subsidiaries. S Group's strategy is set by SOK's Supervisory Board. The Supervisory Board's task is to represent SOK's owners, in other words, the regional cooperatives, and to serve as the Group's forum for reaching agreement on key strategic issues. SOK Corporation's Corporate Management Team is in charge of preparing the strategy and other proposals to SOK's Executive Board, which introduces them to the Supervisory Board. SOK Corporation's Corporate Management Team is also in charge of SOK Corporation's operative management.

In addition to these bodies, this review introduces supervision in S Group, the S Group-level responsibility programme and the responsibility management model.

# SOK Supervisory Board 2014

## Matti Pikkarainen

Oulu  
(born 1953) D.Th.  
dean, Oulu Evangelical Lutheran  
Federation of Parishes  
chairperson 2013–  
chairperson of the Supervisory  
Board of the Osuuskauppa Arina  
cooperative  
member of the Supervisory  
Board 2004–  
outgoing in 2016

## Maija-Liisa Lindqvist

Lahti  
(born 1951) talousneuvos [Finnish  
honorary  
title]  
training coordinator  
first vice chairperson 2013–  
chairperson of the Supervisory  
Board of the Osuuskauppa  
Hämeenmaa cooperative member  
of the Supervisory Board 1997–  
outgoing in 2017

## Kimmo Simberg

Seinäjäki  
(born 1959) BA (Hospitality  
Management),  
MBA  
second vice chairman 2011–  
managing director of the Etelä-  
Pohjanmaan Osuuskauppa  
cooperative  
member of the Supervisory  
Board 2004–2005, 2011–  
outgoing in 2016

## Jorma Bergholm

Helsinki  
(born 1954) managing director  
Helsingin Työväenyhdistys ry  
chairman of the Supervisory  
Board of the Helsingin  
Osuuskauppa Elanto cooperative

## Esa Karppinen

Melalahti  
(born 1949) insurance agent  
chairperson of the Osuuskauppa  
Maakunta cooperative  
member of the Supervisory  
Board 2011–2012, 2013–  
outgoing in 2015

## Kimmo Koivisto

Salo  
(born 1956) farmer  
chairman of the Supervisory  
Board of the Suur-Seudun  
Osuuskauppa SSO cooperative  
member of the Supervisory  
Board 2003–2004, 2007–  
outgoing in 2016

## Hannu Krook

Nurmijärvi  
(born 1965) M.Sc. (B.A.)  
managing director of the  
Osuuskauppa Varuboden-Osla  
Hlg cooperative  
member of the Supervisory  
Board 2013–  
outgoing in 2016

## Martti Lokka

Mikkeli  
(born 1967) managing director,  
building manager  
chairman of the Supervisory  
Board of the Osuuskauppa Suur-  
Savo cooperative  
member of the Supervisory Board  
2014–  
outgoing in 2017

## Mika Marttila

Rauma  
(born 1970) M.Sc. (B.A.)  
managing director of the  
Osuuskauppa Keula cooperative  
member of the Supervisory

## Pekka Ritvanen

Kuopio  
(born 1955) M.Sc. (Tech.)  
managing director  
member of the Board of Directors  
of the Osuuskauppa Peeässä  
cooperative  
member of the Supervisory Board  
2014–  
outgoing in 2017

## Timo Santavuo

Pori  
(born 1960) lawyer, LL.M. with  
court training  
chairman of the Supervisory  
Board of the Satakunnan  
Osuuskauppa cooperative  
member of the Supervisory  
Board 2000–  
outgoing in 2015

## Mervi Sillanpää- Jaatinen

Lappeenranta  
(born 1957) BBA  
managing director of the Etelä-  
Karjalan  
Osuuskauppa cooperative  
member of the Supervisory Board  
2014–  
outgoing in 2017

## Matti Timonen

Nurmes  
(born 1956) farmer  
chairman of the Supervisory  
Board of the Jukolan  
Osuuskauppa cooperative  
member of the Supervisory  
Board 2011–  
outgoing in 2017

## Personnel representatives

member of the Supervisory Board 2005–  
outgoing in 2017

### **Jan-Erik Hinds**

Mustasaari  
(born 1959) M.Sc. (Eng.)  
property manager  
vice chairman of the Supervisory Board  
of the Osuuskauppa KPO cooperative  
member of the Supervisory Board 2014–  
outgoing in 2017

### **Timo Hollmén**

Kaarina  
(born 1950) agrologist  
chairman of the Supervisory Board of the Turun Osuuskauppa cooperative  
member of the Supervisory Board 2013–  
outgoing in 2016

### **Pentti Hämäläinen**

Hamina  
(born 1954) lawyer  
chairman of the Supervisory Board of the Kymen Seudun Osuuskauppa cooperative  
member of the Supervisory Board 2008–  
outgoing in 2015

### **Henrik Karvonen**

Kuusamo  
(born 1972) managing director of the Koillismaan Osuuskauppa cooperative  
member of the Supervisory Board 2014–  
outgoing in 2015

Board 2011–  
outgoing in 2017

### **Otto Mikkonen**

Joensuu  
(born 1949) teollisuusneuvos [Finnish  
honorary title]  
M.Sc. (Techn.)  
chairman of the Supervisory Board of the Pohjois-Karjalan Osuuskauppa cooperative  
member of the Supervisory Board 2001–  
outgoing in 2016

### **Antti Määttä**

Jyväskylä  
(born 1966) M.Sc. (B.A.)  
managing director of the Osuuskauppa Keskimaa cooperative  
member of the Supervisory Board 2013–  
outgoing in 2016

### **Ilkka Ojala**

Tampere  
(born 1949) M.Sc. (Eng.), M.Sc. (Admin.)  
managing director, City of Tampere Tilakeskus department  
Chairman of the Supervisory Board of the Pirkanmaan Osuuskauppa cooperative  
member of the Supervisory Board 2011–  
outgoing in 2017

### **Ulla Kivilaakso**

Helsinki  
(born 1970) business college graduate,  
diploma in marketing and communications management (MJD)  
customer relationship manager  
SOK Travel industry chain management  
member of the Supervisory Board 2011–  
outgoing in 2016

### **Iiris Merimaa**

Helsinki  
(born 1962) receptionist  
SOK Administrative services and risk management  
member of the Supervisory Board 2009–  
outgoing in 2016

## SOK Executive Board 2014



### 1. Heikki Hämäläinen

(born 1966) M.Sc. (B.A.),  
managing director  
Osuuskauppa Suur-Savo  
cooperative  
Member of SOK's Executive  
Board 2014–  
With S Group 1990–

### 2. Tapio Kankaanpää

(born 1962) M.Sc. (B.A.),  
managing director  
Osuuskauppa PeeÄssä  
cooperative  
Member of SOK's Executive  
Board 2012–  
With S Group 1987–

### 3. Taavi Heikkilä

(born 1962) CEO, M.Sc. (B.A.)  
Member of SOK's Executive  
Board 2007–2011, 2014–  
With S Group 1987–  
Chairman of the Board

### 4. Esko Jääskeläinen

(born 1956) M.Sc. (Econ.),  
managing director  
Suur-Seudun Osuuskauppa SSO  
cooperative  
Member of SOK's Executive  
Board 2011–  
With S Group 1980–

### 5. Matti Niemi

(born 1955) M.Sc. (B.A.),  
managing director  
Helsingin Osuuskauppa Elanto  
cooperative  
Member of SOK's Executive  
Board 2007–  
With S Group 1982–  
Vice chairman of the Board

### 6. Timo Mäki-Ullakko

(born 1963) M.Sc. (B.A.),  
managing director  
Pirkanmaan Osuuskauppa  
cooperative  
Member of SOK's Executive  
Board 2013–  
With S Group 1987–

### 7. Jouko Vehmas

(born 1956) M.Sc. (Econ.),  
managing director  
Kymen Seudun Osuuskauppa  
cooperative  
Member of SOK's Executive  
Board 2001–2003, 2014–  
With S Group 1980–

[SOK Executive Board 2015](#)

## SOK's Corporate Management Team 2014



### 1. Harri Miettinen

(born 1962) Executive Vice President  
SOK Customer Relationships and Information  
M.Sc. (B.A.), with S Group 1986–1987, 1997–

### 2. Arttu Laine

(born 1970) Executive Vice President  
Business operation groups, procurement and logistics  
M.Sc. (B.A.), with S Group 1995–

### 3. Leena Olkkonen

(born 1962) Executive Vice President  
SOK Personnel  
M.Sc. (B.A.), with S Group 2007–

### 4. Jorma Vehviläinen

(born 1967) Executive Vice President  
SOK's business trade  
M.Sc. (B.A.), with S Group 1991–

### 5. Taavi Heikkilä

(born 1962) CEO  
M.Sc. (B.A.), Member of SOK's Executive Board 2007–2011, 2014–  
With S Group 1987–

### 6. Jari Annala

(born 1964) Executive Vice President, CFO  
SOK Finance and Administration  
M.Sc. (B.A.), with S Group 1989–

### 7. Seppo Kuitunen

(born 1961) General Counsel  
Legal Affairs  
LL.M, with S Group 2005–

## SOK Corporation's Corporate Governance and Management System

### Applicable Rules

SOK is a Finnish cooperative whose decision-making and administration are subject to the provisions of



the Cooperatives Act, other regulations concerning the operations of the business areas and SOK's Statutes. The new Cooperatives Act became effective on 1 January 2014. Whether there is a need to amend the Statutes will be assessed during the transition period of the Act. The operations of the subsidiaries are regulated by, among others, the Limited Liability Companies Act, and SOK Corporation's operations are governed by the operating principles, operating policies and investment and approval guidelines confirmed by SOK's Executive Board as well as the rules of procedure confirmed for different bodies.

The Securities Market Association approved a Corporate Governance Code for listed companies (available at <http://cgfinland.fi/en>) in June 2010. According to the Central Chamber of Commerce, other nationally significant institutions should also adhere to the Code to the extent possible considering their special characteristics. SOK adheres to the Corporate Governance Code for listed companies to the extent that it is a cooperative form of business and that it is relevant considering its special characteristics.

## **Cooperative Meeting**

The Cooperative Meeting is SOK's highest decision-making body. Each cooperative enterprise is eligible to send a maximum of five representatives to the Cooperative Meeting, all of whom have the right to address the meeting, but only one of whom has the right to vote on behalf of the cooperative enterprise. The execution of ownership rights and the voting rights are based on ownership shares and the Cooperative's Statutes.

The task of the Annual Cooperative Meeting is to attend to the matters defined in the Statutes, such as adoption of the financial statements, disposal of profit/loss, granting of release from liability, and the election and remuneration of the Supervisory Board and the auditors. An Extraordinary Cooperative Meeting can be convened when necessary.

## **Supervisory Board**

The Cooperatives Act does not require the setting up of a Supervisory Board, but a Supervisory Board has been set out in SOK's Statutes as part of SOK Corporation's administrative model. The role of the Supervisory Board is to represent the extensive grass-roots membership and to act as a forum on which the Cooperative's joint position on major strategic issues is defined. Its duty is to determine overall policies and to safeguard the members' interests. The Supervisory Board confirms all the key strategic policies of S Group and SOK Corporation based on the Executive Board's proposal. Matters concerning the actual operational management are handled by the Cooperative's Executive Board and line management.

The Supervisory Board oversees that the administration of the cooperative society and SOK Corporation complies with the law, the Statutes, and the decisions of the Cooperative Meeting and the Supervisory Board, and that such administration is in the cooperative society's best interests. The Supervisory Board approves and, if necessary, expels members of the cooperative society and appoints and dismisses the Chief Executive Officer and other members of the Executive Board, and also decides on the remuneration of Executive Board members other than those who are employed by the cooperative society.

Furthermore, the Supervisory Board decides on the principles of cooperation for S Group's operations and long-term plans.

The Supervisory Board has confirmed rules of procedure.

The chairman of the Supervisory Board and the two vice-chairmen comprise the Committee of Presiding Officers, which assists the Supervisory Board in carrying out its duties. The Chief Executive Officer attends the meetings of the Committee of Presiding Officers. In addition, the Committee of Presiding Officers takes decisions on, among other things, the CEO's salary and other compensation.

The members of the Committee of Presiding Officers are:

Chairman **Matti Pikkarainen** (born 1953), Cathedral Dean, D. Th.

1st vice-chairperson **Maija-Liisa Lindqvist** (born 1951), talousneuvos [Finnish honorary title], business college graduate

2nd vice-chairman **Kimmo Simberg** (born 1959), kauppaneuvos [Finnish honorary title], BA (Hospitality Management), MBA

The Supervisory Board has established four permanent committees: the Nomination Committee, Compensation Committee, Audit Committee, and Cooperative Committee, which all have their own rules of procedure.

The Cooperative Meeting elects the members of the Supervisory Board on the basis of candidates put forward by the cooperative enterprises. The Supervisory Board has 12–25 members. A person elected to the Supervisory Board must be a Finnish citizen, a member of a cooperative enterprise and under 65 years of age. The Cooperative Meeting decides on the remuneration of the chairman, vice-chairmen, and members of the Supervisory Board as well as of the auditors.

The Supervisory Board had 20 members and two personnel representatives in 2014. The Supervisory Board convened six times.

The special compensation for the chairman of the Supervisory Board in 2014 was EUR 4,000 per month, and the vice-chairmen were each paid a compensation of EUR 1,500 per month. The meeting compensation for the chairmen and members of the Supervisory Board in 2014 was EUR 460 for each meeting and per day spent carrying out a specific assignment.

## Executive Board

### Election and Composition of the Executive Board

According to SOK's Statutes, the Executive Board is composed of the Cooperative's CEO, acting as chairman, and of a minimum of three and a maximum of eight other members. The Supervisory Board elects the members of the Executive Board for a term of one year on the basis of the Nomination Committee's proposal. According to the rules, a person elected to the Supervisory Board must be a Finnish citizen and under 65 years of age. The objective is to ensure sufficient rotation, but, on the other hand, continuity is considered important.

In 2014, SOK's Executive Board had seven members, six of whom were managing directors of cooperative enterprises. SOK's Chief Executive Officer **Taavi Heikkilä** was the Chairman of the Executive Board.



On 19 December 2014, SOK's Supervisory Board elected the following members to the Executive Board for 2015:

Chairman **Taavi Heikkilä** (born 1962), CEO, M.Sc. (Econ.)

**Heikki Hämäläinen** (born 1966), managing director, M.Sc. (B.A.)

**Esko Jääskeläinen** (born 1956), managing director, M. Sc. (Econ.)

**Tapio Kankaanpää** (born 1962), managing director, M.Sc. (B.A.)

**Timo Mäki-Ullakko** (born 1963), managing director, M.Sc. (B.A.)

Vice-Chairman **Matti Niemi** (born 1955), managing director, M.Sc. (B.A.)

**Jouko Vehmas** (s. 1956), managing director, M.Sc. (Econ.)

### **Duties of the Executive Board**

The Executive Board represents the cooperative society and attends to its administration and the due arrangement of its operations within the framework of SOK Corporation and in compliance with the applicable legislation and rules. The duty of the Executive Board is to prepare strategic decisions for presentation to the Supervisory Board as well as to decide on the operating plans of both SOK and its subsidiaries.

In addition, the Executive Board, upon a proposal from the CEO, decides on setting up SOK's Corporate Management Team and on appointing its members and their compensation. The Executive Board appoints a Nomination Working Group, which prepares a proposal on the composition of the Boards of Directors and Business Area Boards of SOK's subsidiaries for decision by the Executive Board. Rules of procedure have been confirmed for the Executive Board.

SOK's Executive Board has not established the committees mentioned in the Corporate Governance Code for listed companies because they have been established by the Supervisory Board.

### **Meetings of the Executive Board**

The Executive Board convenes as required and upon the chairman's invitation, and forms a quorum when more than half of the members are present. The Executive Board regularly evaluates its work and procedures by carrying out a self-assessment once a year.

The Executive Board convened 14 times during 2014, and the members' attendance rate was 98 per cent. The members of the Executive Board were paid a total of EUR 115,200 in remuneration in 2014. The CEO does not receive separate remuneration for his work in the Executive Board. The chairmen of the Supervisory Board are also entitled to attend the meetings of the Executive Board.

## CEO

Contrary to the recommendation of the Corporate Governance Code for listed companies, the Chief Executive Officer employed by the cooperative society is the chairman of SOK's Executive Board. Because the CEO is the chairman of the Executive Board, the Supervisory Board appoints the CEO, in accordance with the Statutes. The duty of the CEO is to manage the operations of the Executive Board and the cooperative society in accordance with legislation, SOK's Statutes, and the decisions of the governing bodies.

CEO **Taavi Heikkilä** was chairman of SOK's Executive Board and CEO, as referred to in the Cooperatives Act. In 2014, SOK's CEO was paid salary, including fringe benefits, in the total amount of EUR 554,400. SOK's CEO had a corporate residence as a fringe benefit, and its taxation value is included in the aforementioned remuneration amount.

## SOK's Corporate Management Team

The duties of SOK's Corporate Management Team include assisting the CEO in the management of SOK Corporation and S Group. The Corporate Management Team coordinates and prepares, among other things, the central proposals made to the Executive Board. Such proposals include business strategies, target levels, operating plans and budgets, as well as major investment projects and disposals of S Group and SOK Corporation. In addition, the Corporate Management Team discusses operational matters concerning all of SOK Corporation's areas of responsibility. The retirement age of the members of SOK's Corporate Management Team is 60–63 years, determined in accordance with personal executive contracts.

At the end of the year, the Corporate Management Team had six members, and it convened 20 times in 2014. In 2014, the Corporate Management Team was paid a total of EUR 1,548,864 in salaries and bonuses. This amount also includes fringe benefits.

## Subsidiaries

Primarily, the chairman of the Board of Directors of a subsidiary is a member of the Corporate Management Team, employed by SOK and responsible for the line of business in question. The CEO was the chairman of SOK Liiketoiminta Oy's Board of Directors. SOK's Executive Board nominates the members of the subsidiaries' Boards of Directors for the subsidiaries' Annual General Meetings to decide. The members of the Boards of Directors of subsidiaries are primarily elected from amongst S Group's employees.

The subsidiary's Board elects the company's managing director, but the election is subject to approval by SOK's Executive Board. The Managing Directors of subsidiaries do not, as a rule, have seats on the Board of Directors of the company in question. The operations of subsidiaries are guided by the Corporation-wide principles and operating policies decided by SOK's Executive Board.

## Chain Management

SOK's chain management units are responsible for developing the business area / chains and the value chain and preparing matters to be decided on by SOK's Executive Board. Key responsibilities include the preparation of the competition strategy, chain business idea and annual operating plan. The business chain

management units are managed by chain directors, who are included in the responsibility area of Executive Vice Presidents at the Corporate Management Team level. Chain management units are provided inspiration and assistance by business support teams. The teams consist of 4–6 representatives of regional cooperatives' managing directors and representatives of SOK's chain management. An SOK Executive Vice President chairs the business support teams.

SOK's support and service functions also have their own support teams, which provide assistance and inspiration to the management of the SOK function responsible for providing and developing the support function in question. The support teams include managing directors of regional cooperatives and directors of the responsibility area in question, and a member of SOK's Corporate Management Team responsible for the support function in question chairs the teams.

The business and service function support teams are not decision-making bodies by nature but are included in the reform of SOK's reinforced management system confirmed in 2014. The support teams replace the former Business Area Boards. A member of the SOK Corporate Management Team responsible for the business or support functions in question is in charge of selecting the support team members. The new management model aims to streamline the authority and responsibilities of the chains and the service business.

## **Management Bonus Scheme**

SOK Corporation's entire personnel in Finland are covered by a bonus scheme. SOK's Executive Board decides on the bonus scheme for the management (the Corporate Management Team), and the Supervisory Board's Committee of Presiding Officers decides on the bonus scheme for the CEO. The bonus scheme for the senior management is based on both short-term and long-term objectives. The maximum level of the Corporate Management Team's short and long-term bonuses corresponds, at a maximum, to three months' monthly salary at an annual level.

The Supervisory Board has set up a permanent Compensation Committee whose task is to assess and develop the compensation systems and principles for S Group's top management and to issue recommendations on compensation to be submitted to SOK's decision-making governing bodies.

## **Audit**

The Annual Cooperative Meeting elects an auditor to audit the financial statements and consolidated financial statements as well as the accounting records and administration of the cooperative society. The auditor must have the legally required qualifications.

The Annual Cooperative Meeting elected KPMG Oy Ab, Authorised Public Accountants, as SOK's auditor for 2014, with Raija-Leena Hankonen, APA, as the principal auditor.

In 2014, the auditing fees paid by the SOK Corporation companies in Finland, the Baltic countries and Russia amounted to EUR 535,892, and other fees amounted to EUR 83,093.

## **Internal Control, Internal Audit, and Risk Management**

SOK's Executive Board is responsible for duly organising the cooperative's operations and management and for the legality and reliability of the accounting records, financial management, and routine management. In addition, the Chief Executive Officer, SOK's unit directors, and the Boards of Directors of the subsidiaries and their managing directors carry out the management and control of business activities in day-to-day operations within their own areas of responsibility. In February 2012, SOK's Executive Board approved the operating policy for SOK Corporation's internal control.

The Corporation's internal audit is carried out by the internal control functions of SOK and its subsidiaries. SOK's Executive Board reviews the annual plan for SOK's internal audit every year. The internal control function regularly reports on the findings of the internal audit to the CEO, Executive Board, and the Supervisory Board's Audit Committee.

SOK's Executive Board has confirmed a risk management policy for identifying and analysing risks across the Corporation and for defining and determining risk management measures as part of operational planning. The key risks in the Corporation's operations and strategic objectives are identified on the basis of the analyses. The management of SOK Corporation's subsidiaries and units reviews and approves each unit's major risks and the defined risk management measures and is responsible for implementing risk management measures.

Precautions have been taken for property, loss-of-profits, and liability damage risks of operations through measures such as contingency plans and insurance. SOK Corporation's risk management expert organisation directs and develops risk management in S Group and provides support for risk management. SOK's internal audit function assesses the sufficiency and functioning of the risk management processes.

## **Financial Reporting**

SOK Corporation publishes its financial statements in February and its interim report for six months in August. Furthermore, reports on the development of S Group's retail sales are published quarterly. SOK Corporation's Annual Report is published at the Annual Cooperative Meeting in April.

## **Communications**

Up-to-date information and other communications concerning the SOK Corporation and S Group are available on the Group's website at [www.s-kanava.fi](http://www.s-kanava.fi) / [www.sok.coop](http://www.sok.coop). SOK's Communications, Community Relations and Customer interaction unit is in charge of producing and updating the information.

## **Responsibility Management**

Responsibility management in S Group covers all business areas, which is why it is managed at the S Group level, together with the corporate management. SOK's Responsibility unit is in charge of the S Group-level development, management and reporting of responsibility.

The management model for responsibility matters was renewed in 2014. In the organisational changes carried out at the beginning of 2014, SOK's Responsibility unit became part of SOK's Business Operation Group, which includes all S Group's business areas, as well as the procurement and logistics companies.

SOK's Responsibility unit is in charge of the strategic goal setting and defines the focus areas of responsibility development of S Group's responsibility. The business area specific responsibility objectives and procedures are defined together with the business units and subsidiaries. SOK's Responsibility unit monitors the implementation of the procedures and reports to the Business Area Group and SOK's Corporate Management Team on responsibility development. In addition SOK's Executive Board discusses the S Group-level responsibility principles, strategic policies related to responsibility and the results of responsibility reporting.

A new aspect in the responsibility management and steering model is the responsibility Advisory Group, designed in accordance with an international model and consisting of external specialists. The role of the Advisory Group is to support and challenge S Group in responsibility development, and its purpose is to produce information for S Group on new opportunities, best responsibility practices, innovations and operating environment risks. Nevertheless, the decisions concerning the focus areas of development are made within S Group. S Group's Director of Corporate Responsibility is the chairperson of the Group, and the CEO, Executive Vice President and business area management also participate in its activities.

An integral part of the responsibility management and steering model are also the internal specialist networks which are built for responsibility reporting, resource efficiency and development of the responsibility of services. The specialists of the Responsibility unit coordinate these networks, and the role of the networks is to test the feasibility of new ideas and models and prepare harmonised policies, as well as to evaluate the tools needed and coordinate their implementation.

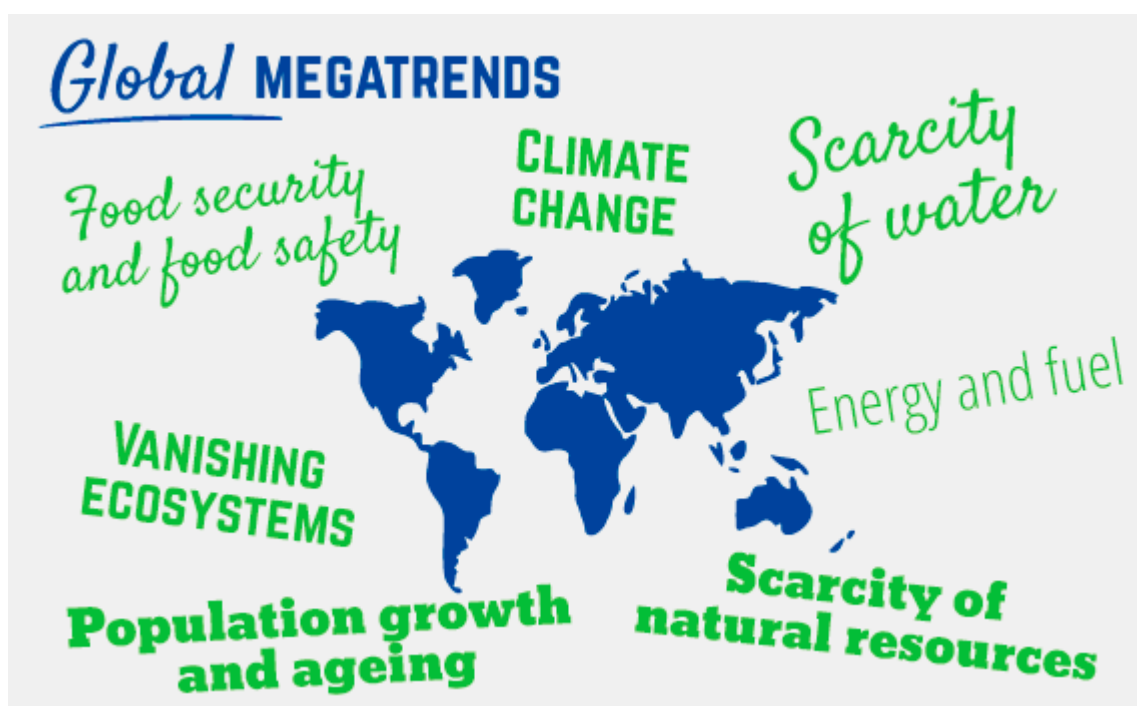
## **S Group's responsibility programme**

S Group is a consumer cooperative. Therefore, developing responsible operations means, above all, improving all areas that our co-op members and other important stakeholders consider important. Our goal is to be a forerunner in responsibility.

In effect until 2016, S Group's responsibility programme is built on four themes: well-being through cooperative activities, personnel well-being and motivation, responsible products and services, and resource efficiency.



The responsibility themes and development focus areas, as well as the key indicators of S Group's responsibility programme are based on a stakeholder analysis conducted in the autumn of 2011 and global responsibility megatrends. When compiling the responsibility programme, we also carried out an international survey on responsibility in pioneering companies.



We see the challenges created by climate change, the scarcity of energy resources and future forms of energy as a business opportunity. Therefore, we invest in wind power, focus on the development of energy-efficiency of S Group's outlets and offer alternatives to fossil fuels in our fuel sales.

The scarcity of material and water resources and vanishing ecosystems will increase in importance. They will have a growing impact on the assessment of risks in global production chains and on improving the effectiveness of supervision procedures in terms of both environmental and social responsibility in the future. Global challenges can be turned into opportunities by focusing on an open and transparent operating method and continuous interaction with stakeholders.



In 2014, we focused on the implementation and follow-up of the responsibility programme in order to reach the objectives set for 2016. We will talk more about key areas of improvement and the progress of implementation in the sections [Responsible products and services](#) and [Resource efficiency](#).

## Case: The Society's commitment to sustainable development

S Group wants to contribute to building a sustainable Finland and therefore, we have committed to promoting the principles of the Society's commitment to sustainable development, "The Finland we want by 2050". S Group drew up two action commitments. One of them deals with carbon-neutral society and the other one covers working sustainably and employing the young in retail.

## Stakeholders

S Group engages in systematic dialogue with our stakeholders. The goal of the dialogue is to disseminate information on S Group, increase mutual understanding and make use of the competence of the stakeholders in the development of our operations. Successful stakeholder engagement helps us understand our operating environment better.



## Systematic stakeholder engagement

S Group's stakeholder engagement is managed in a goal-oriented manner. S Group has defined the key stakeholders and their expectations and impact on S Group. In addition, the forms of stakeholder engagement for each group have been defined.

S Group measures the success of stakeholder engagement on a yearly basis. Stakeholders' images of S Group as a responsible player are surveyed by means of the Reputation and Responsibility survey conducted by TNS Gallup. The survey also compares S Group with other players in the sector. In 2014, the image of the reputation and responsibility level in the entire retail sector decreased slightly, compared to the previous year. In the survey, the reputation index of retail was 55 (2013: 57) and S Group's reputation index was 62 (2013: 64). Compared to the sector overall, S Group's reputation continued to be at a good level. The index depicting S Group's responsibility also declined slightly and was 31 (2013: 33). The sector average was 24 (2013: 25).

## Transparency builds trust

S Group wants to participate in social discussion openly and proactively. Matters are communicated as soon as objectives have been set for action. Differing views are taken into account and criticism is discussed.



We openly answer questions and respond to feedback, whether the questions or feedback come from customers or civic organisations.

The media is interested in S Group, since it is a large Finnish company. We actively work to offer media representatives opportunities to learn about our operations. In September 2014, a seminar for economic reporters covered the change taking place in the retail sector, among other things. In addition, SOK's management met editors-in-chief of the largest media in the traditional Christmas get-together in December.

## **Stakeholder dialogue on responsibility**

We again mapped our stakeholders' expectations by means of an extensive online survey conducted at the end of 2014. The personnel, co-op members and other stakeholders were asked what S Group should do in order to be a leader in responsibility. In addition to the openness and transparency of operations, respondents called for management of food loss, good HR policy and favouring Finnish products in the product range. The responses will be taken into consideration when the objectives and development areas of S Group's responsibility work are defined in the future. Stakeholders' views and matters important to them are also assessed through continuous interaction.

## **Listening and working together**

We assess the need for cooperation with our key stakeholders in order to meet our responsibility objectives. We aim to build partnerships, which would help us learn and develop S Group's business operations and achieve shared goals.

For example, the objective of the two-year (2012–2014) partnership between SOK Corporation and the WWF was to promote S Group's responsibility in the sustainable and resource-efficient use of natural resources, above all. Through the partnership, SOK has supported the WWF's efforts to promote the sustainable use of natural resources.

In 2014, the partnership included organising a workshop to seek solutions that would motivate residents of single-family homes in Finland to increasingly choose renewable and energy-efficient energy solutions. The event brought together companies, associations, consumers, researchers and specialists.

S Group has been actively participating in the Round Table working group on businesses and human rights in retail, established by the Ministry of Employment and the Economy and the Ministry for Foreign Affairs at the end of 2014. The working group consists of representatives of the Ministries, civic organisations and retail, and its purpose is to clarify and guide the national implementation of the UN's Guiding Principles on Business and Human Rights.

## **Good business practices guide our work**

As a large company, S Group has numerous suppliers of different kinds and size. S Group treats all suppliers equally and adheres to its ethical principles. We operate responsibly and with integrity and expect the same from our partners.

In 2010, players in the food supply chain – primary production, industry and trade – embarked on establishing a self-regulation mechanism on the EU's initiative. The objective was to maintain the competitiveness of the food supply chain, while also taking the consumers' interests into consideration.

In 2013, SOK signed a letter of intent on joining the EU's Supply Chain Initiative. It launched the assessment of the operating models described in the initiative, and SOK registered in the initiative in May 2014.

## **Dialogue with decision-makers**

S Group's objective is to conduct on-going dialogue with decision-makers on issues impacting S Group's operations and the development of the service sector. In 2014, S Group met special advisers of ministers as well as Parliament members interested in S Group's operations, among others. Minister of Labour Lauri Ihalainen addressed SOK's 110th anniversary celebration.

In July, S Group organised a panel discussion on the importance of local services at the SuomiAreena event in Pori.

## **The village shop project aims to secure local services**

S Group participates in the village shop project organised by the Finnish Grocery Trade Association. Services play an important role in the convenience of the everyday life of Finnish people. However, as the population decreases in sparsely populated areas, providing services becomes increasingly challenging. The objective of the local service model in the village shop project is to secure local services by means of cooperation between the private and public sectors and associations. S Group's Sale chain is participating in the project.

## **Advocacy organisations for common interests**

We collaborate with sector organisations and other associations in the development of our industry within the framework allowed by competition legislation.

SOK represents S Group in various lobbying organisations. These organisations supervise the interests of companies in the retail sector both in Finland and in the EU. S Group is a member of the Finnish Commerce Federation. In 2014, SOK's CEO served as the vice chairman of the Federation's Board of Directors and the managing director of the Kymen Seudun Osuuskauppa cooperative was a member in it.

SOK is also a member of Finnish Grocery Trade Association PTY, the Tekstiili- ja Muotialat TMA textile and fashion sector organisation, the Finnish Hospitality Association Mara and the Finnish Petroleum Federation. Through various sector organisations, SOK is also involved in the operations of the Confederation of Finnish Industries (EK). SOK is represented on numerous committees and working groups in the aforementioned organisations.

SOK also has representation in international retail sector organisations. As a cooperative form of business, SOK is a member of Euro Coop, the European Community of Consumer Cooperatives. SOK also has a representative in the organisation's Presidium, Board of Directors and three working groups. Euro Coop supervises the interests of consumer cooperatives in the European Union. SOK also influences EU legislation through the commerce lobbying organisation Euro Commerce. Both Euro Coop and Euro Commerce are headquartered in Brussels, and their objective is to develop sector practices on a voluntary basis so that regulation would be unnecessary. Key responsibility themes in 2014 included the circular economy, F gases, plastic bags, green statements, and energy labels.

SOK is also a member of the International Co-operative Alliance (ICA). ICA is an independent, non-governmental organisation that serves cooperatives globally. ICA is the world's second largest organisation after the United Nations (UN). SOK's representative supervised the interests of Finnish cooperative activities as a member of ICA's Board of Directors in 2014. SOK also has a member in ICA's Round Table expert group, which focuses on measuring responsibility and increasing the awareness and education of cooperative activities, in particular.

In addition, SOK is a member of the Foreign Trade Association (FTA) as well as the Business Social Compliance Initiative (BSCI) and Business Environment Performance Initiative (BEPI) systems operating under FTA. The objective of the BSCI system is to improve working conditions in countries at risk to the level required by international agreements, and BEPI strives to improve the management of the environmental impact of supply chains. SOK has a representative on the FTA Board and in the BSCI's System Committee and a BEPI working group.

## **New models of stakeholder engagement**

In order to be able to renew itself and address the challenges of the changing operating environment of retail, S Group needs new creative ideas, competence and innovative solutions to develop its operations. S Group wants to actively participate in the promotion and development of business operations that will generate new growth and vitality in Finland. Among other things, S Group participated in the Corporate Venture programme last year. This programme aims to assist Finnish growth companies in developing their operations and growing. During the programme application period, which started in October, a total of 44 growth companies in application development, service design and customer marketing submitted their applications to S Group. The selected companies will be coached in their business strategies and growth plans, and will also receive expert advice on the commercialisation of their ideas. In turn, S Group hopes to find new solutions and ideas, which can streamline the use of its services and the service provision in various channels, or which can help provide even better services and benefits to co-op members.

S Group established an Advisory Group of external experts to accelerate responsibility development in the Group. Its purpose is to provide S Group with information about new opportunities, best practices in corporate responsibility and risks related to the operating environment.

The 'Tornin aamu' discussion events are S Group's new concept in stakeholder engagement. The concept was designed in 2014, and the first event took place in February 2015. The 'Tornin aamu' events are forums for discussing matters S Group's stakeholders find topical, such as the price of food, regulation, future of the service industries, and corporate responsibility. Discussion participants invited to the events include stakeholders relevant for each topic, for example, representatives of associations, decision-makers, senior officials, the media and experts.

## S Group in figures

S Group's key figures			
Key figures, EUR million	2014	2013	2012
S Group's retail sales (incl. the whole S Group)	<b>11,182</b>	11,353	12,037
S Group's retail sales in Finland	<b>10,599</b>	10,799	11,571
S Group's retail sales in the Baltic countries and Russia	<b>583</b>	569	466
Cooperatives' retail sales	<b>10,373</b>	10,477	10,373
S Group's bonus sales	<b>9,336</b>	9,541	9,444
S Group's result*	<b>274</b>	226	212
S Group's investments	<b>526</b>	573	584
Bonus paid out to co-op members	<b>361</b>	379	379
Co-op members	<b>2,156,828</b>	2,109,025	2,055,227
Personnel	<b>40,292</b>	41,784	43,417
Outlets	<b>1,643</b>	1,642	1,697
Regional cooperatives	<b>20</b>	20	21
Local cooperatives	<b>8</b>	8	8
All sales VAT 0%			
*) Result before extraordinary items and taxes			

Financials			
SOK Corporation, EUR million	IFRS 2014	IFRS 2013	IFRS 2012
Revenue	<b>7,286</b>	7,317	10,634
Depreciation and impairment losses	<b>68</b>	66	63
Operating profit	<b>47</b>	-8	-7

Financial income and expenses (+/-)	<b>4</b>	6	1
Profit before taxes	<b>43</b>	-13	-9
Profit for the financial year	<b>36</b>	-9	-23
Total assets	<b>1,588</b>	1,641	2,055
Non-current assets	<b>649</b>	699	697
Inventories	<b>175</b>	190	221
Current assets	<b>938</b>	942	1,036
Assets held for sale	<b>3</b>	7	322
Equity attributable to equity holders of the parent, total	<b>697</b>	594	591
Minority interest	<b>2</b>	1	2
Provisions	<b>19</b>	26	9
Liabilities	<b>979</b>	1,046	1,189
Liabilities associated with assets held for sale	<b>0</b>	4	273
Interest-bearing liabilities	<b>110</b>	162	425
Cash and cash equivalents and short-term investments	<b>179</b>	158	178
Net interest-bearing liabilities	<b>-68</b>	4	247

SOK, EUR million	FAS 2014	FAS 2013	FAS 2012
Sales*	<b>6,284</b>	7,496	7,384
Sales to cooperative societies	<b>5,838</b>	7,114	6,974
Operating profit before extraordinary items, appropriations and taxes	<b>13</b>	48	4
Profit/loss for the financial year	<b>12</b>	48	-8

\*) Sales excl. VAT

The S Group's retail sales by business area, EUR million	2014	2013	2012
Prisma hypermarkets	<b>3,405</b>	3,377	3,219
S markets	<b>3,246</b>	3,252	3,207
Sale stores	<b>611</b>	579	532
Alepa stores	<b>345</b>	346	336
Other supermarket trade	<b>5</b>	13	10
<b>Supermarket trade*</b>	<b>7,616</b>	7,566	7,304

Sokos department stores	255	273	286
Emotion speciality stores	37	33	31
Pukumies fashion stores	22	25	25
Other consumer goods	10	7	6
<b>Department stores and speciality stores</b>	<b>324</b>	338	349
ABC service station stores	850	865	900
ABC unmanned stations	704	736	724
ABC fuel oil service	40	46	49
ABC-Deli convenience stores	74	103	89
Other service station stores	101	62	68
Other unmanned stations	4	5	2
Other service station stores and fuel sales	0.2	0.1	0.1
<b>Service station stores and fuel sales</b>	<b>1,774</b>	1,817	1,832
Travel industry	274	275	270
Hospitality business	524	535	532
<b>Travel industry and hospitality, total*</b>	<b>798</b>	811	803
Kodin Terra and S-Rauta	207	241	241
<b>Hardware trade</b>	<b>207</b>	241	241
<b>Automotive trade and accessories</b>	<b>301</b>	406	507
<b>Agricultural trade</b>	<b>150</b>	162	990
<b>Others</b>	<b>12</b>	12	11
<b>S Group retail sales total</b>	<b>11,182</b>	11,353	12,037

All sales VAT 0%

\*) including retail sales in neighbouring countries (Russia and the Baltic countries)

Outlets			
S Group's retail outlets	2014	2013	2012
Prisma hypermarkets*	101	98	95
S markets	437	437	435
Sale stres	281	274	261
Alepa stores	89	87	87
Other outlets	12	12	11
<b>Supermarket trade</b>	<b>920</b>	<b>908</b>	<b>889</b>
Sokos department stores*	19	22	22
Emotion speciality stores	35	35	34
Marks & Spencer	3	0	0
Pukumies fashion stores	10	10	10
Other speciality stores	9	11	10
<b>Department stores and speciality stores</b>	<b>76</b>	<b>78</b>	<b>76</b>
ABC service station stores	106 (106)	106 (106)	108 (108)
ABC unmanned stations	98 (300)	99 (309)	90 (295)
ABC-Deli convenience stores	11 (10)	16 (16)	16 (16)
Other service station stores	23 (20)	13 (3)	13 (5)
Other unmanned stations	0 (3)	0 (3)	0 (3)
<b>Service station stores and fuel trade</b>	<b>238 (439)</b>	<b>234 (437)</b>	<b>227 (427)</b>
Sokos Hotels	52	52	52
Radisson Blu Hotels	7	7	7
Other hotels	4	4	3
Hospitality outlets	256 (750)	266 (760)	252 (751)
<b>Travel industry and hospitality</b>	<b>319 (813)</b>	<b>329 (823)</b>	<b>314 (813)</b>
Kodin Terra*	11	12	12
S-Rauta	14	15	16
<b>Hardware outlets</b>	<b>25</b>	<b>27</b>	<b>28</b>

<b>Automotive trade and accessories</b>	<b>35</b>	37	47
<b>Agricultural trade</b>	<b>14</b>	15	101
<b>Other outlets</b>	<b>16</b>	14	15
<b>S Group total</b>	<b>1,643</b>	1,642	1,697

\*) The number of outlets includes also the webstores.

The outlet figures reported in brackets include restaurants, stores or stations connected to other outlets.

## Co-op membership

Co-op membership figures	2014	2013	2012
Co-op members (persons)	<b>2,156,828</b>	2,109,025	2,055,227
New co-op members in 2014	<b>83,825</b>	92,113	87,465
Bonus paid to co-op members (EUR, million)	<b>361</b>	379	379
Payment method-related benefit (EUR, million)	<b>6</b>	6	6
Payment of interest on membership (EUR, million)	<b>13</b>	13	13
Return of the surplus (EUR, million)	<b>22</b>	24	23
Co-op member benefits in average (EUR/ member)	<b>189</b>	212	207

## Personnel

Number of personnel	2014	2013	2012
S Group	<b>40,292</b>	41,784	43,417
Cooperative societies and subsidiaries	<b>31,424</b>	32,138	32,787
SOK Corporation	<b>8,868</b>	9,464	10,630
SOK	<b>1,398</b>	1,517	1,755

Type of employment and personnel turnover (%)	2014	2013	2012
Permanent	<b>87</b>	86	86
Fixed-term	<b>13</b>	14	14
Full-time	<b>36</b>	39	39
Part-time	<b>64</b>	61	61
Personnel turnover, permanent employees	<b>24.9**</b>	16.7	16.5*



*\*) The 2012 figure contains S Group's regional co-operatives with the exception of the Ympäristö and Ympyrä co-operatives, which merged into Kymen Seudun Osuuskauppa co-operative in January 2013.*

*\*\*) The increase in personnel turnover is explained by the internal business transfers in the Turun Osuuskauppa cooperative and S-Bank, which resulted in a technical transfer of the entire personnel from one organisation to another.*

Gender distribution (%)	2014	2013	2012
Women	<b>76</b>	73	75
Men	<b>24</b>	27	25

Results of S Group's work community survey*	2014	2014 General norm in Finland	2013	2012
Work community index (including all questions)	<b>71.3</b>	64.6	71.7	72.7
Dedication index	<b>75.0</b>	70.6	75.3	76.1
Commitment index	<b>70.0</b>	66.2	70.7	72.6
Management index	<b>71.5</b>	63.0	71.9	72.7
Performance index	<b>69.9</b>	60.6	70	70.3

*\*) The results are weighed by the number of respondents.*

Training	2014	2013	2012
Training days, Jollas Institute	<b>1,356</b>	1,718	1,778
Number of students at Jollas Institute	<b>15,700</b>	19,301	20,722
Online training modules carried out	<b>32,972</b>	19,171	-

## Environment

Real property information	2014	2013	2012
Gross area (million gross m <sup>2</sup> )	<b>4.8</b>	4.7	4.5
Electricity consumption (GWh)	<b>1,140</b>	1,176	1,157
Heat consumption (GWh)	<b>418</b>	418	462
Water consumption (million m <sup>3</sup> )	<b>2.0</b>	1.9	1.8
Costs with environmental impact, EUR million*	<b>163</b>	175	189

*\*) The figures include electricity, heating, waste and water costs and the costs of restoring contaminated soil.*

Waste	2014	2013	2012
Total amount of waste generated (tonnes)	<b>102,000</b>	105,000	111,000
Reuse/recycling rate (%)	<b>90</b>	88	85

Packages	2014	2013	2012
Imported packages to Finnish market (tonnes)	<b>66,500</b>	66,334	64,982

*The amount of imported packages in 2012–2013 have been revised recalculated.*

Environmental risks	2014	2013	2012
Recovery of fuel vapour (pcs)	<b>287</b>	272	249
VOC emissions in petrol sales (tonnes)	<b>698</b>	715	718
Number of environmental permits and registration notifications for fuel distribution (pcs)	<b>436</b>	362	364

## Well-being through cooperative activities

### ■ Cooperative activities and co-op membership

Cooperative activities mean joint ownership and benefit sharing. The co-op members are the sole owners of S Group's cooperative enterprises.

Cooperative activities refer to business operations that emphasise both financial profitability and social responsibility. Because of the cooperative form of business, the money circulating in the operations of cooperatives benefits the co-op members and ensures regional well-being and vitality. Earnings from the operations are invested for the benefit of the co-op members by developing services and renovating outlets, or distributed to the co-op members in the form of various benefits, such as the Bonus and the

payment method-related benefit. Profit from the business operations in the cooperative form of business is distributed in the form of interest paid on the membership fee and the return of the surplus.

## Co-op membership offers ample benefits

### Cooperative membership has three aspects:

**My store:** All co-op members own an equal share of their cooperative. S Group's numerous outlets and the products, services and benefits they offer are at co-op members' disposal.

**My benefits:** The only objective of the cooperative activities is to serve the needs of the co-op members. The extensive network of cooperative outlets provides a one-stop shop for everything you need, at a reasonable price. The co-op members also receive benefits, of which the most important is the Bonus reward for centralising one's purchases.

**Our advantage:** A cooperative is a Finnish enterprise. Most of the taxes paid by S Group and the advantages gained from procurement and construction remain in the region. In addition, S Group's cooperatives and SOK Corporation together form the largest private employer in Finland.

S Group always reserves the best benefits and advantages for its co-op members.



S Group's Co-op membership key figures	2014	2013
Co-op members (persons)	<b>2,156,828</b>	2,109,025
New co-op members in 2014	<b>83,825</b>	92,113
Bonus paid to co-op members (EUR, million)	<b>361</b>	379
Payment method-related benefit (EUR, million)	<b>6</b>	6
Payment of interest on membership (EUR, million)	<b>13</b>	13
Return of the surplus (EUR, million)	<b>22</b>	24
Co-op member benefits in average (EUR/ member)	<b>189</b>	212

## Case: Co-op members influence the operations of their cooperative

A co-op member is not just a loyal customer. The members of cooperatives can influence how their cooperative operates by casting a vote in the election of the cooperative's Council of Representatives or by presenting themselves as candidates.

The Council is a governing body elected by the cooperative members among themselves every four years. In terms of its decision-making power, the Council is comparable to an Annual General Meeting of a company. The Council adopts the financial statements, decides on the use of the surplus and the release from liability of the CEO, the Executive Board and the Supervisory Board, as well as selects the members of the Supervisory Board and auditors. In 2014, Council of Representatives elections were held in three regional cooperatives: Osuuskauppa Arina, Etelä-Karjalan Osuuskauppa and Osuuskauppa Keula.

## ■ S Group's social influence

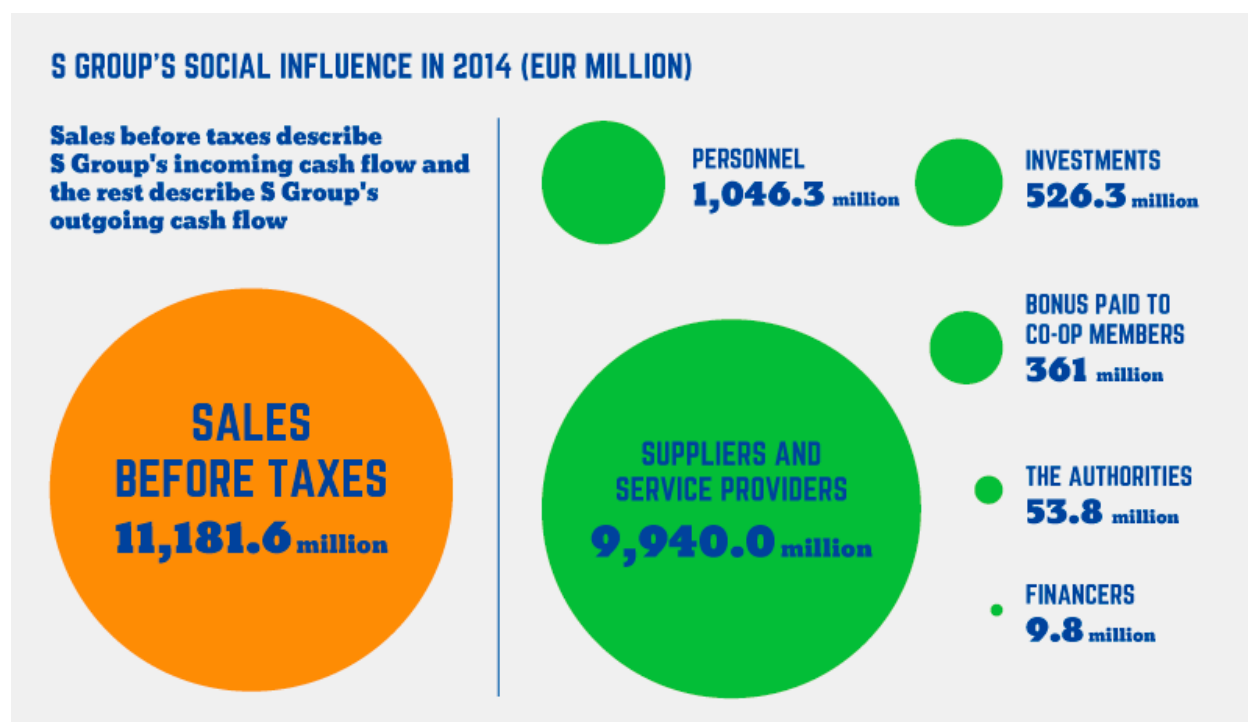
S Group and the cooperatives create well-being regionally in many ways. Cooperatives are significant employers, and local purchases and investments generate economic well-being throughout the country.

The cooperative nature of business is visible to co-op members in many ways. One of the basic ideas of

cooperative activities is to provide co-op members with financial rewards. In addition to economic well-being, social and environmental well-being play an important role in cooperative activities.

Cooperative activities are firmly based on principles and values. In terms of responsibility, the most essential cooperative values are honesty, openness, social responsibility and caring for others. These values are realised in S Group's daily activities in outlets and offices and through various forms of co-operation. Equality is emphasised in cooperative activities, because each member owns an equal share of the cooperative and, thus, each member has equal opportunities to have influence.

Regional economic well-being is generated, among other things, by selling local products and using the services of local companies in, for example, construction projects. In 2014, S Group invested nearly EUR 526 million in building new outlets and renovating and expanding existing ones. The figure below shows the cash flows distributed between stakeholders in relation to S Group's sales excluding tax.



## Creating well-being locally

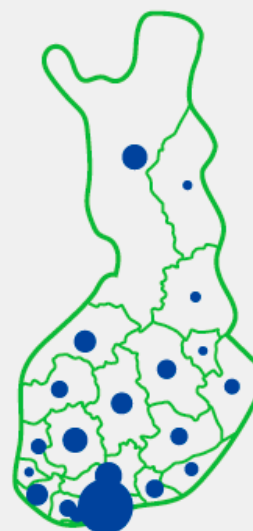
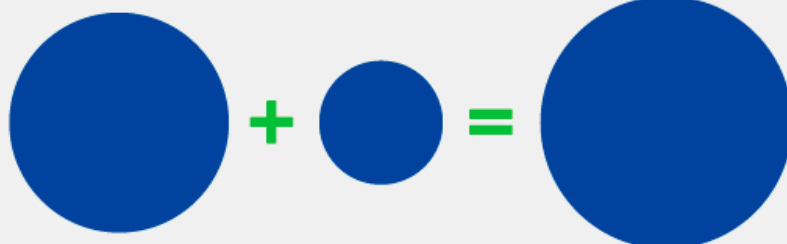
Cooperatives are important regional employers. S Group employs more than 36,000 people, so its indirect impact on the state tax revenue is considerable. Although the chain operations are managed nationally, S Group consists of 20 independent regional cooperatives, eight local cooperatives and SOK Corporation. Therefore, tax revenue generated by S Group is distributed regionally. Tax withholding revenue on salaries, in particular, is accumulated by municipalities directly. The revenue is used to finance services offered by society in each cooperative's region. The figure below shows the accumulation of tax withholdings in the cooperatives' regions

## TAX WITHHOLDINGS REMITTED BY S GROUP IN 2014 (EUR MILLION)

REGIONAL CO-OPERATIVES  
**169.4**

SOK CORPORATION  
**53.6**

TOTAL  
**223.0**



## S Group's tax footprint

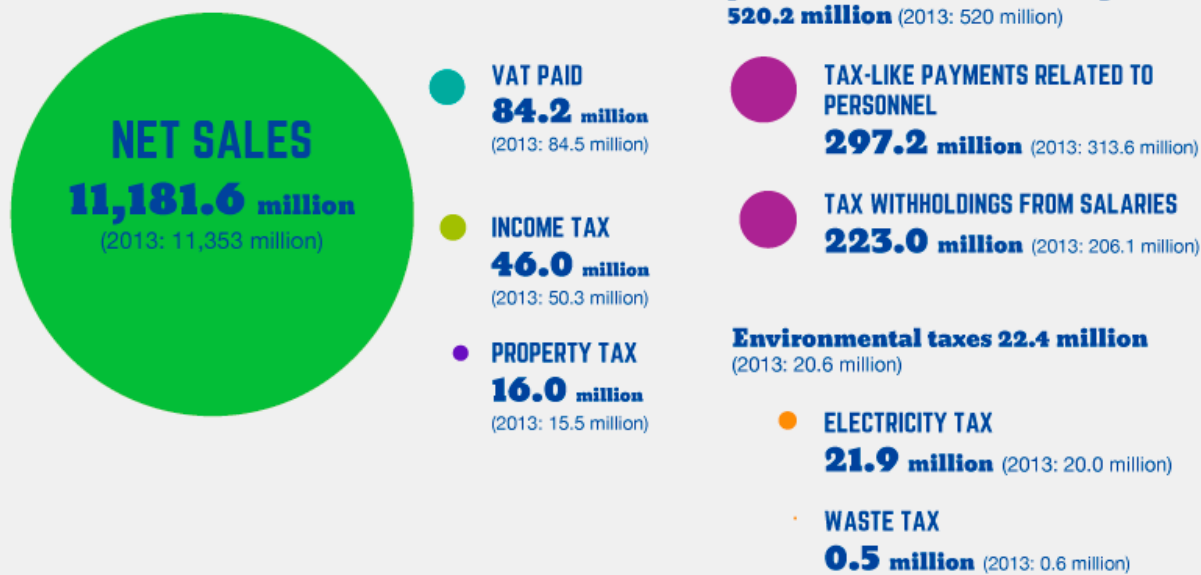
A tax footprint refers to the tax revenue and tax-like payments accumulated by society from a company's operations. S Group's tax footprint describes taxes remitted to the state of Finland in 2014. In addition to direct and indirect taxes, S Group's tax footprint includes tax-like payments related to personnel and tax withholdings from the employees' salaries.

Indirect taxes include value added tax and excise duties. Value added tax is a consumption tax paid by the end consumers of goods and services, that is, households. S Group remits value added tax to the tax authorities as a company selling goods and services. The 2014 tax footprint only includes the value added tax portion remitted to the state by S Group. Excise duty is a consumption tax levied from the manufacturers, producers, importers or wholesalers of certain products and remitted to the tax authorities. Excise duty is included in the price of the product being sold, and thus is paid by the consumer. Excise duties are included in the inputs acquired by S Group, but are not included in the tax footprint this year.

The total amount of taxes included in S Group's tax footprint totalled approximately EUR 689 million in 2014. Because the 2014 tax footprint does not include fuel excise duty (North European Oil Trade) and excise duties on S Group's own imports, the figure is not fully comparable with the 2013 tax footprint. However, individual comparison figures from 2013 are presented next to the respective 2014 figures.

In addition to the taxes described in the tax footprint, S Group also pays the following taxes and fees: excise duty, bank tax, transfer tax, lottery tax, tax at source, vehicle tax, car tax and a forest management fee. These are not included in the figure.

## S GROUP'S TAX FOOTPRINT IN 2014 (EUR MILLION)



## National and regional responsibility cooperation

S Group's responsibility cooperation includes culture, sports and social activities. In 2014, the amount of financial support given totalled approximately EUR 6 million, of which more than half was allocated to sports, slightly over 30 per cent to social activities and 15 per cent to culture.

S Group and the Football Association of Finland have been supporting sports activities for children and the young through the multi-purpose field programme. The programme promotes the building of local sports field, or Ässäkenttä fields, in different parts of Finland. In 2014, a total of five new Ässäkenttä fields were built. The total number of Ässäkenttä fields built during the past four years of cooperation amounts to 36. These fields, built in schoolyards, are within the reach of all families in the area, since using them requires no reservations and incurs no fees.

S Group has been one of the principal partners of the Finnish Red Cross (SPR) since 2003. S Group wants to bring SPR's important work closer to co-op members, their families and its personnel – more than two million Finnish households altogether. The theme of cooperation is Everyday safety ('Arjen turvallisuus'). S Group also takes part in the Operation Hunger Day and the Red Cross Week and offers SPR visibility in S Group media and outlets.

The Mannerheim League for Child Welfare (MLL) has been S Group's nationwide partner since 2004. With the help of S Group, MLL has developed models to support parenting, including Internet and telephone services. In recent years, S Group has been sponsoring the Hyvä alku koulutielle ('Good start for school') campaign. It reaches nearly 65,000 parents of first-graders and provides families with important information on child well-being. Last year, approximately 60,000 activity bags were handed out to schoolchildren in the campaign. S Group also supports MLL's online work with the young, aiming to reduce bullying.

S Group has been the main sponsor of the Children's Day Foundation for many years. The purpose of the

operations of the Children's Day Foundation is to collect funds for child welfare work in Finland by means of maintaining and developing the Linnanmäki Amusement Park. A record amount of EUR 3.9 million of the 2014 profit of Linnanmäki was donated to child welfare work. The total amount accumulated over the years is approximately EUR 98 million. In addition to providing financial support, S Group also sells Linnanmäki wristbands in its outlets.

In the autumn, S Group participated in the *Kun koulu loppuu* ('Future after graduation') tour organised by the Economic Information Office (TAT). The campaign truck toured Finland for 15 weeks and stopped at Finnish upper secondary schools, reaching thousands of students. The purpose of the tour was to motivate and encourage students to discover their own strengths and to offer graduating students information to support their educational and career choices. S Group's regional cooperatives donated Job Search Games to the participating upper secondary schools. The board game helps students learn skills needed in job search, such as submitting an application and preparing for job interviews.

Cooperation with the Ice Skating Tour campaign of the Finnish Speed Skating Association produced more than 55 events in different parts of Finland, attracting approximately 41,000 skaters. The event is free of charge, and the Finnish Speed Skating Association loans skates to those participants who do not have their own gear. The event is the largest sports event of the winter for the public in many communities.

S Group was one of the sponsors of Power Shift, the largest climate event in Finland. The event was organised by students of Aalto University, and aimed to activate people to become more aware of climate change and interested in the solutions to the global challenges it creates. The event is part of the global Power Shift movement. Similar events were organised in more than 70 countries in 2014.

With a donation of EUR 1 million, S Group is one of the founding funders of the new Children's Hospital to be built in Helsinki, serving the whole of Finland. In addition to the donation, S Group invited all of its two million co-op members to take part in fund-raising.

In 2014, the traditional EUR 25,000 Christmas donation by SOK's Supervisory Board was directed to veterans of war and to foundations supporting activities for the young and the developmentally disabled. By supporting the *Sotiemme veteraanit* fund-raising drive for war veterans, S Group wants to express gratitude and respect to the efforts of the veterans. The campaign also supports low-income veterans, their spouses and widows as well as war widows to enable them to continue living at home.

Traditionally, S Group has also supported parties promoting the well-being of children and the young. In 2014, the main focus was on projects, which help the young who are, or are in danger of becoming, marginalised. In addition to the *Tukikummit* foundation, S Group also provided financial support to the *Myrsky* ('Storm') project of the Finnish Children and Youth Foundation, as well as the hospital clown activities of the *Sairaalaklovnit* association.

The Fransmanni restaurants continued the *Ruokalistalla hyvät tavat* ('Good manners on the menu') project, launched in 2011. The project emphasises the importance of shared family meals for the well-being of the family. In addition, the project aims to increase interest among children in cuisine and remind them of the importance of good manners. Another objective is to help 10–12-year-old schoolchildren to become the next generation of well-behaving young. Each Fransmanni restaurant is designated a class of students in an area school every year, and the restaurant personnel coach the class in good manners. In addition, the Fransmanni restaurants hand out project booklets, which offer information and tips on good manners to everyone.

S Group supports the protection of the Baltic Sea through WWF's Operation Mermaid project. S Group



donates five cents from each make-up and skin care product sold in S Group's own We Care Icon line to the project supporting the Baltic Sea.

Responsibility co-operation is also carried out regionally, and the regional cooperatives extensively support local activities. The Kannustajat ('Supporters') concept is a way for the cooperatives to provide transparent support for the hobbies and activities of children and the young. Co-op members can join as supporters and influence the target and amount of the support the cooperative pays. The Bonus accumulated by the supporter co-op members is combined, and the cooperatives pay a certain percentage of the total amount to the participating associations. The higher the number of supporters and the larger the amount of Bonuses they accumulate, the higher the support amount can grow. The support amount does not reduce the co-op members' Bonuses, since the amount is paid by the cooperatives. In 2014, the Kannustajat concept was implemented by the Osuuskauppa KPO, Osuuskauppa Hämeenmaa, Osuuskauppa Suur-Savo, Osuuskauppa Arina, Satakunnan Osuuskauppa and Osuuskauppa Keula cooperatives.

## **Case: The rewarded ABC kohtaa nuoria project**

The ABC kohtaa nuoria ('ABC encounters the young') project received the Vaikuttavaa! award from Finland's Slot Machine Association in 2014. The award is granted for organisational activities, which have social influence and produce results. The joint project of the Youth Service Association and the ABC chain was to improve the skills of the personnel in ABC service station stores in their daily encounters with the young.

The project provided valuable information and experience to support youth education in commercial establishments, where the young spend more and more time instead of using traditional premises designated for them, and want to be treated as equals and individuals. The young participated in setting good ground rules for challenging customer service situations, and also acquainted themselves with employees. This improved interaction and dialogue between the personnel and the young in ABC service station stores. Improved customer service encounters with the young have also had a positive impact on personnel well-being and coping at work. The project also generated new kinds of operating models and working methods, which are widely implemented in the ABC chain.

## **Personnel well-being and motivation**

### **Working at S Group**

S Group, is one of Finland's largest employers. In 2014, the Group had more than 40,000 active professionals on its payroll. These professionals represent the Group's main lines of business: the supermarket trade and restaurant business, as well as fuel

sales and service station store operations, but also the travel industry, banking and financing operations, as well as the department store and speciality store businesses. They work in health services, hair styling, automotive and agricultural trade and at ski resorts as well as in specialist positions in companies' support functions such as financial administration, HR or IT.

Those working in retail in particular are in the middle of a significant change: parts of retail are moving to the web, which extends across municipality, city or country borders from one country and continent to another. The retail sector must be able to address this permanent change as an employer.

Although in some areas this change has significantly impacted on general personnel development in retail, it has not considerably affected the number of personnel in S Group thus far. In 2014, S Group had nearly 3,000 open positions, and the Group received more than 214,000 applications both from within the Group and externally.

S Group supports the internal mobility of personnel. Diverse employee professional skills both benefit the employees themselves and drive S Group's objective to provide employees with long, permanent employment relationships and an opportunity to earn their primary income from S Group. In 2014, more than 40 per cent of employees who had a permanent employment contract had been working for the Group continuously for at least five years. Committed, skilled employees are a cornerstone of S Group's business.

The main reason for employee turnover in the retail and restaurant sectors, which employ the largest numbers of people, are typical for the sector: fixed-term seasonal employment relationships. More than 75 per cent of employees who resigned from S Group are under 30 years of age. This, together with the general ageing of population in Finland, illustrates the current, polarised challenge experienced within the workforce. Young people do not necessarily want to commit to long-term employment with one employer, and the number of employees retiring is increasing. Therefore, S Group continuously needs new personnel and focuses on being an attractive employer.

## **An interesting place to work**

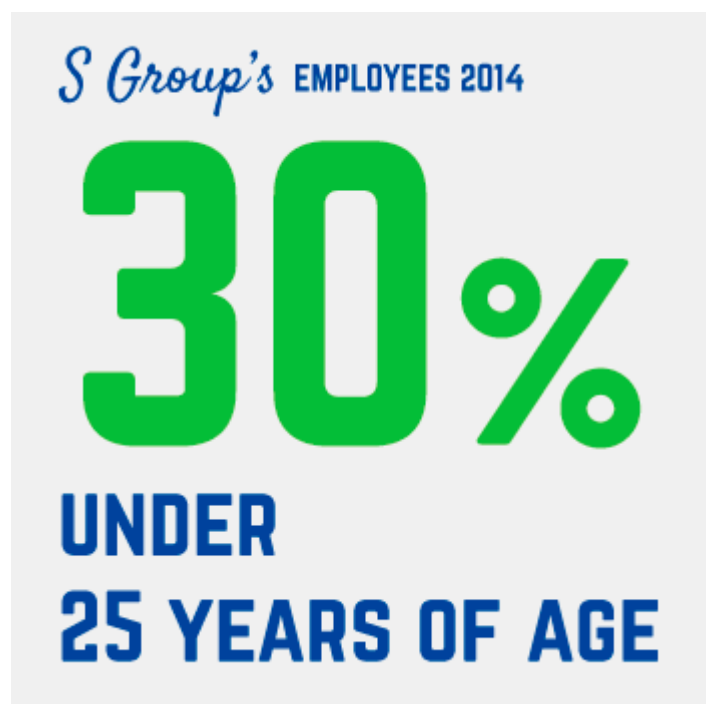
S Group is considered to be an interesting employer: in employer image surveys, S Group regularly ranks among the ten most interesting employers. In a 2014 survey, S Group ranked among the top five most interesting employers among senior salaried employees and management, and among students in the retail sector S Group ranked ninth. Retail sector professionals considered S Group the sixth most interesting employer.

In an employer image survey targeting S Group's more than 2 million co-op members, S Group's employer image was the highest in the retail sector. Responsibility was an aspect most strongly associated with S Group. The personnel's professional skills and service attitude also clearly stood out from competitors in the assessments. Only the opportunity to secure international job opportunities within the Group was considered poorer in comparison to another retail sector operator. Even though all respondents comprised Group's co-op members, the survey result can be considered to be objectively reliable as well. The co-op members represent nearly four out of five Finnish households, so even if the survey had covered non-members as well, the result would not have been essentially different.

The positive employer image and the interest expressed in working for S Group are also demonstrated by the more than 200,000 job applications S Group companies receive every year. Another indicator is the number of visitors to the career opportunities section of S-kanava, S Group's public website: in 2014, the average number of visitors to the section per month was more than 350,000.

## Growing young people into retail professionals

In S Group, nearly 30 per cent of employees are under 25 years of age. S Group focuses on young professionals and it works with age groups ranging from schoolchildren to students in institutes of higher education. This focus pays off: in 2014, more than 70 per cent of the job applicants to S Group had at least a vocational degree.





S Group's cooperatives promote the retail sector among sixth graders in Finland through the nationwide Me & My City project organised by the Economic Information Office TAT. In the project city, schoolchildren work in a variety of occupations and learn about the functioning of society. They also get to work as an employee in a cooperative and gain insight into retail from a business perspective, as an employee and as a customer.

School goes and students of upper secondary schools and vocational institutions have opportunities to learn about S Group through, among others, the Operation a Day's Work (ODW) project, the Tutustu ja tienaa ('Learn and earn') programme, as well as in summer jobs. Students in institutes of higher education often seek part-time employment in S Group companies during their studies and often want to continue working there after graduating.

The path to more demanding specialist positions may also open up through the S-trainee coaching programme, established in 2014. A higher education degree is mandatory for eligibility, and the programme integrates theoretical instruction with practical work in a three-part structure. During the coaching process, trainees learn about the cooperative activities as a form of business, S Group's strategy and the various business areas within S Group. They grow their business competence by working in various S Group outlets and integrate their newly acquired knowledge and skills in personal project work.

In order to increase the overall appeal of the retail sector, S Group has made a Society's Commitment to Sustainability, a promise to help young people grow into retail sector professionals. S Group companies introduce the young not only to the employer and job duties, but also to working life in general. This includes all operating methods and practices that promote the readiness of young people to become members of the working community and society.

*“As part of the*  
**SOCIETY’S COMMITMENT TO**  
**SUSTAINABLE DEVELOPMENT**  
*INITIATIVE, S Group has*  
*promised to help young*  
*people grow into retail*  
*sector professionals.”*



## ■ S Group as an employer

S Group is one of the Finland’s largest employers. It employs more than 40,000 professionals in various sectors. The majority, or 80 per cent, of S Group's employers work in sales and service positions.

The Group's 20 regional cooperatives employ more than 76 per cent of the personnel. SOK Corporation, owned by the regional cooperatives, and its subsidiaries and associated companies had approximately 8,600 employees in 2014. The number of employees in the Baltic countries and Russia is approximately 4,300.



S Group's main lines of business represent sectors where the majority of employees are women: women account for more than 76 per cent of S Group employees. Of them, 16 per cent are in the age group 20–24, 20 per cent in the age group 25–34, and 19 per cent belong to the age group 35–44.

Nearly 87 per cent of the personnel have permanent employment relationships. 97 per cent of full-time employees have permanent positions. The rate of employees working part-time, either by their own request or due to business fluctuations in their units, is 64 per cent. The working time of more than 64 per cent of the part-time employees is at least 80 per cent of the working time of a full-time employee in the same employee group and as stated in the collective labour agreement in 2014. It is S Group's intention to enable employees to earn their primary income by working in the Group. As a company working in multiple business sectors, S Group offers employees diverse job duties and excellent career advancement opportunities.



A long, permanent employment relationship provides stability in an employee's daily life and also increases personnel competence over the years, ensuring S Group's competitiveness. At the end of 2014, more than 10 per cent of permanent employees had been working for S Group for at least 15 years. Nearly 130 employees have been with S Group for more than 40 years, demonstrating special commitment. Commitment and dedication to work are also demonstrated by the indices of the work community survey conducted among the employees on an annual basis: in the survey targeting 2014, the indices were 70 and 75 (the general norms in Finland for the same indices were 66.2 and 70.6).

S Group has several ways to commit employees. In addition to the motivating pay policy and performance-based rewards, the Group offers purchasing benefits on groceries and consumer goods, S-Bank services and hotel accommodation and restaurant services, as well as a variety of benefits concerning physical activity and cultural services, and discounts on the products and services of the Group's extensive partner network.

## Employer support for the personnel's working ability

S Group actively promotes employees' working ability and well-being right from the beginning of the employment relationship. Employee working abilities are monitored during employment by means of a working ability management model and related operating methods. In this way, the employer is prepared to offer appropriate support to employees when their own actions are not sufficient for maintaining their working ability.

Immediate supervisors play a key role in this effort. They are present in employees' daily life and can continuously monitor the working ability of their subordinates, paying attention to their physical and psychological coping. Immediate supervisors are also the first ones who can intervene if changes are detected in employees' working ability and coping. In this work, the supervisors are supported by the versatile early support operating models and occupational health service systems implemented in many

companies, as well as the HR and occupational health professionals in each company.

Naturally, employees themselves are in the best position to continuously assess their own well-being and coping at work. The employer supports the personnel's independent opportunities to maintain physical well-being by offering exercise vouchers, which can be used for cultural activities to promote mental recreation as well. In addition, S Group's extensive partner network offers employees opportunities to engage in leisure time activities that create joy and well-being.

## **Case: The HyviS project for the promotion of good working life**

In 2014, some cooperatives launched systematic cooperation between the personnel and the employer with the aim to innovate methods to promote working ability. An excellent example of this is the HyviS project of the Osuuskauppa Hämeenmaa cooperative. In the project, the personnel, specialists and partners jointly generated more than 700 ideas concerning a good working life, and the project has received nationwide recognition. Some of the ideas were tested at Hämeenmaa's outlets together with the personnel and generated permanent operating models for the cooperative as well.

## **A safe working environment is a fundamental right**

A safe working and service environment is a fundamental right of our personnel and customers. S Group ensures a safe working and service environment through accident prevention and identification and avoidance of various hazardous and close-call situations. Continual improvement of the personnel's safety awareness and the regular reviewing of work-related risks are important means of prevention.

Occupational safety management is part of risk management and well-being at work in S Group. At the S Group level, occupational safety is managed by means of shared objectives and indicators, as well as operating instructions and tools. Each S Group company bears responsibility for arranging occupational safety in compliance with the responsibility objectives. S Group works in active co-operation with accident insurance companies in order to deploy the best practices within the sector.

Since 2004, S Group has been implementing Safety Passport (Turvapassi) training courses together with the Finnish Red Cross to improve the safety skills of its personnel. The training provides S Group employees with skills ranging from first aid and preliminary fire extinguishing to handling encounters with threatening customers.

Provision of training to improve the personnel's safety skills	2014	2013	2012
Safety passport training taken by (persons)	2,883	2,700	3,461
First aid training taken by (persons)	590	330	272

A total of 26,989 S Group employees have taken the Safety Passport training (2013: 24,106), and the First Aid refresher training was completed by a total of 2,653 employees (2013: 2,063). In addition to the Safety Passport, the personnel's safety awareness is improved through S Group's own internal training events and online learning materials aimed at personnel.

In addition to safety training provided for personnel, S Group's largest units (such as the Prisma stores and hotels) arrange regular exit drills to prepare for emergencies, such as fires.

The most common accidents at work involve strains on upper limbs, slips and trips or wounds and other superficial injuries. Occupational diseases are rare.

Accidents at work	2014	2013	2012
Total number of accidents	1,966*	2,576	2,799
Accident frequency / one million hours worked	36	38	39
Share of accidents in the workplace (%)	82	81	80
Share of accidents on the way to and from work (%)	18	19	20
The share of serious accidents (those that cause an absence of more than 30 days) of all accidents (%)	4,8**	3,7	4,4

\*) The accident calculation method has been changed for 2014. In the previous years, we reported all accidents regardless of their severity. The 2014 figure only includes accidents at work in S Group which resulted in an absence or a compensation of a minimum of EUR 100.

\*\*) The share of serious accidents in all accidents at work is calculated the number of accidents at work resulting in absence of more than 30 days / the total number of accidents. The change in the accident calculation method also affects the number of serious accidents so that the number is not comparable with the 2012–2013 figures. Compared to 2013, the number of serious accidents decreased by one case.

The safety of S Group outlets is monitored through self-assessment and external audits. A total of 844 S Group outlets (2013: 755) carry the Turvasuojattu ('Security guarded') label issued by the Finnish Commerce Federation. In order to earn the label, the outlet must pass all the 34 listed requirements. The requirements are related to fire, crime, personnel and outlet safety as well as information security. In addition, insurance companies audit the safety of all S Group outlets every three years.

## Motivating performance-based rewards

S Group applies fifteen different collective agreements, which together create a foundation for the salary level at S Group. The base salary of employees covered by the collective agreements is primarily determined on the basis of the collective agreement stipulations. In certain situations, a contractual salary



can be defined for an employee. Senior salaried employees and management are also covered by a pay model based on the demands of the job. Together with the personal pay component, this helps the base salary to support competence, performance and rewards management.

The main principles of the pay policy and personnel rewards are fairness and competitiveness. The appropriateness of the salary level is monitored frequently by means of extensive salary surveys. External surveys are used to analyse the competitiveness of rewards in S Group, and internal surveys ensure the fairness of rewarding.

The majority of S Group's employees are covered by the performance-based system. A performance-based pay system refers to various systems of monetary remuneration at the corporate, team and individual levels. S Group has a number of different forms of performance-based pay in place, but their practical implementation is covered by mutually agreed basic principles.

The remuneration concept also includes development and learning: employees have clear objectives, duties and responsibilities, their performance is consistently monitored and they receive feedback relating to their performance. The personnel have opportunities to learn new things through diverse job duties and internal mobility. The training offering of the Jollas Institute, S Group's own learning and coaching centre, is also a source of professional development. In 2014, 15,700 S Group employees attended training offered by Jollas (2013: 19,300) during 1,356 (2013: 1,718) training days. The diverse offering of online training by Jollas was also used actively: in 2014, the total of online training modules attended was 32,972 (2013: 19,171).

S Group's extensive employee benefits contribute to the monetary remuneration concept by offering benefits worth money to the employees. The greatest benefit is the purchase benefit on S Group's products and services. The benefits are an incentive to develop and maintain both psychological and physical well-being, and thus they contribute to job satisfaction and well-being at work. The employee benefits include employer-sponsored activities to promote well-being at work, as well as various leisure-time benefits. S Group also remembers employees on their birthdays and service anniversaries.

In order to support business management, S Group is also building reward models based on performance and competence, as well as models boosting the meeting of objectives and motivating both individuals and teams. The development of reward models received a strong focus in 2014: the implementation of a model of performance-based incentive rewards is already under way in the Emotion chain, and the model is currently being built in the hardware trade.

## Case: A model of incentive rewards

The Emotion stores of the HOK-Elanto cooperative reward their high-performing employees with a sales commission on top of salary. Performance-based rewards strive to motivate personnel to actively sell and to be more proactive in making contact with customers. Faster rewards on sales and customer service work above the targets allow employees to see the results of their work right away and monitor the accumulation of the rewards more easily. In addition to improving the result, sales management also enhances customer service and improves customer satisfaction, since reaching the targets calls for an increasingly active mapping of customer needs. Naturally, good customer service is also reflected in the result.

## ■ Competitiveness and work productivity are permanent objectives

S Group's competitiveness and work productivity are ensured in a number of ways. In everyday operations, the measures translate to continuous development to ensure that the value generated by the hours worked is higher than the costs they generate to the company. Work carried out profitably safeguards the continuity of companies and secures jobs.

In S Group, the objective is to enable employees to earn their primary income by working for the Group. By increasing their skills in a variety of duties, employees are able to work competently at several outlets across the company, and this improves their opportunities to obtain work shifts during all times they want to work. Employees who have the skills and readiness needed to take on a variety of duties at the employer's different outlets are primary candidates for additional work at all outlets where help is needed with short notice. Being able to cover all work with the company's own workers ensures that personnel expenses are kept under control.

In S Group's main line of business, the supermarket trade, the work time of more than 52 per cent of sales personnel equates to 80 per cent of the work time of a full-time employee, as stated in the collective labour agreement. According to calculations, a part-time employee on average earns 13 per cent less than a full-time counterpart, but working part-time also brings opportunities to earn more: additional work is always first offered to the Group's own part-time employees. Using part-time employees also enables the employer to provide employees with more flexibility: when the number of employees is sufficient, individual work shift requests can be better taken into consideration. This improves the personnel's overall well-being and the employer's ability to ensure work-life balance for employees.

## **Case: The right number of employees at the right time**

One of S Groups' extensive HR projects includes the renewal of the work shift system. This provides an efficient tool enabling work shift planners to offer work to employees and to take the needs of several outlets into consideration. It also means employees can meet their own work shift and salary targets by splitting their work time between several outlets. This system enables the cooperative to apply centralised work shift planning, and the system is also a tool for allocating sufficient workforce to serve customers during peak periods. When the right number of employees are working at the right time, resourcing makes work more effective and generates results.

## **Income and competitiveness through mastering multiple skills**

Employees are required to have diverse vocational skills due to the development of S Group's business areas and the increasingly diverse needs of customers. Therefore, S Group actively encourages personnel to expand their competence both within the business area and, as much as possible, beyond business area boundaries.

Mastering multiple skills provides employees with even better opportunities to both raise their pay level and earn their primary income within S Group, as their extensive competence opens up opportunities to work at different outlets. The increased versatility of competence also boosts the employee's position in the labour market and offers wider horizons for career advancement.

The importance of diverse skills to well-being at work and working ability should also not be overlooked. A readiness to take on a variety of duties lessens both the physical and mental strain of the job.

## Case: The Virettä vaihdosta exchange project

In 2014, the Satakunnan Osuuskauppa cooperative piloted the 'Virettä vaihdosta' project, in which permanent employees could swap duties with colleagues working at another outlet for 2–4 months. A total of 22 persons participated in the project, and their experiences of the swap were very positive. The employees' knowledge and skills received a new kind of boost, motivation in one's own job increased and enthusiasm at work grew. Employees gained new perspectives on their own work and learned new ways of doing things at the exchange outlet. The swap also increased employees' courage and readiness to accept shifts at other units. Based on the good experiences gained, the 'Virettä vaihdosta' project was extended to 2015 as well.

## Responsible products and services

### ■ Responsible procurement

S Group has been working to develop the sustainability of products and sustainable procurement for several years. The procurement operations contain several responsibility policies. These include the principle of non-discrimination, product-specific quality requirements and respecting the rights at work and human rights in purchases from risk countries.

### S Group's suppliers and service providers

A total of 86 per cent of S Group's purchases concentrate on Finland. In 2014, a total of over 20,000 suppliers and service providers provided products and services for S Group.

Vuosi	% of total procurement
Finland	85.7
The Netherlands	2.8
Germany	1.7
Sweden	1.6
Spain	1.5
Denmark	1.3
Italy	0.9
Belgium	0.6
Hongkong	0.4
France	0.4

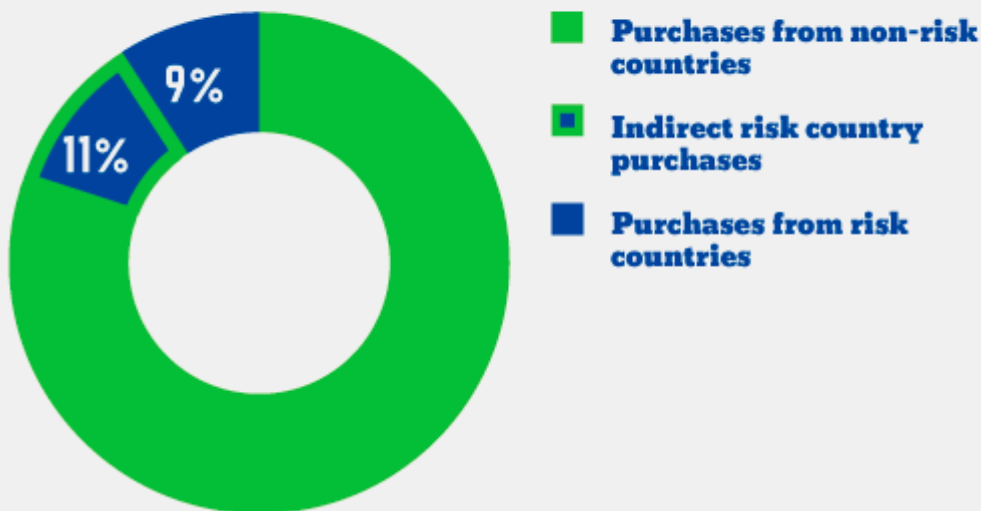
S Group also has suppliers in countries considered risk countries in terms of social responsibility. Direct purchases from suppliers located in risk countries account for 1.2 per cent of all S Group procurement.

## S Group's private labels and own imports

The share of private labels and own imports in purchases of products sold in S Group is approximately 20 per cent.

Nine per cent of the purchases of private labels and own imports are direct purchases from suppliers in risk countries. In addition to direct purchases from risk countries, some of the products supplied by Finnish or European suppliers are manufactured or the raw materials of such products are produced in risk countries. Such indirect risk country products account for 11 per cent of S Group's own labels and own imports. The share of risk country manufacturing varies considerably depending on the product category. For example, the share of risk country manufacturing is higher in textile products and consumer goods than in food products.

## S GROUP'S PRIVATE LABEL PURCHASES AND OWN IMPORTS



## Responsibility and product safety in procurement practices

Ensuring responsibility and product safety are integrated in the procurement of private labels all the way from the beginning of the process. The first stage is to determine the suppliers who have the capability to manufacture the required product. This stage involves the verification of the product manufacturing location and other information provided by the supplier on the products and production, as well as certification and auditing documents. These measures aim to determine the supplier's capability to manufacture the product to our expectations.

Our procurement contracts require that production, including raw material production, complies with the legislative requirements and collective labour agreements, respects human rights and complies with the international minimum labour standards.

The realisation of responsibility in the supplier chain is monitored by means of objective audits carried out by a third party. In addition to external audits, we conduct our own traceability and responsibility audits and on-site visits to supplier facilities. These visits provide first-hand information on the manufacturing conditions and offer us an opportunity to discuss our expectations and the supplier's performance with the supplier in question.

## Case: Berry-pickers' working conditions in Finland

S Group examined the working conditions of seasonal berry pickers hired by Finnish suppliers before the wild berry season began in the spring 2014. The survey covered the origin of wild berries and mushrooms, organisation of berry picking and adherence to guidelines related to the working conditions and compensation of workers recruited from abroad, in particular. A corresponding assessment will be carried out before the upcoming wild berry season as well.

## ■ Origin and traceability of products

Product traceability and knowing the origin of products are important to our customers. S Group wants to know its supply chain well in order to identify related risks and opportunities and develop the responsibility of production. This requires investment in the traceability of products and, consequentially, in long-term improvement of transparency in production chains. Customers increasingly value domestic food production and local food. S Group's grocery trade responded to customers' wishes for more affordable and easy to purchase Finnish food by introducing the new Kotimaista ('Finnish origin') product line in March 2014.



## Disclosing the country of origin

It is important for S Group that the origin of products is disclosed to the customer as transparently and conveniently as possible. Therefore, the packaging of foodstuffs in S Group's Rainbow, Kotimaista and X-

tra lines provides information on not only the country of manufacture but also the country of origin of the product's main raw material.

The information on the country of manufacture is also included on the packaging or care instructions of private label consumer goods, such as household textiles and clothes.

Transparency has also been increased in the country of origin labels of products originating from Israel. A product being sold in S Group is labelled as originating from Israel only if it was produced or grown in the area of Israel defined by the UN.

## **Traceability audit provides information on the procurement chain stages**

The traceability of the supply and raw material chains of S Group's private label grocery products is monitored by means of traceability audits implemented in 2014.

Last year, the audits helped verify the traceability of the raw material chains of approximately 200 grocery products as well as the accuracy of the country of origin markings of the main raw material. The monitoring provides valuable information on the traceability of the procurement chains of products when production chains are long and raw materials are obtained from several sources. The social responsibility models used in the different stages of the chains are also determined.

## **Valued Finnish origin**

S Group's own Kotimaista product line was introduced in stores in March 2014. The Kotimaista line products always meet the requirements of the Hyvää Suomesta label and the Sirkkalehti label for the Finnish origin of products and are produced in Finland. At the end of the year, the product line included 213 products.

Nearly 95 per cent of the fresh meat sold in S Group's grocery stores is of Finnish origin. The fresh meat used by ABC restaurants also always originates from Finland. The goal is to increase the share of Finnish pork in frozen meat, and the other meat products purchased frozen also always originate from Europe. Safeguarding Finnish production requires cooperation throughout the food supply chain, so that products meeting the needs of, for example, the ABC restaurants are available from Finland.

The product ranges of S Group's grocery stores, restaurants and ABC service station stores also include hundreds of food items made from Finnish ingredients which are identified by the Hyvää Suomesta label.





## Local products increasing in importance

Local products are an increasingly important part of the product ranges of the S Group grocery stores. A local product can find its way into S Group's product range through three different routes. A small local producer can be directly in contact with an outlet. As demand grows, the product can be included in the product range in all of the cooperative's outlets. If the production volumes are high enough, the product may expand to S Group's nationwide selections.

The best availability of local products is found in fresh items, such as vegetables and bread. A total of more than 500 bakeries supply their products to S Group grocery stores. Some cooperatives have already implemented their own local food labelling and put together displays to make it easier for customers to find local food items. Local products are also visible in the selections of many restaurants and ABC service station stores, as well as at the breakfast buffet of Sokos Hotels.

## **Case: Satakunnan Osuuskauppa cooperative advocates local food**

In recent years, the interest in local food has increased in the region of Satakunnan Osuuskauppa cooperative as well; customers increasingly often select food produced locally. To make it easier for customers to locate local food in the stores, the cooperative introduced the Aitoa ruokaa Satakunnasta ('Local food from the Satakunta region') fork logo in 2011.

Last year, 80 per cent of the food sales in the Satakunnan Osuuskauppa cooperative came from Finnish products, and the share of local food increased to 17 per cent. The cooperative's product range included local food from approximately 100 local producers or manufacturers. The share of local food in the total food sales of Satakunnan Osuuskauppa was more than EUR 33 million, which is a remarkable amount for entrepreneurs in the Satakunta region.

In order to promote the region's local food and to bring jobs and well-being to the region, Satakunnan Osuuskauppa organised a campaign named Satakuntalainen joulu ('Christmas in the Satakunta style') in its grocery stores in November–December. In the campaign, the cooperative provided a campaign brand to local food products, and 5 cents per each product sold was donated to charity. The campaign products were available in all Satakunnan Osuuskauppa grocery stores.

## **Monitoring production chains**

S Group has worked for many years to improve the working conditions in production chains. The monitoring of suppliers focuses, in particular, on countries with the greatest risks of labour and human rights violations. Such social responsibility risk countries include several countries in Africa, Asia, South and Middle America as well as certain European countries. In 2014, S Group intensified the monitoring of supply chains by implementing the Sedex system.



## Respecting human rights in the supply chains

In its ethical principles, SOK Corporation is committed to respecting human rights. In addition, the key elements of the UN's Guiding Principles for Businesses and Human Rights are incorporated in the BSCI principles, to which S Group is committed.

S Group assesses human rights risks related to procurement mainly by means of a country-specific risk country rating and BSCI audits. The audit process also includes corrective measures which are monitored in terms of realisation.

S Group is an active participant in round table working groups lead by the Ministry of Employment and the Economy and the Ministry for Foreign Affairs. These groups work to clarify and guide the national implementation of the UN's Guiding Principles on Business and Human Rights in companies.

## Monitoring working conditions in risk countries

S Group pays special attention to monitoring working conditions in risk countries. S Group applies [the Business Social Compliance Initiative](#) (BSCI) system in as well as uses [the Supplier Ethical Data Exchange](#) (Sedex) database for monitoring social responsibility. S Group also accepts other similar third-party social responsibility audits and certifications. Factories are also monitored by means of annual audits conducted by S Group's cooperation partner.

BSCI members commit to complying with the operating principles of the initiative and promote them in their own procurement. BSCI's updated operating principles were implemented from the beginning of 2014.

## BSCI'S OPERATING PRINCIPLES



The rights to freedom of association and collective bargaining



No discrimination



Fair remuneration



Occupational health and safety



Decent working hours



No child labour



Protection of young workers



No precarious employment



No bonded labour



Protection of the environment

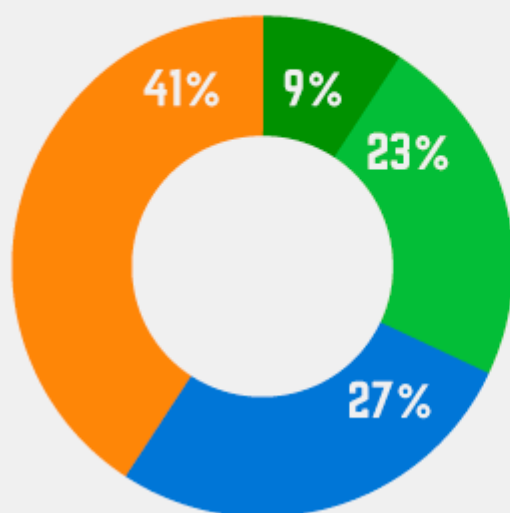


Ethical business behaviour

In the BSCI system, independent auditors inspect production plants to ensure that the criteria of the system are met in practice. Among other things, audits cover work time practices, verify that workers have proper protective equipment for performing work safely and that workers receive, at a minimum, the statutory minimum wage of the country in question.

Sixty-seven per cent of S Group's direct purchases of private label products and own imports from risk countries come from suppliers audited through BSCI or a corresponding auditing model. S Group primarily uses BSCI and SA8000 auditing models. In addition, two per cent of the audited purchases were made from SMETA-audited suppliers and two per cent from ICTI-certified suppliers.

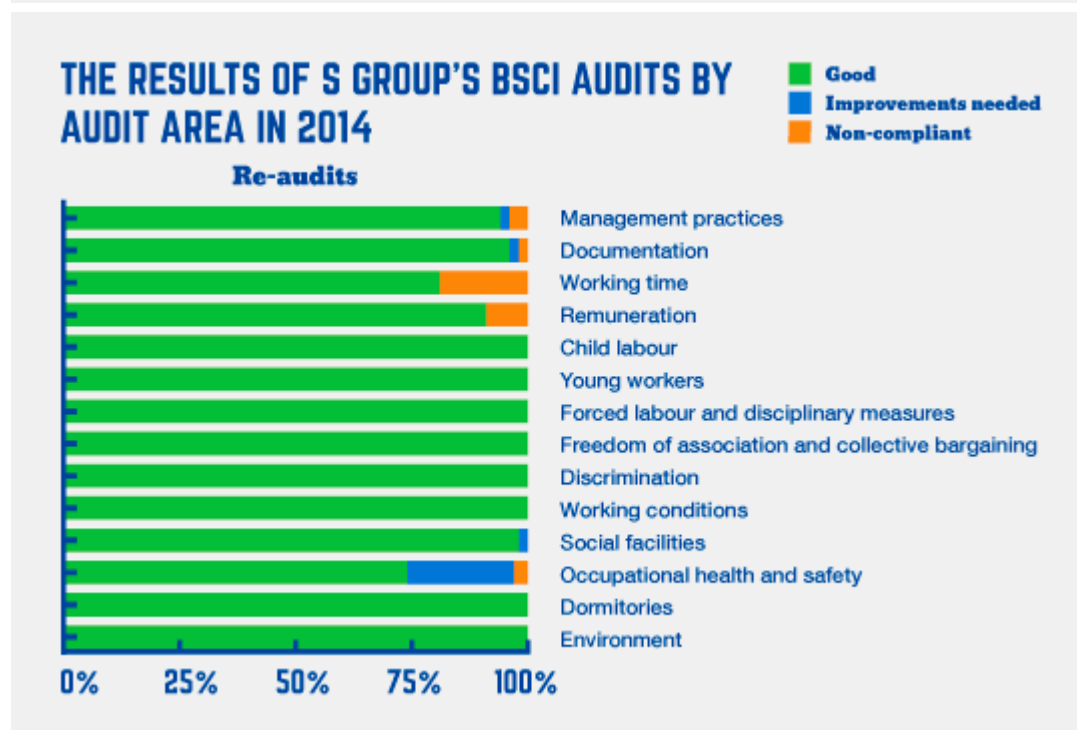
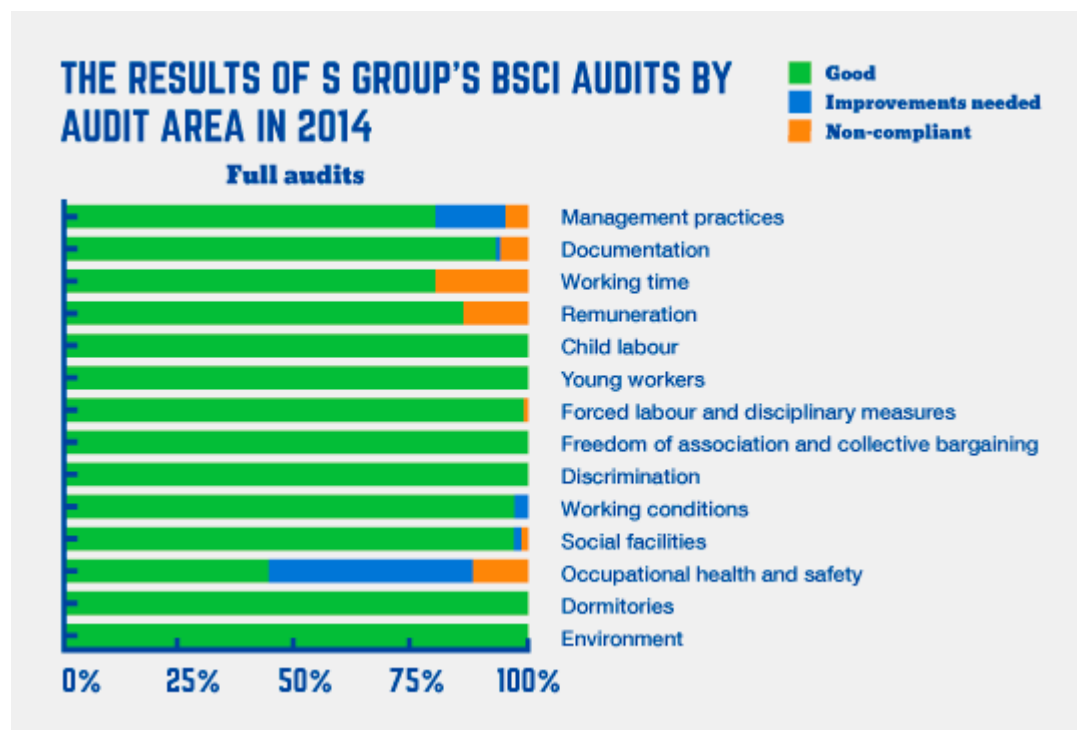
## S GROUP'S RESULTS OF THE BSCI AUDITS



- **SA 8000**
- **BSCI Good**
- **BSCI Improvements needed**
- **BSCI Non-compliant**

Includes the grocery, hardware, department store and speciality store trade and Meira Nova audits.

As a rule, the areas covered in the BSCI audits of S Group's suppliers have been approved without complaints. However, the areas in need of the most development include the managing practices of social responsibility, work time, pay, occupational safety and occupational health. S Group reviews all audit reports, and the deviations observed are discussed in detail with the supplier in question. A plan is drawn up for the corrective measures to be taken, and the adherence to the plan is monitored through a new audit.



## **Case: Improving safety at work in textile factories in Bangladesh**

Over the past couple of years, disastrous accidents took place at factories in Bangladesh, which is why S Group is paying special attention to suppliers based in Bangladesh. Direct purchases of S Group's private label consumer goods from Bangladesh account for three per cent of S Group's purchases from risk countries. In the spring 2014, S Group visited factories which manufacture private label products in Bangladesh.

Several improvements implemented to increase fire safety were observed during the visit. For example, electrical wires had been covered, the number of exits had been increased, and there were more employees in charge of fire safety. Building safety is also improved by means of inspections carried out by S Group's partner. Thorough and practical inspections not only include construction technology measurements but also provide advice and instructions on carrying out corrective measures.

During the visit with suppliers, other responsibility matters, such as workers' right of association, were also discussed. Improvement steps have already been taken, which can be seen in the factories' audit reports, for example. Committing factory management to the required changes is particularly important.

## **Case: Sandblasting of jeans not permitted**

S Group does not permit the use of the dangerous sandblasting method in the manufacturing of denim products sold under S Group's private labels. Manual sandblasting of textiles with insufficient protective equipment is hazardous.

## **More extensive monitoring through Sedex**

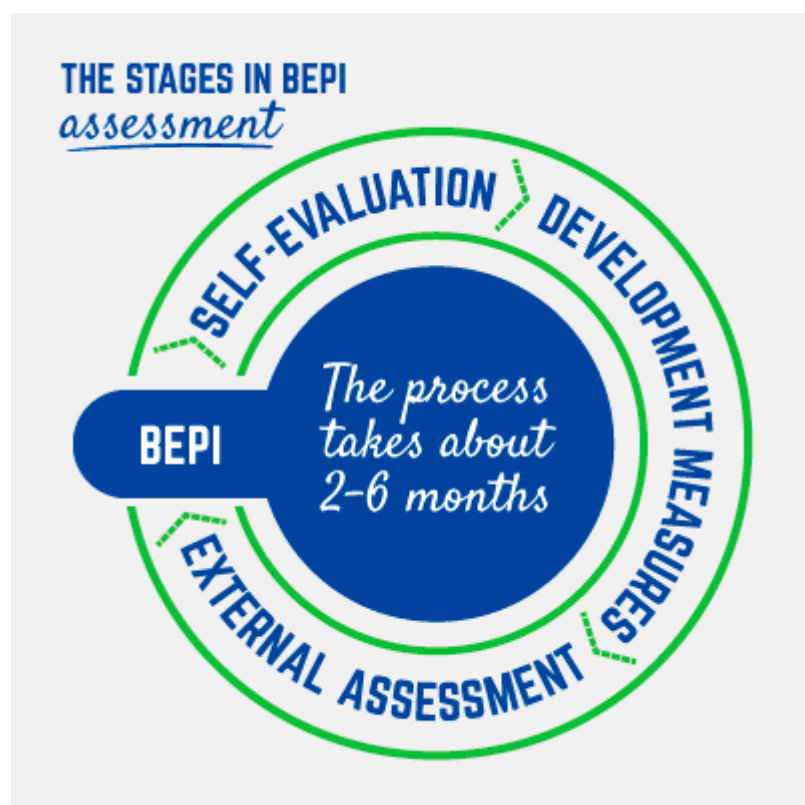
SOK became a member of the Sedex ([Supplier Ethical Data Exchange](#)) system in the autumn 2014. The objective of Sedex is to promote transparency and responsibility in supply chains by providing a platform

for companies to share, follow and analyse information related to the responsibility of the supply chain, such as audit reports. This reduces the need of duplicate audits and allows companies to focus on improving their operations. With the help of Sedex, S Group can better monitor the realisation of social responsibility in the operations of suppliers and in the different stages of the supply chain.

## Assessing the environmental impact of product manufacture

S Group has been involved in developing an international model for assessing the environmental impact of the manufacturing stage of products since 2012. The [Business Environmental Performance Initiative](#) (BEPI) is a system which helps assess and reduce the environmental impact of production plants. S Group's suppliers in China were trained to use the model at the end of 2014.

In the BEPI system, the production plant is given guidance, for example, in the management of environmental matters, improving the effectiveness of energy and water usage, proper handling of waste and effluents, as well as reduction of emissions.



## ■ Responsible raw materials

Products and raw materials which have environmental labels and certifications as well as systems which improve raw material production play an important role in developing the responsibility of the raw materials of products. S Group systematically develops its range of eco-labelled and certified products. Customers' expectations

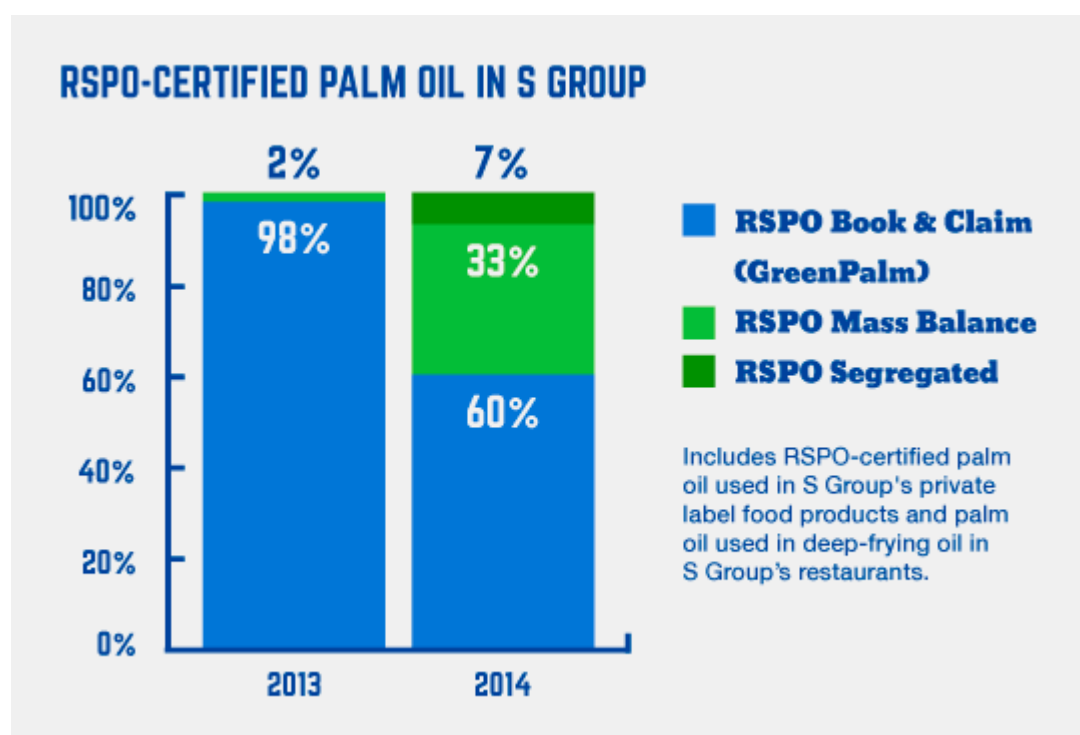
and wishes and, on the other hand, their actual buying behaviour impact the composition of the product range.



## Sustainably produced palm oil

SOK has been a member of [the Roundtable for Sustainable Palm Oil](#) (RSPO) since 2011. RSPO's criteria for palm oil plantations include conservation of biodiversity and improvement of operations by ethical and ecological standards.

Overall, 62 per cent of palm oil used in S Group's private label food products and palm oil used in deep-frying in restaurants is [RSPO-certified](#) (2013: 78 per cent). The reduction in the share of certified palm oil resulted from the change of suppliers, which is why palm oil produced with conventional methods was used in two products for six months. The error was corrected, and we returned using RSPO-certified raw material at the end of the year. The goal is to increase the share of certified palm oil to one hundred per cent and to increase the use to traceable palm oil.





S Group was the best Finnish retail company in the international Palm Oil Buyer's Scorecard ranking, which WWF carried out in the autumn of 2013, scoring 11 out of 12 points. The international Palm Oil Buyer's Scorecard ranking is carried out every two years, and it assesses companies based on the responsibility of their palm oil procurement chain.

## Fish policy guides procurement and product range

S Group's fish product procurement adheres to S Group's fish policy based on the species endangerment classification, WWF's seafood guide, recommendations of the Marine Conservation Society, as well as research data by the Natural Resources Institute Finland. The policy applies to S Group's centralised procurement and purchasing by the cooperatives in both S Group's grocery stores and restaurants.

The basic principle is to not accept the product range fish from fish stocks that are endangered, jeopardised or subject to over-fishing, and the origin of fish must always be known. Furthermore, S Group also does not approve of the use of environmentally harmful fishing methods, such as fishing with dynamite or toxic substances. Separate criteria concerning the fishing area or method have been set for many fish species, such as a prohibition of bottom trawling. The fish policy was updated in spring 2014.

The fulfilment of S Group's fish policy requirements is ensured when purchasing products by determining the fish species and its origin. Fish products are procured both centrally and locally. S Group encourages local procurement, since we want to offer our customers a fish selection which is as diverse and fresh as possible. Local procurement increases the range of Finnish species, such as pike-perch, perch, whitefish and vendace, in S Group's grocery stores and restaurants.

The product ranges of S Group's grocery stores include 52 [MSC-certified](#) products, of which 18 are private label products. In the frozen fish and shellfish category, the sales of MSC-certified products accounted for as much as 18 per cent of the total sales in the product category (2013: 15 per cent).

## Extensive range of certified products

We want to offer our customers an opportunity to make choices based on their own values by making available products with environmental and sustainability certificates. For example, the product ranges of grocery stores, consumer goods trade and restaurants all include organic and [Fair Trade](#) products as well as products with environmental labels. [FSC-certified](#) products are favoured in private label products made of tropical timber. In addition, our product range contains [PEFC-certified](#) wood products.

Numerous products awarded the [Nordic Swan eco-label](#) and [EU eco-label](#) are available in the product ranges of all S Group business areas. 94 of S Group's private label products have received an environmental label. For example, all Rainbow baby care products have been awarded the Swan eco-label.

## A pending standard for sustainable production of cocoa

An international standard to help ensure the sustainability and traceability of cocoa has been long awaited for in the European cocoa and chocolate industry. The international standardisation organisations ISO (International Organization for Standardization) and CEN (European Committee for Standardization) began preparing a standard for sustainable and traceable cocoa in 2012.

S Group is a member in the monitoring group for sustainable and traceable cocoa, established by the Finnish Standards Association SFS. The group monitors and influences the content of the standard being drawn up.

## Demand for organic products still growing

Demand for organic products has been rising in recent years, which is why S Group has expanded the selection of organic products in grocery stores, hotels, restaurants and department stores.

In 2014, S Group's grocery product range included approximately 3,200 different organic products (2013: 3,000). The sales of organic products increased by 8 per cent in S Group's grocery trade compared to the previous year, accounting for 1.8 per cent of the total sales. S Group accounted for 47 per cent of consumers' organic product purchases in Finland (2013: 46 per cent, Nielsen Homescan). This means that S Group is the largest retailer of organic products in Finland.

S Group is one of the founding members of the Pro Luomu organic product association, and a representative of SOK chairs the association's Board.

### Case: Organic chicken available in stores

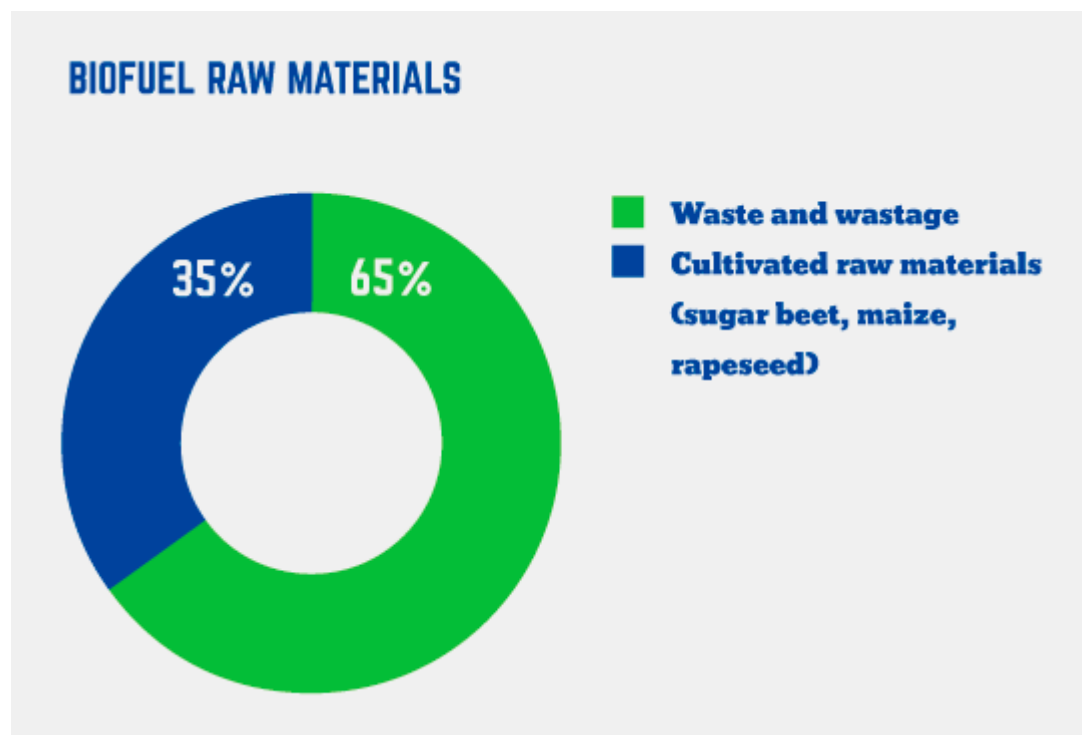
Organic chicken was one of the products on customer wish lists for a long time, but its availability was poor. Organic chicken was included in S Group's grocery stores on a trial basis in the autumn 2013, and it became a permanent item in the product range when S Group partnered with L'Uomu Nokka in September 2014. As a result of this partnership, the L'Uomu Nokka organic chicken products were included in the product range of Prisma stores and the largest S-markets.

The production of organic chicken is in many ways different from regular chicken meat production. The birds are fed organic grade feed, supplemented with fodder. The hall is larger in size, more natural light enters the hall from the windows and the birds have regular access to outdoors. Organically raised broiler chickens grow 50 per cent longer than chickens raised under conventional conditions.

## Biofuel from waste

S Group's fuel supplier to the ABC service stations is North European Oil Trade Oy (NEOT). NEOT is the world's only wholesaler of traffic fuel which offers the E85 fuel grade. The ethanol in this grade is produced completely from raw materials derived from the non-food supply chain.

In biofuel procurement, NEOT aims to continuously increase the share of biofuels derived from waste and food waste as well as generated outside the food supply chain. Last year, 65 per cent (2013: 34.4 per cent) of NEOT's biofuels were produced from raw materials derived from waste and food waste, such as organic waste in food production. Raw palm oil was not used at all (2013: 0.3 per cent).



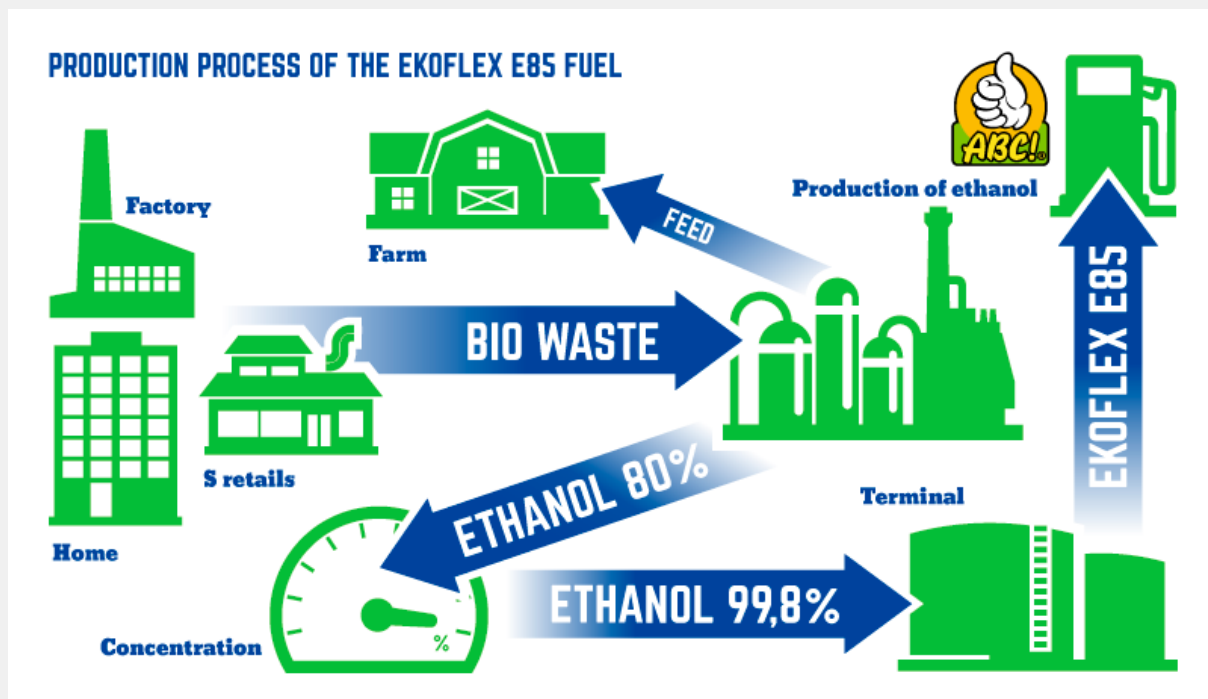
## Case: Finnish biofuel EkoFlex E85

The EkoFlex E85 fuel, sold at ABC stations, is a Finnish innovation developed for the Finnish climate. It contains 80–85 per cent of bio ethanol, which is produced from organic waste from the domestic food industry and grocery trade. Therefore, production does not compete for arable land with food production.

The production of bio ethanol uses, for example, such bread waste from stores that cannot be donated to charity. Of the EkoFlex E85 fuel sold at the ABC stations, 13.6 per cent (2013: 12 per cent) originated from waste raw material collected from the cooperatives.

The ABC chain has 59 (2013: 40) EkoFlex E85 refuelling points across Finland. The EkoFlex E85 fuel has received the Key Flag label as recognition of Finnish work.

The carbon dioxide emissions of EkoFlex E85 during its life cycle are up to 80 per cent lower than those of fossil fuels. Animal feed for agriculture is the by-product of the waste and food waste-based ethanol production. Ethanol with a concentration of approximately 80 per cent produced from organic waste in production facilities is concentrated to 99.8 per cent in a concentration facility and then mixed with petrol. The final product contains 15–20 per cent of petrol components.



## Environmentally friendly packaging materials and alternatives to plastic bags

A calculation tool to assess the environmental impact of the food packaging of S Group's private label products was developed in 2014. The tool facilitates the comparison of alternative packaging materials by taking into account the packaging material, weight, recyclability and the package's carbon dioxide emissions.

The product packaging of S Group's own cosmetics label We Care Icon is designed to minimise the amount of packaging material used in the product itself and transportation. PVC plastic is not used in the packaging, and the products are not placed in separate cardboard boxes for transportation. The We Care Icon cosmetics are manufactured in Central Europe.

S Group aims to increase the share of recycled material in plastic bags. The share of recycled materials in the plastic bags sold at S Group's grocery stores varies, but on average, it is slightly over 70 percent. The protective plastic films used to protect products sold in S Group's stores during transportation are also recycled for plastic bag material. The plastic film is recovered and delivered to the plastic bag manufacturer as raw material.

Reusable multi-purpose bags with varying decorative patterns are available as an alternative to plastic bags. The number of reusable bags sold in S Group's grocery stores was 980,000 (2013: 890 000), and the sales grew by nearly 10 per cent from the previous year.

In addition to regular small plastic bags, biodegradable bags are available to consumers for fruit and vegetables. The share of biodegradable bags accounted for 3.4 per cent of all fruit and vegetable bags.

## ■ Product safety

Ensuring the safety of the products in the product range is a daily task for S Group. The quality of products is evaluated even before the products are included in the product range, and daily self-monitoring measures ensure that the products are safe for customers.



## Researched products

The quality and safety of private label products are monitored continuously by means of self-monitoring samples and by monitoring customer feedback. Self-monitoring takes into account the product's sensory quality, use properties, packaging labels and chemical and microbiological quality.

The safety of food products is ensured by means of product safety certifications and audits in accordance with the Global Food Safety Initiative (GFSI). Product safety audits cover the supplier's self-monitoring system regarding, among other things, how product quality is ensured during the manufacturing process from raw materials all the way to the end products. Deviations detected through self-monitoring or audits are corrected in cooperation with the supplier.

In 2014, SOK's test kitchen inspected a total of 4,960 food samples (2013: 3,787). The safety of consumer goods is also verified before they are accepted into the product range. In 2014, a total of 304 (2013: 126) product samples in the private label range and in own imports were inspected.

Products that are already in the product range are tested in accordance with an annual risk-based self-control plan. For example, meat and fish products are tested many times per year, whereas non-food items are tested slightly less frequently. In 2014, inspections carried out on private label products already in the product range covered a total of 1,812 food product batches (2013: 1,532). In the consumer goods trade, products from a total of 675 product batches (2013: 783) were inspected.

## Daily self-monitoring measures in outlets

All S Group grocery stores and restaurants carry out self-monitoring measures. The quality and freshness of products are monitored, and if for some reason quality is compromised, the affected product is removed from the shelf. In addition, storage temperatures and the tidiness of the facilities, for example, are regularly monitored in accordance with the self-control plan.

S Group's grocery stores use a self-control databank system in which the authorities can review the self-control entries of individual stores directly.

## Case: Oiva audits in S Group outlets

The Finnish Food Safety Authority Evira coordinates the inspections carried out in accordance with the Oiva system at locations where foodstuffs are sold or served. The inspections cover, among other things, the temperature management of food items, store cleanliness and personnel operations.

In 2014, a total of 607 Oiva inspections were carried out at S Group grocery stores and ABC markets. At least one Oiva inspection has been conducted at 80 per cent of S Group grocery stores.

The outcome of the inspections was excellent or good at 97.7 per cent of the stores. There was room for improvement in 4 per cent of the stores. Two stores (0.3 per cent) received a poor score. In the re-inspections conducted after two months, both of these two stores received an excellent score.

An Oiva inspection was conducted at 102 ABC restaurants in 2014. One restaurant had room for improvement, and none of the restaurants received a poor score.



Whenever the Oiva face flashes a wide smile, consumers can rest assured that food safety is at a good level. The Oiva reports are available at [www.oivahymy.fi](http://www.oivahymy.fi) and are on display at every outlet inspected (available only in Finnish and Swedish).

## Operating models for possible product defects

Removing defective products from the market is an aspect of ensuring product quality and safety. Therefore, we continuously make sure that the shared alarm systems and operating models, agreed and practised together with our suppliers, for implementing recalls or stopping products at warehouses function in a proven and fast manner.

The entire personnel, from the warehouse to the store, participate in the product quality assurance if a recall is necessary. Seamless cooperation and good operating instructions are important in these situations. In 2014, there were 172 grocery product recalls and 93 consumer goods recalls in S Group.

A product recall from consumers is carried out whenever there is reason to suspect that the product can be hazardous to consumers' health. All EU countries apply the same principle. In 2014, S Group's grocery trade had to conduct 22 product recalls extending all the way to the consumer (2013: 11).

## ■ Responsibility of services

The responsibility of S Group's services is continuously developed to take the needs of different customers into consideration even better. For example, in hotels special focus is placed on allergen-free materials and the environmental impact of operations.



### Sokotel hotels join the Green Key environmental programme

In 2014, Sokotel Oy made a decision to be the first Finnish hotel operator to apply for the international Green Key environmental label of hospitality business for all Radisson Blu Hotels in Finland, as well as all Sokos Hotels in the Greater Helsinki Area and Tampere. The first hotels will receive their Green Key label in the spring 2015. In total, S Group will have 21 Green Key hotels in Finland. The Original Sokos Hotel Viru in Tallinn has held the Green Key label since 2002.

A hotel which has been awarded the Green Key label is, among others, committed to raising environmental awareness among personnel and guests, improving the effectiveness of energy and water consumption, as well as reducing the environmental burden caused by hospitality operations. The label is based on the environmental criteria designed for the hospitality business, to which the label holder will adhere and report on its follow-up. The programme involves both personnel and guests to act in an environmentally conscious manner.



## THE GREEN KEY PROGRAMME

*focus areas are:*

**1. Increasing ENVIRONMENTAL AWARENESS AMONG**  
personnel, customers and co-op members in  
**THE TRAVEL INDUSTRY**



**2. Promoting environmental WELL-BEING BY REDUCING**  
environmental burden of the  
**HOSPITALITY BUSINESS**



**3. Resource-efficiency AND SAVINGS IN**  
energy and water use,  
**EFFECTIVE RECYCLING**



**4. Communicating ACTIVELY**  
on achievements in environmental work and encouraging others  
**TO GET INVOLVED**



**5. Strengthening SUSTAINABLE**  
travel with travel companies and  
**THE SOCIETY AROUND US**



## Allergy-free hotels

Sokos Hotels is the first hospitality company in Finland to receive the right to use the Allergy Label from the Allergy and Asthma Federation. The label has been awarded to 36 Sokos Hotels (2013: 34). The goal is for all hotels of the chain to receive the label in Finland (with the exception of pet-friendly hotels).

Sokos Hotels and the Allergy and Asthma Federation have been working together for many years in order to make the quality of indoor air, surface and interior decoration materials, and cleaning methods and agents less allergenic.

*Smoke-free*  
**ROOMS**



*Pet dander-free*  
**ROOMS**



*Fragrance-free*  
**HYGIENE PRODUCTS**



*Non-allergenic*  
**INTERIOR DECORATION  
AND SURFACE  
MATERIALS**



*Unscented*  
**DETERGENTS  
AND CLEANING  
AGENTS**



*Ventilation*  
**MEETING THE CRITERIA**

## **Case: Energy efficiency solutions through cooperation**

In the spring, SOK and WWF organised a workshop to seek methods to motivate Finnish single-family home owners to increasingly select renewable and energy-efficient energy solutions. The event gathered together a group of companies, organisations, consumers, researchers and experts.

The key obstacles identified to adopting cleaner energy solutions were the fragmentation of information, financing and support structures, attitudes and the lack of complete service packages. The solutions proposed included a new kind of green financing solution, raising awareness, as well as turnkey solutions of services offered to single-family home owners. As a result of the event, S Group has begun developing construction and renovation services which support increased energy efficiency and use of renewable forms of energy in single-family homes.

## **Consideration of special groups**

Menus written in Braille are available for visually impaired customers in Rosso and Fransmanni restaurants. The goal is to provide the same kind of services to the visually impaired than to other customers. The menus are provided in co-operation with the Finnish Federation of the Visually Impaired.

Accessibility is included in all stages of store design. Accessibility is taken into consideration already in construction planning by assessing how easy it is to access the store as well as the location of outdoor passages and parking areas, among other things. Inside the stores, safety is ensured by a number of measures, such as the right kind of lighting, furniture and PA solutions as well as by making sure that there are no unnecessary obstacles in the aisles or checkout areas.

In addition to the statutory regulations, S Group grocery stores have developed safety and accessibility even further. Among other things, attention is paid on a clear and accessible display of products as well as easy-to-read signs and price information. Easy to reach personnel are also important to customers who need assistance. For example, the Prisma stores have customer phone stations for conveniently contacting

a sales assistant.

The range of gluten-free products is being focused on in both S Group stores and restaurants. In 2014, the gluten-free product ranges of S Group grocery stores included 165 varieties of bread and 120 varieties of frozen pastries. The assortment of gluten-free flakes, cereal as well as muesli and flour includes more than a hundred varieties. The product range also contains over 30 different gluten-free pasta products. The price label attached to the shelf indicates whether the product is gluten- and/or lactose-free.

## **Electricity and natural gas to power cars**

The network of electric car charging stations is rapidly expanding. Currently, there are as many as [27](#) charging stations in connection with S Group outlets (2013: 7). Twenty of them are quick charging stations located at ABC service stations. By offering a public charging opportunity for drivers of electric cars, S Group supports the development of emission-free traffic and helps lower the threshold for using an electric vehicle.

There are also three gas refuelling stations in connection with ABC stations.

## **Comprehensive and extensive banking services throughout the country**

Cash continues to be needed, although using it for payment has decreased considerably in the era of card payments. S-Bank customers can withdraw and deposit cash using the S-Etukortti card at the checkouts in approximately 1,000 S Group outlets, free of charge and without a purchase obligation. Co-op members can access S-Bank services in a total of more than 700 S Group outlets.

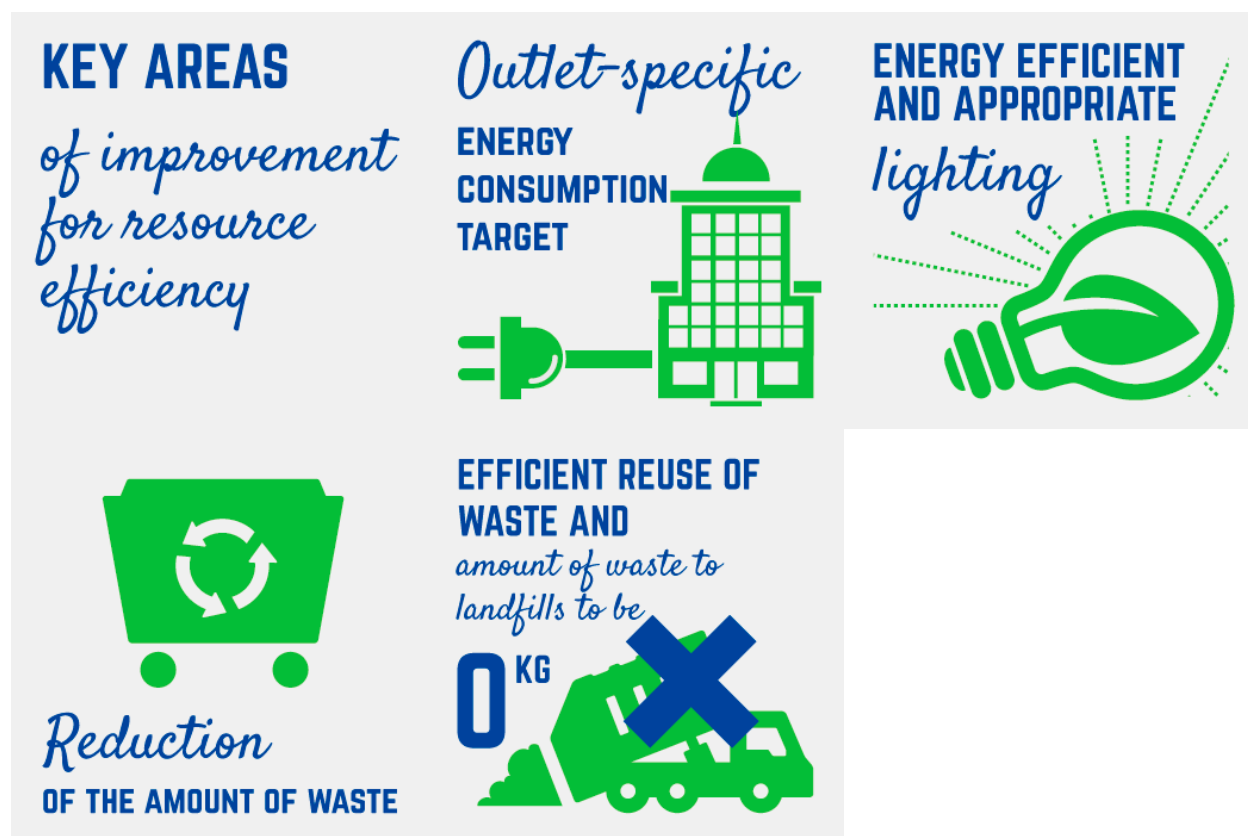
Customers can also take care of their daily banking using the S-mobile service and, for example, check the balance on the S-Tili account and pay bills, anytime and anywhere. The application can also be used to check the accumulated bonuses and to receive S Group's best benefits directly to one's own mobile phone.

### **Resource efficiency**

## **■ Towards improved resource efficiency**

Due to S Group's extensive and comprehensive network of outlets, its energy consumption is high and it generates plenty of waste. Therefore, resources should be used in a conscious manner in all operations. S Group contributes to sustainable development by paying special attention to the energy efficiency of its own operations, renewable forms of energy, reduction of waste and efficient reuse of

waste.



## S Group's Eco-balance

The eco-balance describes the material and energy flows in S Group's operations in Finland as the use of materials and environmental impacts. The following sections provide a more detailed description of these flows.

## S GROUP'S ECO-BALANCE 2014



## ■ Energy savings and energy-efficiency

By investing in the energy-efficiency of our own operations and renewable forms of energy, and by supporting co-op members in saving energy, S Group wants to do our share to impact global mega trends, such as climate change. Our stakeholders also expect us to use energy sensibly and to invest in renewable forms of energy.

S Group works continuously to save energy and improve the efficiency of energy use. The most important measures are to develop cost monitoring and to set concrete objectives. The Executive Board of SOK has decided on S Group's commitments for action related to "Finland 2050", the Society's Commitment to Sustainable Development. Various actors in society give their own commitments for action in order to contribute to the shared objectives of the Society's Commitment. One of S Group's commitments for action concerns the improvement of energy efficiency. The goal is to define an individual target for energy consumption at each S Group outlet by 2016 and to monitor the consumption. We also commit to our own wind power accounting for 50 per cent of the electricity used by S Group in 2016.

With the outlet-specific energy consumption targets in place in all our outlets in the future, we can monitor energy consumption and the meeting of goals per building. Another key development area in terms of saving energy is the energy-efficient and appropriate lighting of buildings. To achieve this, we define the target levels of lighting for building concepts, take care of appropriate automation and control methods, use new technology in lighting and pay attention to people's habits concerning lighting.

S Group has also signed energy efficiency agreements concerning the retail sector, travel industry and hospitality business, as well as traffic and heating fuels. It is committed to the sector's shared energy saving objective of nine percent by 2016, compared to the 2005 level.

## Measures for more efficient use of energy

S Group uses energy roughly for five large-scale purposes: refrigeration technology, lighting, ventilation and heating, as well as kitchen appliances. Energy-efficiency is taken into consideration both in the daily activities and when building new outlets and renovating existing ones.

Measures taken to advance the outlet-specific target consumption include developing the monitoring system. The operative real estate organisation has received instructions concerning this.

Reducing the level of general lighting in areas with furniture and product luminaires has been taken into account when designing lighting solutions. The goal is to reduce the lighting of less relevant items while still ensuring sufficient lighting of products to make sure all customers can read the product labels. LED lighting is becoming increasingly common in furniture and product luminaires and in neon lights. S Group has been promoting this trend by including a detailed technical specification concerning the implementation of general lighting and spotlights in the store design instructions.

The energy efficiency of cold storage equipment has been improved considerably. Replacing existing cold storage equipment with coolers that have doors or covers has continued according to plan whenever appliance replacement is needed. All new cold storage equipment is also equipped with doors or covers.

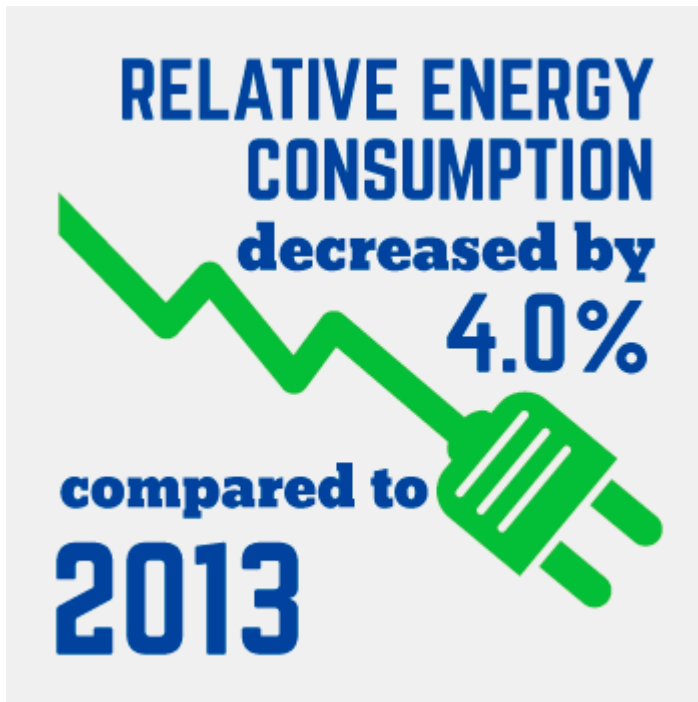
In S Group, refrigeration is one of the main sources of electricity consumption. In addition to electricity refrigerants are used in producing cold. The impact on climate can be significantly reduced with the right choice of refrigerants. Traditionally, refrigeration has been provided by means of various kinds of halogenated hydrocarbon-based refrigerants, or HFCs. The problem with these refrigerants is their high GWP value, which describes their warming impact on the atmosphere compared to carbon dioxide. S Group has decided to use carbon dioxide, in which the GWP value is 1, as the refrigerant in new refrigeration facilities. Carbon dioxide refrigeration facilities can already be found in approximately 150 S Group stores. If a carbon dioxide refrigeration facility is designed and built properly, it is possible to make energy consumption 5 to 10 per cent more effective, compared to a traditional refrigeration facility.

Among the energy consumption streamlining measures, the changes in the settings values and control methods of ventilation systems, as well as improved functioning of heat recovery systems, have the biggest impact on the consumption of heating energy. Remote management of energy use in buildings is an important way of saving energy. In 2014, about 300 buildings of S Group were included in the remote management system. In remote management, the efficiency of building service technology is monitored in a centralised manner. In addition, on-site visits are paid to the buildings on a regular basis to locate any defects and shortcomings in the buildings. The number of on-site visits was approximately 550 in 2014. This operating model has provided results, and in some cases, energy consumption has decreased. Overall, the calculatory energy costs of locations under remote management were approximately EUR 1.95 million lower in 2014 than in 2013.

## Energy savings are based on consumption monitoring

S Group has been continuously increasing the efficiency of the use of energy. In 2014, the measured total consumption of electricity and heat in S Group outlets was 1,557 gigawatt hours (2013: 1,594 GWh). The relative consumption of energy in 2014 was 319 kilowatt hours per gross square metre (2013: 333 kWh/gross m<sup>2</sup>), meaning the relative energy consumption decreased by 4 per cent over the course of the

year.



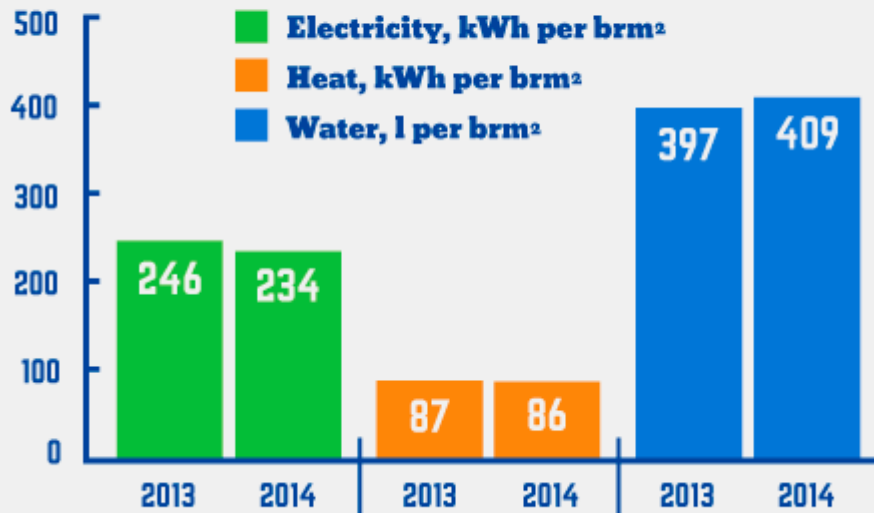
In 2014, S Group monitored energy consumption in a total area of 4.88 million gross square metres (2013: 4.78 million gross m<sup>2</sup>). The increase in the area is partly due to the new outlets and partly to the expansion of existing ones.

S Group's total electricity consumption in 2014 amounted to approximately 1,140 GWh (2013: 1,176 GWh). This equals the electricity consumed in washing laundry by all Finnish households over the course of three years. The measures to improve energy efficiency are beginning to show, and electricity consumption has reduced slightly compared to the previous year.

The weather-corrected consumption of heating energy (district heat, geothermal heat and natural gas) was approximately 418 GWh (2013: 418 GWh).

In 2014, water consumption amounted to approximately 1.99 million cubic metres (2013: approximately 1.87 million m<sup>3</sup>), showing an increase of approximately 6 per cent compared to the previous year. Although the coverage of information has remained at the same level as last year, the reliability of information has improved.

## ELECTRICITY, HEAT AND WATER CONSUMPTION

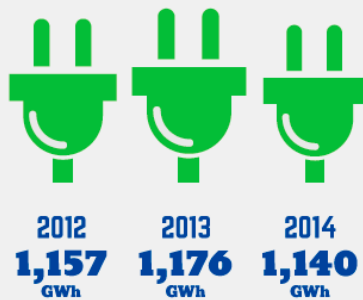


The reported figures are based on data measured and reported by building or residence. The coverage of the reported information in different areas were as follows: building area information, 88 per cent; electricity consumption 82 per cent; consumption of heating energy 49 per cent; and water consumption 61 per cent (in 2013: building area information 87 per cent; electricity consumption 81 per cent; consumption of heating energy 47 per cent; and water consumption 61 per cent). S Group's missing consumption details have not been taken into account in the calculations. Unreported details have been ignored to avoid compromising comparability with previous years' reported data.

### GROSS AREA



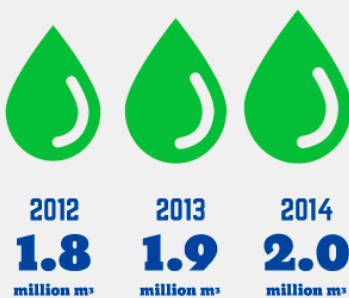
### ELECTRICITY



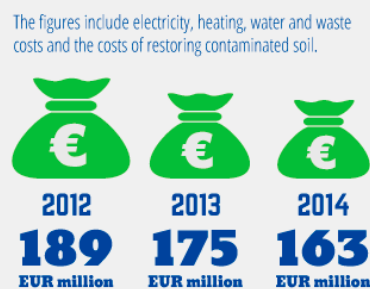
### HEAT



### WATER



### COSTS WITH ENVIRONMENTAL IMPACT





## Case: Energy-efficient S-market Sääksjärvi

As part of the National Energy Efficiency Agreement scheme, the Pirkanmaan Osuuskauppa cooperative is committed to reducing its energy consumption by 20 per cent from the 2005 level by 2020. The cooperative's S-markets already achieved their target in 2012, and the entire cooperative is well on its way to meeting this objective.

S-market Sääksjärvi is the outcome of many advanced design solutions. The building has a total area of 2,132 m<sup>2</sup>, but its energy consumption is only about a half of regular markets of the same size.

S-market Sääksjärvi uses geothermal heat, solar panels and covered refrigeration equipment with carbon dioxide as refrigerant. The lighting in the new store is also designed for optimal energy efficiency. The lighting system is equipped with motion sensors, which enables it to dim the lights in quieter areas of the store and increase the lighting level again when someone approaches the areas.

## Finnish renewable energy plays a central role in energy procurement

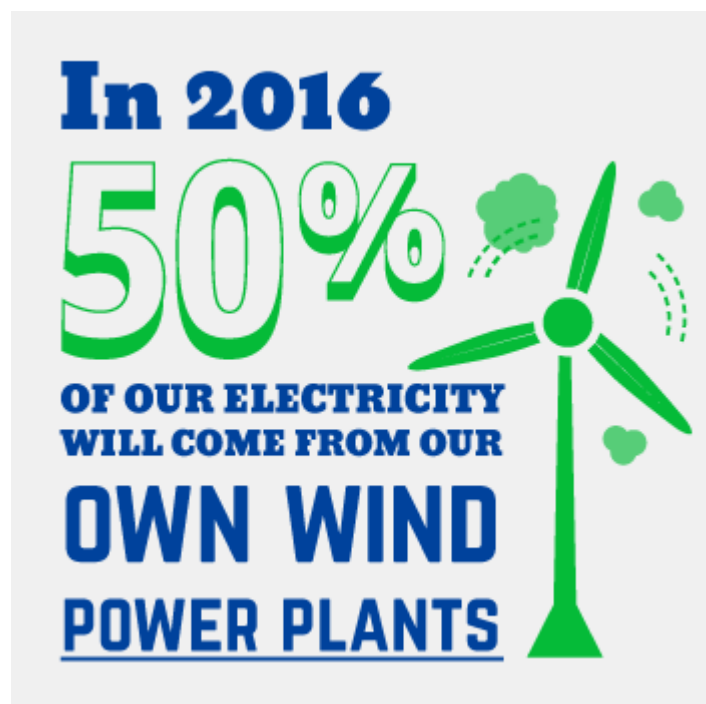
We are committed to our own wind power accounting for 50 per cent of electricity used by S Group in 2016.

As a whole, S Group's electricity consumption is high: we consume more than one per cent of the total electricity consumed in Finland in our more than 1,600 outlets. This makes us one of the ten largest consumers of electricity in Finland. Electricity procurement in S Group is handled by S-Voima Oy. Its mission is to improve the competitiveness of S Group's operations by means of efficient procurement of electrical energy and by producing carbon dioxide-neutral energy.

TuuliWatti Oy, founded in 2009, is an associate company specialising in the production of industrial wind power. It is owned by the energy company St1 Nordic Oy and S-Voima Oy with equal shares. TuuliWatti Oy is the leading wind power provider and pioneer in Finland, focusing on the latest technology in its operations. The company develops and constructs wind farms, aiming to build considerable wind power capacity in different parts of Finland in the near future.

Currently, TuuliWatti Oy has 57 wind turbines in operation. In 2014, a total of 22 new wind turbines were built. In addition, 30 new wind turbines are being constructed and will be completed in 2015. Once the plans are realised, the production volume will account for approximately 16 per cent of the wind power objective outlined by the Finnish government in its climate and energy strategy for 2020 and for the electricity supply needed by approximately 430,000 apartments.

S Group has made considerable investments in wind power projects. In 2014, S Group's own wind power covered 19.2 per cent (2013: 9.2 per cent) of the Group's electricity procurement.



Investing in wind power does not reduce the importance of energy saving measures carried out in S Group. Operations with optimal energy efficiency are an objective shared by all chains in S Group.

## ■ Monitoring and management of emission risks

The prevention and systematic reduction of emissions into the soil and atmosphere are an important part of S Group's environmental responsibility.

S Group's operations generate greenhouse gas emissions, in particular, into the atmosphere but also produce volatile organic compounds, or VOCs. Fuel distribution may include a risk of soil and ground water pollution.

### Measures to reduce carbon dioxide emissions

Wind power is one way to reduce the carbon dioxide emissions of S Group properties. In addition, the possibility to use renewable forms of energy is surveyed in all of S Group's new construction projects. When renovating units, heating systems can also be replaced with more effective and more environmentally friendly systems. For example, old oil heating systems have been replaced with systems using district heat or geothermal heat.

A new grocery trade logistics centre will be built next to the consumer goods logistics centre in Sipoo, Southern Finland. The new centre will be taken into use in stages in 2016–2018. The energy system of the

new logistics centre is based on reusing the condensing heat from refrigeration in heating and on utilising geothermal heat and bioenergy in the same manner as in the consumer goods logistics centre. The heating and refrigeration energy produced for the logistics centre will be completely carbon dioxide neutral.

## **Case: Building a green logistics centre**

S Group's new grocery goods logistics centre in Sipoo will be commissioned in stages by 2018. The floor area of the new logistics centre, being built next to the consumer goods logistics centre, will be 140,000 square metres. The centre will be built responsibly and in accordance with the criteria set in the BREEAM environmental assessment and rating system being applied for the centre. BREEAM was selected as the environmental assessment system, because it is international and suitable for a logistics property.

The BREEAM environmental assessment system has played a central role in the design and construction of the project all the way from the beginning. The classification system covers nine different green building categories, including management, energy and water consumption, materials used, as well as health and well-being.

The building's environmental classification system guides the design and sets target levels for the different parts of the building, building engineering systems and materials. The classification system also provides a guiding tool and a checklist for construction and design. Buildings are assessed in detail against the environmental perspective and good building practice.

Once the logistics centre is commissioned, the use of geothermal heat and condensing heat in compliance with BREEAM will help produce lower energy costs and carbon dioxide neutrality. The carbon footprint of the life cycle of the construction material, was determined for the frame, façades, roof and walls. Employee comfort and maintenance of the natural values in the site were also focused on. The new logistics centre is expected to receive an 'Excellent' rating in BREEAM.

## **ABC works to minimise environmental risks**

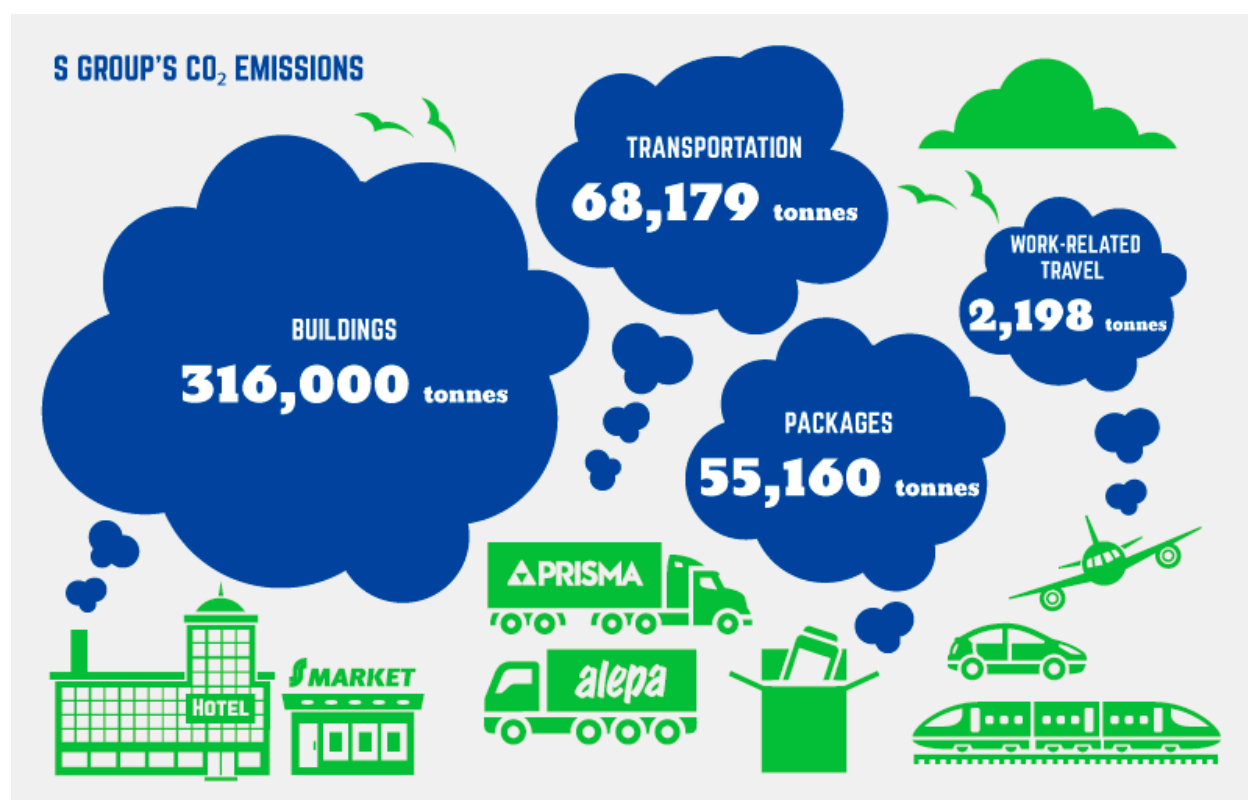
At the end of 2014, all (436) S Group fuel distribution stations were included in the information systems of the environmental authorities. ABC pays special attention to the technology and monitoring of the fuel islands. The condition of all S Group's fuel islands is inspected regularly. A station manager responsible for monitoring has been assigned for each fuel island. The station managers receive regular training in their work. In addition, the fuel island technology is constantly being developed to ensure safety and operation.

Petrol releases volatile organic compounds (VOC) into the atmosphere. Recovering petroleum vapours generated when filling the petroleum tanks at the stations has been carried out for a long time. In addition,

new and renovated filling stations are equipped with systems that recover petrol vapours released when refuelling vehicles. At the end of 2014, 66 per cent of ABC stations had such recovery systems (2013: 63 per cent). Recovering petrol vapours limits VOC emissions. This has a considerable impact on air quality in densely populated centres and at filling stations where the volume of fuel sales is high. The calculated VOC emissions caused by S Group's petrol sales in 2014 totalled 698 tonnes (2013: 715 t).

## Carbon dioxide emissions

The carbon dioxide emissions generated by S Group's operations include those from the energy consumption of buildings and from the production of this energy. They also include carbon dioxide emissions generated by both domestic transports and import, packages as well as work-related travel.



The carbon dioxide emissions generated by electricity and heating production totalled 316,000 t in 2014 (in 2013: 318,000 t). The emission factors used in the calculations vary year by year depending on the energy production profile used in Finland. Since the majority of energy used by S Group is purchased, S Group cannot fully influence the emissions of its own energy consumption. Nevertheless, S Group invests considerably in building its own wind power.

The most important environmental impacts of logistics include the energy consumption of transportation and its emissions into the atmosphere. Inex Partners Oy, S Group's procurement and logistics company for groceries and consumer goods, and Meira Nova Oy, the procurement and logistics company for hotels and restaurants, require that transportation companies commit to continuous improvement of their operations in order to reduce their environmental impact. The efforts to take the environmental impacts of transportation into consideration include the following: selecting optimal routes, carrying full loads, making use of return logistics and using fleet that meets the modern environmental requirements. The emissions in transportation are calculated based on the tonnage transported and fuel consumption data, using emission

coefficients from the LIPASTO traffic exhaust emissions and energy consumption calculation system of VTT Technical Research Centre of Finland.

In 2014, the carbon dioxide emissions from Inex Partners' domestic transports totalled nearly 37,000 tonnes (2013: 49,000 t). In domestic transports, the carbon dioxide emissions per transported tonne amounted to 15.4 kg (2013: 18.7 kg). The reduction in the emissions of domestic transports is attributable to the increased reliability of calculations. In 2014, the carbon dioxide emissions from Inex Partners' international transports totalled 27,156 tonnes (2013: 20,480 t). The carbon dioxide emissions per one tonne transported in international transports were 182 kg (2013: 154 kg). The fluctuation in the relative development of the carbon dioxide emissions of international transports is due to quality differences in the initial data. The total amount of emissions in international transports has been confirmed by means of coverage calculation. We work continuously to improve the reliability and coverage of information.

The carbon dioxide emissions from Meira Nova's domestic transports totalled 4,023 tonnes in 2014 (2013: 4,324 t). In domestic transports, carbon dioxide emissions per transported tonne amounted to 17.5 kg (2013: 18.4 kg). The reliability of calculations and the coverage of data have improved from last year, which in part explains the reduction in emissions.

Transports	Inex Partners	Meira Nova
Domestic transports total (t)	37,000	4,023
Domestic transports (kg per transported t)	15.4	17.5
International transports total (t)	27,156	-
International transports (kg per transported t)	182.0	-

Carbon dioxide emissions generated by air travel related to S Group personnel's work travel totalled 1,425 tonnes in 2014 (2013: 1,780 t). The reduction in emissions is attributable to declined air travel and shorter trips. The number of kilometres travelled by train per person was 2,356,900 in 2014.

SOK Corporation had 248 company cars, and the amount of carbon dioxide emissions generated by them was 763 tonnes in 2014. SOK Corporations' company car acquisition guidelines set the maximum emissions limit at 170 g CO<sub>2</sub>/km. Although the maximum emissions limit has remained the same, the average actual emissions has declined slightly: 130 g CO<sub>2</sub>/km (2013: 136 g CO<sub>2</sub>/km).

## Aiming for reduced amounts and increased reuse of waste

Reducing the amount of waste and reusing waste efficiently are key aspects of minimising S Group's environmental burden. S Group wants to do its part in minimising the amount of waste that ends up in landfills and in reusing waste either as material or energy as effectively as possible.

The objective of the Waste Act is to prevent waste generation and promote the reuse of products, increase recycling and reuse of waste as well as reduce the amount of waste that ends up in landfills. S Group has defined the key areas of improvement for material efficiency which are specifically focused on. The first goal is to reduce the amount of waste generated. Efforts to accomplish this include chain-specific guidelines and extensive outlet-specific monitoring of waste data. Another central objective is to reuse the generated waste effectively. An example of this is the collection of customers' decommissioned electrical devices and electronics in S Group stores.

Primarily, waste is sorted for reuse by material, and if this is not feasible, it is used for energy. In this way, we minimise the amount of waste that ends up in landfills. Our objective is to reduce the amount of waste to landfills to 0 kg by 2016. In addition to the environmental impacts, every kilogram of waste that is not generated or that does not end up in landfills also reduces waste management expenses through lower waste taxes.

## Reducing the amount of waste

In 2014, S Group generated approximately 102,000 tonnes of waste in Finland (2013: 105,000 tonnes). In other words, the total amount of waste generated decreased by three per cent from the previous year.

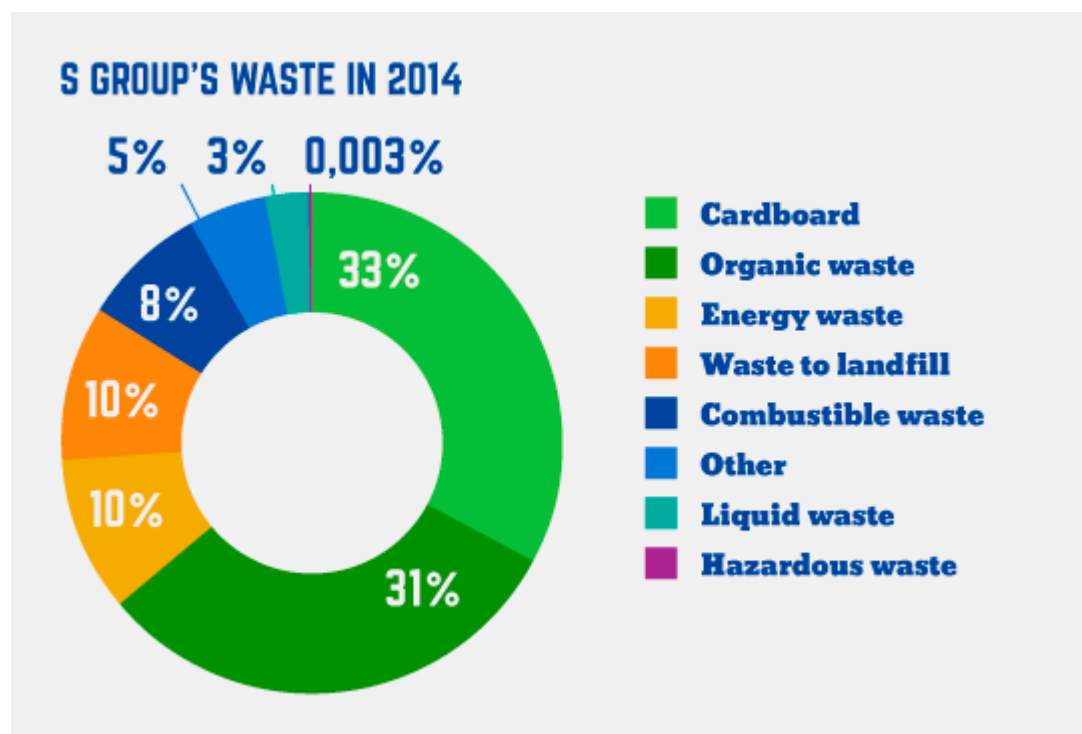
The waste generated included approximately 99,000 tonnes of municipal waste and about 2,800 tonnes of liquid waste, such as waste from grease traps and sand traps, as well as septic tank sludge. The amount of hazardous waste totalled 300 tonnes.

The largest quantities of waste generated in S Group's operations include organic waste, cardboard, energy waste as well as landfill and combustible waste. The amount of waste to landfills decreased by approximately 22 per cent compared to 2013. By contrast, the amount of waste to be combustible increased by nearly five per cent.





The amount of organic waste decreased slightly compared to 2013, whereas the amount of cardboard has increased. The amount of energy waste has remained almost the same than in 2013. Liquid waste primarily includes waste from sand traps, grease traps and septic tanks. Other waste includes plastic film, metal, glass, paper, wood, decommissioned electrical devices and electronics, as well as construction waste.



The reporting level of waste data has improved and the data are more extensive than in the previous year. The reported figures are based on waste data reported per outlet and cover 83 per cent of S Group's outlets. Missing waste data have not been taken into account in calculations but the reported details have been ignored, so that comparability with previous years' reported data is not compromised.

## Case: Food Waste Week

The third National Food Waste Week was organised in 2014. Hospitality management students at the Laurea University of Applied Sciences prepared approximately 3,000 portions of soup from vegetables unfit for sale collected from the HOK-Elanto Prisma stores. In the Saa syödä! ('Free to eat') campaign organised by [Motiva](#), soup was distributed from a mobile field kitchen free of charge to participants and passers-by at the city centre in Helsinki. The ingredients for the vegetable soup were collected from eleven Prisma stores, and due to the popularity of the event, additional vegetables recorded as food loss were obtained from the Inex logistics centre. In addition, guacamole made of overripe avocados from Inex and bread past its 'Sell by' date received from the Prisma store at the Jumbo shopping centre were served at the event.

## Case: Minimising food loss

In S Group's grocery stores, food loss is managed by means of systematic operations and cooperation – throughout the supply chain.

Loss is managed through systematic management of orders, deliveries, transports and inventories. This ensures the freshness of products and just-in-time, synchronised supplementing orders as well as deliveries to stores. Good packaging design also plays a significant role in reducing food waste. The quality of packaged products must be good throughout the chain, despite long transportation distances and handling in warehouses and stores.

The stores have an important role in minimising loss. Daily activities include receipt inspections of goods arriving at the store, shelving, verification of the freshness and date labels of products, as well as marking products reaching their 'Sell by' date with discount stickers.

Work carried out at the warehouse also contributes to the minimisation of loss. When goods are delivered from the warehouse to the store on time, the store will have more time to sell them. With these measures, it has been possible to reduce loss generated in stores. In 2014, the ratio of food wastage to food sales was 1.79 per cent in S Group's grocery stores. The corresponding figure was 1.80 per cent in 2013 and 1.97 per cent in 2012. Thus, food loss is a declining trend, slowly but surely. The reported percentage also includes food items donated to charity through cooperation partners. In 2014, a total of 34 million kilograms of loss was generated.

All cooperatives participated in the survey concerning food loss items suitable for donation to charity carried out in 2014. The survey showed, among other things, that items generating the most food loss



suitable for donation include fresh bread, fruit and vegetables. At the end of 2014, S Group's stores had a total of nearly 200 cooperation partners specialised in food aid, which receive donations directly from stores or S Group's logistics centres.

Most of S Group's larger markets frequently donate food items to charity. Some of the small stores have also built a functioning model of doing charity work.

No matter how well loss is managed, food waste is inevitable. The biggest reason for a food item ending up as waste in a store is that it does not meet the criteria of charity donation, in other words, it is no longer suitable for consumption. In addition, the shortage of charity providers and difficulty in organising functioning deliveries of the collected items to distribution locations hinder charity work in small localities. In many small units, the amount of food loss is also so small that separate pick-ups make no sense.

Nevertheless, donating expiring food to charity is continuously increasing, as new cooperation partners join our network. The operations have become easier, in particular due to the guidelines issued by Evira to charity operators in 2013. Furthermore, each S Group grocery store also has an agreement in place with their charity partners, which ensures that the operations truly target people in need of food aid and adhere to the food safety guidelines.

## **Case: Case: 'Putin cheese'**

The impact of the import bans issued by Russia in 2014 on animal-derived foodstuffs reflected heavily on the operations of both the food industry and retail. Thanks to the brisk action taken by SOK, the food industry authorities and operators, the majority of the cheese packaged for the Russian market (nicknamed by the public as 'Putin cheese') as well as butter was sold to consumers in Finland. Therefore, the industry did not need to dispose of sellable food items more than was necessary due to the circumstances.

## Case: Recycling products from the closed HOK-Elanto stores

The food aid operations launched in 2013 have made it considerably easier for HOK-Elanto stores to donate to charity food items which are suitable for consumption but recorded as food loss and thus help low-income recipients. When the Sokos store in Hakaniemi closed at the end of 2013, the unsold items, such as clothes, shoes and household items, were donated to the Hyvä arki ry organisation for charity. The remaining inventory of the decorating room was donated to the City of Helsinki youth crisis work and reception centre. A similar donation was made when S-Market in Lauttasaari closed.

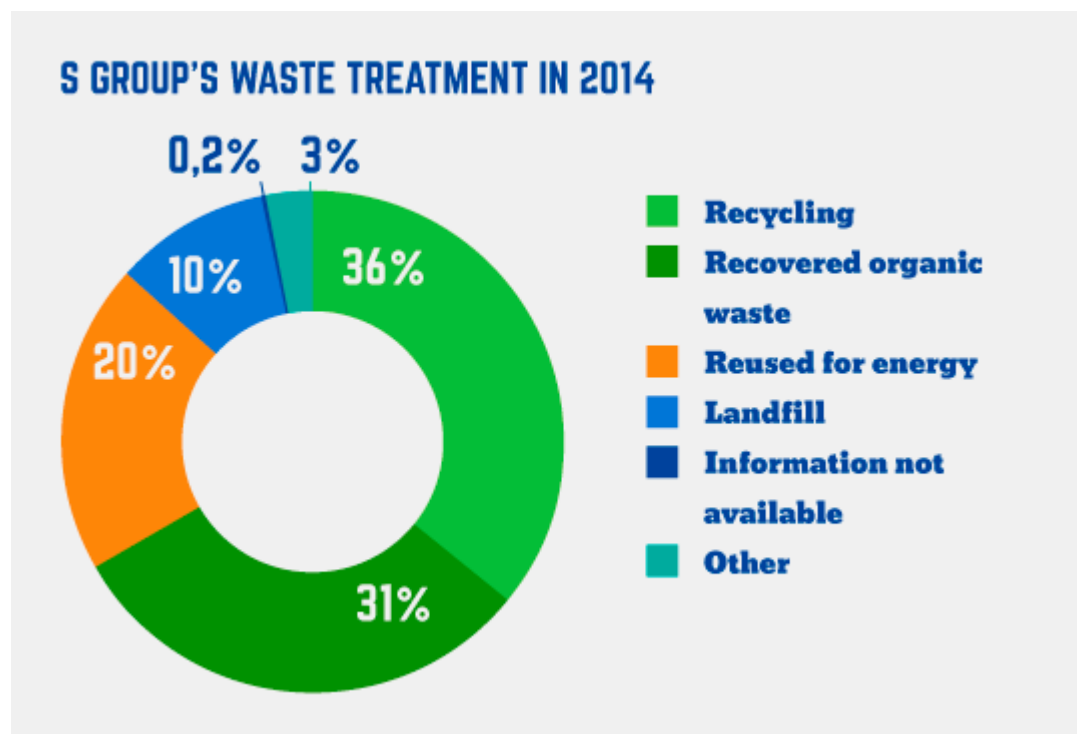
## Increasing reuse

S Group's objective is to effectively guide the generated waste to reuse. For example, in 2014, grocery stores were instructed to sort waste more effectively and to increase the share of reused waste by means of contracts with waste management companies. The aim is to reuse waste grease as energy and food loss is reduced by increasingly donating food items to charity, instead of disposing of them in organic waste.

S Group's reuse rate of waste, or the share of waste directed to reuse in the total amount of waste, increased to 90 per cent (2013: 88 per cent). The reuse/recycling rate was calculated by subtracting the amount of landfill waste from the total amount of waste, since currently it is the most reliable method of estimating the reuse/recycling rate.



Slightly over a third of waste and organic waste is directed to materials reuse. Organic waste is used for biogasification, composting and the production of bioethanol, depending on the geographical location. One fifth of the waste generated is reused for energy. Other processing covers waste from street sanding, storm drains or grass raking, as well as soil and snow.



The reliability of reporting on the forms of waste management improved from last year. We are continuously working to reduce the amount of waste ending up in landfills and to reach the target of 0 kg of landfill waste by 2016.

## Case: Increased effectiveness of waste management at S-market Pakila

S-market Pakila began implementing measures for more effective waste management in January 2014. One of the objectives was to reduce the amount of combustible waste that overflows from waste containers. Overflowing waste containers multiply the cost of waste collection. Another objective was to improve the filling rate of the waste-to-energy compactor, since the collection of waste-to-energy is a better alternative than the collection of combustible waste in terms of the environment and cost. The filling rate of the compactor was improved by a more efficient sorting of waste-to-energy at the store sorting facilities. Some of the combustible waste containers were converted into waste-to-energy containers, and personnel and cleaning staff were instructed in the proper sorting of waste-to-energy. After four months, the results were promising. The filling rate of waste-to-energy grew by 55 per cent, the amount of combustible waste overflowing from containers declined by 73 per cent, and the total amount of combustible waste decreased by 5 per cent.

## ■ Diverse recycling opportunities

S Group offers customers opportunities to recycle waste. It is important to recycle as high a proportion of household waste as possible.

In 2014, there were 263 recycling stations in or next to S Group outlets (2013: 311), which had a total of 1,435 collection containers or collection points. The recycling stations accept, among others, cardboard, cartonboard and liquid packaging board, paper, glass and metal containers and textiles.

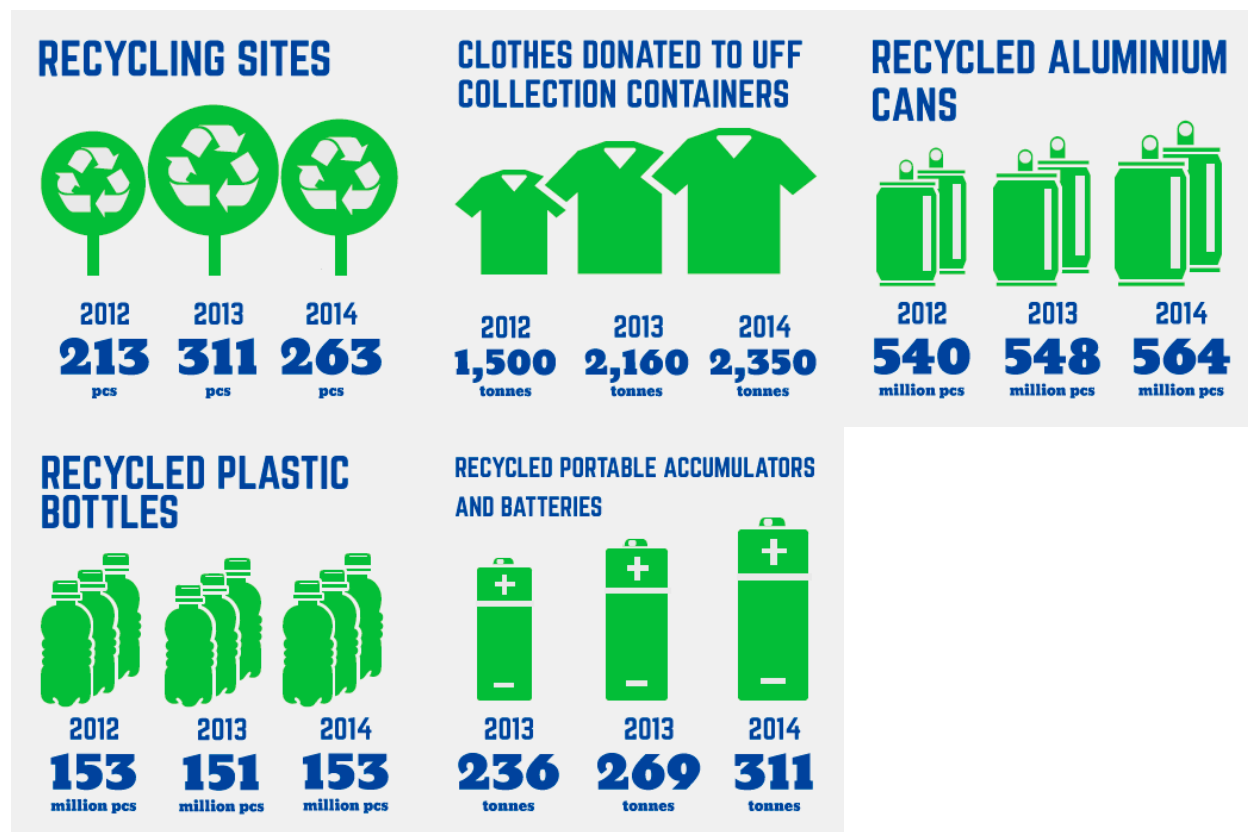
In 2014, the number of plastic bottles returned totalled more than 153 million (2013: 151 million), the number of returned cans totalled slightly over 564 million (2013: more than 548 million), and recycled glass bottles a bit over 41 million (2013: nearly 46 million).

The majority of textile waste generated in Finland ends up in landfills. The most effective way to recycle old textiles is to deliver them to clothes collection points. Large quantities of clothes are also collected at the recycling stations in connection with S Group outlets. For example, the clothes collection stations maintained by UFF accumulated slightly more than 2,350 tonnes of clothes (2013: 2,160 t).

In accordance with the new Waste Act, retail outlets on 1 May 2013 started accepting decommissioned electrical devices and electronics. Such items include, for example, refrigeration appliances, coffeemakers, mobile phones and all lightbulbs, with the exception of halogen and incandescent bulbs. Decommissioned electrical devices and electronics are collected at all S Group grocery stores larger than 1,000 square metres.

A total of more than 456 tonnes of decommissioned electrical devices and electronics were recycled through S Group's stores. In all, slightly over 900 tonnes were collected through distributors' outlets, or stores, in 2014. Of this, S Group accounted for approximately 46 per cent.

Customers may return portable accumulators and batteries to all S Group outlets that sell batteries. The red return box has become familiar to many customers: the quantity of portable accumulators and batteries returned to S Group outlets has increased continuously. In 2014, the quantity collected was slightly over 311 tonnes (2013: 269 t).



## Reporting

## ■ Responsibility reporting

S Group's external reporting and communication are primarily developed in accordance with the expectations of co-op members, personnel and other stakeholders.

Being a leader in responsibility requires systematic management. To do this, comprehensive and reliable monitoring information is needed on a number of key indicators. External reporting should also be transparent. In 2014, we focused particularly on the assessment of the extent and reliability of key indicator information at the S Group level.

Previously, we published S Group's Annual Report, SOK Corporation's financial statements and S Group's Corporate Responsibility Review separately. These documents have now been combined into one online review called Owned by you – S Group and responsibility 2014. The review applies the G4 reporting guidelines of the Global Reporting Initiative (GRI), taking into consideration the cooperative structure of S

Group.

The S Group-level review looks at the policies made at the S Group level and their implementation, as well as key indicators and measures in Finland. An exception is the financial figures, which also include the operations in the Baltic countries and Russia. As legally independent businesses, the cooperatives also report their own operations in their annual reports and on their websites. This review has not been verified by an external party.

## GRI Index 2014

The table shows which pages in the Owned by you – S Group and responsibility 2014 web pages make reference to the GRI guidelines. The references help you find more detailed information easily on S Group's responsibility work in 2014. The review does not contain those GRI figures separately which are included in employers' statutory obligations or collective labour agreements in Finland.

### Responsibility strategy and analysis

Section	GRI content	Page
1	Statement from the CEO	<a href="#">CEO's Review</a>
2	Key impacts, risks, and opportunities	<a href="#">S Group's responsibility programme</a>

### Organisational profile

Section	GRI content	Page
3–9, 13–14	S Group: size, business and ownership	<a href="#">S Group in brief</a>
10	Employees	<a href="#">Personnel</a>
12	S Group's supply chain	<a href="#">S Group's suppliers and service providers</a>
15–16	External principles and initiatives and membership of associations	<a href="#">Advocacy organisations for common interests</a>

## Identified material aspects and boundary

Section	GRI content	Page
17	Report boundary	<a href="#">Responsibility reporting</a>
16–23	Defining report content; material aspects and reporting boundary	<a href="#">S Group's responsibility programme</a>

## Stakeholder engagement

Section	GRI content	Page
24–27	S Group's stakeholders and engagement	<a href="#">Stakeholders</a>

## Report profile

Section	GRI content	Page
28–33	About this report and contact information	<a href="#">Responsibility reporting</a> (contact information at the bottom end of this webreport)

## Governance

Section	GRI content	Page
34	S Group's governance structure	<a href="#">Corporate Governance and Management System</a>

## Ethics and integrity

Section	GRI content	Page
56	Values and codes of ethics	<a href="#">Values, vision and strategy</a> <a href="#">Good business practices guide our work</a> <a href="#">Respecting human rights in the supply chains</a>

## Responsibility management

Section	GRI content	Page
DMA	Management of responsibility	<a href="#">Responsibility Management</a>
DMA	Responsible products and services	<a href="#">Responsibility and product safety in procurement practices</a> <a href="#">Origin and traceability of products</a>
DMA	Resource efficiency	<a href="#">Towards improved resource efficiency</a>
DMA	Personnel motivation, well-being and safety	<a href="#">S Group as an employer</a>

## Economic responsibility

Section	GRI content	Page
EC1	Direct economic value generated and distributed	<a href="#">Co-op membership</a> <a href="#">S Group's social influence</a>
EC7	Development and impact of infrastructure investments	<a href="#">National and regional responsibility cooperation</a>
EC8	Indirect economic impacts	<a href="#">Creating well-being locally</a>
EC9	Proportion of spending on local suppliers at significant locations of operation	<a href="#">S Group's suppliers and service providers</a> <a href="#">Origin and traceability of products</a>

## Environment

Section	GRI content	Page
EN2	Percentage of materials used that are recycled input materials	<a href="#">Biofuel from waste</a>
EN3	Energy consumption within the organization	<a href="#">Environment</a> <a href="#">Energy savings are based on consumption monitoring</a>
EN5	Energy intensity	<a href="#">Energy savings are based on consumption monitoring</a>
EN6	Reduction of energy consumption	<a href="#">Measures for more efficient use of energy</a>
EN8	Water consumption	<a href="#">Environment</a> <a href="#">Energy savings are based on consumption monitoring</a>
EN16	Indirect greenhouse gas emissions (scope 2)	<a href="#">Carbon dioxide emissions</a>
EN17	Other indirect greenhouse gas emissions (scope 3)	<a href="#">Carbon dioxide emissions</a>



EN18	Greenhouse gas emissions intensity	<a href="#">Carbon dioxide emissions</a>
EN19	Reduction of greenhouse gas emissions	<a href="#">Measures to reduce carbon dioxide emissions</a> <a href="#">Finnish renewable energy plays a central role in energy procurement</a>
EN21	Other significant air emissions	<a href="#">Environment</a> <a href="#">ABC works to minimise environmental risks</a>
EN23	Waste by type and disposal method	<a href="#">Environment</a> <a href="#">Reducing the amount of waste</a>
EN27	Mitigation of environmental impacts of products and services	<a href="#">Biofuel from waste</a> <a href="#">Environmentally friendly packaging materials and alternatives to plastic bags</a>
EN28	Reclaimed products and their packaging materials	<a href="#">Environmentally friendly packaging materials and alternatives to plastic bags</a>
EN30	Environmental impacts of transporting products, materials and workforce	<a href="#">Carbon dioxide emissions</a>
EN32	Suppliers screened using environmental criteria	<a href="#">Assessing the environmental impact of product manufacture</a> <a href="#">Monitoring working conditions in risk countries</a>
EN33	Significant negative environmental impacts in the supply chain and actions taken	<a href="#">Responsible raw materials</a>

## Labour practices and decent work

Section	GRI content	Page
LA1	New employee hires and employee turnover	<a href="#">Working at S Group Personnel</a>
LA6	Injuries, occupational diseases, lost days absenteeism and fatalities	<a href="#">A safe working environment is a fundamental right</a>
LA9	Training	<a href="#">Personnel</a> <a href="#">A safe working environment is a fundamental right</a> <a href="#">Motivating performance-based rewards</a>
LA10	Programs for skills management and lifelong learning	<a href="#">Growing young people into retail professionals</a> <a href="#">Employer support for the personnel's working ability</a>
LA11	Employees receiving regular performance and career development reviews	<a href="#">Motivating performance-based rewards</a>
LA14	Suppliers screened using labor practices criteria	<a href="#">Monitoring working conditions in risk countries</a> <a href="#">More extensive monitoring through Sedex</a>
LA15	Significant negative impacts for labor practices in the supply chain and actions taken	<a href="#">Monitoring working conditions in risk countries</a>
LA16	Grievances about labor practices	<a href="#">Case: Berry-pickers' working conditions in Finland</a> <a href="#">Case: Improving safety at work in textile factories in Bangladesh</a>

## Human rights

Section	GRI content	Page
HR10	Suppliers screened using human rights criteria	<a href="#">Monitoring working conditions in risk countries</a> <a href="#">More extensive monitoring through Sedex</a>
HR11	Significant negative human rights impacts in the supply chain and actions taken	<a href="#">Respecting human rights in the supply chains</a>

Society		
Section	GRI content	Page
SO1	Local community engagement, impact assessments and development programs	<a href="#">The village shop project aims to secure local services?</a> <a href="#">National and regional responsibility cooperation</a>
SO9	Suppliers screened using criteria for impacts on society	<a href="#">Monitoring working conditions in risk countries?</a> <a href="#">More extensive monitoring through Sedex</a>

Product responsibility		
Section	GRI content	Page
PR1	Products and services for which health and safety impacts are assessed	<a href="#">Responsible raw materials?</a> <a href="#">Product safety</a>
PR3	Type of product and service information required	<a href="#">Responsible raw materials?</a> <a href="#">Researched products?</a> <a href="#">Responsibility of services</a>
PR5	Surveys measuring customer satisfaction	<a href="#">Systematic stakeholder engagement</a>
PR6	Sale of banned or disputed products	<a href="#">Disclosing the country of origin</a>

## Financial Statements

### ■ Financial statements

The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent cooperative's balance sheet, income statement, cash flow statement and notes to the financial statements.



# **SOK Corporation's 2014**

Financial Statements 1.1.–31.12.2014

# SOK Corporation's Financial Statements 2014

<b>Executive board report on operations .....</b>	<b>4</b>	<b>SOK Corporation Key Ratios 2009–2013.....</b>	<b>58</b>
<b>Consolidated financial statements, IFRS.....</b>	<b>10</b>	<b>Parent Cooperative's</b>	
Consolidated income statement.....	10	<b>Financial Statement, FAS.....</b>	<b>60</b>
Consolidated statement of financial position .....	11	Income statement of SOK.....	60
Consolidated statement of cash flows .....	12	Balance sheet of SOK.....	61
Consolidated statement of changes in equity .....	13	Cash flow statement of SOK .....	62
Notes to the consolidated financial statements:		Notes to SOK's financial statements .....	63
Company information .....	14	<b>Executive Board's proposal</b>	
Accounting policies for consolidated		<b>for the distribution of SOK's</b>	
financial statements .....	14	<b>distributable surplus .....</b>	<b>70</b>
1. Segment information .....	22	<b>Auditor's report.....</b>	<b>71</b>
2. Assets held for sale .....	26	<b>Statement of Supervisory Board.....</b>	<b>72</b>
3. Acquisitions and establishments			
of new companies .....	27		
4. Other operating income .....	28		
5. Employee benefit expenses.....	28		
6. Depreciation and impairment.....	28		
7. Other operating expenses.....	29		
8. Auditor's fees .....	29		
9. Financial income and expenses .....	29		
10. Financial instrument items recognised in the			
income statement .....	30		
11. Income taxes .....	30		
12. Property, plant and equipment .....	31		
13. Investment properties .....	32		
14. Intangible assets.....	33		
15. Impairment testing .....	34		
16. Shares in associated companies and			
joint ventures.....	34		
17. Non-current financial assets.....	35		
18. Deferred taxes.....	37		
19. Inventories.....	38		
20. Trade receivables and other current			
non-interest-bearing receivables .....	39		
21. Current interest-bearing receivables .....	38		
22. Cash and cash equivalents.....	38		
23. Equity .....	38		
24. Supplementary cooperative capital.....	38		
25. Interest-bearing liabilities.....	39		
26. Non-interest-bearing liabilities.....	39		
27. Fair values of financial assets and liabilities.....	40		
28. Provisions .....	44		
29. Operating leases.....	44		
30. Management of financial and			
commodity price risks.....	45		
31. Related party transactions .....	53		
32. Contingent liabilities .....	44		
33. Subsidiaries and associated companies .....	56		
34. Events after the balance sheet date .....	57		

# Executive board report on operations

## Development of the operating environments

The Finnish economy is in the middle of a long downward trend. Total production has still not reached the level that preceded the 2008 financial crisis. Genuine economic growth has not truly been experienced in Finland since summer 2011.

In 2014, the Finnish economy shrank for the third year in a row. Exports were at a standstill, investments decreased, industrial production continued to decline, and employment weakened. Long-term unemployment, in particular, increased. Households' purchasing power weakened and consumption declined.

The volume of retail sales declined in all sectors, with the exception of appliances and sports equipment. Overall, the volume of sales decreased by approximately one per cent in 2014, and thus sales declined for the second year in a row. Since the financial crisis, the volume of retail sales has grown only about half a per cent per year, whereas at the beginning of the 2000s, the retail sales volume in Finland grew an average of four per cent per year.

## Financial development

### SOK's operations

SOK is the parent company of SOK Corporation. In accordance with its statutes, SOK is the central organisation of S Group, promoting and developing the operations of the cooperative enterprises and other organisations belonging to S Group, and managing and supervising the Group's overall resources for maximum efficiency while also monitoring the operations and seeing to the interests of S Group and its segments.

SOK is responsible for S Group's overall strategic management. Its tasks are to provide S Group companies with services in chain management, co-op membership and marketing, as well as other group and corporate services and development activities related to these services and other activities of S Group. Services central to S Group's operations also include procurement and assortment services.

Through its subsidiaries conducting business operations, SOK offers a wide spectrum of services to its co-op members in S Group. Furthermore, through its subsidiaries, SOK engages in the super-market trade and travel industry, and hospitality business in the Baltic area and St. Petersburg.

### SOK Corporation's financial development 1 January–31 December 2014

The revenue from SOK Corporation's continuing operations 1 January–31 December 2014 totalled EUR 7,286 million, down by 0.4 per cent from the previous year. SOK Corporation's operating profit from continuing operations was EUR 43.1 million (EUR -7.9 million). The result improvement was mainly due to the efficiency measures and the combination merger of S-Bank and LocalTapiola, which had a positive effect of EUR 32 million on the result, recognised in other operating income. International operations accounted for 8.0 per cent of net sales, or EUR 584 million.

SOK's fuel purchases from North European Oil Trade Oy and its corresponding sales to cooperatives have been treated as intermediated sales since the beginning of 2014. The 2013 income statement has been adjusted for comparability by transferring EUR 1,222 million of net sales to sales adjustment. This change in the accounting principles had no effect on the result. The decrease in net sales in 2013 compared to the previous year was due to a change that took place in the ownership of North European Oil Trade Oy in December 2012. As a result of this change, North European Oil Trade Oy has been treated as a joint venture, not a subsidiary, since 1 January 2013.

SOK Corporation			
continuing operations	2014	2013	2012
Revenue, EUR million	7 286	7 317	10 634
Operating profit, EUR million	43.1	-7.9	-7.2
Operating profit, % of revenue	0.6	-0.1	-0.1
SOK Corporation			
Return on equity, %	5.5	0.8	-3.9
Equity ratio, %	38.3	36.3	29.3

### SOK Corporation's operating revenue and operating result by business area (segment)

SOK Corporation's operating revenue and operating result are divided into retail and wholesale business areas in accordance with operational monitoring. In addition, the operating result of the banking operations is under operational monitoring.

	Revenue EUR million	± % prev. year	Operating result EUR million	Change EUR million
Supermarket trade	538	+3.6	-24.0	+6.1
Travel industry and hospitality business	249	-1.4	+10.5	+2.8
Procurement and service business	6,585	-0.2	+1,6	+24,0
Real estate business <sup>1)</sup>	69	-10.4	+14.0	-5.0
Result from banking			+5.9	-4.9
Internal eliminations and other <sup>2)</sup>	-159	+16.6	-0,4	+17,3
<b>SOK Corporation total<sup>3)</sup></b>	<b>7.282</b>	<b>-1.8</b>	<b>+7.6</b>	<b>+40.2</b>

- <sup>1)</sup> The real estate business was separated from the procurement and service business and established as an independent business area in 2014.
- <sup>2)</sup> Internal eliminations and other includes the automotive trade and accessories segment discontinued in 2013.
- <sup>3)</sup> SOK Corporation's operating result, EUR +7.6 million, will be reconciled with SOK Corporation's result from continuing operations before taxes, EUR +39,7 million. The difference in the result of continuing operations before taxes (IFRS) is mainly due to the effect of the combination merger of S-Bank and LocalTapiola on the result and to other items not included in the operating result.

### Funding

SOK Corporation's financial situation was excellent throughout the year. SOK Corporation's interest-bearing net liabilities amounted to EUR -68.4 million at the end of December (EUR 4.4 million) and gearing was -11.3 per cent (0.7 per cent). SOK Corporation's equity ratio was 38.3 per cent (36.3 per cent).

At the end of December, SOK Corporation's liquid assets amounted to EUR 178.8 million (EUR 157.7 million). In addition, the Group had a long-term, undrawn binding credit facility of EUR 180 million.

### Investments and divestments

SOK Corporation's non-current asset procurement totalled EUR 68.6 million in 2014 (EUR 99.7 million). In Finland, investments were made in IT systems, the travel industry and hospitality business, and real estate. In St. Petersburg and the Baltic area, investments were made in the supermarket trade, travel industry and hospitality business and the acquisition of a shopping centre property in Lithuania.

The divestments of non-current assets amounted to EUR 13.9 million (EUR 149.6 million). Divestments consisted mainly of the sale of information systems to an external funding company and the sale of real estate shares.

### Personnel

SOK Corporation's average number of personnel, converted to full-time equivalents, amounted to 8,030 people during the financial period (2013: 8,897, 2012: 9,732).

At the end of 2014, SOK Corporation's number of personnel was 8,868, of whom 1,398 (15.8 per cent) were employed by SOK and 7,470 (84.2 per cent) by the subsidiaries. The number of personnel decreased by 485 persons (5.2 per cent) compared to the corresponding period in the previous year. The decline in the number of personnel was attributable to personnel reductions both in SOK and subsidiaries. The total number of employees working abroad was 3,903.



# Development of the business areas

## Supermarket trade

The supermarket trade includes the business operations in Estonia, Latvia, Lithuania, and Russia. In Estonia, there are six Prisma stores in Tallinn, two stores in Tartu and one in Narva. There are five Prisma stores in Riga, Latvia. In Lithuania, there is one Prisma store in Vilnius and two in Kaunas. Nineteen Prisma stores operate in St. Petersburg, of which three were newly established units. The revenue of the supermarket trade was EUR 538 million, an increase of 3.6 per cent from the previous year. However, revenue from the operations in Russia declined, particularly due to the weakening rouble but also due to weakened purchasing power because of the political and economic situation. The level of the operating result in the supermarket trade was clearly better than in the previous year, thanks to the good development in Estonia and Latvia. The result continues to be burdened by the establishment of new outlets and the general recession in retail in Russia.

Investments made in the supermarket trade totalled EUR 13.3 million and were mostly related to equipment. Of the total investments, EUR 6.2 million targeted St. Petersburg and EUR 7.2 million the Baltic area.

## Travel industry and hospitality business

In 2014, travel industry and hospitality business in SOK Corporation was operated by Sokotel Oy in Finland, AS Sokotel in Estonia, and OOO Sokotel in Russia.

Due to the general economic uncertainty, the demand situation continued to be challenging in both the accommodation and restaurant markets in 2014. In 2014, Sokotel Oy's revenue was EUR 205 million, showing an increase of 1.2 per cent from the previous year. The comparable revenue decreased by 0.9 percent. Solo Sokos Hotel Tornii Tampere opened in October. Sokotel Oy's operating result improved considerably from 2013, due to the successful cost-saving programme, in particular.

The revenue of AS Sokotel, engaging in the travel industry and hospitality business through Sokos Hotel Viru in Tallinn, increased by 4.6 per cent from the previous year, to EUR 18 million. AS Sokotel's operating result was slightly weaker than in the previous year, due to investments in business development.

In St. Petersburg, SOK Corporation's travel industry and hospitality business is operated by OOO Sokotel. There are three Sokos Hotels in St. Petersburg. The company's revenue totalled EUR 26 million, representing a decrease of 20.5 per cent. In the local currency, the revenue decreased by 3.2 percent. The decline in revenue was due to decreased demand in the political and economic uncertainty in Russia. OOO Sokotel's operating result was weaker than in the previous year due to the decreased revenue and increased cost level resulting from the declined exchange rate of the rouble.

In 2014, the investments by the travel industry and hospitality business totalled EUR 6.2 million. Of this amount, investments in Finland accounted for EUR 3.7 million, in Russia approximately EUR 0.3 million, and in Estonia EUR 2.2 million. The investments consisted mainly of hotel unit renovations.

## Procurement and service business

The procurement and service business comprises the procurement services for groceries and consumer goods provided by SOK's procurement operations, logistics services provided by Inex Partners Oy, procurement and logistics services provided by Meira Nova Oy in the HoReCa business, and other services provided by SOK and its subsidiaries primarily for the S Group units. Revenue generated by other services provided to S Group's units includes chain fees and management service income.

The revenue of the procurement and service business was EUR 6,585 million, showing a decrease of 0.2 per cent from the previous year. The revenue of the procurement and service business includes a total of EUR 5,954 million of EDI invoicing by SOK from S Group units. The operating result of the procurement and service business was positive and clearly better than in the previous year.

The investments made by the procurement and service business totalled approximately EUR 28.2 million in 2014. The investments consisted mainly of information system procurement.

## Real estate business

The real estate business was separated from the procurement and service business and established as an independent business area in 2014. The revenue from the real estate business consists of rental and property service income from properties owned by

SOK Corporation. The revenue from the real estate business was EUR 69 million, representing a decrease of 10.4 per cent from the previous year. The decrease was mainly due to divestments of properties. The operating result of the real estate business was smaller than in the previous year, but clearly positive.

In the first half of 2014, investments by the real estate business totalled EUR 20.9 million and were mainly related to properties in St. Petersburg and the Baltic area.

## Development of associated companies and joint ventures

Among the associated companies engaging in business operations within SOK Corporation, the most significant is S-Bank Ltd., which operates in the banking sector and belongs to S Group. S-Bank provides the members of the cooperative enterprises with services in daily banking, and its product range consists of current accounts and savings accounts, funds and asset management services, consumer credits and secured loans, international credit or debit cards as well as an online bank and a mobile bank.

The most significant event for S-Bank during 2014 was the combination merger with LocalTapiola Bank. Through the merger, the operations of the old banks were discontinued and a new S-Bank was established. The new bank began operation on 1 May 2014. The ownership of S-Bank is divided between S Group (75 per cent) and LocalTapiola (25 per cent).

Other noteworthy events for S-Bank in 2014 included the transfer of the funds managed by LocalTapiola Asset Management to be under the management of FIM Asset Management in February, as well as the transfer of FIM Bank's retail banking activities and treasury operations to S-Bank in April.

At the end of 2014, S-Bank had more than 2.7 million customers. At the end of the year, more than 1.6 million customers held S-Bank's international credit or debit cards, and banking IDs for using electronic services were being used by nearly 1.5 million customers.

S-Bank Group's result was EUR 13.4 million (EUR 21.3 million), of which the adjusted result corresponding to SOK Corporation's shareholding (37.5 per cent) was EUR 5.9 million.

The revenue of the fuel procurement company North European Oil Trade Oy was EUR 4,932 million, up 5.4 per cent year-on-year. The revenue growth was attributable to growth in the operations. North European Oil Trade Oy's operating profit

for the financial year remained at last year's level and amounted to EUR 0.6 million. SOK's shareholding in the company is 50.77 per cent. Due to the shared controlling interest based on the shareholding agreement, the company is treated as a joint venture using the equity method.

In addition to S-Bank and North European Oil Trade Oy, among other things other associated companies and joint ventures of SOK Corporation include Russian and Baltics Retail Properties Ky, a property fund company investing in Prisma-stores in St Petersburg and the Baltic area; Finnfrost Oy, an associated company of SOK's subsidiary Inex Partners Oy that provides frozen goods procurement and logistics services; Kaupakeskus Mylly Oy in Raisio; and the inter-Nordic procurement company Coop Trading A/S.

The total impact of SOK Corporation's associated companies and joint ventures on SOK Corporations result was EUR 7.5 million (EUR 11.7 million).

# Changes in the group structure

## Changes during the period

### Business acquisitions, establishments and reorganisations

In April, SOK acquired UAB Viršuliškių prekybos centras, a real estate company operating in Lithuania.

In May, SOK established SOK Fashion Retail Oy for its Mark & Spencer business operations. SOK owns 51 per cent of the new company and HOK-Elanto owns 49 per cent.

### Divestments and discontinued operations

SOK sold Kiinteistö Oy Peltokuumolantie 4 B in January and Olarin Autokiinteistö Oy in June.

### SOK Group's internal reorganisations

In January 2014, LB Kiel Tampere Ab was divided into two mutual joint-stock property companies: Kiinteistö Oy Hotelli Tammer and Kiinteistö Oy Tullintorni.

Management and future outlook

Management and changes in management

Taavi Heikkilä has been the chairman of SOK’s Executive Board and CEO of SOK since the beginning of 2014.

In addition to the CEO, the Executive Board in 2014 consisted of the following members: Managing Director Heikki Hämäläinen, Managing Director Esko Jääskeläinen, Managing Director Tapio Kankaanpää, Managing Director Timo Mäki-Ullakko, Managing Director Matti Niemi, and Managing Director Jouko Vehmas. Managing Director Matti Niemi was the Vice-Chairman of the Executive Board.

The auditor in the financial year 2014 was KPMG Oy Ab, authorised public accountants, with APA Raija-Leena Hankonen as the principal auditor.

SOK’s Supervisory Board appointed the following persons to SOK’s Executive Board for the one-year term beginning on 1 January 2015: Managing Director Matti Niemi (Vice-Chairman), Managing Director Heikki Hämäläinen, Managing Director Esko Jääskeläinen, Managing Director Tapio Kankaanpää, Managing Director Timo Mäki-Ullakko and Managing Director Jouko Vehmas. SOK’s Chief Executive Officer Taavi Heikkilä was the Chairman of the Executive Board.

SOK’s CEO is assisted in the management of SOK Corporation and S Group by SOK’s Corporate Management Team. In 2014, the Corporate Management Team consisted of the following persons: Deputy CEO Arttu Laine, Executive Vice President, S-Group Chain Management, Procurement and Logistics; CFO Jari Annala, Executive Vice President, Finance and Administration; Harri Miettinen, Executive Vice President, Customer Relationships and Information; Leena Olkkonen, Executive Vice President, Human Resources; and Jorma Vehviläinen, Executive Vice President, SOK Consumer Goods. Seppo Kuitunen, General Counsel, worked as secretary to the Corporate Management Team. Antti Sippola and Vesa Kyllönen resigned from the Corporate Management Team at the beginning of the year, and Harri Miettinen resigned at the end of the year. From the beginning of 2015, Executive Vice President Veli-Pekka Ääri has been in charge of Customer Relationships, Information and Digital Services in the Corporate Management Team.

Risks and uncertainties

SOK Corporation has a Board-approved risk management policy, which is based on S Group’s shared risk management principles. SOK Corporation’s risk management policy describes the purpose, objectives, key implementation methods and responsibilities of the Group’s risk management. Within SOK Corporation, risk management is implemented continuously and throughout the management process. Risks are reviewed in a comprehensive manner considering strategic, financial, operative, and loss or damage risks. Through risk management procedures, SOK and its subsidiaries aim to anticipate and control risk factors that affect their ability to reach their goals, and use the potential related to risks in their business operations.

SOK Corporation’s near-term risks are related to ensuring the competitiveness and profitability of operations in Finland, Russia and the Baltic countries in the current uncertain economic situation. By means of its development projects, SOK must support the entire S Group, particularly in maintaining profitability in the grocery trade, improving the performance of the consumer goods trade and ensuring overall cost-efficiency. The implementation of these development projects is subjected to special risk management. In addition, SOK still pays attention to monitoring and management of risks related to changes in regulation. In terms of SOK’s own business operations, key uncertainty factors include the economic situation in Russia as well as the development of the crisis in the Ukraine and the effects thereof on operations, particularly in Russia.

SOK Corporation’s financing and management of finance risks are centralised within SOK’s Treasury unit. The Group has a finance and funding policy confirmed by the SOK Executive Board that defines the principles of managing financing risks and the permissible maximum amounts for financing risks. In addition, numerical targets have been set for the different areas of financing in order to ensure that financing is sufficient, balanced, and affordable under all circumstances. The management of financing risks is described in greater detail in the Notes to the Financial Statements.

Environmental risks associated with SOK Corporation’s business operations have been identified and analysed by business area. The most significant environmental considerations and related measures are described in S Group’s Annual Report, which will be published at [www.vuosikatsaus.s-ryhma.fi](http://www.vuosikatsaus.s-ryhma.fi) in the spring of 2015.

Outlook for the current year

The development of the general economic situation in Finland and in the neighbouring countries is a significant factor for the success of SOK Corporation’s operations. The weak development of consumers’ purchasing power in Finland and the low expectations concerning the Russian economy will create challenges in 2015 as well.

As a result of the efficiency measures carried out and to be continued in the business operations, SOK Corporation’s results in Finland are expected to improve from last year’s level, despite the challenging market situation.

The powerful network expansion, in Russia in particular, which has been burdening the result in the supermarket trade in recent years is being gradually finalised, but the establishment of new units is still impacting the expected result of the business area. The expectations for the current year are also weakened by the unstable economic situation in Russia. Despite the network expansion and the weak outlook of the Russian economy, the result of the supermarket trade as a whole is expected to continue to moderately improve compared to the previous year.

As a whole the operational result in the neighbouring countries is forecast to remain negative due to the network expansion of the supermarket trade and the economic situation in Russia, but to develop positively compared to 2014. Taking into account all business areas the operational result of SOK Corporation is nevertheless expected to be positive in 2015, as it was in 2014 as well.

Executive Board’s proposal on the distribution of SOK’s distributable sur-plus

SOK’s distributable surplus is EUR 525,831,529.81, of which the surplus for the financial year is EUR 12,196,204.46. The Executive Board proposes that EUR 216,237.77 be paid as interest on supplementary cooperative capital, EUR 50 000.00 be transferred to the Supervisory Board’s disposal fund and that EUR 11,929,966.69 be left in the retained earnings account.

No significant changes have occurred in SOK’s financial position since the end of the financial period. SOK’s liquidity is good and the proposed distribution of surplus does not endanger SOK’s solvency, in the view of the Executive Board.

Helsinki, 12 February 2015

SOK  
CORPORATION

Executive Board



# Consolidated financial statements, IFRS

## Consolidated income statement, IFRS

EUR million	Note	1.1.-31.12.2014	1.1.-31.12.2013
<b>Continuing operations:</b>			
Revenue		7 285.5	7 317.3
Other operating income	(4)	34.8	12.6
Materials and services		-6 564.6	-6 622.3
Employee benefit expenses	(5)	-283.9	-302.0
Depreciation and impairment losses	(6)	-68.3	-66.3
Other operating expenses	(7)	-367.9	-360.5
Share of results of associated companies and joint ventures (+/-)	(16)	7.5	13.3
<b>Operating profit (-loss)</b>		<b>43.1</b>	<b>-7.9</b>
Financial income and expenses (+/-)	(9)	-3.7	-5.8
Share of results of associated companies and joint ventures (+/-)	(16)	0.2	0.5
<b>Profit before taxes</b>		<b>39.7</b>	<b>-13.2</b>
Income taxes (+/-)	(11)	-7.0	4.2
<b>Result for the financial year from continuing operations</b>		<b>32.6</b>	<b>-9.0</b>
<b>Result for the period from discontinued operations</b>	(2)	<b>0.4</b>	<b>13.5</b>
<b>Result for the financial year</b>		<b>33.1</b>	<b>4.5</b>
Attributable to:			
Owners of the parent		33.6	4.5
Share of non-controlling interests		-0.5	0.0
		33.1	4.5
<b>Statement of other comprehensive income</b>			
EUR million		1.1.-31.12.2014	1.1.-31.12.2013
Result for the financial year		33.1	4.5
Other comprehensive income:			
Items that may be Reclassified Subsequently to Profit or loss in subsequent periods			
Exchange differences on translating foreign operations		-12.5	-0.8
Available-for-sale financial assets			
Exchange differences on loans to foreign subsidiaries classified as net investments.		-3.1	-1.5
Cashflow hedges		-2.1	
Comprehensive income items of associated companies and joint ventures		-10.1	-1.9
Items that will not be Reclassified to Profit and Loss			
Acturial gains / losses		-0.2	-2.1
Other comprehensive income for the financial year, net of tax		-28.0	-6.3
<b>Total comprehensive income for the financial year</b>		<b>5.1</b>	<b>-1.8</b>
Total comprehensive income for the financial year attributable to:			
Owners of the parent		5.6	-1.8
Share of non-controlling interests		-0.5	0.0
		5.1	-1.8

## Consolidated statement of financial position, IFRS

EUR million	Note	31.12.2014	31.12.2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(12)	266.2	303.9
Investment properties	(13)	38.7	40.9
Intangible assets	(14)	64.0	63.3
Interests in associated companies and joint ventures	(16)	162.2	130.8
Non-current financial assets	(17)	82.3	118.5
Deferred tax assets	(18)	32.6	38.7
<b>Non-current assets, total</b>		<b>645.9</b>	<b>696.2</b>
<b>Current assets</b>			
Inventories	(19)	174.8	190.1
Trade receivables and other current non-interest-bearing receivables	(20)	565.9	591.4
Current interest-bearing receivables	(21)	18.8	0.0
Cash and cash equivalents	(22)	177.1	156.1
<b>Current assets, total</b>		<b>936.6</b>	<b>937.5</b>
Assets held for sale	(2)	4.0	7.1
<b>Assets, total</b>		<b>1 586.5</b>	<b>1 640.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Cooperative capital	(23)	169.4	163.4
Restricted reserves	(23)	25.7	35.4
Retained earnings		409.4	395.0
<b>Equity attributable to the the owners of the parent</b>		<b>604.5</b>	<b>593.8</b>
<b>Non-controlling interests</b>		<b>2.0</b>	<b>0.8</b>
<b>Equity, total</b>		<b>606.5</b>	<b>594.6</b>
<b>Non-current liabilities</b>			
Supplementary cooperative capital	(24)	12.8	12.8
Non-current interest-bearing liabilities	(25)	87.8	104.8
Non-current non-interest-bearing liabilities	(26)	30.7	36.7
Provisions	(28)	14.4	19.0
Deferred tax liabilities	(18)	15.7	14.3
<b>Non-current liabilities, total</b>		<b>161.4</b>	<b>187.6</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	(25)	16.7	46.3
Current non-interest-bearing liabilities	(26)	113.5	126.7
Trade payables	(26)	683.6	676.6
Provisions	(28)	3.5	4.9
Tax liabilities for the financial year		0.1	0.0
<b>Current liabilities, total</b>		<b>817.4</b>	<b>854.5</b>
Liabilities associated with assets held for sale	(2)	1.3	4.1
<b>Equity and liabilities, total</b>		<b>1 586.5</b>	<b>1 640.8</b>

Consolidated statement of cash flows, IFRS

EUR million	Note/Reference	1.1.-31.12.2014	1.1.-31.12.2013
<b>BUSINESS OPERATIONS</b>			
Operating result from continuing and discontinued operations		45.4	-0.5
Adjustments to operating result	(A)	35.2	-25.8
Change in working capital	(B)	65.2	146.8
<b>Cash flow from business operations before financing and taxes</b>		<b>145.8</b>	<b>120.5</b>
Increase (-) / decrease (+) in current receivables	(20)	0.4	-0.6
Interest paid and other financial expenses	(9)	-49.6	-31.3
Interest received and other financial income	(9)	14.8	13.8
Dividends received from business operations	(9)	0.1	2.1
Income taxes paid	(11)	0.2	3.0
<b>Cash flow from business operations</b>		<b>111.6</b>	<b>107.5</b>
<b>INVESTMENTS</b>			
Acquired shares in subsidiaries net of acquired cash	(2)	-12.0	-21.9
Divested shares in subsidiaries net of cash held by subsidiary	(3)	4.0	96.7
Investments in tangible assets	(12)	-33.2	-58.0
Investments in intangible assets	(12)	-23.5	-18.8
Divestments of tangible fixed assets	(12)	9.9	52.9
Change in other long-term investments	(12)	14.2	-6.5
Dividends received from investments	(9)	1.1	0.1
<b>Cash flow from investing activities</b>		<b>-39.3</b>	<b>44.5</b>
<b>FINANCING</b>			
Proceeds from new long-term liabilities	(26)	14.9	8.6
Repayment of long-term liabilities	(26)	-42.2	
Increase (+) / decrease (-) in short-term liabilities	(27)	-28.2	-152.4
Interest paid	(9)	-2.1	-2.1
Interest received	(9)	6.0	7.6
Changes in bonds and notes and mutual fund shares	(22)		-19.9
Share of non-controlling interests			-0.9
Increase in cooperative capital	(24.25)	6.0	7.3
Interest paid on the cooperative capital	(25)	-0.2	-0.3
Other decrease in equity	(24)	0.1	0.1
<b>Cash flow from financing</b>		<b>-45.8</b>	<b>-152.0</b>
<b>Increase / Decrease in cash and cash equivalents</b>		<b>26.5</b>	<b>0.0</b>
<b>Cash and cash equivalents at the beginning of the year</b>	(23)	<b>157.7</b>	<b>157.7</b>
<b>Foreign exchange rate effect on cash and cash equivalents</b>		<b>-5.3</b>	<b>0.0</b>
<b>Increase / Decrease in cash and cash equivalents</b>		<b>26.5</b>	<b>0.0</b>
<b>Cash and cash equivalents at the end of the year</b>	(23)	<b>178.8</b>	<b>157.7</b>
Adjustments to operating profit	(A)		
Gains from the sale of fixed assets		-1.2	-46.1
Depreciation and impairment losses		68.3	67.4
Other non-cash income and expenses		-32.0	-47.0
		35.2	-25.8
Change in working capital	(B)		
Change in trade and other receivables		34.3	101.1
Change in inventories		7.1	170.3
Change in non-interest-bearing liabilities		23.8	-124.6
		65.2	146.8

Short-term, under three month debt securities have been categorised as cash and cash equivalents in the consolidated cash flow statement.  
The loan period of short term loans is less than 3 months.  
The cash flow statement includes the cash flows from both continuing and discontinued operations.

Consolidated statement of changes in equity, IFRS

EUR million	Equity attributable to the owners of the parent							
	Cooperative capital	Fair value reserve	Reserve fund	Supervisory Board's Disposal fund	Translation differences	Retained earnings	Total	Non-controlling interests
<b>Equity</b>								
<b>1 Jan 2013</b>	<b>156.0</b>	<b>20.3</b>	<b>18.5</b>	<b>0.1</b>	<b>-1.8</b>	<b>398.0</b>	<b>591.1</b>	<b>1.9</b>
Total comprehensive income		-3.4			-0.8	2.4	-1.8	0.0
Increase in cooperative capital	7.3						7.3	
Change of non-controlling interests, which did not result in a change in the controlling interest						-0.9	-0.9	-1.1
Other changes				0.0		-1.8	-1.8	
<b>31 Dec 2013</b>	<b>163.4</b>	<b>16.9</b>	<b>18.5</b>	<b>0.1</b>	<b>-2.6</b>	<b>397.6</b>	<b>593.8</b>	<b>0.8</b>
Total comprehensive income		-9.7			-18.1	33.6	5.8	-0.5
Increase in cooperative capital	6.0						6.0	
Change of non-controlling interests, which did not result in a change in the controlling interest								1.7
Other changes				0.0		-1.1	-1.2	
<b>31 Dec 2014</b>	<b>169.4</b>	<b>7.2</b>	<b>18.5</b>	<b>0.0</b>	<b>-20.6</b>	<b>430.0</b>	<b>604.5</b>	<b>2.0</b>

## Notes to the consolidated financial statements

### Company information

In accordance with SOK's Statutes, the name 'SOK Corporation' is used for the SOK Group. SOK Corporation comprises Suomen Osuuskappojen Keskuskunta (SOK) and its subsidiaries. SOK is domiciled in Helsinki and its registered address is Fleminginkatu 34, 00510 Helsinki.

SOK's purpose is to create competitive advantage for S Group's businesses. SOK implements its operational objective by developing and guiding S Group's strategies, value chain, and chain operations in co-operation with the cooperative enterprises. SOK produces the shared, competitiveness-enhancing services S Group requires and engages in profitably growing operations in Finland and its neighbouring countries, with the aim of creating synergies and added economic value for S Group's products.

A copy of the consolidated financial statements is available at <http://www.s-kanava.fi>.

### Accounting policies for consolidated financial statements

#### Accounting basis

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), and the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2014 have been applied in preparing them. 'International Financial Reporting Standards' refer to the standards and interpretations thereof approved for application in the EU in accordance with the procedure stipulated in the Finnish Accounting Act and related regulations in the EU directive (EC) N:o 1606/2002.

The financial statements information is presented in millions of euro and is based on original acquisition costs unless indicated otherwise in the accounting policies below.

All figures in the tables of the financial statements have been rounded off, which is why the total of the individual figures may differ from the sum presented. The key ratios have been calculated with exact values.

All fuel purchases from SOK's joint venture North European Oil Trade Oy are transferred immediately to the cooperatives; therefore, all SOK's fuel purchases from North European Oil Trade Oy and its corresponding sales to cooperatives have been treated as intermediate sales since the beginning of 2014. The 2013 income statement has been adjusted for comparability by transferring EUR 1,222 million of net sales to sales adjustment. This change in the accounting principles had no effect on the result.

S-Bank prepares its consolidated financial statements in accordance with the Finnish Accounting Standards (FAS). During the consolidation of S-Bank Group's result with SOK Corporation's consolidated financial statements (IFRS), the necessary adjustments to IFRS have been made, of which the most significant is the bank's goodwill amortization adjustment.

### The Group has applied the following new and revised standards and interpretations since 1 January 2014:

- Standards concerning the preparation of the consolidated financial statements: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IAS 27 Separate Financial Statements, and the revised standard IAS 28 Investments in Associates and Joint Ventures.
- Amendment to IAS 32 Financial Instruments: Presentation (effective 1 January 2014)
- Amendment to IAS 36 Impairment of Assets (effective 1 January 2014)
- IAS 39 (amended) Financial Instruments: Recognition and Measurement (effective 1 January 2014)
- IFRIC 21 Levies (effective 1 January 2014)

New or revised standards and interpretations published by IASB in the financial period 2014 did not have a significant effect on the consolidated financial statements, apart from the requirements concerning additional information.

#### Use of estimates

The preparation of the financial statements in compliance with IFRS calls for the making of estimates and for judgement in applying accounting policies. The estimates are based on management's best judgement on the balance sheet date, but it is possible that the actual outcome will differ from the estimates used. Any changes to estimates and assumptions are recognised in the financial period during which the estimate or assumption is corrected.

The main uncertainties in respect of estimates and assumptions concerning the future that cause a risk of significant changes to the carrying values of assets and liabilities in the subsequent financial period concern the determination of the fair value of assets acquired in business combinations and financial instruments which are classified as level three, impairment testing, as well as deferred tax assets and provisions.

In significant reorganisations, the Corporation has used an external advisor when evaluating the fair values of tangible and intangible assets, and comparisons with the market prices of equivalent assets have been made in the valuation of such assets. With associated companies and joint ventures, management assessment has been used when determining whether they are treated as subsidiaries, joint ventures or associated companies. Additional information on business combinations is available in Note 3 Acquisitions and establishments of new companies.

Impairment testing is carried out annually on goodwill and possible intangible assets in progress. In addition to these, impairment testing is carried out on unprofitable foreign operations.

The recoverable monetary amount from the operations of a business entity subject to impairment testing is based on value in use calculations or on the fair value less expenses incurred by sales.

Value in use has been calculated on the basis of forecast discounted cash flows. Impairment testing on goodwill is described in greater detail in Note 15, Impairment testing.

Assumptions and key uncertainties related to determining the fair value of financial instruments are described in Note 27, Fair values of financial assets and liabilities. Additional information on deferred tax liabilities and provisions are provided in Notes 18 Deferred taxes and 28 Provisions.

#### Principles of consolidation

The consolidated financial statements include the parent cooperative and all subsidiaries in which the parent cooperative has controlling interest. Controlling interest is generated when the Corporation has the right to control the principles of the company's finances and operations in order to gain benefits from its operations. In addition to Finland, the parent cooperative has subsidiaries in Russia, Estonia, Latvia, and Lithuania.

Acquired subsidiaries are consolidated using the purchase method, according to which all the identifiable assets and liabilities of the acquired company are measured at fair value on the date of acquisition. Goodwill is recognised in the amount by which the combined amount of the consideration given, the share of non-controlling shareholders in the acquired company and the share owned previously exceed the fair value of the acquired net assets. Costs related to the acquisition, excluding borrowing costs, are recognised as expenses.

Joint ventures in which SOK Corporation exercises shared control and associated companies in which the Corporation holds 20–50 per cent of the votes and in which the Corporation has significant influence but does not exercise control have been consolidated using the equity method. The share in accordance with the Corporation's holding of the changes recognised in other comprehensive income items has been recognised in the Corporation's other comprehensive income items. If the Corporation's share of an associate company's or joint venture's losses exceeds the carrying amount of the investment, the investment is entered in the balance sheet at zero value and losses in excess of this amount are not taken into account unless the Corporation has obligations towards the associated companies or joint ventures. The share of the profits of an associated company or joint venture that has been acquired for investment purposes is presented below operating profit, before financial income and expenses. The profit or loss of associated companies and joint ventures serving the Corporation's ordinary operations is, however, presented before the final operating profit.

Companies acquired or established during the financial year have been consolidated from the date of acquisition or establishment. Divested subsidiaries as well as associated companies and joint ventures have been consolidated in the consolidated financial statements up to the date on which the controlling interest, shared controlling interest or significant influence ends. The changes in the parent company's holding in a subsidiary which do

not result in losing the controlling interest are treated as transactions concerning shareholders' equity.

Intra-Group transactions, receivables, liabilities, unrealised margins, and internal distribution of profits have been eliminated in the consolidated financial statements. Profit or loss for the financial period as well as the comprehensive income for the financial period have been distributed to the shareholders of the parent company and non-controlling shareholders. The share of non-controlling shareholders is presented as a separate item in the Corporation's shareholders' equity.

Mutual real-estate companies are consolidated (those assets and liabilities the shareholder is responsible for) line by line as joint operation in proportion to the Corporation's shareholding.

#### Items denominated in foreign currency

The consolidated financial statements are presented in the euro, which is the functional and presentation currency of SOK Corporation's parent cooperative. The figures concerning the result and financial position of foreign Group companies have been originally given in the currency of each company's operating environment.

Transactions in foreign currency have been recognised at the exchange rate on the date of the transaction. Foreign currency monetary items at the end of the financial year have been translated into euro at the exchange rate quoted by the European Central Bank on the closing day of the financial year and the exchange rate differences have been recognised through profit and loss. Non-monetary items have been translated at the rate on the date of the transaction.

Exchange rate differences arising from the valuation of trade receivables are recognised in revenue, and exchange rate differences arising from the valuation of trade payables are recognised in expenses above the operating profit. The exchange gains and losses of receivables belonging to other financial items in the balance sheet are recognised in financial income and, correspondingly, those belonging to other liabilities, in financial expenses.

The income statements of foreign subsidiaries are translated into euro at the average rate of the financial period, and the balance sheets at the rate on the balance sheet date. An exchange rate difference arising from translating the income statement items and other comprehensive income items according to the average rate and translating balance sheet items according to the balance sheet date and, similarly, a translation difference due to exchange rate changes in the elimination of the subsidiaries' acquisition cost and in shareholders' equity, have been recognised as a separate item in other comprehensive income items. When a foreign subsidiary, associated company or joint venture is divested, the cumulated translation difference is recognised as part of capital gain or loss through profit and loss.

Exchange rate differences in loans granted to foreign subsidiaries have been treated as other comprehensive income items as far as their repayment is not probable in the foreseeable future.



## Financial assets and liabilities

Financial assets are included in the following balance sheet items: non-current financial assets, trade receivables and other current non-interest-bearing receivables, current interest-bearing receivables, current investments and cash and cash equivalents.

Non-current financial assets consist of shares, capital loan receivables, other long-term loan receivables and long-term trade receivables. Trade receivables and other current non-interest-bearing receivables, which are included in financial assets, comprise trade receivables, derivative receivables, and accrued income in respect of financial items. Current interest-bearing receivables comprise short-term loan receivables and other short-term receivables. Cash and cash equivalents consist of cash in hand and very liquid receivables from credit institutions.

Financial liabilities are included in the following balance sheet items: supplementary share capital, non-current interest-bearing liabilities, non-current non-interest-bearing liabilities, current interest-bearing liabilities, current non-interest-bearing liabilities, and trade payables.

Supplementary share capital is treated as a liability because, in accordance with its terms and conditions, the cooperative bears an obligation to return the capital on demand. Non-current interest-bearing liabilities consist of liabilities to financial institutions and others, as well as finance lease liabilities. Non-current, non-interest-bearing liabilities, which are included in financial liabilities, comprise the regional cooperative enterprises' funds that have been invested in SOK Corporation's cash-counting service. Trade payables consist of current trade payables. Current interest-bearing liabilities consist of current liabilities to financial institutions, cooperative enterprises and others, as well as current finance lease liabilities. Current non-interest-bearing liabilities, which are included in financial liabilities, comprise derivative liabilities as well as accruals and deferred income related to financial items.

SOK Corporation applies a settlement-date practice in recognising financial assets and liabilities in the balance sheet. Financial assets and liabilities that will not be later measured at fair value through profit and loss are initially measured at fair value plus the immediate acquisition costs.

Financial assets and liabilities are classified as financial assets or liabilities measured at fair value through profit and loss, financial assets held to maturity, available-for-sale financial assets, loans and other receivables, and other financial liabilities. Financial assets and liabilities are measured at fair value or amortised cost using the effective interest method in accordance with their classification.

The fair value of a financial instrument is determined on the basis of prices quoted in active markets or by using measurement methods that are generally applied in the markets. Financial assets and liabilities to be measured at fair value include interest rate

swaps, the fair value of which has been determined by discounting future cash flows from the present value using the market interest rates on the balance sheet date. The fair value of interest rate options is determined on the basis of the Black-Scholes pricing model. The fair value of forward exchange contracts, interest rate swaps, and foreign exchange agreements has been calculated by discounting future cash flows from the present value and translating the foreign currency amounts thus obtained into euro using the foreign exchange rates quoted by the ECB on the balance sheet date. Financial assets and liabilities at fair value have been measured using average rates.

Derivative contracts in which hedge accounting is not applied are recognised in financial assets and liabilities to be measured at fair value through profit and loss. Financial assets or liabilities recognised at fair value through profit and loss are measured at the market price of the closing date. The change in fair value is entered in the income statement in such a manner that the difference between the value on the balance sheet date of the financial instruments recognised at fair value in the income statement and the carrying value on the previous balance sheet is entered as the income or expense for the period. If the financial instrument recognised at fair value was acquired during the financial period, the difference between the value of the financial instrument on the balance sheet date and its acquisition cost is entered as the income or expense for the period.

In accounting, derivatives have been measured at fair value and changes in the value, with the exception of hedging, have been recognised through profit and loss. Realised and non-realised gains and losses from derivative contracts made in order to hedge sales and trade receivables are recognised in sales income. Realised and non-realised gains and losses from derivative contracts made in order to hedge other receivables are recognised in financial income. Realised and non-realised gains and losses from derivative contracts made in order to hedge purchases and trade payables are recognised in purchases. Realised gains and losses from derivatives made in order to hedge other receivables are recognised in financial expenses. The majority of electricity derivatives were transferred to S-Voima Oy in 2010. In connection with this, some electricity derivatives remained with SOK and were transferred to S-Voima Oy through contracts with opposite items. The electricity derivatives are measured at fair value but their net effect on earnings is zero.

Held-to-maturity investments include debt securities and other non-derivative financial assets that are connected to fixed or determinable payments and mature on a certain date. SOK Corporation did not have held-to-maturity investments in 2013 or 2014.

The items recognised in available-for-sale financial assets are debt securities and other domestic and foreign securities and participations that are not classified as financial assets at fair value

through profit and loss, investments held to maturity, or loans and other receivables. Financial assets available for sale are measured at fair value. The fair value of publicly traded investments is defined on the basis of their market values. The change in fair value is recorded in equity in the fair value reserve through other comprehensive income items. When the financial instrument is sold, the cumulative change in fair value cumulated in equity, together with accrued interest and capital gains or losses, is recognised in the income statement as a change in classification. Investments that are not publicly quoted are measured at cost if their fair values cannot be reliably determined.

Loans and other receivables include such financial assets unquoted on an active financial market, for which the payments are fixed or determinable and which do not belong to financial assets measured at fair value through profit and loss, financial assets held to maturity, or available-for-sale financial assets. The transaction costs of liabilities and receivables are included in the amortised acquisition cost calculated using the effective interest method and amortised through profit and loss for the term-to-maturity of the receivable. After the initial recognition, liabilities and receivables are measured at amortised acquisition cost using the effective interest method.

An item belonging to other financial liabilities is recognised in the balance sheet at its nominal value when its fair value at the time of its entry corresponds to the nominal value. If the debt capital received is less or more than the nominal value of the liability, the debt is measured at the amount that has been received for it. The amount recognised as expense or income for the financial period from the difference between the nominal value of the debt and cost of debt is amortised and recognised as an increase or decrease in the cost of debt. The difference between the nominal value and cost, or a fee or other expense that is associated with the debt and is included in the interest expense related to the debt, is amortised using the effective interest method as an expense for the term-to-maturity of the debt. Other financial liabilities are measured at the amortised cost on the balance sheet date using the effective interest method.

## Hedge accounting

The Group applies hedge accounting according to IFRS to some of the currency derivatives used for hedging Group goods purchases. In these, only the exchange rate risk is being hedged. The hedge accounting model used is cash flow hedging.

The Corporation has derivative contracts outside of hedge accounting which, according to the Corporation's financial policy, are effective economic hedging instruments but to which hedge accounting in accordance with the IAS 39 standard is not applied.

## Impairment of financial assets

At the end of the reporting period, the Corporation assesses whether there is any objective evidence that the value of items other than those classified as financial assets at fair value through profit and loss are impaired. Objective evidence is considered to be, for example, a customer's delay in payment, insolvency or bankruptcy, reorganisation or consolidation of debt, as well as a major change in the credit rating. If there is objective evidence of impairment, an impairment loss is recorded.

The amount of an impairment loss on financial assets recorded at amortised cost is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset, including the fair value of any collateral. The discount rate applied is the original effective interest rate of the receivable. The difference is recognised as an impairment loss in the income statement, and the accrual of interest is continued on the lowered balance at the original effective interest rate of the contract.

If the amount of an impairment loss subsequently decreases and the change can be attributed to an event that has taken place after the recognition of the impairment loss, the impairment loss is reversed through profit and loss.

When there is objective evidence of the impairment of debt securities or shares included in available-for-sale financial assets, the cumulative loss that was recognised in equity is recognised in the income statement as an impairment loss. The impairment loss of a share that is not publicly quoted is determined as being the difference between the carrying amount and the present value of estimated future cash flows discounted at the market yield of a similar item on the reporting date. If the fair value of notes or bonds classified as available-for-sale later increases and the increase can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised through profit and loss. If the fair value of a share later increases, the increase in value is recognised in equity through other comprehensive income items.

## Principles of income recognition

SOK Corporation's revenue consists of invoicing related to the cooperative enterprises' goods procurement, joint service business operated by SOK in a centralised manner and retail by SOK's subsidiaries. Sales to the cooperative enterprises are invoiced sales. Retail is mainly cash or credit card sales.

The sales of goods and services are included in revenue. In calculating revenue, sales gains are stated less items such as bonus discounts granted to co-op members from centralised purchases and other discounts, value added tax and foreign exchange differences on sales.

Revenue from the sales of goods is recognised when the significant risks, benefits and control related to the ownership of goods have been transferred to the buyer and it is probable that the Corporation will gain the economic benefit related to the sales. As a rule, income from the sales of goods is recognised at the moment the goods are relinquished. Income from services is recognised when the service has been rendered and gaining economic benefit from the rendered service is probable.

**Government grants**

Grants received from the government or another party are recognised in the income statement when the costs relating to the object of the grant are recorded as an expense. Grants related to the acquisition of tangible and intangible assets are deducted from the carrying amounts of the said commodities. Such grants are recognised as income over the economic life of the asset.

**Other operating income**

Items presented as other operating income are gains other than those related to the actual sales of goods and services, such as sales gains on fixed assets; capital gains on divestments; damages income and grants received as well as subsidies not granted for funding a certain investment or for participating in a certain expense.

**Employee benefit expenses**

Pension plans are classified as defined-benefit and defined-contribution plans. Fixed premiums are paid to separate companies under defined-contribution plans without a legal or constructive obligation to make additional contributions, if the recipient cannot pay the pension benefits in question. All plans that do not fulfil these conditions are defined-benefit plans.

Payments made for defined-contribution plans are recognised as expenses in the income statement in the financial period in which they are incurred. Costs arising from defined benefit pensions plans are recorded as an expense for the persons' time in employment, based on calculations made by qualified actuaries. Liabilities or receivables following from defined benefit plans are recognised in the balance sheet at the liability's present value less the pension plan's fair value on the closing date. Items related to re-determining the net liability of the benefit plan are recognised in other comprehensive income items for the financial period when they are generated.

Expenses based on past performance are recognised through profit and loss in the earlier of the following: when the arrangement is changed or reduced, or when the related reorganisation costs or expenses related to the termination of employment are recognised. Based on the duration of their employment relation-

ships, personnel accumulate seniority and age benefits. A seniority and age provision is recognised in the seniority and age benefit.

**Operating profit**

Operating profit is generated when other operating income is added to revenue, and when purchases of materials, supplies and goods during the financial period; external services; expenses, depreciation and amortization and possible impairments caused by employee benefits; and other operating expenses are deducted from revenue, and when the result of associated companies and joint ventures serving the Corporation's actual operations is added to or deducted from it. All income statement items other than those mentioned above are presented below operating profit.

Foreign exchange differences and changes in the fair value of derivatives are included in operating profit if they arise from items connected to business operations; otherwise they are recognised in financial income and expenses.

**Income taxes**

Income taxes in the profit and loss statement include current taxes for the financial period, adjustments of prior year taxes, and changes in deferred taxes. The tax effect of items directly recognised in equity or items in the statement of comprehensive income is nevertheless recognised in the said items. Income tax for the period is calculated using the tax rate in effect in each country on the balance sheet date.

Deferred tax liabilities and assets are recognised on the temporary differences between the carrying amount and tax base of assets and liabilities. No deferred tax liabilities have been calculated on goodwill to the extent that goodwill is not tax deductible. The main temporary differences arise from the differences between the carrying amounts and tax bases of property, plant and equipment, and investment properties (finance leases, depreciation difference, intra-group margins, and gains on the sale of assets), from measurement at fair value and from unutilised tax losses. No deferred tax liability is recognised for undistributed earnings of foreign subsidiaries if profit distribution is not probable in the foreseeable future. Deferred taxes are calculated with the tax rates in effect on the balance sheet date and, if the tax rates change, with the tax rates that have in practice been approved by the ending date of the reporting period.

The deferred tax liability is included in the consolidated balance sheet in its entirety, with the exception of the aforementioned undistributed earnings of subsidiaries, and any deferred tax asset to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, and the recognition prerequisites are assessed on each closing date of the reporting period.

**Goodwill and other intangible assets**

The goodwill arising from business combinations constitutes the difference between the consideration given measured at fair value and the identifiable net assets acquired, which are measured at fair value, at the time of acquisition. Goodwill is not amortised but is annually tested for impairment. Goodwill is allocated to the cash-generating units. The goodwill of associated companies and joint ventures is included in the acquisition cost of the investment.

Other intangible assets include, for example, software licences and copyrights. Other intangible assets are measured at cost and amortised over their estimated economic lives on a straight-line basis. SOK Corporation does not have such intangible assets, apart from goodwill, which have an indefinite economic life.

The depreciation periods of other intangible assets are:

	Years
Software licence fees	3 to 5
Other intangible assets	3 to 10

**Property, plant and equipment**

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and any impairment losses.

Straight-line depreciation is recorded on property, plant, and equipment in accordance with each item's economic life. Land areas are not depreciated.

The depreciation periods for property, plant, and equipment are:

	Years
Buildings	15 to 35
Lightweight structures and equipment in buildings	5 to 15
Office and warehouse equipment	5 to 10
Warehouse, maintenance, and production machinery	5 to 10
Restaurant and hotel equipment	3 to 10
In-store equipment	3 to 7
Motor vehicles and servers	3 to 5
Renovations of premises	3 to 10

Depreciation on items of property, plant, and equipment is discontinued when the item is classified as held for sale. Gains from the sale or decommissioning of property, plant, and equipment are recognised in other operating income or expenses.

**Impairment losses**

The carrying amounts of asset items belonging to property, plant, and equipment are assessed annually to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable monetary amount of the asset is determined. The recoverable amount is estimated annually on

the following assets, regardless of whether there are indications of impairment or not: goodwill, intangible assets in progress, and intangible assets with an indefinite economic life. An impairment loss is recognised if the carrying amount of the asset or cash-generating unit is greater than its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss on a cash-generating unit is first allocated as a reduction of the goodwill of the cash-generating unit and thereafter to reduce the carrying amounts of the unit's other assets on a proportionate basis.

The recoverable amount is defined as the higher of fair value less cost to sell and value in use. In determining value in use, estimated future cash flows are discounted to their present value based on discount interest rates reflecting the average cost of capital before tax on the cash-generating unit.

A previously recognised impairment loss is reversed if the assumptions used in estimating the recoverable amount change. An impairment loss is reversed to an amount not greater than the carrying amount of the asset (less depreciation or amortisation) would have been if an impairment loss had not been recorded in previous years. An impairment loss recognised for goodwill is not reversed.

**Leases**

Leases that substantially transfer all the risks and rewards incidental to ownership of an asset are classified within SOK Corporation as finance leases. Where assets are acquired under a finance lease, the lower of the asset's fair value or the present value of future lease payments is recognised at the inception of the lease in property, plant, and equipment or in investment properties in the balance sheet (details of investment properties are given below) and the obligations under the lease are recognised in interest-bearing liabilities. Lease payments are split between interest expenses and a reduction in lease liabilities. The interest expense is recognised in the income statement during the lease period so as to produce an equal rate of interest on the remaining balance of the liability. Depreciation is recognised and any impairment losses are recognised on assets obtained by a finance lease. Items of property, plant, and equipment are depreciated according to the Corporation's depreciation periods, or if shorter, the lease term.

Leases where substantially all of the risks and rewards incidental to ownership are borne by the lessor are classified as operating leases. Lease payments received or paid on the basis of other leases are recognised as income or expense in the income statement on a straight-line basis over the lease period.

If a finance lease arises as the result of a sale and leaseback agreement, any gain on the sale is recorded as a liability in the balance sheet and is recognised as income during the lease period. Any loss on the sale is immediately recorded in the income statement.



**Investment property**

Investment properties are properties that are in use in operations outside SOK Corporation’s mainline operations and which the Corporation primarily holds in order to obtain rental income and/or an appreciation in the asset value. Investment properties are measured at cost less accumulated depreciation and any impairment losses in accordance with the same principles that are applied to real estate belonging to property, plant, and equipment. Properties classified as investment properties include both owned properties and properties where the operations have been sold but the lease agreement remains with the Corporation.

Both an assessment based on the market value and performed by an external property evaluator and an assessment based on the property’s production value and performed by the Corporation are used in determining the fair value of investment properties. Rental income from investment properties is recognised in revenue. Investment properties include four spa hotels acquired through financing leases where the operations have been sold but the lease agreement remains with the Corporation. The fair value of these properties has not been determined since Holiday Club’s lease agreements and sales information are not available for the Corporation.

**Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the FIFO method or the weighted average cost method, and includes all the direct expenses incurred in acquiring materials and goods. In ordinary operations, the net realisable value is the estimated selling price less the estimated cost to complete the product and the necessary selling expenses.

**Cooperative interest and dividends payable**

Cooperative capital interest and dividends paid by SOK Corporation are recognised as a decrease in equity in the period during which the owners approved the cooperative capital interest or dividend for payment. The interest on supplementary cooperative capital is recognised as an interest expense.

**Cooperative capital and supplementary cooperative capital**

Cooperative capital consists of the combined amount of the cooperative enterprises’ share payments to SOK Corporation. The number of each cooperative enterprise’s shares is determined based on the number of members and annual purchases in the said cooperative enterprise.

The supplementary cooperative capital consists of the combined amount of voluntary investments made by cooperative enterprises to SOK Corporation. Since the cooperative enterprises are entitled to reimbursement of their supplementary share payments in a manner and according to the prerequisites stipulated in the Cooperatives Act and SOK’s Statutes, supplementary cooperative capital is handled in liabilities.

**Provisions**

A provision is recognised when SOK Corporation has a legal or constructive obligation as the result of a past event, when it is probable that a payment obligation will be realised, and the amount of the obligation can be reliably estimated. Compensation that can be obtained from a third party in connection with the obligation is recognised in the balance sheet as a receivable when it is certain in practice. The amounts of provisions are estimated on every balance sheet date and are adjusted to correspond to the best estimate on the reporting date.

Provisions can be set up for underutilised premises, warranty provisions, and restructuring of operations, for example.

**Assets held for sale and discontinued operations**

An asset that is part of a plan of sale or a disposal group is classified as an asset held for sale when the recoverable amount primarily comes from the sale of the asset and not from its continuous use. An asset or group of assets classified as held for sale is measured at the lower of its carrying amount or fair value less estimated selling costs. Assets held for sale and the associated liabilities are presented in the balance sheet separately from assets and liabilities connected with continuing operations from the date on which they have been classified as held for sale. Information for the year of comparison is not reclassified.

A discontinued operation is a separate, significant function that has been disposed of (or has been permanently removed from use) or is classified as held for sale. The profit or loss from discontinued operations is presented in the income statement on a separate line after the result from continuing operations. The income statement information for the year of comparison is adjusted accordingly.

**IAmendments to standards and interpretations published by IASB taking effect later**

The Corporation will apply the standard IFRS 9 Financial Instruments as of its effective date (at last from 1 January 2018; not approved by the EU). The IFRS 9 standard will replace the current

IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 comprises revised principles for the classification and valuation of financial assets and liabilities, and the rules concerning hedging have been revised. In the new standard, financial assets are valued either at amortised cost or at fair value after the initial recognition, depending on the business model of the company’s management of financial assets and the agreement-based cash flows of financial assets. Equity investments are recognised at fair value after the initial recognition. As for financial liabilities, the rules concerning classification and valuation remain primarily the same. The Corporation estimates that the implementation of the standard may have a significant effect on future financial statements.

The standard IFRS 15 Revenue from Contracts with Customers (effective as of 1 January 2017; not approved by the EU) establishes a five-step model that will apply to recognising revenue earned from customer contracts; the new standard replaces the current IAS 18 and IAS 11 standards and their interpretations. Sales can be recorded over time or at a certain point in time, and the key criterion is transfer of control. In addition, the standard increases the number of notes to be presented. The standard is expected to have some impact on future consolidated financial statements.

Other standards and interpretations published and taking effect later, as well as amendments to them, are not, according to a preliminary assessment, significant to the Corporation.

1. Segment information

For reporting to top management, SOK Corporation’s operations are divided into five business segments. The segments are based on business areas. In 2013, the agricultural trade and the automotive trade and accessories were classified as discontinued operations. In the 2014 Financial Statements, automotive trade and accessories has been classified as discontinued operations and due to its low significance, it has been presented in the Internal eliminations and other category.

SOK Corporation’s segments to be reported are

Supermarket trade

SOK Corporation carries on supermarket trade in the Baltic countries and Russia via its subsidiaries. AS Prisma Peremarket has five hypermarkets in Tallinn, one in Narva and two in Tartu. In 2013, a smaller Prisma Express opened in Tallinn harbour. A/S Prisma Latvija has five hypermarkets in Riga. UAB Prisma LT has two hypermarket in Vilnius, the capital of Lithuania, and and two Prisma units in Kaunas. In 2014 one new hypermarket was opened in Vilnius. OOO Prisma has thirteen supermarkets and six hypermarkets in St. Petersburg. In 2013 three Prisma units were opened of which two supermarkets and one hypermarket. In 2014 one new supermarket and one new hypermarket were opened.

Tourism and hospitality business

SOK Corporation’s tourism and hospitality business is carried on by Sokotel Oy in Finland, AS Sokotel in Estonia and OOO Sokotel in Russia. SOK Corporation’s hotels operate under the brands Sokos Hotels and Radisson Blu Hotels. In Finland, Sokotel Oy operates 16 Sokos hotels and 6 Radisson Blu hotels. Visitors to Tallinn are warmly received at the Sokos Hotel Viru, with its wide choice of restaurants. OOO Sokotel has three Sokos Hotel chain hotels in St. Petersburg, one of which is a spa hotel.

Real estate business

The real estate business was separated from the procurement and service business and established as an independent business area in 2014. The revenue from the real estate business consists of rental and property service income from properties owned by SOK Corporation. SOK Property Functions sell property services to the entire S Group.

Procurement and Services Business

Inex Partners Oy offers logistics services for grocery, consumer goods and speciality goods supplied to the retail chains. Meira Nova Oy provides purchasing and logistics services for groceries supplied to locations in the HoReCa sector.

The aim of the service functions provided by SOK Corporation is to develop operational models and processes that generate the maximum added value for the S Group’s businesses. The service units develop and maintain business models that increase the competitiveness of the entire S Group, and produce cost-effective services for the S Group. The joint service functions cover all the S Group’s service functions that can be organised centrally to yield cost savings and/or a qualitative improvement in operations.

Banking

S-Bank’s mission is to provide competitive basic banking services for the S Group’s customer-owners. The supermarket bank will strengthen customer loyalty whilst achieving savings in operating costs. SOK Corporation’s share of the consolidated result of the S-Bank Group is reported as banking operations.

Segment reporting principles within SOK Corporation and reconciliation with the IFRS financial statements

The items to be included in the reporting to SOK Corporation’s top management are revenue, operating result, operational result, investments, divestments and working capital. Management reporting is based on Finnish accounting legislation and on the principles of management accounting. Each segment is reported with intra-segment items eliminated. For example, revenue from the Procurement and services business has been stated eliminating the revenue between the companies in the Procurement and services business segment. Revenue in management reporting is reconciled with the IFRS revenue for continuing operations in the accounts. Financial accounting revenue for both continuing and discontinued operations is external revenue from which all of SOK Corporation’s internal items have been eliminated. The differences between management reporting and financial accounting revenue are not material.

In calculating the operating result, valuations in accordance with Finnish accounting legislation are used. The income and expenses according to the matching principle are allocated to the segment. Reconciliation of the operating result with the result before taxes from continuing operations in compliance with IFRS shows those items which fall outside the operational result. These are, among others, financial income and expenses, gains and losses on the sale of property, plant and equipment as well as non-recurring costs from discontinuing operations.

In SOK Corporation’s management reporting, assets are not allocated or reported on, except for working capital.

	Supermarket trade	Travel industry and hospitality business	Procurement and services business	Real estate business	Banking	Internal eliminations and other	Retail and Management reporting, total
<b>2014</b> EUR million							
<b>Revenue</b>	<b>537.7</b>	<b>248.7</b>	<b>6 585.0</b>	<b>69.4</b>		<b>-158.7</b>	<b>7 282.1</b>
<b>Operating result</b>	<b>-24.0</b>	<b>10.5</b>	<b>1.6</b>	<b>14.0</b>	<b>5.9</b>	<b>-0.4</b>	<b>7.6</b>
<b>Investments</b>	<b>13.3</b>	<b>6.2</b>	<b>28.2</b>	<b>20.9</b>		<b>0.1</b>	<b>68.6</b>
<b>Divestments</b>	<b>0.1</b>	<b>0.0</b>	<b>7.5</b>	<b>6.2</b>		<b>0.1</b>	<b>13.9</b>
<b>Working capital</b>	<b>1.2</b>	<b>5.3</b>	<b>36.3</b>			<b>-1.2</b>	<b>41.6</b>
<b>Reconciliation of the revenue</b>							
Management reporting revenue to be reported				7 282.1			
Revenue from discontinued operations				-0.4			
Eliminations				3.8			
Revenue from continuing operations IFRS				7 285.5			
<b>Reconciliation of the result</b>							
Operating result of the segments to be reported				7.6			
Items excluded from the operating result within SOK Corporation:							
Financial income and expenses				0.0			
Gains and losses on the sale of property, plant and equipment				1.2			
Other operating income and expenses				32.6			
Changes in provisions				2.2			
Valuation gains and losses on derivatives				0.7			
Result before taxes for the period from discontinued operations				-2.6			
Impairment losses on tangible and intangible assets				-6.2			
Other adjustments				4.3			
Profit before taxes from continuing operations IFRS				39.7			
<b>Additional data at SOK Corporation level, external income</b>							
Finland				6 701.6			
Foreign				583.9			
Revenue, total				7 285.5			
Supermarket trade				537.7			
Tourism and hospitality business				252.5			
Procurement and services business				6 426.0			
Real estate business				69.4			
Revenue, total				7 285.5			
<b>Additional data at SOK Corporation level, fixed assets</b>							
Finland				291.3			
Foreign				77.5			
Fixed assets, total				368.8			

	Supermarket trade	Tourism and hospitality business	Automotive trade and accessories	Procurement and services business	Elimination of internal items in the Retail and wholesale business	Retail and wholesale business, total	Banking	Management reporting, total
<b>2013</b> EUR million								
<b>Revenue</b>	<b>518.9</b>	<b>252.2</b>	<b>105.2</b>	<b>6 601.0</b>	<b>77.4</b>		<b>-136.1</b>	<b>7 418.6</b>
<b>Operating result</b>	<b>-30.0</b>	<b>7.7</b>	<b>-15.1</b>	<b>-22.5</b>	<b>19.1</b>	<b>10.8</b>	<b>-2.6</b>	<b>-32.6</b>
<b>Investments</b>	<b>20.9</b>	<b>4.9</b>	<b>0.0</b>	<b>32.5</b>	<b>41.3</b>			<b>99.7</b>
<b>Divestments</b>	<b>0.1</b>	<b>0.1</b>	<b>0.6</b>	<b>91.4</b>	<b>57.3</b>			<b>149.6</b>
<b>Working capital</b>	<b>-15.7</b>	<b>1.1</b>	<b>0.5</b>	<b>54.5</b>				<b>40.4</b>
<b>Reconciliation of the revenue</b>								
Management reporting revenue to be reported					7 418.6			
Revenue from discontinued operations					-105.2			
Eliminations					3.9			
Revenue from continuing operations IFRS					7 317.3			
<b>Reconciliation of the result</b>								
Operating result of the segments to be reported					-32.6			
Items excluded from the operating result within SOK Corporation:								
Financial income and expenses					0.4			
Gains and losses on the sale of property, plant and equipment					46.1			
Other operating income and expenses					-1.8			
Impairment losses and reversal of impairment on shares					0.3			
Increase in provisions					-23.0			
Valuation gains and losses on derivatives					-2.6			
Result before taxes for the period from discontinued operations					-8.0			
Impairment losses on tangible and intangible assets					-4.0			
Other adjustments					12.0			
Profit before taxes from continuing operations IFRS					-13.2			
Termination costs of Automotive Trade and Accessories were 24.3 million Euros. Expences has been recognised as non-recurring items after operating profit. Taken into account the termination costs, Automotive Trade ja Accessories operating profit was -39.4 million Euros.								
<b>Additional data at SOK Corporation level, external income</b>								
Finland					6 746.8			
Foreign					570.5			
Revenue, total					7 317.3			
Supermarket trade					518.5			
Tourism and hospitality business					255.8			
Procurement and services business					6 465.6			
Real estate business					77.4			
Revenue, total					7 317.3			
<b>Additional data at SOK Corporation level, fixed assets</b>								
Finland					309.7			
Foreign					98.5			
Fixed assets, total					408.2			



## 2. Assets held for sale

Intra group transactions have been eliminated from the presented figures except for cash flows of discontinued operations in which they are included.

### Discontinued operations:

SOK Corporation's automotive trade and accessories are presented as discontinued operations. They were classified as discontinued in year 2013 and the process of winding down the business is still unfinished. Profit from the sale of Hankkija Oy's shares is also included in the comparative figures.

The result of the discontinued operations included in the consolidated income statement was as follows:

EUR million	2014	2013
Revenue	0.4	105.2
Other operating income	0.3	45.9
Materials and services	-0.4	-93.0
Employee benefits expenses	-0.4	-16.0
Depreciation and impairment losses	0.0	-1.0
Other operating expenses	2.3	-33.6
<b>Operating profit</b>	<b>2.2</b>	<b>7.4</b>
Financial income and expenses	0.4	0.6
<b>Result before taxes</b>	<b>2.6</b>	<b>8.0</b>
Income taxes	-2.2	5.5
<b>Result for the period</b>	<b>0.4</b>	<b>13.5</b>
Owners of the parent	0.4	13.5
Share of non-controlling interests	0.0	0.0
<b>Result for the period from discontinued operations</b>	<b>0.4</b>	<b>13.5</b>

### Cash flows of the discontinued operations were following:

<b>Cash flow</b>		
Cash flow from business operations	1.0	12.9
Cash flow from investments	0.1	64.6
Cash flow from financing	-1.0	-13.7
<b>Cash flow, total</b>	<b>0.0</b>	<b>63.8</b>

### The effect of the disposal on the Group's financial position

EUR million	2014	2013
Tangible and intangible assets		0.1
Non-current financial assets	0.0	0.0
Deferred tax assets	0.8	2.5
Inventories		0.3
Trade receivables and other current non-interest-bearing receivables	1.5	2.5
Current interest-bearing receivables		0.2
Cash and cash equivalents	1.7	1.5
Provisions	-1.1	-2.6
Current interest-bearing liabilities		-0.3
Current non-interest-bearing liabilities	-0.2	-1.2
<b>Assets and liabilities, total</b>	<b>2.8</b>	<b>3.0</b>
Cash payment		89.3
Net cash disposed of with the discontinued operation		-14.0
<b>Cash flow effect</b>		<b>75.3</b>

## 3. Acquisitions and establishments of new companies

### Established companies during the financial year 2014

In May, SOK established SOK Fashion Retail Oy to run the new Mark & Spencer business. SOK owns 51 percent of the established company and Helsingin Osuuskauppa Elanto 49 percent.

### Acquisitions and establishments during the financial year 2013

SOK Real Estate Int. Oy acquired OOO Itis and OOO Itis 3. In September–October, OOO Itis and OOO Itis 3 as well as OOO Karelia were sold to Russian and Baltics Retail Properties Ky of which SOK Corporation owns 20 per cent. The property fund has been consolidated into the consolidated financial statements in accordance with SOK Corporation's shareholding using the equity method.

In September, SOK established Inex Export Oy for trade in the neighbouring countries.

In December, SOK established the joint venture North European BioTech Oy together with St1 Holding Oy. The purpose of the company is to develop and lease bioenergy plants.

## 4. Other operating income

EUR million	2014	2013
Gains on sale of property, plant and equipment and real estate companies	1.9	11.9
Government grants	0.1	0.0
Other income	32.8	0.7
<b>Total</b>	<b>34.8</b>	<b>12.6</b>

## 5. Employee benefit expenses

EUR million	2014	2013
Salaries and remuneration	229.1	240.0
Pension expenses, defined contribution plan	37.7	44.0
Pension expenses, defined-benefit plan	0.4	
Other personnel expenses	16.7	17.9
<b>Total</b>	<b>283.9</b>	<b>302.0</b>

Average number of personnel by segment	2014	2013
Supermarket trade	3 392	3 313
Tourism and hospitality business	1 759	1 772
Automotive trade and accessories	16	260
Procurement and services business	3 999	4 271
<b>Total</b>	<b>9 166</b>	<b>9 616</b>

The average number of personnel by segment has been calculated as the average number of personnel at the end of each quarter including both continuing and discontinued operations.

### Pensions

#### Description of the Group's pension plans

The statutory pension security for the personnel of the Group companies in Finland has been arranged through a Finnish pension insurance company. The statutory employment pension security is a defined-benefit plan. The Group's foreign subsidiaries have various defined-benefit plans, which comply with the national rules and policies of each country in question. Members of the Group's top management have a supplementary defined-benefit pension plan through a pension insurance company. During the financial period, one person covered by the supplementary pension insurance retired.

In the 2013 Financial Statements, the net obligation of EUR 2,126,000 of the aforementioned defined-benefit pension plan was assessed on the basis of information obtained from the pension insurance company and was presented as accrued expenses. In 2014, actuarial calculations were made which indicate that the estimate made in the 2013 Financial Statements on the net obligation of the defined-benefit pension plan was very close to the amount of the net obligation based on the actuarial calculations, with a difference of EUR 39,000.

When preparing the 2013 Financial Statements, the actuarial calculations were not available, and therefore, the Notes concerning the defined-benefit pension plans in IAS 19 could not be presented. Therefore, the details of the 2014 defined-benefit pension plans do not include comparison period data.

<b>Defined-benefit pension plans</b>				
EUR million				<b>2014</b>
<b>The defined-benefit pension expense in the income statement is determined as follows</b>				
Expenses based on the work performance in the financial period				0.4
Net interest expenses				0.0
<b>Total pension and interest expenses in the income statement</b>				<b>0.4</b>
<b>Impact of defined-benefit pensions recognised through other comprehensive income items</b>				
Experience adjustments				-0.2
Changes in economic actuarial assumptions				-0.6
<b>Total impact recognised through other comprehensive income items</b>				<b>-0.8</b>
Persons included in management's supplementary defined-benefit pension insurance				16
<b>Items presented in the balance sheet</b>				
Current value of fund obligations				9.6
Current value of assets included in the plan				-8.2
<b>Net liability</b>				<b>1.4</b>
<b>Changes of the pension obligations</b>				
Obligations included in the plan at the beginning of the financial period				7.4
Expenses based on the work performance in the financial period				0.4
Interest expense				0.1
Changes in actuarial assumptions				1.8
Fulfilled obligations				-0.2
<b>Obligations included in the plan at the end of the financial period</b>				<b>9.6</b>
<b>Changes in the plan assets</b>				
Fair values of the assets included in the plan at the beginning of the financial period				5.2
Interest income				0.1
Plan premiums in the financial period				2.0
Changes in actuarial assumptions				1.0
Fulfilled obligations				-0.1
<b>Fair values of the assets included in the plan at the end of the financial period</b>				<b>8.2</b>

#### Division of assets included in the plan by asset group

The plan assets have been invested in insurance contracts administered by LocalTapiola Mutual Pension Insurance Company.

#### Key actuarial assumptions in the defined-benefit plans

Discount rate	2.10 %
Annual salary increase assumption	3.30 %

#### Sensitivity analysis

The sensitivity analysis describes how much a change in actuarial assumptions would impact the net liability. The sensitivity analysis describes the impact of a change in a certain assumption when there are no changes in other assumptions. The impacts have been calculated using the same calculation methods as those used in calculating the net pension liability in the balance sheet.

	Change in pension liability, EUR	Change in plan assets, EUR	Change in pension liability, %	Change in plan assets, %
<b>Actuarial assumption</b>				
A 0.5 percentage point change in the discount rate	-0.7	-0.4	-7 %	-5 %
A 0.5 percentage point change in the annual salary increase assumption	0.1	0.0	1 %	0 %

### 6. Depreciation and impairment

EUR million	<b>2014</b>	<b>2013</b>
<b>Depreciation</b>		
Property, plant and equipment		
Buildings and structures	13.9	14.1
Machinery and equipment	22.0	25.0
Other property, plant and equipment	0.1	0.1
Intangible assets		
Other intangible assets	22.3	19.7
Investment properties	3.8	3.7
<b>Total</b>	<b>62.0</b>	<b>62.6</b>

#### Impairment

Property, plant and equipment		
Buildings and structures	0.0	0.2
Machinery and equipment	0.1	0.1
Other tangible assets	0.0	0.0
Intangible assets		
Other intangible assets	6.1	3.3
<b>Total</b>	<b>6.2</b>	<b>3.7</b>

The impairments of intangible assets consisted in their entirety of decommissioned information systems.

<b>Depreciation and impairment, total</b>	<b>68.3</b>	<b>66.3</b>
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### 7. Other operating expenses

EUR million	<b>2014</b>	<b>2013</b>
Rental expenses	133.3	121.5
Marketing expenses	5.3	3.3
Administrative expenses	22.9	24.4
Equipment and supplies	135.0	133.3
Property maintenance expenses	49.1	59.9
Other business expenses	22.4	18.1
<b>Total</b>	<b>367.9</b>	<b>360.5</b>

### 8. Auditor's fees

EUR million	<b>2014</b>	<b>2013</b>
Audit fees	0.5	0.6
Auditors' statements	0.0	0.0
Tax consulting	0.0	0.0
Other services	0.1	0.1
<b>Total</b>	<b>0.6</b>	<b>0.7</b>

### 9. Financial income and expenses

EUR million	<b>2014</b>	<b>2013</b>
<b>Financial income</b>		
Interest income from loans and receivables	1.2	2.0
Dividend income from available-for-sale investments	1.1	0.1
Gains on derivatives held for trading	23.2	14.1
Other financial income	11.3	9.0
<b>Total</b>	<b>36.7</b>	<b>25.2</b>

#### Financial expenses

Interest expenses on financial liabilities measured at amortised cost	6.3	7.1
Expenses on derivatives held for trading	3.1	6.3
Other financial expenses	31.1	17.5
<b>Total</b>	<b>40.4</b>	<b>30.9</b>

<b>Financial income and expenses, total</b>	<b>-3.7</b>	<b>-5.8</b>
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## 10. Financial instrument items recognised in the income statement

EUR million	2014	2013
<b>In other operating income</b>		
Capital gain on available-for-sale investments	1.1	10.9
<b>In purchases of materials and services</b>		
Net exchange differences on liabilities measured at amortised cost	-0.5	0.0
Net expenses for derivatives held for trading	-1.9	-1.1
<b>In financial income and expenses</b>		
Dividend yields from available-for-sale investments	1.1	0.1
Interest income from available-for-sale investments	4.8	5.6
Interest income on loans and receivables	5.3	6.5
Net exchange differences on loans and receivables	-24.5	-13.4
Item transferred from equity in hedge accounting	-1.1	-3.1
Net income from derivatives held for trading	17.4	5.3
Interest expenses on financial liabilities measured at amortised cost	-6.5	-7.1
Net exchange differences on liabilities measured at amortised cost	-0.3	0.3
<b>Total</b>	<b>-5.0</b>	<b>4.0</b>
<b>Summary by IAS 39 category:</b>	<b>2014</b>	<b>2013</b>
Loans and receivables	-19.2	-6.9
Available-for-sale investments	7.1	16.6
Investments and derivatives held for trading	15.5	4.2
Hedge accounting derivatives	-1.1	-3.1
Liabilities measured at amortised cost	-7.3	-6.8
<b>Total</b>	<b>-5.0</b>	<b>4.0</b>

Only SOK Corporation's external items are stated as income, expenses, gains and losses.

Net expenses from derivatives held for trading, which has been recognised in purchases of materials and services, consists of derivatives that have been taken out to hedge purchases and sales but to which hedge accounting has not been applied.

Shares and participations not quoted and classified as available-for-sale investments with a net acquisition cost value EUR 0.1 million were realised in 2013. The sales gain recognised was EUR 0.1 million and the sales loss recognised was EUR 0.0 million.

The expenses for liabilities measured at amortised cost also include guarantee commission expenses.

## 11. Income taxes

EUR million	2014	2013
Current tax	-0.1	-0.4
Taxes for previous financial years	0.0	0.1
Changes in deferred taxes	-6.9	4.5
<b>Total</b>	<b>-7.0</b>	<b>4.2</b>

## Reconciliation statement between tax expense in the income statement and taxes calculated at the valid Corporation's tax rate in Finland:

EUR million	2014	2013
Profit before taxes	39.7	-13.2
Taxes at parent company's tax rate	-7.9	3.2
Effect of different tax rates in foreign subsidiaries	0.9	2.4
Effect of tax-free income	-1.6	-2.3
Effect of non-deductible expenses	2.2	2.3
Impact of the change in the Finnish tax rate		-3.4
Other items	-0.7	1.9
Taxes for previous financial years	0.0	0.1
<b>Taxes in the income statement</b>	<b>-7.0</b>	<b>4.2</b>

## Taxes related to other comprehensive income items

2014			
EUR million	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Cashflow hedges	-2.7	0.5	-2.1
Defined-benefit pension plans	-0.8	0.6	-0.2
<b>Total</b>	<b>-3.5</b>	<b>1.1</b>	<b>-2.4</b>

2013			
EUR million	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Fair value changes during the period on available-for-sale financial assets	-2.3	0.7	-1.5
<b>Total</b>	<b>-2.3</b>	<b>0.7</b>	<b>-1.5</b>

In the previous financial period, deferred tax was not recognised on the liability recognised on defined-benefit pensions. The tax on the entire liability has been recognised in the current financial period.

## 12. Property, plant and equipment

2014	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress and advance payments	Total
<b>Acquisition cost</b>						
Acquisition cost, 1 Jan 2014	9.8	343.2	181.9	2.1	1.9	538.9
Translation differences	-0.7	-28.5	-24.0		-0.8	-53.9
Increases		19.7	10.4	0.7	10.9	41.6
Decreases	-1.0	-5.5	-10.3	0.0		-16.8
Transfers between items	-0.4	3.0	7.8	0.0	-11.0	-0.7
<b>Acquisition cost, 31 Dec 2014</b>	<b>7.7</b>	<b>331.9</b>	<b>165.9</b>	<b>2.8</b>	<b>0.9</b>	<b>509.2</b>
<b>Accumulated depreciation</b>						
Accumulated depreciation, 1 Jan 2014	-0.2	-139.0	-95.1	-0.8		-235.0
Translation differences		4.8	10.3			15.1
Accumulated depreciation on deducted and transferred items	3.8	10.3			14.1	
Depreciation for the period		-16.8	-20.2	-0.1		-37.0
Impairment losses		0.0	-0.1			-0.2
<b>Accumulated depreciation, 31 Dec 2014</b>	<b>-0.2</b>	<b>-147.2</b>	<b>-94.8</b>	<b>-0.9</b>	<b>0.0</b>	<b>-243.0</b>
<b>Carrying amount, 1 Jan 2014</b>	<b>9.6</b>	<b>204.3</b>	<b>86.8</b>	<b>1.3</b>	<b>1.9</b>	<b>303.9</b>
<b>Carrying amount, 31 Dec 2014</b>	<b>7.5</b>	<b>184.7</b>	<b>71.1</b>	<b>2.0</b>	<b>0.9</b>	<b>266.2</b>

Assets under a finance lease are included in the cost of property, plant and equipment as follows:

31 Dec 2014	Buildings and structures	Machinery and equipment	Total
EUR million			
Acquisition cost	86.6	17.9	104.4
Accumulated depreciation	-67.0	-7.4	-74.4
<b>Carrying amount</b>	<b>19.5</b>	<b>10.4</b>	<b>30.0</b>

<b>2013</b> EUR million	<b>Land and water areas</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Other tangible assets</b>	<b>Construction in progress and advance payments</b>	<b>Total</b>
<b>Acquisition cost</b>						
Acquisition cost, 1 Jan 2013	6.6	359.5	179.2	2.3	7.5	555.1
Translation differences		-5.3	-5.3			-10.6
Increases	3.7	8.1	12.2	0.0	16.4	40.4
Decreases	-0.6	-26.8	-8.2	-0.2	0.0	-35.8
Assets held for sale		-7.5	-4.0			-11.5
Transfers between items		15.3	8.1		-22.0	1.3
<b>Acquisition cost, 31 Dec 2013</b>	<b>9.8</b>	<b>343.2</b>	<b>181.9</b>	<b>2.1</b>	<b>1.9</b>	<b>538.9</b>
<b>Accumulated depreciation</b>						
Accumulated depreciation, 1 Jan 2013	0.1	-134.5	-82.7	-1.0		-218.0
Translation differences		1.1	1.7			2.8
Assets held for sale		4.1	2.6			6.7
Accumulated depreciation on deducted and transferred items	8.6	7.7	0.2		16.4	
Depreciation for the period		-18.2	-24.4	-0.1		-42.6
Impairment losses	-0.2		0.0	0.0		-0.3
<b>Accumulated depreciation, 31 Dec 2013</b>	<b>-0.2</b>	<b>-139.0</b>	<b>-95.1</b>	<b>-0.8</b>	<b>0.0</b>	<b>-235.0</b>
<b>Carrying amount, 1 Jan 2013</b>	<b>6.7</b>	<b>225.1</b>	<b>96.5</b>	<b>1.4</b>	<b>7.5</b>	<b>337.1</b>
<b>Carrying amount, 31 Dec 2013</b>	<b>9.6</b>	<b>204.3</b>	<b>86.8</b>	<b>1.3</b>	<b>1.9</b>	<b>303.9</b>

Assets under a finance lease are included in the cost of property, plant and equipment as follows:

<b>31.12.2013</b> EUR million	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Total</b>
Acquisition cost	86.6	21.7	<b>108.3</b>
Accumulated depreciation	-63.6	-8.0	<b>-71.6</b>
Carrying amount	23.0	13.7	<b>36.7</b>

### 13. Investment properties

EUR million	<b>2014</b>	<b>2013</b>
Acquisition cost, 1 Jan	86.7	86.4
Increases	0.0	
Decreases		-0.1
Transfers between items	2.5	0.4
<b>Acquisition cost, 31 Dec</b>	<b>89.2</b>	<b>86.7</b>
Accumulated depreciation, 1 Jan.	-45.7	-42.0
Accumulated depreciation on deducted and transferred items	-1.0	0.1
Depreciation for the period	-3.8	-3.7
<b>Accumulated depreciation, 31 Dec</b>	<b>-50.5</b>	<b>-45.7</b>
<b>Carrying amount, 1 Jan</b>	<b>40.9</b>	<b>44.3</b>
<b>Carrying amount, 31 Dec</b>	<b>38.7</b>	<b>40.9</b>
<b>Fair value *</b>	<b>111.9</b>	<b>102.8</b>

\* Investment properties include four spa hotels acquired through financing leases where the operations have been sold but the lease agreement remains with the Corporation. The fair value of these properties cannot be reliably determined since Holiday Club's lease agreements and sales information are not available to Group. The carrying values of the properties amounted to a total of EUR 16.9 million in SOK Group's balance sheet on 31 December 2014 (EUR 19.6 million). The fair value of these properties is not included in the above presented fair value.

### 14. Intangible assets

<b>2014</b> EUR million	<b>Goodwill</b>	<b>Other intangible rights</b>	<b>Construction in progress and advance payments</b>	<b>Total</b>
<b>Acquisition cost</b>				
Acquisition cost, 1 Jan 2014	14.0	148.7	16.2	178.9
Translation differences	0.1	-0.9		-0.8
Increases	0.0	16.6	19.7	36.3
Decreases		-29.2	0.0	-29.2
Transfers between items		22.2	-24.0	-1.9
<b>Acquisition cost, 31 Dec 2014</b>	<b>14.1</b>	<b>157.4</b>	<b>11.9</b>	<b>183.4</b>
<b>Accumulated amortization</b>				
Accumulated amortisation and impairment, 1 Jan 2014	-5.8	-109.8		-115.6
Translation differences	0.0	0.5		0.5
Accumulated depreciation on deducted and transferred itemsIncreases		20.0		20.0
Impairment losses		-6.1		-6.1
Decreases		-18.2		-18.2
<b>Accumulated amortisation, 31 Dec 2014</b>	<b>-5.8</b>	<b>-113.6</b>		<b>-119.4</b>
<b>Carrying amount, 1 Jan 2014</b>	<b>8.2</b>	<b>38.9</b>	<b>16.2</b>	<b>63.3</b>
<b>Carrying amount, 31 Dec 2014</b>	<b>8.3</b>	<b>43.8</b>	<b>11.9</b>	<b>64.0</b>

<b>2013</b> EUR million	<b>Goodwill</b>	<b>Other intangible rights</b>	<b>Construction in progress and advance payments</b>	<b>Total</b>
<b>Acquisition cost</b>				
Acquisition cost, 1 Jan 2013	16.7	153.3	8.8	178.8
Translation differences		-0.4		-0.4
Increases		11.5	17.9	29.4
Decreases	-0.2	-17.2	-5.6	-23.0
Assets held for sale	-2.5	-1.8		-4.3
Transfers between items		3.2	-4.9	-1.7
<b>Acquisition cost, 31 Dec 2013</b>	<b>14.0</b>	<b>148.7</b>	<b>16.2</b>	<b>178.9</b>
<b>Accumulated amortisation</b>				
Accumulated amortisation and impairment, 1 Jan 2013	-8.2	-104.9		-113.2
Translation differences		0.1		0.1
Assets held for sale	2.5	1.8		4.2
Accumulated depreciation on deducted and transferred items		12.1		12.1
Impairment losses		-3.3		-3.3
Decreases		-15.5		-15.5
<b>Accumulated amortization, 31 Dec 2013</b>	<b>-5.8</b>	<b>-109.8</b>		<b>-115.6</b>
<b>Carrying amount, 1 Jan 2013</b>	<b>8.4</b>	<b>48.4</b>	<b>8.8</b>	<b>65.6</b>
<b>Carrying amount, 31 Dec 2013</b>	<b>8.2</b>	<b>38.9</b>	<b>16.2</b>	<b>63.3</b>

15. Impairment testing of goodwill

Goodwill has been allocated to SOK Corporation’s cash-generating units or to groups of cash-generating units as follows:

	Discount rate before taxes. %		Discount rate before taxes. %	
EUR million	2014	2014	2013	2013
Sokos Hotels chain	7.4	6.9	7.4	9.0
LB Kiel-Tampere Ab / Oy Tammer Ab	0.8		0.8	
<b>Total</b>	<b>8.2</b>		<b>8.2</b>	

Apart from goodwill, SOK Corporation does not have other intangible assets with an indefinite economic life.

SOK Corporation’s cash-generating units are defined for the level below the business segment. As a rule, a cash-generating unit is a legal company. For the Travel industry and hospitality business, goodwill is monitored and tested at the chain level.

The goodwill testing of Sokos Hotel Tammer is based on the fair value of the property located in Tampere, less sales costs. The fair value defined in 2013 has been compared to the total amount of the balance sheet value of the real estate company and the total amount of Group items on the property. The fair value clearly exceeds the company’s balance sheet value in the Group in the Financial Statements 2013 and 2014.

Impairment losses

In the 2013–2014 financial statements no impairment losses of goodwill were recognised.

Testing and sensitivity analysis

In impairment testing, the recoverable amount for the business is based on value-in-use calculations. Value in use has been calculated on the basis of estimated discounted cash flows. The projected cash flows are based on financial plans which have been approved by management and cover a five-year-period. The cash flows after this period have been extrapolated using a 2% growth rate which, according to the estimate, does not exceed the long-term actual growth rate of the business areas. The discount rate applied is the weighted average cost of capital (WACC) that is determined by sector and by country, taking into account the special risks associated with the unit. The required return is based on the average capital structure for the sector and a sector-specific beta.

The main variables in impairment testing are the discount rate, the EBITDA margin (%) as well as the growth rate after the five-year forecasting period. In assessing the goodwill of the Sokos Hotels chain, a possible foreseeable change in any of the key variables does not lead to a situation that would result in the need to recognise an impairment loss.

16. Shares in associated companies and joint ventures

EUR million	2014	2013
Carrying amount, 1 Jan	130.8	116.8
Share of result for the period	7.7	13.8
Dividends received	-0.2	-2.2
Increases/decreases	26.3	2.4
Translation differences	-2.5	0.0
<b>Carrying amount, 31 Dec</b>	<b>162.2</b>	<b>130.8</b>

Most significant associated companies

Among the associated companies engaging in business operations within SOK Corporation, the most significant is S-Bank Ltd., which operates in the banking sector and belongs to S Group. S-Bank provides the members of the cooperative enterprises with services in daily banking, and its product range consists of current accounts and savings accounts, funds and asset management services, consumer credits and secured loans, international credit or debit cards as well as an online bank and a mobile bank.

Russian and Baltics Retail Properties Ky is a property fund company investing in Prisma stores in St. Petersburg and the Baltic area. On the closing date, the company managed three Prisma properties in the St. Petersburg area in Russia and one in Tallinn.

Financial information summary of the essential associated companies

	S-Bank Ltd.		Russian and Baltics Retail Properties Ky	
EUR million	2014	2013	2014	2013
Current assets	880.9	951.9	4.9	4.4
Non-current assets, total	3 883.9	2 235.8	42.8	42.9
Current liabilities	4 288.8	2 591.6	2.2	3.3
Non-current liabilities	80.2	355.0	35.9	26.5
Revenue <sup>1)</sup>	70.1	56.2	6.3	1.4
Result for the financial year	15.7	21.6	-4.4	-1.6
Other comprehensive income for the financial year	-7.6	-1.9	-2.5	
Dividends received from the associated company during the financial period				

Reconciliation of the associated company’s financial information with the balance sheet value recognised by the Group

Net assets of the associated company	395.8	241.1	9.6	17.5
Group ownership, %	38 %	50 %	20 %	20 %
Group’s share of the net assets	148.4	120.6	1.9	3.5
Other adjustments	-5.1	-7.8		0.2
Associated company’s balance sheet value in the consolidated balance sheet	143.3	112.7	1.9	3.7

Other associated companies

2014 EUR million	Assets	Liabilities	Revenue	Result	Share holding %
Finnfrost Oy	46.5	42.4	446.8	0.2	50.0 %
Coop Trading A/S	20.8	2.9	12.3	0.0	25.0 %
Others	4.9	0.1	1.1	0.0	

2013 EUR million					
Finnfrost Oy	45.6	41.6	429.3	0.4	50.0 %
Coop Trading A/S	20.2	2.3	11.8	0.0	25.0 %
Others	4.9	0.2	0.6	0.0	

<sup>1)</sup> S-Bank Ltd’s net interest income has been presented as revenue.

Most significant joint ventures

North European Oil Trade Oy (NEOT) is a fuel procurement company jointly owned by SOK Corporation and St1 Nordic Oy. NEOT’s task is to procure and deliver fuel to its owners at an as competitive a price as possible.

Financial information summary of the essential joint ventures

	North European Oil Trade Oy	
EUR million	2014	2013
Current assets	452.2	512.3
Cash and cash equivalents included in current assets	50.5	61.3
Non-current assets, total	11.3	20.5
Current liabilities	455.5	519.6
Financial liabilities included in current liabilities	293.0	78.8
Revenue	4 931.9	4 676.6
Depreciation	7.8	8.0
Interest and financial income	3.0	1.1
Interest and financial expenses	5.4	3.3
Income tax expense (+) or income (-)	0.2	0.2
Result for the financial year	0.6	0.3
Dividends received from the joint ventures during the financial period	0.1	0.1

Reconciliation of the joint ventures financial information with the balance sheet value recognised by the Group

Net assets of the joint venture	8.0	13.2
Group ownership, %	51 %	51 %
Group’s share of the net assets	4.1	6.7
Other adjustments	3.8	1.1
Joint ventures balance sheet value in the consolidated balance sheet	7.9	7.8



Other joint ventures

2014 EUR million	Assets	Liabilities	Revenue	Result	Share holding %
North European BioTech Oy	0.0	0.0	0.0	0.0	50.0 %
Kauppakeskus Mylly Oy	109.5	92.9	15.6	4.9	50.0 %

2013 EUR million					
North European BioTech Oy	0.0	0.0	0.0	0.0	50.0 %
Kauppakeskus Mylly Oy	103.5	91.8	16.0	5.7	50.0 %

In December 2013, SOK established North European BioTech Oy together with ST1 Holding Oy. The company is a joint venture of SOK and ST1. The company has been consolidated to the Corporation at the share value (EUR 1.5 million). Since the company was recently established, no financial statements information exists.

SOK Corporation owns 50.8 per cent of North European Oil Trade Oy. SOK Corporation executes shared controlling interest in the company with ST1, based on the shareholder agreement, so the company is treated as a joint venture.

All associated companies and joint ventures of the SOK Corporation are unlisted.

S-Bank, Russian and Baltics Retail Properties and Kauppakeskus Mylly were consolidated as Groups.

17. Non-current financial assets

Available-for-sale financial assets

EUR million	2014	2013
<b>Shares and participations</b>		
Carrying amount, 1 Jan	12.0	15.7
Increases	1.9	2.3
Decreases	-4.9	-5.9
Impairment losses		0.0
<b>Carrying amount, 31 Dec</b>	<b>9.0</b>	<b>12.0</b>

Shares and participations include shares in unlisted companies. Unlisted shares are stated at cost, because their fair values cannot be obtained reliably.

Loans and receivables

EUR million	2014	2013
Non-current trade receivables		0.0
Receivables from associated companies	21.5	27.6
Capital loan receivables from others	0.6	1.6
Non-current loan receivables	14.4	21.7
Other non-current receivables	36.7	55.6
<b>Loans and other receivables total</b>	<b>73.3</b>	<b>106.5</b>
<b>Non-current financial assets, total</b>	<b>82.3</b>	<b>118.5</b>

18. Deferred taxes

Changes in deferred taxes in 2014

Deferred tax assets	1 Jan 2014	Recognised in the income statement	Recognised in equity	Items recognised in the statement of comprehensive income	Foreign exchange differences	Businesses acquired/divested	Group-ings	Discon-tinued opera-tions	31 Dec 2014
EUR million									
Confirmed losses	22.7	-5.1				0.0		1.3	18.9
Provisions and impairment losses	4.8	-1.5						0.3	3.6
Internal margin on inventories and property, plant and equipment	2.0	-0.1							1.8
Finance lease liabilities	5.8	-0.8					1.6		6.6
Other items	3.4	0.2	-0.2	-0.6	0.4		-1.6	0.1	1.7
<b>Total</b>	<b>38.7</b>	<b>-7.4</b>	<b>-0.2</b>	<b>-0.6</b>	<b>0.4</b>	<b>0.0</b>		<b>1.7</b>	<b>32.6</b>

Deferred tax liabilities

EUR million									
Cumulative depreciation difference	4.5	-0.1							4.4
Business combinations	2.8					0.0	-2.0		0.8
Fair value reserve	0.8			-0.5					0.3
Other items	6.2	2.1			-0.1		2.0		10.2
<b>Total</b>	<b>14.3</b>	<b>2.0</b>	<b>0.0</b>	<b>-0.5</b>	<b>-0.1</b>	<b>0.0</b>			<b>15.7</b>

Changes in deferred taxes in 2013

Deferred tax assets

	1 Jan 2013	Recognised in the income statement	Recognised in equity	Items recognised in the statement of comprehensive income	Foreign exchange differences	Businesses acquired/divested	Group-ings	Discon-tinued opera-tions	31 Dec 2013
EUR million									
Confirmed losses	20.3	4.3						-1.9	22.7
Provisions and impairment losses	2.3	3.1						-0.5	4.8
Internal margin on inventories and property, plant and equipment	2.7	-0.4				-0.3	0.0		2.0
Finance lease liabilities	9.4	-2.0				-0.1	-1.5		5.8
Other items	-0.5	2.4	0.1		0.1		1.5	-0.1	3.4
<b>Total</b>	<b>34.1</b>	<b>7.4</b>	<b>0.1</b>		<b>0.1</b>	<b>-0.4</b>		<b>-2.5</b>	<b>38.7</b>

Deferred tax liabilities

EUR million									
Cumulative depreciation difference	55.9	-0.5				-0.8			4.5
Business combinations	4.2	-0.3					-1.1		2.8
Fair value reserve	1.6			-0.7			0.0		0.8
Other items	4.5	2.8			-0.1	-2.2	1.1		6.2
<b>Total</b>	<b>16.2</b>	<b>2.0</b>		<b>-0.7</b>	<b>-0.1</b>	<b>-3.0</b>	<b>0.0</b>	<b>0.0</b>	<b>14.3</b>

On 31 December 2014, the Group had EUR 7.1 million (6.6 million on 31 December 2013) of confirmed losses, for which no deferred tax assets have been recognised, since it is not likely that the Group will accrue taxable income against which the losses could be utilised before the losses expire.

## 19. Inventories

EUR million	2014	2013
Raw materials and consumables	2.3	0.0
Supplies	172.4	189.9
Other inventories	0.2	0.1
<b>Total</b>	<b>174.8</b>	<b>190.1</b>

## 20. Trade receivables and other current non-interest-bearing receivables

EUR million	2014	2013
Trade receivables	505.1	525.5
Non-interest-bearing loan and other receivables	8.0	10.9
Derivative assets	25.5	17.1
Prepayments and accrued income in financial items	0.4	0.7
Other prepayments and accrued income	27.0	37.1
<b>Trade receivables and other current non-interest-bearing receivables, total</b>	<b>565.9</b>	<b>591.4</b>

## 21. Current interest-bearing receivables

EUR million	2014	2013
Receivables sold to the finance companies	18.8	0.0
<b>Current interest-bearing receivables, total</b>	<b>18.8</b>	<b>0.0</b>

## 22. Cash and cash equivalents

EUR million	2014	2013
Cash on hand and deposits	177.1	156.1

## 23. Equity

EUR million	2014	2013
Cooperative capital, 1 Jan	163.4	156.0
Cooperative contributions paid	6.0	7.3
<b>Cooperative capital, 31 Dec</b>	<b>169.4</b>	<b>163.4</b>

Cooperative capital consists of the cooperative contributions paid to Suomen Osuuskauppojen Keskusosuuskunta (SOK) for participations in the cooperative enterprises. The number of participations in a cooperative enterprise is determined on the basis of the number of the members and annual purchases of the cooperative enterprises.

### Restricted reserves

#### Fair value reserve

The fair value reserve includes changes in the fair values of derivative instruments used to hedge available-for-sale investments and cash flow as well as a share of change in S-Bank's fair value reserve. Value of the reserve is EUR 4.1 million on 31 Dec 2014 (EUR 16.9 million on 31 Dec 2013). The share of S-Bank's fair value reserve is EUR 6.0 million on 31 December 2014 (EUR 13.6 million on 31 December 2013).

#### Reserve fund

The reserve fund comprises the portion of non-restricted equity that can be transferred under the cooperative's statutes. Value of the fund is EUR 18.5 million on 31 Dec 2014 (EUR 18.5 million on 31 Dec 2013).

#### Supervisory Board's Disposal fund

The Supervisory Board decides on the use of its disposal fund. Value of the fund is EUR 0.0 million on 31 Dec 2014 (EUR 0.1 million on 31 Dec 2013).

## 24. Supplementary cooperative capital

EUR million	2014	2013
Non-current supplementary cooperative capital	12.8	12.8

Supplementary cooperative capital consists of voluntary investments in Suomen Osuuskauppojen Keskusosuuskunta (SOK) made by the cooperative enterprises. The cooperative enterprises have the right to have their supplementary cooperative capital contributions returned in the manner and subject to the conditions prescribed in the Cooperatives Act and SOK's statutes.

## 25. Interest-bearing liabilities

### Non-current interest-bearing liabilities

EUR million	2014	2013
Loans from financial institutions		20.2
Finance lease liabilities	66.1	72.3
Other non-current interest-bearing liabilities	21.8	12.3
<b>Non-current interest-bearing liabilities, total</b>	<b>87.8</b>	<b>104.8</b>

### Current interest-bearing liabilities

EUR million	2014	2013
Finance lease liabilities	16.0	17.4
Other current interest-bearing liabilities	0.7	28.9
<b>Current interest-bearing liabilities, total</b>	<b>16.7</b>	<b>46.3</b>

### Finance lease liabilities

EUR million	2014	2013
Finance lease liabilities – total amount of minimum lease payments		
In one year	19.5	21.3
In one to five years	54.7	56.6
Over five years	21.6	28.9
<b>Minimum lease payments, total</b>	<b>95.8</b>	<b>106.7</b>

Finance lease liabilities – present value of minimum lease payments

In one year	16.0	17.4
In one to five years	46.5	46.8
Over five years	19.5	25.5
<b>Present value of minimum lease payments, total</b>	<b>82.1</b>	<b>89.7</b>

### Accrued financial expenses

<b>Lease payments from subleases</b>	<b>24.6</b>	<b>19.9</b>
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Finance lease agreements consist primarily of lease agreements on properties.

## 26. Non-interest-bearing liabilities

EUR million	2014	2013
Non-current non-interest-bearing liabilities	30.7	29.0
Accruals and deferred income		7.7
<b>Non-current non-interest-bearing liabilities, total</b>	<b>30.7</b>	<b>36.7</b>

<b>Trade payables, total</b>	<b>683.6</b>	<b>676.6</b>
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Advances received	1.4	1.9
Current liabilities	19.6	25.4
Derivative financial instruments	8.0	12.0
Accruals and deferred income	84.4	87.4
<b>Current non-interest bearing liabilities, total</b>	<b>113.5</b>	<b>126.7</b>

### Material items included in current accruals and deferred income

Personnel expenses	52.6	51.6
Financing items	0.8	0.6
Others	30.9	42.9
<b>Current accruals and deferred income, total</b>	<b>84.4</b>	<b>95.1</b>

27. Fair values of financial assets and liabilities								
EUR million	Note	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Hedge accounting derivatives	Liabilities to be measured at amortised cost	Carrying amount 2014	Fair value 2014
<b>Financial assets</b>								
<b>Non-current financial assets</b>	(17)							
Shares and participations				2.3			2.3	2.3
Loan receivables			36.5				36.5	38.9
Non-interest-bearing loan receivables			36.6				36.6	36.4
Trade receivables							0.0	0.0
<b>Trade receivables and other current non-interest-bearing receivables</b>	(20)							
Trade receivables			507.5				507.5	507.5
Loan receivables			0.6				0.6	0.6
Prepayments and accrued income in financial items			0.4				0.4	0.4
Derivatives assets		25.4			0.0		25.5	25.5
<b>Current interest-bearing liabilities</b>	(21)							
Loan receivables			0.0				0.0	0.0
Receivables sold to a finance company			18.7				18.7	18.7
<b>Cash and cash equivalents</b>	(22)							
Cash in hand and deposits			177.1				177.1	178.8
<b>Financial assets, total</b>		<b>25.4</b>	<b>779.2</b>	<b>2.3</b>	<b>0.0</b>		<b>805.2</b>	<b>809.1</b>
<b>Financial liabilities</b>								
<b>Supplementary cooperative capital</b>	(24)					12.8	12.8	12.8
<b>Non-current interest-bearing liabilities</b>	(25)							
Trade payables						0.0	0.0	0.0
Interest-bearing loans from financial institutions								
Interest-bearing loans from others						14.9	14.9	16.3
Finance lease liabilities						66.1	66.1	71.8
<b>Non-current non-interest-bearing liabilities</b>	(26)							
Cash counting service						25.5	25.5	25.5
Other non-interest-bearing liabilities						0.2	0.2	0.2
<b>Current interest-bearing liabilities</b>	(25)							
Interest-bearing loans from others						0.7	0.7	0.7
Finance lease liabilities						16.0	16.0	19.4
<b>Current non-interest-bearing liabilities</b>	(26)							
Accruals and deferred income in financial items						0.8	0.8	0.8
Derivatives liabilities		8.0			0.0		8.0	8.0
<b>Trade payables</b>	(26)					683.6	683.6	683.6
<b>Financial liabilities, total</b>		<b>8.0</b>			<b>0.0</b>	<b>820.6</b>	<b>828.7</b>	<b>839.2</b>

The fair value of supplementary cooperative capital, EUR 12.8 million (2013: 12.8 million) cannot be determined reliably.

	Note	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Hedge accounting derivatives	Liabilities to be measured at amortised cost	Carrying amount 2013	Fair value 2013
EUR million								
<b>Financial assets</b>								
<b>Non-current financial assets</b>	(17)							
Shares and participations				7.2			7.2	7.2
Loan receivables			43.3				43.3	44.7
Non-interest-bearing loan receivables			55.6				55.6	55.1
Trade receivables			0.0				0.0	0.0
<b>Trade receivables and other current non-interest-bearing receivables</b>								
	(20)							
Trade receivables			527.1				527.1	527.1
Loan receivables			0.6				0.6	0.6
Prepayments and accrued income in financial items			0.7				0.7	0.7
Derivatives assets		17.8			0.0		17.8	17.8
<b>Current interest-bearing liabilities</b>								
	(21)							
Loan receivables			7.5				7.5	7.6
Receivables sold to a finance company							0.0	0.0
<b>Cash and cash equivalents</b>								
	(23)							
Cash in hand and deposits			157.7				157.7	157.7
<b>Financial assets, total</b>		<b>17.8</b>	<b>792.4</b>	<b>7.2</b>	<b>0.0</b>		<b>817.4</b>	<b>818.2</b>
<b>Financial liabilities</b>								
<b>Supplementary cooperative capital</b>								
	(24)					12.8	12.8	12.8
<b>Non-current interest-bearing liabilities</b>								
	(25)							
Trade payables						0.0	0.0	0.0
Interest-bearing loans from financial institutions						20.2	20.2	20.2
Interest-bearing loans from others						10.2	10.2	11.5
Finance lease liabilities						72.3	72.3	66.8
<b>Non-current non-interest-bearing liabilities</b>								
	(26)							
Cash counting service						25.5	25.5	25.5
Other non-interest-bearing liabilities						0.1	0.1	0.1
<b>Current interest-bearing liabilities</b>								
	(25)							
Interest-bearing loans from others						30.3	30.3	30.3
Finance lease liabilities						17.4	17.4	31.2
<b>Current non-interest-bearing liabilities</b>								
	(26)							
Accruals and deferred income in financial items						0.6	0.6	0.6
Derivatives liabilities		11.3			0.7		12.0	12.0
<b>Trade payables</b>	(26)					677.3	677.3	677.3
<b>Financial liabilities, total</b>		<b>11.3</b>			<b>0.7</b>	<b>866.7</b>	<b>878.7</b>	<b>888.3</b>



The fair value hierarchy for financial assets and liabilities					
EUR million	Note	Fair Value 2013	Level 1	Level 2	Level 3
Assets measured at fair value					
Non-current financial assets	(17)				
Shares and participations		2.3			2.3
Loan receivables		38.9		38.9	
Non-interest-bearing loan receivables		36.4		36.4	
Other current non-interest-bearing receivables	(20)				
Loan receivables		0.6		0.6	
Derivatives assets		25.5	4.9	20.5	
Current interest-bearing receivables	(21)				
Loan receivables		0.0		0.0	
Receivables sold to a finance company		18.7		18.7	
Investment properties		178.3			178.3
Assets held for sale		4.0			4.0
Total		304.7	4.9	115.2	184.6
Liabilities measured at fair value					
Supplementary cooperative capital	(24)	12.8		12.8	
Non-current interest-bearing liabilities	(25)				
Interest-bearing loans from financial institutions				0.0	
Interest-bearing loans from others		16.3		16.3	
Finance lease liabilities		71.8		71.8	
Non-current non-interest-bearing liabilities	(26)				
Cash counting service		25.5		25.5	
Other non-interest-bearing liabilities		0.2		0.2	
Current interest-bearing liabilities	(25)				
Interest-bearing loans from others		0.7		0.7	
Finance lease liabilities		19.4		19.4	
Current non-interest-bearing liabilities	(26)				
Derivatives liabilities		8.0	4.9	3.1	
Liabilities associated with assets held for sale		1.3			1.3
Total		156.0	4.9	149.8	1.3

The fair value hierarchy level to which an item measured at fair value has been classified in its entirety is determined based on the lowest level inputs that are significant for the entire item in question, measured at fair value. The significance of the input has been estimated in its entirety in relation to the item in question measured at fair value. The moment of transfers between different levels of the fair value hierarchy is determined by the end of the review period.

Fair values on hierarchy level 1 are based on the quoted prices of completely identical asset items or liabilities in an active market. The Group has used valuations by Bloomberg, Reuters and Nasdaq OMX Commodities as pricing sources in determining the fair value of these instruments.

The fair values of level 2 instruments are to a significant extent based on inputs other than quoted prices included in level 1. However they are based on information that is observable for the said asset item either directly or indirectly. In determining the fair value of these instruments, the Group uses generally accepted valuation models in which the input is to a significant extent based on verifiable market information.

The fair values of level 3 instruments are based on inputs concerning the asset item or liability which is not based on verifiable market information.

The holdings in Suomen Luotto-osuuskunta cooperative are presented in level 3 due to inaccuracies in the measurement of the fair value. The fair value of the holdings, EUR 0.8 million (2013: EUR 5.6 million) is based on Suomen Luotto-osuuskunta cooperative’s preliminary plan regarding the distribution of funds in 2015. In addition to the aforementioned, level 3 also includes EUR 1.5 million of unquoted shares (2013: 1.6 million), for which the fair value cannot be determined and investment properties EUR 178.3 million (2013: 102.8 million), their fair value determined primarily by means of appraisal approach. Unquoted shares and holdings presented on level 3 were realised in 2014 at the acquisition cost of EUR 0.1 million.

SOK Corporation’s automotive trade has been presented as discontinued operations at the end of 2014. Assets and liabilities associated with the automotive trade with a net value of EUR 2.8 million are presented on level 3. They have been valued at fair value less cost of sale.

#### Movements in Level 3

EUR million	2014
Opening balance, 1 Jan	113.0
Sales	-0.1
Transfers from level 2 to level 3	-4.8
Changes in the fair value of investment properties	75.4
Changes in the fair value of assets and liabilities held for sale	-0.2
Fair value changes recognised in the income statement	0.0
Closing balance, 31 Dec	183.4

#### Assets measured at fair value

EUR million	Note	Fair Value			
		2013	Level 1	Level 2	Level 3
<b>Non-current financial assets</b>	(17)				
Shares and participations		7.2			7.2
Loan receivables		44.7		44.7	
Non-interest-bearing loan receivables		55.1		55.1	
<b>Other current non-interest-bearing receivables</b>	(20)				
Loan receivables		0.6		0.6	
Derivatives assets		17.8	3.6	14.2	
<b>Current interest-bearing receivables</b>	(21)				
Loan receivables		7.6		7.6	
Receivables sold to a finance company		0.0		0.0	
<b>Investment properties</b>		102.8			102.8
<b>Assets held for sale</b>		7.1			7.1
<b>Total</b>		<b>243.4</b>	<b>3.6</b>	<b>122.8</b>	<b>117.1</b>

#### Liabilities measured at fair value

<b>Supplementary cooperative capital</b>	(24)	12.8		12.8	
<b>Non-current interest-bearing liabilities</b>	(25)				
Interest-bearing loans from financial institutions		20.2		20.2	
Interest-bearing loans from others		11.5		11.5	
Finance lease liabilities		66.8		66.8	
<b>Non-current non-interest-bearing liabilities</b>	(26)				
Cash counting service		25.5		25.5	
Other non-interest-bearing liabilities		0.1		0.1	
<b>Current interest-bearing liabilities</b>	(25)				
Interest-bearing loans from others		30.3		30.3	
Finance lease liabilities		31.2		31.2	
<b>Current non-interest-bearing liabilities</b>	(26)				
Derivatives liabilities		12.0	3.6	8.4	
<b>Liabilities associated with assets held for sale</b>		4.1			4.1
<b>Total</b>		<b>214.4</b>	<b>3.6</b>	<b>206.8</b>	<b>4.1</b>

28. Provisions

	Unprofitable lease agreements	Maintenance provisions of leased facilities	Other provisions	Total
EUR million				
Provisions, 1 Jan 2014	21.3	1.7	0.8	23.9
Increases in provisions	0.9		0.8	1.7
Provisions used	-3.1	-0.3	-0.6	-3.9
Reversals of unused provisions	-3.7	0.0		-3.7
<b>Provisions, 31 Dec 2014</b>	<b>15.4</b>	<b>1.4</b>	<b>1.0</b>	<b>17.9</b>

Breakdown of provisions

Non-current	14.4
Current	3.5

EUR million				
Provisions, 1 Jan 2013	6.1	2.1	0.6	8.8
Increases in provisions	19.3	0.0	1.7	21.1
Provisions used	-2.0	-0.3	-1.2	-3.5
Transfer to discontinued operations	-1.5		-0.2	-1.7
Reversals of unused provisions	-0.6	-0.1		-0.7
<b>Provisions, 31 Dec 2013</b>	<b>21.3</b>	<b>1.7</b>	<b>0.8</b>	<b>23.9</b>

Breakdown of provisions

Non-current	19.0
Current	4.9

29. Operating leases

Group as lessee

The Corporation has leased hotel, store and warehouse facilities with lease agreements that cannot be cancelled. The duration of the leases is, as a rule, 3 to 15 years. Most of the leases can be extended at the market price after the lease period ends.

Minimum lease payments on non-cancellable operating leases:

EUR million	2014	2013
In one year	153.0	141.6
In one to five years	561.2	522.2
Over five years	530.5	582.0
<b>Total</b>	<b>1 244.7</b>	<b>1 245.8</b>

Group as lessor

Minimum lease payments on non-cancellable operating leases:

EUR million	2014	2013
In one year	13.3	12.4
In one to five years	10.6	7.5
Over five years	0.7	
<b>Total</b>	<b>24.6</b>	<b>19.9</b>

30. Management of financial and commodity price risks

The management of finance and financial risks has been centralised within SOK’s Treasury unit. SOK Corporation has a Finance and treasury policy as well as risk management instructions that are established by SOK’s Executive Board. These define the principles of managing financial risks and the permissible maximum amounts for financial risks. In addition, numerical targets have been set for the different subareas of financing with the aim of being able to ensure the sufficiency, balance and affordability of financing in all conditions.

Derivatives are used mainly to hedge SOK Corporation’s financial risks and the price risks of commodities. Trading in derivatives for other than hedging purposes is done only within the risk limits approved by SOK’s Executive Board.

CREDIT RISK

A credit risk is a risk that an agreement counterparty fails to fulfil their payment obligation to SOK Corporation or that a change in the counterparty’s creditworthiness affects the market value of the financial instruments it has issued. A credit risk is generated on the moment when a transaction has been completed or an agreement has been entered into, or a decision thereof has been made, containing a risk that SOK Corporation will fail to collect its receivables.

The majority of SOK Corporation’s credit risk is related to financial market agreements and trade receivables. SOK Corporation’s liquidity is invested in money and currency markets in a productive manner but avoiding unnecessary risks.

Investment activities and trading in derivatives are carried on only with the counterparties approved by SOK’s Executive Board and within the framework of the limit approved by the Executive Board.

The management of credit risks associated with commercial operations is part of the daily operations of the business areas.

Maximum amount of credit risk for financial assets

EUR million	Note	2014	2013
<b>Non-current financial assets</b>	(17)		
Loan receivables		36.5	43.3
Non-interest-bearing loan receivables		36.6	55.6
Trade receivables		0.0	0.0
<b>Trade receivables and other current non-interest-bearing receivables</b>	(20)		
Trade receivables		507.5	527.1
Loan receivables		0.6	0.6
Prepayments and accrued income in financial items		0.4	0.7
Derivatives assets		25.5	17.8
<b>Current interest-bearing liabilities</b>	(21)		
Loan receivables		0.0	7.5
Receivables sold to a finance companies		18.7	0.0
<b>Cash and cash equivalents</b>	(22)	177.1	157.7
<b>Off-balance sheet liabilities</b>	(32)		
Nominal value of warranty liabilities		149.0	136.3
<b>Total</b>		<b>951.8</b>	<b>946.5</b>

Derivatives assets comprise the positive market values in the accounting of agreements.

Guarantee commitments which increase SOK Corporation’s credit risk are presented in Note 32. The guarantee liabilities include guarantees that are not likely to realise made on behalf of companies belonging to S Group.

Items reducing the credit risk

The value of real securities received as counter-guarantees for collaterals given on behalf of the cooperative enterprises was EUR 3.0 million (2013: EUR 2.5 million).

In addition, SOK Corporation has received rental guaranty deposits in the form of both bank guaranties and cash to a value of EUR 1.3 million (2013: 0.7 million).

Ageing of loan and trade receivables			Of which not reduced in value or due at the balance sheet date	Of which not reduced in value but having fallen due in the following periods			Impairment losses recorded in the financial period
EUR million	Note	2014	balance sheet date	1–30 days	31–90 days	yli 90 days	
<b>Loan receivables</b>							
due in less than one year	(21)	19.3	19.3				
due in over one year	(17)	73.2	73.2				
<b>Trade receivables</b>							
due in less than one year	(20)	507.5	500.0	5.7	1.0	0.8	
due in over one year	(17)	0.0	0.0				
<b>Total</b>		<b>599.9</b>	<b>592.5</b>	<b>5.7</b>	<b>1.0</b>	<b>0.8</b>	

			Of which not reduced in value or due at the balance sheet date	Of which not reduced in value but having fallen due in the following periods			Impairment losses recorded in the financial period
EUR million	Note	2013	balance sheet date	1–30 days	31–90 days	yli 90 days	
<b>Loan receivables</b>							
due in less than one year	(21)	8.1	8.1				
due in over one year	(17)	98.9	98.9				
<b>Trade receivables</b>							
due in less than one year	(20)	527.1	519.8	4.9	1.1	1.3	
due in over one year	(17)	0.0	0.0				

Reconciliation of the credit loss accounts		
EUR million	2014	2013
Realised credit losses	0.4	0.0
Returned credit losses	-0.1	0.0
Impairment recognised for the financial year		
<b>Closing balance, 31 Dec</b>	<b>0.3</b>	<b>0.0</b>

Credit losses are due to trade receivables that did not gain interest and that did not have collateral.

Quality analysis of debt securities		2014	Share of	2012	Share of
	Note	Value	receivables	Value	receivables
EUR million					
Senior loans	(22)	0.0	0.0 %	0.0	0.0 %
Junior loans	(17)	16.0	100.0 %	20.0	100.0 %
<b>Total</b>		<b>16.0</b>	<b>100.0 %</b>	<b>20.0</b>	<b>100.0 %</b>

Debt securities by credit rating <sup>1)</sup>		2014	Share of	2012	Share of
	Note	Value	receivables	Value	receivables
EUR million					
AA-	(22)	0.0	0.0 %	0.0	0.0 %
Unclassified, S-Bank	(17)	16.0	100.0 %	20.0	100.0 %
<b>Total</b>		<b>16.0</b>	<b>100.0 %</b>	<b>20.0</b>	<b>100.0 %</b>

<sup>1)</sup> The S&P rating has primarily been used. If the S&P rating has not been available, a corresponding Moody’s or Fitch rating has been used.

Risk concentrations				
Geographical distribution of receivables 2014				
EUR million	Finland	Nordic countries	Other EU countries	Other countries*
Loan receivables	72.8		0.0	0.9
Receivables sold to a finance companies	18.7			
Trade receivables	502.0	0.7	3.5	1.3
Cash and cash equivalents	158.3	9.3	3.2	6.3
Other items	25.9			
<b>Total</b>	<b>777.6</b>	<b>10.0</b>	<b>6.8</b>	<b>8.4</b>

Geographical distribution of receivables 2013				
EUR million	Finland	Nordic countries	Other EU countries	Other countries
Loan receivables	105.3		0.2	1.4
Receivables sold to a finance companies	0.0			
Trade receivables	521.3	0.7	3.3	1.7
Cash and cash equivalents	116.2	10.4	13.8	17.3
Other items	18.5			
<b>Total</b>	<b>761.3</b>	<b>11.1</b>	<b>17.3</b>	<b>20.4</b>

Risk concentrations are presented in the tables only for SOK Corporation’s external items.

\*Other countries = Switzerland and Russia

Deducting financial assets and liabilities from each other in 2014			
	Recorded in financial assets	Recorded in finance liabilities	Net value
<b>Derivative contracts</b>			
<b>2014</b>	<b>17.7</b>	<b>-1.7</b>	<b>16.0</b>
<b>2013</b>	<b>7.5</b>	<b>-1.7</b>	<b>5.8</b>

LIQUIDITY RISK
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Liquidity risk is a risk that the liquid assets and unused credit facilities of SOK and its subsidiaries are not sufficient to meet the operational needs or that arranging the liquidity needed causes high additional expenses.

SOK Corporation manages its liquidity risk by maintaining its quick ratio and cash reserve at a sufficient level.

The cash reserve is maintained in order to secure liquidity in all situations, and it contains liquid assets tradeable on the secondary market as well as available funds, including account limits. The cash reserve target is EUR 80 million and achieving this objective is monitored over a monitoring period extending two weeks.

SOK endeavours also to minimise liquidity and refinancing risks by maintaining a balanced maturity distribution for its loans.

SOK Corporation has concluded agreements on committed credit facilities to an amount of EUR 180 million (2013: EUR 220 million). The credit facilities have not been secured by collateral. The committed credit facilities will fall due in 2017. The committed credit limit in use in 2014 amounted to an average of EUR 0.0 (0.0) million. In accounting, a loan taken out from long-term credit facilities is handled as a non-current liability. SOK Corporation did not have any debt taken out from committed credit facilities on the balance sheet date.

The terms and conditions SOK’s overdraft facilities contain covenants. The financial covenants used in all overdraft facilities agreements are equity ratio and the gross margin / net interest rates key figure. The covenant terms and conditions were not breached in the financial year.

In addition, the SOK Corporation has an EUR 250 million commercial paper programme of which an average of EUR 7.8 (66.1) million was in use.

Maturity analysis of SOK Corporation's agreement-based cash flows from financial liabilities and derivative contracts									
EUR million	Note	2014	Agreement-based cash flows <sup>1)</sup>	On demand	Less than 3 mon.	3–12 mon.	1–2 yr	2–5 yr	over 5 yr
<b>Non-derivative financial assets</b>									
<b>Supplementary cooperative capital</b>	(24)	12.8	13.5			0.2	0.0	0.2	13.0
<b>Non-current interest-bearing liabilities</b>	(25)								
Trade payables		0.0	0.0				0.0		
Interest-bearing loans from financial institutions		0.0							
Interest-bearing loans to others		14.9	15.6		0.0	0.0	15.6		
Finance lease liabilities		66.1	76.3				17.2	37.5	21.6
<b>Non-current non-interest-bearing liabilities</b>	(26)								
Cash counting service		25.5	25.5	25.5					
Other non-interest-bearig liabilities		0.2	0.2				0.2		
<b>Current interest-bearing liabilities</b>	(25)								
Interest-bearing loans from others		0.7	0.7		0.6	0.2			
Finance lease liabilities		16.0	19.5		5.0	14.5			
<b>Trade payables</b>	(26)	683.6	683.6	683.3	0.3				
<b>Off-balance liabilities</b>	(32)								
Nominal value of guarantee liabilities		149.0	149.0	149.0					
<b>Non-derivative financial assets, total</b>		<b>968.8</b>	<b>983.9</b>	<b>857.8</b>	<b>5.8</b>	<b>14.9</b>	<b>33.0</b>	<b>37.7</b>	<b>34.7</b>
<b>Derivatives liabilities</b> (22, 26)									
Derivatives included in hedge accounting		0.0	0.0			0.0			
Currency derivatives		1.7	1.3		1.3	0.0			
Interest rate derivatives		2.6	2.6		0.4	1.2	0.5	0.4	
Commodity derivatives		4.9	4.9			0.9	1.0	3.0	
<b>Derivatives assets</b>	(20, 22)								
Derivatives included in hedge accounting		1.0	1.0		0.8	0.2			
Currency derivatives		18.4	16.1		10.5	5.7			
Interest rate derivatives		1.4	1.4		0.4	1.0	0.0	0.0	
Commodity derivatives		4.9	4.9			0.9	1.0	3.0	
<b>Net derivatives liabilites, total</b>		<b>-16.6</b>	<b>69.6</b>	<b>0.0</b>	<b>-9.9</b>	<b>78.6</b>	<b>0.5</b>	<b>0.4</b>	<b>0.0</b>
<b>Total</b>		<b>952.1</b>	<b>1 053.5</b>	<b>857.8</b>	<b>-4.1</b>	<b>93.5</b>	<b>33.5</b>	<b>38.1</b>	<b>34.7</b>

<sup>1)</sup> Expenditure on financial liabilities + / return on financial assets +

All the instruments in effect on 31 December 2014 and their agreement-based principal amounts and interest are given in the table. Items in foreign currency have been translated into euro, applying the spot rates on the balance sheet date. Floating-rate interest payments on financial liabilities have been defined applying the forward contract interest rate quotations at the balance sheet date. Financial liabilities for which repayment can be claimed before the due date have been presented in a period during which repayment can be made at the earliest.

For derivatives, the net cash flows of each agreement have been presented in the table. For interest rate swaps, the net cash flows of each agreement are shown. Future floating-rate cash flows have been defined applying the quotations at the balance sheet date. For currency derivatives, the net cash flows of each agreement have been presented. The cash flows presented for electricity derivatives are the fair value at the balance sheet date in the maturity corresponding to the due date.

#### Supplementary Cooperative Capital

Supplementary cooperative capital is a cooperative enterprise's voluntary investment in the cooperative enterprise. Of the aggregate amount of supplementary cooperative contributions corresponding to the supplementary cooperative shares issued, the amount paid to the cooperative enterprise at any given time constitutes the supplementary cooperative capital. The cooperative enterprise has the right to reduce the number of its additional cooperative shares by notifying the Executive Board of the cooperative enterprise thereof in writing. The reduction in the supplementary cooperative shares and the refund of the supplementary cooperative contributions corresponding to them is carried out in accordance with the provisions of the Cooperatives Act and in the manner and subject to the terms of SOK's statutes.

The supplementary cooperative capital contribution is refunded to the cooperative enterprise at a time decided by the Executive Board of the cooperative enterprise, which can be no earlier than six months after the close of the financial period during which a demand for reduction in the supplementary cooperative shares and refund of the supplementary contributions has been presented to the cooperative society and no later than within five years and six months of such demand, counting from the beginning of the next calendar year. The equity to be used for the refund and the amount of the supplementary cooperative contribution to be returned are calculated on the basis of the financial statements to be prepared for the financial period preceding the date of the refund, in accordance with the provisions of the Cooperatives Act.

Maturity analysis of SOK Corporation's agreement-based cash flows from financial liabilities and derivative contracts									
EUR million	Note	2013	Agreement-based cash flows <sup>1)</sup>	On demand	Less than 3 mon.	3–12 mon.	1–2 yr	2–5 yr	over 5 yr
<b>Non-derivative financial assets</b>									
<b>Supplementary cooperative capital</b>	(24)	12.8	14.6			0.2	0.1	0.6	13.7
<b>Non-current interest-bearing liabilities</b>	(25)								
Trade payables		0.0							
Interest-bearing loans from financial institutions		20.2	20.7		0.1	0.3	20.3		
Interest-bearing loans to others		10.2	15.8			0.2	15.6		
Finance lease liabilities		72.3	84.7			18.1	37.8	28.9	
<b>Non-current non-interest-bearing liabilities</b>	(26)								
Cash counting service		25.5	25.5	25.5					
Other non-interest-bearig liabilities		0.1	0.1			0.1			
<b>Current interest-bearing liabilities</b>	(25)								
Pension loans		30.3	28.7		28.6	0.2			
Finance lease liabilities		17.4	21.2		5.5	15.7			
<b>Trade payables</b>	(26)	677.3	677.3		677.1	0.2			
<b>Off-balance liabilities</b>	(32)								
Nominal value of guarantee liabilities		136.3	136.3	136.3					
<b>Non-derivative financial assets, total</b>		<b>1 002.3</b>	<b>1 025.0</b>	<b>161.8</b>	<b>711.3</b>	<b>16.6</b>	<b>38.8</b>	<b>54.0</b>	<b>42.6</b>
<b>Derivatives liabilities</b> (22, 26)									
Derivatives included in hedge accounting		0.6	0.2		0.1	0.1			
Currency derivatives		1.3	0.6		0.5	0.1			
Interest rate derivatives		5.2	5.2		1.0	2.2	1.5	0.5	
Commodity derivatives		4.4	4.4			0.9	2.7	0.8	
<b>Derivatives assets</b>	(20, 22)								
Derivatives included in hedge accounting		0.4	0.2			0.2			
Currency derivatives		7.9	4.9		0.6	2.2	2.0		
Interest rate derivatives		0.6	1.1		0.2	0.7	0.3	0.0	
Commodity derivatives		4.4	4.4			0.9	2.7	0.8	
<b>Net derivatives liabilites, total</b>		<b>-1.8</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.8</b>	<b>-0.4</b>	<b>-1.0</b>	<b>0.5</b>	<b>0.0</b>
<b>Total</b>		<b>1 000.5</b>	<b>1 024.8</b>	<b>161.8</b>	<b>712.0</b>	<b>16.1</b>	<b>37.8</b>	<b>54.5</b>	<b>42.6</b>

<sup>1)</sup> Expenditure on financial liabilities + / return on financial assets +

INTEREST RATE RISK

The interest rate risk means an uncertainty in SOK Corporation’s cash flow, result and balance sheet caused by changes in market rates. In principle, the interest rate risk is minimised when the average interest rate tying period of SOK Corporation’s interest-bearing items neutralises the sensitivity of the operational activities to the changes in the interest rates.

SOK Corporation’s goal in the management of the interest rate risk is to reduce or eliminate the negative effect of the change in market rates on the Corporation’s cash flows, result and balance sheet, nevertheless taking the costs of hedging into account.

SOK Finance is in charge of the management of SOK Corporation’s interest rate risk in a centralised manner. SOK Corporation’s interest rate risk is monitored through the ALM cost centre, which depicts the entire Group’s interest rate risk. ALM’s interest rate risk position is the net of the Corporation’s external and internal interest instruments.

The interest rate risk of SOK Corporation’s subsidiaries is managed by financing investments and operational activities in a manner that minimises the interest rate risk of the business operations. When determining the interest rate tying period of the Corporation’s internal loans, the repayment and depreciation periods of the investments are taken into consideration. The interest rate tying period is adjusted to match the investment or operational activity by using the Corporation’s internal interest derivatives, if needed.

A linear change of one percentage point in market rates must not cause an increase in the net financial expenses that would exceed one per cent of the planned gross margin in euro for each year. The ALM interest rate risk position is monitored over a five-year planning period, and the target of the aforementioned indicator must be met during the first three years of the planning period.

Interest rate sensitivity analysis

The table shows the interest rate sensitivity of SOK Corporation’s interest-bearing net liabilities as well as derivatives receivables and liabilities. The effect of a one percentage point change in the interest rate on SOK Corporation’s income statement and equity on the balance sheet date is presented as sensitivity. Other variables are assumed to remain constant.

The effect on the income statement and equity is shown without the effect of taxes.

2014	EUR million	Position exposed Note	Duration	Effect on the income statement		Effect on equity	
				1 percentage point rise	1 percentage point fall	1 percentage point rise	1 percentage point fall
Interest-bearing receivables	(17. 21)						
EUR		35.3	0.3	0.2	-0.2		
Derivatives assets and liabilities	(20. 26)						
EUR		49.7	0.7	-0.1	0.1	0.6	-0.6
USD		22.8	0.0	0.0	0.0		
LTL		0.0	0.0	0.0	0.0		
RUB		12.0	0.5	0.1	-0.1		
Other currencies		11.5	0.2	0.0	0.0		
Interest-bearing liabilities	(25)						
EUR		0.0	0.0	0.0	0.0		
Total		131.4		0.2	-0.2	0.6	-0.6

The interest rate sensitivity of derivative assets and liabilities is reported as an impact of one percentage point change in the interest rate on the fair value of the derivative. The interest rate sensitivity of short-term investments measured at fair value is reported as the impact of one percentage point change in the interest rate on the fair value and interest cash flows during the next 12 months. The interest rate sensitivity of other interest-bearing receivables and liabilities is reported as the impact of one percentage point change in the interest rate on the interest cash flows during the next 12 months. The calculation assumes that the balance sheet amount will remain the same for the next 12 months.

Cash flow hedging is applied to the interest rate risk of derivatives affecting equity.

The time until the next re-pricing in years is given as the duration.

2013	EUR million	Position exposed Note	Duration	Effect on the income statement		Effect on equity	
				1 percentage point rise	1 percentage point fall	1 percentage point rise	1 percentage point fall
Interest-bearing receivables	(17. 21)						
EUR		20.6	0.1	0.2	-0.2		
Derivatives assets and liabilities	(20. 26)						
EUR		55.7	0.3	-0.4	0.4	1.0	-1.0
USD		23.5	0.2	-0.1	0.1		
LTL		-4.9	0.5	0.0	0.0		
RUB		56.7	0.9	0.5	-0.5		
Other currencies		21.3	0.6	0.0	0.0	0.0	0.0
Interest-bearing liabilities	(25)						
EUR		48.7	0.1	-0.5	0.5		
Total		239.1		-0.4	0.4	1.0	-1.0

Interest cash flow risk and hedge accounting

OK Corporation applies hedge accounting to derivatives hedging variable-rate debts and highly probable future purchases. The hedge accounting model used is cash flow hedge. The purpose of hedge accounting is to hedge against the interest cash flow risk and currency risk in currency-denominated purchases.

Hedge accounting is applied to derivatives which are effective for the risk being hedged and meet the conditions set for hedge accounting in the IAS 39 standard. Hedging instruments used include interest rate swaps, interest rate and currency swaps as well as forward exchange contracts. The hedging relationship between the hedging derivative and the hedged item as well as the risk management objectives related to hedging are documented when the hedging begins.

The efficiency of the hedge is assessed at the beginning of the hedging relationship and during the hedge so that the hedge is extremely efficient throughout. A hedge is considered efficient when the change in the cash flows of the hedge instrument eliminates 80 to 125% of the change in the cash flows of the hedged agreement or position.

The efficient portion of hedging is recognised in the fair value reserve.

Fair values of the electricity derivatives used as hedge instruments

EUR million	2014	2013
Derivatives liabilities		
Interest rate and currency swaps	0.0	0.2
Forward exchange contracts	0.0	0.5
Total	0.0	0.7
Derivatives receivables		
Forward exchange contracts	0.0	0.0
Total	0.0	0.0

In interest rate and currency swaps, hedge accounting is only applied to the interest cash flow risk of the derivative. Gains and losses from currency risks are recognised directly in the income statement.



Changes recognised in Group equity from cash flow hedging		
EUR million	2014	2013
Opening balance, 1 Jan	1.1	-4.1
Profits and losses from valuing at fair value	1.0	-0.1
Amount included in the income statement	1.1	3.1
<b>Closing balance, 31 Dec</b>	<b>3.3</b>	<b>1.1</b>

Items recognised in equity are shown without the effect of taxes.  
Changes in value recognised in equity are recognised in the income statement in the period during which the hedged cash flows are recognised in the income statement, the derivative matures or the hedge accounting prerequisites are no longer met.

#### CURRENCY RISK

SOK Corporation’s revenue still comes mainly from Finland.

A currency risk means an uncertainty in SOK Corporation’s cash flow, result and balance sheet caused by changes in exchange rates. The size of SOK Corporation’s and its subsidiaries’ currency risk is viewed by currency. The objective is to minimise the uncertainty caused by the currency risk of an open position, nevertheless taking the hedging costs into account.

SOK Finance is in charge of the management of SOK Corporation’s currency risk in a centralised manner. SOK Corporation’s currency risk is monitored through the ALM cost centre, which depicts the entire Group’s currency risk. ALM position risk may not exceed EUR 10 million when the exchange rate changes by 10 per cent. The SOK unit or subsidiary entering into an agreement is responsible for the transaction risks. Significant transaction risks are primarily hedged with the Corporation’s internal derivatives.

Subsidiaries’ currency risk is reduced by financing the operations of the companies in the same currency as the application of funds as well as by means of derivatives. The translation risk associated with the invested equity financing in foreign subsidiaries is reduced by hedging the capitals to the extent that a 20 per cent exchange rate changes would cause a decline of more than 1.0 percentage points in SOK Corporation’s equity ratio. The same applies to the holding which the companies plan to return to Finland after more than four years. The holding which the companies plan to return to Finland during the next four years is considered in full.

#### Currency sensitivity analysis

The currency sensitivity analysis shows the effect on SOK Corporation’s profit/loss or equity of a 10% appreciation of depreciation in the euro against other currencies. Other variables are assumed to remain constant.

The calculation includes the amount of equity in SOK’s foreign subsidiaries. Its conversion into euro will have an impact on equity. The effect on the income statement and equity is shown without the effect of taxes.

2014 EUR million	Position exposed to risk	Effect on the income statement	
		Appreciation of the euro. 10%	Depreciation of the euro. 10%
USD	21.8	-2.2	2.2
LTL	11.0	-1.1	1.1
RUB	-13.1	1.3	-1.3
Other currencies	10.1	-1.0	1.0
<b>Total</b>	<b>29.3</b>	<b>-3.0</b>	<b>3.0</b>

2014 EUR million	Position exposed to risk	Effect on the income statement	
		Appreciation of the euro. 10%	Depreciation of the euro. 10%
LVL	4.8	-0.5	0.5
RUB	30.5	-3.0	3.0
<b>Total</b>	<b>35.3</b>	<b>-3.5</b>	<b>3.5</b>

Hedge accounting is not applied to currency derivatives hedging SOK Corporation’s equity investments.

In assessing SOK Corporation’s total exposure to Lithuanian litas (LTL), account must be taken of the long-term lease agreements of the subsidiaries that operate in these currencies, which are in euros or are currency clause-containing foreign currency-denominated agreements for which the subsidiaries have hedged the currency risk by means of derivatives. The lease agreements are not included in the currency sensitivity analysis.

2013 EUR million	Position exposed to risk	Effect on the income statement	
		Appreciation of the euro. 10%	Depreciation of the euro. 10%
USD	22.5	-2.3	2.3
LVL	-3.1	0.3	-0.3
RUB	-22.0	1.2	-1.2
Other currencies	0.9	-0.1	0.1
<b>Total</b>	<b>-1.7</b>	<b>-0.9</b>	<b>0.9</b>

2013 EUR million	Position exposed to risk	Effect on the income statement	
		Appreciation of the euro. 10%	Depreciation of the euro. 10%
LVL	2.6	-0.3	0.3
LTL	1.5	-0.1	0.1
RUB	16.2	-1.6	1.6
<b>Total</b>	<b>20.3</b>	<b>-2.0</b>	<b>2.0</b>

#### 31. Related party transactions

SOK Corporation’s related parties include the subsidiaries, joint ventures, the associated companies, CEO and his deputy, SOK’s Corporate Management Team, SOK’s Executive Board and Supervisory Board and their family members. SOK Corporation is maintaining related parties register. Regional cooperatives are not included in to SOK Corporation’s related parties by the standard IAS 24 Related Party Disclosures.

Paid Management employee benefit expenses	2014	2013
CEO and SOK’s Corporate Management Team salaries and remuneration	3.2	2.8
SOK’s Executive Board and Supervisory Board salaries and remuneration	0.3	0.4
CEO and SOK’s Corporate Management Team supplementary pension costs	1.0	0.7
<b>Total</b>	<b>4.5</b>	<b>3.8</b>

Management’s pension commitments: SOK’s Chief Executive Officer, members of the executive board in an emplyment relationship and the Corporate Management Team as well as other management, which complies with the criteria of pension policy are entitled to an additional pension insurance, where the retirement age is 60-62 years.

Related-party loans to the subsidiaries, joint ventures as well as associates have been granted for financing normal business operations. Loans have not been granted to the management of SOK Corporation’s related parties in 2013-2014. Nor have conditional items or other commitments been granted on the behalf of key employees. Persons belonging to management, including their related parties, are not in a material business relationship with SOK Corporation.

Transactions and balances with associated companies and joint ventures:

EUR million	2014	2013
Sales	17.5	15.4
Purchases	340.2	317.8
Financial income and expenses	0.4	0.6
Trade and other receivables	1.9	1.2
Loan receivables	57.5	35.1
Loans		8.5
Trade payables and other liabilities	30.1	46.3

In related party transactions purchases from North European Oil Trade Oy have been removed from the figures presenting them as intermediated sales in keeping with the presentation in profit and loss statement.

32. Contingent liabilities

EUR million	2014	2013
Pledges given and contingent liabilities		
Other liabilities		
Pledges	0.1	0.2
Guarantees	4.6	4.0
Total	4.7	4.2
Security given on behalf of others		
Guarantees for liabilities of joint ventures enterprises	109.3	103.6
Guarantees for liabilities of cooperative enterprises	7.4	9.2
Total	116.6	112.7
Other contingent liabilities		
Guarantees for liabilities of joint ventures enterprises	26.2	17.9
Financial guarantees on partner enterprises’ liabilities	1.4	
Guarantees for liabilities of cooperative enterprises	0.1	0.2
Guarantees for others’ liabilities		1.4
Total	27.7	19.5
Other liabilities		
Repurchase liabilities <sup>1)</sup>	36.2	26.8
Underwriting <sup>2)</sup>	10.4	12.0
Total	46.6	38.8

<sup>1)</sup> Repurchase liabilities consist of an obligation to purchase the targets of the property fund which invests in the Prisma stores in St. Petersburg and the Baltic countries, at the amount of the fund’s remaining liabilities. SOK’s ownership share in the property fund company is 20 per cent.

<sup>2)</sup> The underwriting obligation consists of an obligation to invest capital inputs in the property fund which invests in the Prisma stores in St. Petersburg and the Baltic countries.

The guarantees granted consist mainly of the guarantees on behalf of joint venture North European Oil Trade Oy on a loan and other liabilities of 65.4 million (76.8EUR million 31 Dec 2013) and of the guarantees on behalf of joint venture Kauppakeskus Mylly Oy on a loan of EUR 50.0 million (44.7 EUR million on 31 Dec 2013)

In addition, SOK has given letters of support for the guarantees granted by SOK-Takaus Oy. The amount of the letters of support is EUR 78.0 million on 31 December 2014 (EUR 78.1 million on 31 December 2013).

Other financial liabilities:

The Group is obligated to audit valued added tax depreciations it has made on a property investment if the taxable use of the property decreases during the auditing period. The maximum amount of the responsibility is EUR 6.8 million (EUR 6.6 million on 31 December 2013).

Other contingent liabilities:

Commitments in accordance with the shareholder agreement to be responsible for the S-Voima Oy commitments and to finance its operations

In accordance with the so-called Mankala principle, the shareholders are responsible for S-Voima Oy’s commitments. This principle states that the liability for the company’s variable costs is determined based on the energy the shareholder uses. The liability for the company’s fixed costs, also including loan repayments and interests as well as depreciations, is distributed in proportion to the share series owned by the shareholder. The company’s series A shares are related to the acquisition of market electricity; series B and B1 shares to the acquisition of wind power electricity; and series C shares to the acquisition of nuclear power electricity in which S Group has decided not to participate.

Furthermore, the shareholders of S-Voima Oy have also agreed in the shareholder agreement on a mutual obligation to finance the company’s investments in production companies through equity, in which case the liability will by default be distributed by share series in the proportion of shareholding. The remaining portion of the equity financing liability based on decisions made by SOK’s accounts closing date is estimated at EUR 0.9 million in total (EUR 1.8 million 31 Dec 2013). It is estimated that liabilities financing by the company’s shareholders is not needed.

Additionally SOK has pledged to provide loan funding. SOK has at year end 2014 the following open commitments: To provide EUR 60,0 million (EUR 0,0 million 31 Dec 2013) shareholder loan to S-ryhmän logistiikkakeskukset Oy, to provide EUR 5,0 million (EUR 0,0 million 31 Dec 2013) conditional subordinated loan to North European Oil Trade Oy and EUR 0,5 million (EUR 5,0 million 31 Dec 2013) subordinated loan to North European Bio Tech Oy.

33.Subsidiaries and associated companies				
Companies owned by SOK Corporation and SOK 31.12.2014				
	Country	SOK Corporation's shareholding %	SOK Corporation's voting rights %	SOK's shareholding %
<b>Group companies</b>				
<b>Commercial</b>				
SOK Autokauppa Oy	Finland	100	100	
A/S Prisma Latvija	Latvia	100	100	
AS Sokotel	Estonia	100	100	
Inex Partners Oy	Finland	100	100	100
Inex Export Oy	Finland	100	100	100
Jollas-Opisto Oy	Finland	100	100	100
Meira Nova Oy	Finland	100	100	100
OOO Real Estate Management	Russia	100	100	
OOO Real Estate 1	Russia	100	100	
OOO Real Estate 2	Russia	100	100	
OOO Otel Plus	Russia	100	100	
OOO Prisma	Russia	100	100	
OOO Sokotel	Russia	100	100	
Prisma Peremarket AS	Estonia	100	100	
Rekla Oy	Finland	100	100	100
SOK-Liiketoiminta Oy	Finland	100	100	100
Sokotel Oy	Finland	100	100	
SOK Real Estate Int Oy	Finland	100	100	99
SOK Retail Int Oy	Finland	100	100	
SOK-Takaus Oy	Finland	100	100	100
Suomen Spar Oy	Finland	100	100	100
UAB Prisma LT	Lithuania	100	100	
UAB Viršuliškių Prekybos Centras	Lithuania	100	100	100
S-Verkkopalvelut Oy	Finland	100	100	100
S-Business Oy	Finland	100	100	100
S-Yrityspalvelu Oy	Finland	100	100	100
RB Int Oy	Finland	100	100	100
OOO Itis 2	Russia	100	100	
SOK Fund Management Oy	Finland	100	100	100
SOK Fashion Retail Oy	Finland	51	51	51
Commercial, 30 companies				
Real-estate companies, 18 companies				
Total Group companies, 48 companies				
<b>Joint ventures</b>				
Kauppakeskus Mylly Oy	Finland	50	50	50
Kiinteistö Oy Kuloisten Kauppakeskus	Finland	50	50	
North European BioTech Oy	Finland	50	50	50
North European Oil Trade Oy	Finland	51	51	51
Joint ventures, 4 companies				
<b>Associated companies</b>				
Asunto Oy Kauniaisten Kirkkomäki	Finland	39	39	39
Coop Trading A/S	Denmark	25	25	25
Finnfrost Oy	Finland	50	50	
Keskuskorttelin Huolto Oy	Finland	32	32	32
S-Pankki Oy	Finland	50	50	50
S-Asiakaspalvelu Oy	Finland	50	50	
Kiinteistö Oy Lempäälän Terminaali	Finland	50	50	
Kiinteistö Oy Limingan terminaali	Finland	50	50	
FIM Oyj	Finland	26	26	
FIM Pankki	Finland	26	26	
FIM Kiinteistö Oy	Finland	20	20	
FIM varainhoito Oy	Finland	26	26	
Russian and Baltics Retail Properties Ky	Finland	20	20	20
Total associated companies, 13 companies				

34. Events after the balance sheet date
The Group does not have any essential events after the balance sheet date.



# SOK Corporation Key Ratios 2010–2014

SOK Corporation continuing operations	IFRS 2014	IFRS 2013	IFRS 2012	IFRS 2011	IFRS 2010
Revenue, EUR million	7 285.5	7 317.3	10 634.0	11 280.2	9 257.7
Operating profit, EUR million	43.1	-7.9	-7.2	18.8	48.8
% of revenue	0.6	-0.1	-0.1	0.2	0.5
Profit/loss before taxes, EUR million	39.7	-13.2	-27.1	19.5	41.2
% of revenue	0.5	-0.2	-0.3	0.2	0.4
SOK Corporation <sup>*)</sup>					
Return on equity, %	5.5	0.8	-3.9	2.0	4.4
Return on investment, %	11.2	3.0	-0.1	3.2	3.6
Equity ratio, %	38.3	36.3	29.3	26.7	28.9
Gross investments in fixed assets, EUR million	68.6	99.7	124.4	105.5	98.8
% of revenue	0.9	1.4	1.2	0.9	1.1
Gearing, %	-11.3	0.7	41.7	34.1	9.3
The average number of the personnel during the financial year	9 166	9 616	10 563	9 973	9 589
Converted to full-time personnel	8 030	8 897	9 732	8 947	8 442
Non-interest-bearing liabilities, EUR million	847.2	860.4	821.3	1 233.7	1 145.5
* The key indicators contain both discontinued and continuing operations					

## CALCULATION OF KEY RATIOS

Return on equity, %	= $\frac{\text{Profit/loss after financial items - income taxes}}{\text{Equity, average}} \times 100 \%$
Return on investment, %	= $\frac{\text{Profit/loss after financial items + interest and other financial expenses}}{\text{Total assets - non-interest-bearing liabilities - provisions, average}} \times 100 \%$
Equity ratio, %	= $\frac{\text{Total equity}}{\text{Total assets - advances received}} \times 100 \%$
Gross investment in fixed assets	= Acquisition costs of subsidiary shares and other fixed assets
Gearing, %	= $\frac{\text{Interest-bearing liabilities - Cash and cash equivalents}}{\text{Total equity}} \times 100 \%$
The average number of the personnel during the financial year	The average number of personnel and the number converted to full-time equivalents has been calculated as the average number of personnel at the end of each quarter.

# Parent Cooperative’s Financial Statement, FAS

## Income statement of SOK, FAS

EUR million	Note	1.1. - 31.12.2014		1.1. - 31.12.2013	
<b>Net turnover</b>		<b>6 327.2</b>		6 323.0	
Other operating income	(1)	<b>0.5</b>		63.5	
Materials and services					
Raw materials and consumables	(2)	<b>5 725.0</b>		5 988.3	
External services		<b>308.1</b>	<b>6 033.2</b>	58.6	6 046.9
Personnel costs	(3)				
Salaries and remuneration		<b>82.4</b>		87.5	
Other personnel costs		<b>20.1</b>	<b>102.5</b>	23.1	110.6
Depreciation and impairment	(4)	<b>16.7</b>		12.7	
Other operating expenses					
Facilities rent		<b>23.4</b>		47.7	
Other expenses	(5)	<b>134.1</b>	<b>157.5</b>	127.9	175.6
<b>Operating profit (loss)</b>		<b>17.9</b>		40.8	
Financial income and expenses (+/-)	(8)	<b>6.0</b>		12.8	
<b>Profit before extraordinary items</b>		<b>23.9</b>		53.6	
Extraordinary items (+/-)	(9)	<b>-11.4</b>		-5.8	
<b>Profit before appropriations and taxes</b>		<b>12.5</b>		47.8	
Appropriations (+/-)	(10)	<b>-0.3</b>		0.0	
Income taxes (+/-)	(11)	<b>0.0</b>		0.1	
<b>Profit for the financial year</b>		<b>12.2</b>		47.8	

## Balance sheet of SOK, FAS

ASSETS EUR million	Note	31.12.2014		31.12.2013	
<b>NON-CURRENT ASSETS</b>					
Intangible assets	(12)	<b>38.7</b>		39.5	
Tangible assets	(13)	<b>5.9</b>		6.9	
Shares in Group companies	(14)	<b>372.1</b>		350.5	
Other investments	(14)	<b>433.7</b>	<b>850.3</b>	476.4	873.3
<b>CURRENT ASSETS</b>					
Inventories	(15)	<b>116.4</b>		129.4	
Long-term receivables	(16)	<b>2.3</b>		2.3	
Short-term receivables	(17)	<b>552.6</b>		600.0	
Cash in hand and at bank		<b>126.5</b>	<b>797.7</b>	74.2	805.9
		<b>1 648.1</b>		1 679.2	
<b>LIABILITIES EUR million</b>		<b>31.12.2014</b>		31.12.2013	
<b>CAPITAL AND RESERVES</b>	(18)				
Cooperative capital		<b>169.4</b>		163.4	
Supplementary cooperative capital		<b>12.8</b>		12.8	
Fair value reserve		<b>1.5</b>		4.1	
Legal reserve		<b>18.5</b>		18.5	
Supervisory Board's disposal fund		<b>0.0</b>		0.1	
Profit for the previous financial years		<b>513.6</b>		466.0	
Profit for the financial year		<b>12.2</b>	<b>727.9</b>	47.8	712.6
<b>ACCUMULATED APPROPRIATIONS</b>	(19)	<b>4.8</b>		4.5	
<b>PROVISIONS</b>	(20)	<b>14.6</b>		19.3	
<b>LIABILITIES</b>					
Long-term liabilities	(21)	<b>0.2</b>		45.7	
Short-term liabilities	(22)	<b>900.6</b>	<b>900.8</b>	897.1	942.9
		<b>1 648.1</b>		1 679.2	

Cash flow statement of SOK, FAS

EUR million	Note	1.1.–31.12.2014	1.1.–31.12.2013
<b>BUSINESS OPERATIONS</b>			
Operating profit		17.9	40.8
Adjustments to operating profit	(1)	14.4	-36.7
Change in working capital	(2)	71.7	79.2
Cash flow from business operations before financing and taxes		104.0	83.3
Interest paid and other financial expenses		-33.7	-24.4
Interest received and other financial income		37.1	25.1
Dividends received from business operations		0.1	2.1
Direct taxes paid		0.0	0.0
Cash flow from business operations		107.6	86.1
<b>CASH FLOW FROM INVESTMENTS</b>			
Acquisition of fixed assets		-22.3	-12.0
Acquisition of shares		-29.9	-161.1
Sale of fixed assets		7.3	1.6
Sale of shares		4.7	187.8
Loans issued		41.3	29.2
Dividends received from investments		5.9	5.7
Cash flow from investments		7.1	51.1
<b>FINANCING</b>			
Increase in long-term loans			
Decrease in long-term loans		-20.2	
Increase (+) / decrease (-) in short-term creditors		-45.1	-147.8
Increase in cooperative capital and supplementary cooperative capital		6.0	7.3
Interest paid on the cooperative capital and supplementary cooperative capital		-0.2	-0.2
Other decrease in capital and reserves		0.0	0.0
Group contributions received		-2.9	-12.5
Cash flow from financing		-62.5	-153.2
Increase (+) / decrease (-) in cash and cash equivalents		52.2	-15.9
Cash and cash equivalents at the beginning of the year		74.2	90.2
Cash and cash equivalents at the end of the year		126.5	74.2
Adjustments to operating profit	(1)		
Gains (-) and losses (+) from the sale of fixed assets		-0.3	-63.4
Depreciation and value adjustments		16.7	12.7
Income and expenses which do not involve payment		-2.1	14.0
		14.4	-36.7
Change in working capital	(2)		
Change in trade receivables		172.3	108.6
Change in inventories		12.9	-129.3
Change in short-term interest-free creditors		-113.5	99.9
		71.7	79.2

The change in cash and cash equivalents differs from the change in cash and cash equivalents calculated from the change in the balance sheet such that measurement gains and losses due to the measurement at fair value of marketable securities have been eliminated from the change in cash and cash equivalents in the cash flow statement.

Notes to SOK’s financial statements

Accounting policies

SOK Corporation’s financial statements have been prepared pursuant to the Finnish Accounting Act (FAS).

Change of presentation in the income statement

All fuel purchases from SOK’s joint venture North European Oil Trade Oy are transferred immediately to the cooperatives; therefore, all SOK’s fuel purchases from North European Oil Trade Oy and its corresponding sales to cooperatives have been treated as intermediate sales since the beginning of 2014. The 2013 income statement has been adjusted for comparability by transferring EUR 1,222 million of net sales to sales adjustment. This change in the accounting principles had no effect on the result.

Foreign currency transactions and derivative contracts

Transactions in foreign currency are recognised at the exchange rate on the transaction date. Foreign currency denominated receivables and liabilities outstanding at the end of the financial period are translated into euro at the exchange rate quoted by the European Central Bank on the closing day of the financial period and the exchange rate differences are recognised through profit and loss.

Exchange rate differences arising from the translation of trade receivables are recognised in revenue, and exchange differences arising from the translation of trade payables are recognised in expenses. The exchange gains and losses of receivables belonging to other financial items in the balance sheet are recognised in financial income and, correspondingly, those belonging to other liabilities, in financial expenses.

Derivative contracts are taken out primarily for hedging but, as a rule, hedge accounting is not applied to them. In accounting, all derivatives, except those included in hedging, have been measured at fair value and changes in the value have been recognised through profit and loss.

Hedge accounting is applied to some of the currency derivatives used for hedging goods purchases. In these, only the exchange rate risk is being hedged. The hedge accounting model used is cash flow hedging. The effective portion of the change caused by a change in exchange rates in the value of the hedging derivative used for hedge accounting is recognised in full in the shareholders’ equity fair value reserve.

Realised and non-realised gains and losses from derivative contracts made in order to hedge sales and trade receivables are recognised in sales income. Realised and non-realised gains and losses from derivative contracts made in order to hedge other receivables are recognised in financial income. Realised and non-realised gains and losses from derivative contracts made in order to hedge

purchases and trade payables are recognised in purchases. Realised and non-realised gains and losses from derivative contracts not included in hedge accounting in order to hedge other liabilities are recognised in financial income.

Bank cash pool systems

For SOK’s subsidiaries, the funds in accounts within cash pool systems are included under ‘Cash in hand and at bank’ and as other current receivables from Group companies and as other current liabilities to Group companies in SOK’s reporting.

Revenue and sales recognition principle

Sales are recognised when the goods produced are relinquished. When calculating the operating profit, the discounts given, value added tax and exchange rate differences in sales have been deducted from sales gains.

Other operating income

Sales gains on non-current assets, capital gains on divestment and generally regular gains generated by the operations, other than those related to the actual sales of goods and services, are recognised in other operating income.

Lease payments

In the income statement, lease payments of facilities are presented in facilities rent, and other lease payments are presented in other operating income.

Future expenses and losses

Future expenses and losses which have been committed to or which are likely to materialise have been recognised as expense in the appropriate expense item according to their nature. In the balance sheet, these cost provisions have been presented as mandatory provisions or deferred income, if their accurate amount and materialisation date is known.

Extraordinary items

Such income and expenses that are based on events which deviate from the regular activities are non-recurring and material, such as Group contributions and significant items related to acquisitions, are presented in extraordinary items.

Income taxes

Income taxes include current taxes for the financial period and corrections to taxes for previous periods. The income statement and balance sheet of SOK do not include deferred tax liability or receivable, but material deferred tax liabilities or receivables have been presented in the itemisation of taxes in the Notes.

**Non-current assets and depreciations**

Non-current assets have been measured at the acquisition cost according to the variable costs incurred by the acquisition less depreciation according to plan.

Depreciation according to plan has been calculated in accordance with the predefined depreciation plan as straightline depreciation of the original acquisition cost of the non-current asset. Depreciation has been calculated from the beginning of the month after the asset was placed in use. Depreciation periods are based on estimated economic lives. Revaluations are not included in the balance sheet values of non-current assets.

Depreciation periods according to plan are:	Years
Buildings	20 to 35
Lightweight structures and equipment in buildings	5 to 15
Machinery and equipment	3 to 10
Motor vehicles and servers	3 to 5
Other tangible and intangible assets	within the limits allowed by Business Taxation Act

The change in the depreciation difference is presented under Appropriations in the income statement. The accumulated depreciation difference is presented under Accumulated appropriations in the balance sheet.

Shares and participations belonging to investments of non-current assets are measured at fair value in compliance with the alternative method permitted under the Accounting Act, Section 5, Article 2a, if the fair value can be reliably determined.

**Current assets**

Financial instruments have been measured at fair value in compliance with the alternative method permitted under the Accounting Act, Section 5, Article 2a. Financial instruments are classified as financial assets or liabilities measured at fair value through profit and loss, available-for-sale financial assets, financial assets held to maturity (in 2013–2014 there were no financial assets held to maturity), loans and receivables and other financial liabilities. A change in the fair value of financial assets and liabilities measured at fair value through profit and loss is recognised in the income statement. The change in the fair value of available-for-sale financial assets is recognised in fair value reserve under shareholders' equity. However, a potential impairment is recognised immediately through profit and loss and the fair value reserve is also adjusted. Financial assets held to maturity, loans and receivables as well as other financial liabilities are measured at amortised acquisition cost using the effective interest method. Any impairment loss is recognised through profit and loss and the accrual of interest is continued on the lowered balance at the original effective interest rate of the contract.

Inventories are recognised on the balance sheet using the FIFO method at either the amount of the variable costs of the purchase or reacquisition cost or the probable selling price, whichever has the lowest value.

EUR million	2014	2013
<b>1. Other operating income</b>		
Profits on sale of fixed assets	<b>0.4</b>	63.4
Other operating income	<b>0.1</b>	0.1
Total	<b>0.5</b>	63.5
<b>2. Raw materials and consumables</b>		
Purchases during the financial year	<b>5712.1</b>	5990.6
Change in inventories (+/-)	<b>12.9</b>	-2.3
Total	<b>5725.0</b>	5988.3
<b>3. Personnel costs</b>		
Salaries and remuneration	<b>82.4</b>	87.5
Pension costs	<b>15.1</b>	18.0
Other personnel expenses	<b>5.0</b>	5.2
Total	<b>102.5</b>	110.6
<b>Average number of personnel</b>	<b>1482</b>	1634
The average number of personnel has been calculated as the average number of personnel at the end of each quarter.		
<b>Paid salaries and remuneration:</b>		
CEO and members of the Executive Board	<b>0.7</b>	0.7
Members of the Supervisory Board	<b>0.2</b>	0.3
<b>Management pension liabilities:</b>		
Management's pension commitments: SOK's Chief Executive Officer and the Corporate Management Team are entitled to retire at the age of 60–62.		
<b>4. Depreciation and impairment</b>		
Depreciation according to plan	<b>11.4</b>	9.3
Impairment	<b>5.3</b>	3.3
Total	<b>16.7</b>	12.7
The itemised specifications of the change in depreciation and accelerated depreciation are included under fixed assets and accumulated appropriations in the notes to the balance sheet.		
<b>5. Other operating expenses</b>		
Voluntary indirect employee expenses	<b>2.2</b>	2.5
Property, equipment and supplies expenses	<b>112.9</b>	108.5
Marketing, administration and other operating expenses	<b>19.1</b>	16.9
Total	<b>134.1</b>	127.9
Rents for business premises are presented as a separate item in the income statement.		
<b>6. Auditor's fees</b>		
Audit expenses KPMG Oy Ab	<b>0.2</b>	0.3
Tax consulting	<b>0.0</b>	0.0
Other services	<b>0.0</b>	0.1
Total	<b>0.3</b>	0.4

EUR million	2014	2013
<b>7. Increase (-) / decrease (+) in provisions for liabilities and charges</b>		
Increases related to partially vacant premises	<b>-1.2</b>	-17.5
Decreases related to partially vacant premises	<b>6.1</b>	1.5
Other mandatory provisions increases	<b>-0.5</b>	-1.4
Other mandatory provisions decreases	<b>0.3</b>	0.9
Total	<b>4.7</b>	-16.5
<b>8. Financial income and expenses</b>		
Dividend income from group companies	<b>0.0</b>	0.0
Dividend yield from others and interest on cooperative capital	<b>6.0</b>	7.8
Dividend yield and interest on cooperative capital from investments in non-current assets, total	<b>6.0</b>	7.8
<b>Interest income from other non-current assets</b>		
From group companies	<b>5.9</b>	6.2
From others	<b>1.2</b>	2.3
<b>Other interest and financial income</b>		
From group companies	<b>6.8</b>	8.9
From others	<b>24.1</b>	14.8
Total interest and financial income	<b>37.9</b>	32.2
<b>Impairment decrease and increase from investments in non-current assets</b>	<b>0.0</b>	0.3
<b>Interest and other financial expenses</b>		
To group companies	<b>30.0</b>	14.3
To others	<b>7.9</b>	13.2
Total interest and other financial expenses	<b>37.9</b>	27.6
<b>Total financial income and expenses</b>	<b>6.0</b>	12.8
<b>9. Extraordinary items</b>		
<b>Extraordinary income</b>		
Group contributions received	<b>14.9</b>	9.0
Total	<b>14.9</b>	9.0
<b>Extraordinary expenses</b>		
Group contributions given	<b>26.3</b>	12.4
Other extraordinary expenses		2.4
Total	<b>26.3</b>	14.8
<b>Total extraordinary items</b>	<b>-11.4</b>	-5.8
<b>10. Appropriations</b>		
Increase (-) / decrease (+) in accelerated depreciation	<b>-0.3</b>	0.0

EUR million	2014	2013
<b>11. Income taxes</b>		
Income taxes on ordinary operations for the financial year (+/-)	<b>2.3</b>	0.8
Income taxes for the previous financial years (+/-)	<b>0.0</b>	-0.1
Income taxes on extraordinary items for the financial year (+/-)	<b>-2.3</b>	-0.8
Total	<b>0.0</b>	-0.1

Deferred tax liabilities not recognised on the balance sheet	<b>2.1</b>	2.9
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**NOTES CONCERNING ASSETS IN THE BALANCE SHEET****12. Intangible and tangible assets****Intangible assets****Intangible rights**

Acquisition cost at 1 Jan	<b>37.7</b>	44.8
Increases	<b>4.6</b>	2.2
Decreases	<b>-22.2</b>	-11.1
Transfers	<b>20.3</b>	1.9
Acquisition cost at 31 Dec	<b>40.5</b>	37.7

Accumulated amortisation at 1 Jan	<b>24.2</b>	23.8
Accumulated amortisation on decreases and transfers	<b>-14.8</b>	-9.8
Amortisation for the financial year	<b>8.4</b>	7.0
Impairment	<b>5.3</b>	
Accumulated amortisation at 31 Dec	<b>23.2</b>	24.2

Book value at 31 Dec	<b>17.3</b>	13.5
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**Other long-term expenditure**

Acquisition cost at 1 Jan	<b>16.3</b>	16.1
Increases	<b>0.3</b>	0.2
Acquisition cost at 31 Dec	<b>16.6</b>	16.3

Accumulated amortisation at 1 Jan	<b>5.4</b>	4.2
Accumulated amortisation on decreases and transfers	<b>0.0</b>	0.0
Amortisation for the financial year	<b>1.3</b>	1.2
Accumulated amortisation at 31 Dec	<b>6.7</b>	5.4

Book value at 31 Dec	<b>9.9</b>	10.8
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**Advance payments of intangible assets**

Acquisition cost at 1 Jan	<b>15.1</b>	5.4
Transferred from the merger of SOK Invest Oy		4.8
Increases	<b>16.6</b>	7.7
Decreases		-0.8
Transfers	<b>-20.3</b>	-1.9
Book value at 31 Dec	<b>11.4</b>	15.1

<b>Intangible assets total</b>	<b>38.7</b>	39.5
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EUR million	2014	2013
<b>13. Property, plant and equipment</b>		
<b>Land and water areas</b>		
Acquisition cost at 1 Jan	2.3	2.3
Decreases		0.0
Acquisition cost at 31 Dec	2.3	2.3
Accumulated impairment at 1 Jan	0.1	0.1
Accumulated impairment at 31 Dec	0.1	0.1
Book value at 31 Dec	2.2	2.2
<b>Buildings and structures</b>		
Acquisition cost at 1 Jan	6.7	6.8
Decreases	-0.2	-0.1
Acquisition cost at 31 Dec	6.6	6.7
Accumulated depreciation at 1 Jan	6.0	5.9
Accumulated depreciation on decreases and transfers	-0.2	-0.1
Depreciation for the financial year	0.2	0.1
Accumulated depreciation at 31 Dec	6.0	6.0
Book value at 31 Dec	0.6	0.8
<b>Machinery and equipment</b>		
Acquisition cost at 1 Jan	9.3	7.4
Increases	0.7	1.9
Decreases	-3.6	
Acquisition cost at 31 Dec	6.3	9.3
Accumulated depreciation at 1 Jan	5.9	4.8
Accumulated depreciation on decreases and transfers	-3.6	
Depreciation for the financial year	1.6	1.0
Accumulated depreciation at 31 Dec	3.9	5.9
Book value at 31 Dec	2.5	3.4
<b>Other tangible assets</b>		
Acquisition cost at 1 Jan	0.6	0.6
Increases	0.0	0.0
Acquisition cost at 31 Dec	0.6	0.6
Accumulated depreciation at 1 Jan	0.0	0.0
Accumulated depreciation at 31 Dec	0.0	0.0
Book value at 31 Dec	0.6	0.6
<b>Tangible assets total</b>	<b>5.9</b>	<b>6.9</b>

EUR million	2014	2013
<b>14. Investments</b>		
<b>Shares in Group companies</b>		
Acquisition cost at 1 Jan	352.9	362.3
Increases	26.4	150.1
Decreases	-4.8	-144.7
Transfers		-14.7
Acquisition cost at 31 Dec	374.5	352.9
Accumulated impairment at 1 Jan	2.4	20.4
Accumulated impairment on decreases and transfers		-18.0
Acquisition cost at 31 Dec	2.4	2.4
Book value at 31 Dec	372.1	350.5
<b>Shares in Group companies total</b>	<b>372.1</b>	<b>350.5</b>
<b>Receivables from Group companies</b>		
Amount at 1 Jan	304.3	344.6
Increases	167.0	232.4
Decreases	-194.1	-272.7
Amount at 31 Dec	277.1	304.3
<b>Participations in participating interest companies</b>		
Acquisition cost at 1 Jan	114.9	95.9
Increases	3.5	11.0
Decreases		-6.7
Transfers		14.7
Acquisition cost at 31 Dec	118.4	114.9
Accumulated impairment at 1 Jan	0.1	6.7
Accumulated impairment on decreases and transfers		-6.7
Accumulated impairment at 31 Dec	0.1	0.1
Book value at 31 Dec	118.3	114.8
<b>Receivables from participating interest companies</b>		
Amount at 1 Jan	27.5	38.0
Increases		20.0
Decreases	-11.5	-30.5
Amount at 31 Dec	16.0	27.5
<b>Capital loan receivables from participating interest companies</b>		
Amount at 1 Jan		
Increases	5.5	0.0
Acquisition cost at 31 Dec	5.5	0.0
<b>Receivables from participating interest companies, total</b>	<b>21.5</b>	<b>27.5</b>

EUR million	2014	2013
<b>Other shares and participations</b>		
Acquisition cost at 1 Jan	1.3	12.1
Increases	0.0	0.0
Decreases	-0.1	-10.8
Acquisition cost at 31 Dec	1.2	1.3
Measurement at fair value	0.5	5.3
Book value at 31 Dec	1.7	6.6
<b>Capital loans from others</b>		
Amount at 1 Jan	1.6	0.6
Increases	1.5	1.0
Decreases	-2.5	0.0
Amount at 31 Dec	0.6	1.6
Accumulated value adjustments at 1 Jan	0.0	0.0
Accumulated value adjustments at 31 Dec	0.0	0.0
Book value at 31 Dec	0.6	1.6
<b>Other receivables from others</b>		
Amount at 1 Jan	21.7	28.9
Increases		25.0
Decreases	-7.2	-32.2
Amount at 31 Dec	14.5	21.7
<b>Investments total</b>	<b>805.8</b>	<b>826.9</b>
<b>15. Inventories</b>		
Supplies	116.3	129.2
Other inventories	0.0	0.0
Prepayments	0.2	0.1
Total	116.4	129.4
<b>16. Long-term receivables</b>		
Trade receivables	2.3	2.3
<b>Total long-term receivables</b>	<b>2.3</b>	<b>2.3</b>

<b>17. Short-term receivables</b>		
<b>Trade receivables</b>	<b>475.4</b>	<b>488.6</b>
<b>Receivables from group companies</b>		
Trade receivables	7.4	4.8
Other receivables	22.6	9.0
Prepayments and accrued income	4.5	11.1
Total	34.5	24.9

EUR million	2014	2013
<b>Receivables from participating interest companies</b>		
Trade receivables	1.3	0.9
Prepayments and accrued income	0.0	0.7
Total	1.3	1.5
<b>Other receivables</b>	<b>0.3</b>	<b>46.7</b>
Prepayments and accrued income	41.0	38.4
<b>Total short-term receivables</b>	<b>552.6</b>	<b>600.0</b>

<b>Specification of prepayments and accrued income</b>		
Financial items	26.5	25.8
Other	19.0	24.3
<b>Total prepayments and accrued income</b>	<b>45.5</b>	<b>50.1</b>

A fair value specification by financial instrument group is given in a separate table.

## NOTES CONCERNING LIABILITIES IN THE BALANCE SHEET

<b>18. Capital and reserves</b>		
Cooperative capital at 1 Jan	163.4	156.0
Increase	6.0	7.3
Cooperative capital at 31 Dec	169.4	163.4

Cooperative capital consists of the cooperative payments which the cooperative societies make to Suomen Osuuskauppojen Keskusosuuskunta (SOK) for cooperative shares. The number of a cooperative society's shares is determined on the basis of the cooperative society's total membership and annual purchases. The amount of cooperative payments as allowed by the SOK Statutes that are unpaid and not fallen due was EUR 1.5 million on 31 December 2014 (4.3 unpaid cooperative payments on 31 December 2013).

On 31 December 2014, the number of cooperative enterprises was 28, and the number of shares was 350,290. On 31 December 2013, the number of cooperative enterprises was 29, and the number of shares was 339,996.

Supplementary cooperative capital at 1 Jan	12.8	12.8
Supplementary cooperative capital at 31 Dec	12.8	12.8

The supplementary cooperative capital consists of voluntary investments which the cooperative societies make to Suomen Osuuskauppojen Keskusosuuskunta (SOK). The cooperative societies have the right to a return on their supplementary cooperative capital contributions in the manner and subject to the conditions specified in the Cooperative Societies Act and SOK's statutes.

EUR million	2014	2013
Fair value reserve at 1 Jan	4.1	6.4
Derivative instruments used to hedge cash flow		
Value change during the period	1.0	0.1
Amount posted from equity to income statement	1.1	3.1
Value change of the financial assets held for sale		
financial assets during the financial period	0.0	0.4
amount excluded from equity and presented in the income statement	-4.8	-5.6
<b>Fair value reserve at 31 Dec <sup>1)</sup></b>	<b>1.5</b>	4.1

<sup>1)</sup> Deferred taxes or tax assets are not as a rule presented in the income statements and balance sheets of SOK's subsidiaries but only as a Note to the Financial Statements if the item is material in amount.

The valuations of derivatives in cash flow hedging relationships have been carried out by discounting future cash flows from the present value. The discounted value for cash flows other than those denominated in the euro has been converted into the euro using exchange rates quoted by the European Central Bank on the balance sheet date.

Financial assets available for sale include debt securities for which fair value has been determined by discounting future cash flows from the present value. In addition, financial assets available for sale include shares for which fair value cannot be determined. In 2012, the fair value of Nets Oy's (Luottokunta) shares was determined for the first time. Their fair value is based on Nets Oy's (Luottokunta) preliminary plan concerning the distribution of assets in 2012-2015.

Legal reserve at 1 Jan	18.5	18.5
Legal reserve at 31 Dec	18.5	18.5

Supervisory Board's disposal fund at 1 Jan	0.1	0.1
Increase		0.1
Decrease	0.0	0.0
Supervisory Board's disposal fund at 31 Dec	0.0	0.1

Profit for the previous financial years 1 Jan	513.8	466.3
Transfer to Supervisory Board's disposal fund		-0.1
Interest on supplementary cooperative capital	-0.2	-0.3
Profit for the previous financial years 31 Dec	513.6	466.0
Profit for the financial year	12.2	47.8
Total capital and reserves	727.9	712.6

#### Distributable funds at 31 Dec

Profit for the previous financial years	513.6	466.0
Profit for the financial year	12.2	47.8
Total	525.8	513.8

EUR million	2014	2013
<b>19. Accumulated appropriations</b>		
<b>Accelerated depreciation</b>		
Intangible rights	3.3	2.6
Other capitalised expenditure	2.4	2.1
Buildings and constructions	-0.3	-0.3
Machinery and equipment	-0.5	0.0
Total	4.8	4.5

#### 20. Provisions

Partially vacant premises	13.6	18.5
Other mandatory provisions	1.0	0.8
Total	14.6	19.3

#### 21. Long-term liabilities

Loans from financial institutions		20.2
Other long-term liabilities	0.2	25.5
Total long-term liabilities	0.2	45.7

#### 22. Short-term liabilities

<b>Trade payables</b>	<b>543.5</b>	523.3
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#### Liabilities to group companies

Trade payables	25.6	6.9
Other short-term liabilities	199.5	202.0
Accruals and deferred income	21.4	37.8
Total	246.6	246.6

#### Amounts owed to participating interest companies

Trade payables	40.3	30.5
Accruals and deferred income		1.5
Total	40.3	32.0

<b>Other short-term liabilities</b>	<b>12.3</b>	34.3
<b>Accruals and deferred income</b>	<b>57.9</b>	60.9
<b>Total short-term liabilities</b>	<b>900.6</b>	897.1

#### Specification of accruals and deferred income

Personnel costs	23.6	22.8
Financial items	25.2	49.8
Other	30.5	26.2
Total accruals and deferred income	79.4	98.7

EUR million	2014	2013
<b>SECURED ASSETS AND CONTINGENT LIABILITIES</b>		
<b>23. Contingent liabilities</b>		
<b>Pledges and contingent liabilities</b>		
<b>Other collateral provided</b>		
Pledges	0.1	0.1
Financial guarantees	0.4	0.4
<b>Pledges provided as collateral total</b>	<b>0.4</b>	0.4

#### Security given on behalf of Group companies

Guarantees	242.4	192.2
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#### Security given on behalf of others' liabilities

Financial guarantees on joint ventures' debt	59.3	58.9
Total	59.3	58.9

#### Other collateral provided for others

Financial guarantees on joint ventures' responsibilities	26.2	17.9
Total	26.2	17.9

#### Other contingent liabilities

Leasing liabilities:		
Payable next year	30.5	28.5
Payable in more than one year	104.7	120.4
Total	135.1	148.9

Minimum lease payments on non-cancellable re-let properties based on the lease agreement:		
Payable next year	6.5	6.5
Payable in more than one year	42.5	48.4
Total	49.1	54.9

Repurchasing liabilities <sup>1)</sup>	36.2	26.8
Underwriting <sup>2)</sup>	10.4	12.0
Total	46.6	38.8

<sup>1)</sup> Repurchase liabilities consist of an obligation to purchase the targets of the property fund which invests in the Prisma stores in St. Petersburg and the Baltic countries, at the amount of the fund's remaining liabilities. SOK's ownership share in the property fund company is 20 per cent.

<sup>2)</sup> The underwriting obligation consists of an obligation to invest capital inputs into the property fund which invests in the Prisma stores in St. Petersburg and the Baltic countries.

In addition, SOK has given letters of support on behalf of SOK-Takauss Oy. The amount of the letters of support was EUR 77,9 million 31.12.2014 (EUR 78,1 million 31.12.2013).

Other financial liabilities:

The Group is obligated to reevaluate the value added tax deductions it has made on real estate investments if the taxable use of the property decreases during the period being audited. The maximum amount of the liability is EUR 1.8 million on 31 Dec 2014 (EUR 2.0 million on 31 Dec 2013).

Other contingent liabilities:

Commitments in accordance with the shareholder agreement to be responsible for the S-Voima Oy commitments and to finance its operations. In accordance with the so-called Mankala principle, the shareholders are responsible for S-Voima Oy's commitments. This principle states that the liability for the company's variable costs is determined based on the energy the shareholder uses. The liability for the company's fixed costs, also including loan repayments and interests as well as depreciations, is distributed in proportion to the share series owned by the shareholder. The company's series A shares are related to the acquisition of market electricity; series B shares to the acquisition of wind power electricity; and series C shares to the acquisition of nuclear power electricity in which S Group has decided not to participate.

Furthermore, the shareholders of S-Voima Oy have also agreed in the shareholder agreement on a mutual obligation to finance the company's investments in production companies through equity, in which case the liability will by default be distributed by share series in the proportion of shareholding. The remaining portion of the equity financing liability based on decisions made by SOK's accounts closing date is estimated at EUR 0.9 million (EUR 1.8 million 31 Dec 2013) in total. It is estimated that liabilities financing by the company's shareholders is not needed.

Additionally SOK has pledged to provide loan funding. SOK has at year end 2014 the following open commitments: To provide EUR 60.0 million (EUR 0.0 million 31 Dec 2013) shareholder loan to S-ryhmän logistiikkakeskukset Oy, to provide EUR 5.0 million (EUR 0.0 million 31 Dec 2013) conditional subordinated loan to North European Oil Trade Oy and EUR 0.5 million (EUR 5.0 million 31 Dec 2013) subordinated loan to North European Bio Tech Oy.

# Executive Board’s proposal for the distribution of SOK’s distributable surplus

Profit indicated in the income statement	12 196 204.46 €
Profit for the previous financial years	513 635 325.35 €
Total	525 831 529.81 €

The Executive Board proposes that the profit for the financial year of EUR 12 196 204,46 be used as follows:

– paid as interest on the supplementary cooperative capital	216 237.77 €
– transferred to the Supervisory Board’s disposal fund	50 000.00 €
– left in the retained earnings account	11 929 966.69 €

Providing that the Cooperative Meeting approves the above proposal, SOK’s capital and reserves will be:

Cooperative capital	169 379 500.00 €
Supplementary cooperative capital	12 750 000.00 €
Legal reserve	18 473 154.85 €
Supervisory Board’s disposal fund	77 634.97 €
Profit for the previous financial years	525 565 292.04 €
Total	726 245 581.86 €

Helsinki, 12 February 2015



Taavi Heikkilä



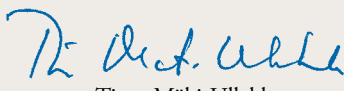
Heikki Hämäläinen



Esko Jääskeläinen



Tapio Kankaanpää



Timo Mäki-Ullakko



Matti Niemi



Jouko Vehmas

# Auditor’s report

## To the members of Suomen Osuuskauppojen Keskuskunta

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Suomen Osuuskauppojen Keskuskunta for the year ended 31 December 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent cooperative’s balance sheet, income statement, cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the cooperative’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the cooperative’s accounts and finances, and the Managing Director shall see to it that the accounts of the cooperative are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good audi-

ting practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Supervisory Board and the members of the Board of Directors or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the cooperative or have violated the Cooperatives Act or the rules of the cooperative.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the cooperative’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the cooperative’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## Opinion on the cooperative’s financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent cooperative’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 23 March 2015

KPMG OY AB

Raija-Leena Hankonen  
Authorized Public Accountant



# Statement by the Supervisory Board

According to Clause 2 of Subsection 1 of Section 13 of the SOK Corporation's statutes, the Supervisory Board has today inspected the financial statements and consolidated financial statements prepared by the Executive Board for 2014, and has familiarised itself with the auditors report.

The Supervisory Board proposes that the cooperative meeting confirm the financial statements and the consolidated financial statements and that the Executive Board's proposal concerning the fiscal year's result and equity be approved.

The following members are resigning from the Supervisory Board due to their three year term ending: Henrik Karvonen, Esa Karppinen, Martti Lokka, Timo Santavuo, Mervi Sillanpää-Jaatinen, and Pentti Hämäläinen. Otto Mikkonen and Jan-Erik Hinds have also requested resignation. The Supervisory Board proposes that the cooperative meeting choose eight new members to replace the above mentioned for the next three years.

Helsinki, 27 March 2015

SUOMEN OSUUSKAUPPOJEN  
KESKUSKUNTA

On behalf of the Supervisory Board

Matti Pikkarainen  
Chairman

Seppo Kuitunen  
Secretary

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