



S Group's Corporate Responsibility Review 2013



Providing more extensive and reliable information



In 2013, SOK launched a streamlining programme in order to solidify its finances after several years of operational loss. The programme also aims to secure a solid financial standing for S Group's regional co-operatives and their capability to develop.

The streamlining programme resulted in statutory labour negotiations in the spring of 2013 in SOK, which provides chain management, support and procurement services for S Group's co-operatives. Subsequently, the employment of approximately 180 people was terminated, which together with certain reorganisations, momentarily slowed down development operations.

Despite the changes, S Group focused heavily on implementing the responsibility programme approved in 2012. The results of the programme are covered in various sections of this review.

In 2013, we continued to develop information gathering processes, in particular. As a result, the reliability and coverage of the Group-level information we present has clearly improved. Compared to the previous review, we have also presented the calculation of our tax footprint in a more precise manner.

Our future areas of development include responsibility communication in outlets, as well as continuous and open dialogue with different stakeholders.

The work of our retail group is in part guided by the Society's Commitment to Sustainability, in which we have committed to two objectives. We promote a carbon-neutral society by setting individual energy consumption targets for each outlet and by producing half of our electricity by means of our own wind power in 2016.

The commitment to sustainable work obligates us to raise young people into retail professionals. Our goal is to help young people see retail as an attractive sector that offers permanent jobs.

Dear reader: S Group continues its responsible operations in a determined manner. In order to succeed in this, we need clear objectives and good reporting. Therefore, I would like to thank all those people who contributed to the compilation of this Responsibility Review.

Taavi Heikkilä
Chief Executive Officer, SOK





1

We asked you what you think are the essential elements of responsibility.



2

You thought it over...



3

and let us know.

energy saving well-being
recycling authentic local food
responsibility freshness
product trust safety origin



4

This is how S Group's four major responsibility themes were established



Well-being through
co-operative activities



Personnel well-being
and motivation



Responsible products
and services



Resource efficiency

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S Group in brief





Events in 2013

January

New guidelines on age limit control came into force

The age limit control of alcohol and tobacco products was expanded in grocery stores in Finland.

February

SOK and WWF working to reduce food loss

Together with WWF, we organised a Round table to seek ways to reduce food loss.

March

Streamlining SOK's service and support functions

The turmoil in retail and the related continuous need for streamlining resulted in personnel reductions in SOK also.

April

Signing the Principles of Good Practice

We signed a letter of intent on the Principles of Good Practice.

May

A responsibility survey among 1,600 suppliers

We conducted a survey among our suppliers in which we asked about their practices for ensuring product traceability and product safety, as well as environmental and social responsibility in production chains.

Recycling of discarded Waste Electrical and Electronic Equipment (WEEE) began in stores

Since May, customers have had the opportunity to return discarded small appliances, fluorescent lights and energy-saving bulbs to Prisma stores, among others.

June

S-Bank and Tapiola Bank merged to form the new S-Bank

S-Bank and LocalTapiola Bank merged to form the new S-Bank. The new bank started operations on 1 May 2014.

July

Success stories of Finnish food

We organised a local food event during the SuomiAreena event in Pori in Southern Finland in which discussion topics included the future of local food and organic food.

August

Grocery trade management visited Thailand

The visit to Thailand included discussions with the authorities and suppliers on working conditions and visits to suppliers' production facilities.

September

S Group worked on a map of responsible trade

We participated in developing the map of responsible trade ('Kaupan vastuukartta'), a corporate responsibility tool offered by the Finnish Commerce Federation to its members.

October

A national Energy Awareness Week

We again attended the Energy Awareness Week organised by Motiva.

WWF's Seize Your Power campaign

We participated in WWF's campaign for the sustainable production of energy and against climate change.

November

S Group ranked as the best Finnish retail company in the Palm Oil Buyers' Scorecard

We were the best Finnish retail company in the international Palm Oil Buyers' Scorecard ranking carried out by WWF in the autumn of 2013, scoring 11 out of 12 points.

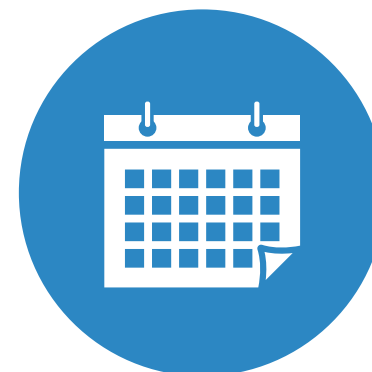
SOK's representative re-elected to the global Board of the International Co-operative Alliance (ICA)

SOK's representative Anne Santamäki, who already was a Board member in the previous period, was re-elected in this election, which was more competitive than ever before.

December

S Group donated one million euro to the Children's Hospital

We are donating one million euro for the construction of the new national Children's Hospital. All of the 20 regional co-operatives in Finland and SOK Corporation, owned by the co-operatives, will contribute to the donation.



S Group – owned by customers



S Group is a Finnish co-operative group of companies operating in the retail and service sector. It consists of the SOK Corporation with its subsidiaries and 20 regional and eight local co-operatives. The co-op members own the co-operatives, which in turn own SOK Corporation.

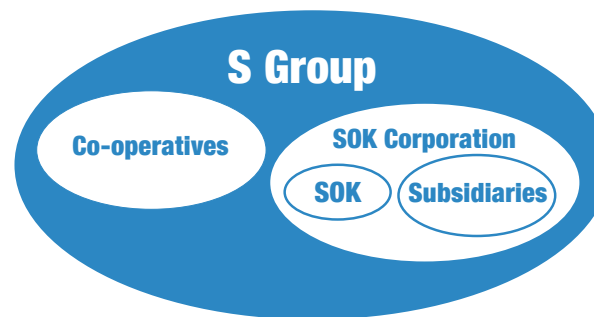
The purpose of S Group's business is to provide the co-op members with competitive services and benefits throughout Finland. The basic goal of all operations is to make customers' daily life easier and meet their service needs.

Socially and environmentally responsible and profitable business operations create the foundation for S Group to carry out long-term and beneficial operations as part of society. Profitable business operations create well-being through jobs, taxes and investments.

Values as the basis of operations

S Group's values have found their form over the course of the decades. They highlight responsible business operations, for which a co-operative form of business and the associated co-op membership are a natural basis.

- We exist for the customer.
- We take responsibility for people and the environment.
- We constantly renew our operations.
- We operate profitably.



S Group's business operations

S Group's business operations are organised into nationwide chains.

- Grocery and consumer goods trade
- Service station store and fuel sales
- Travel industry and hospitality business
- Automotive trade and accessories (in the area of eleven co-operatives)
- Agricultural trade (in the area of three co-operatives)
- Banking services (S-Bank)

RETAIL AND SERVICE
PROFESSIONALS

41,784



At the end of 2013, S Group employed 41,784 retail and service professionals.

Various chain management, service and support operations are produced centrally by SOK. S Group's efficient business model is built on the chain business combined with regional co-operatives' solid knowledge of local markets and customers.

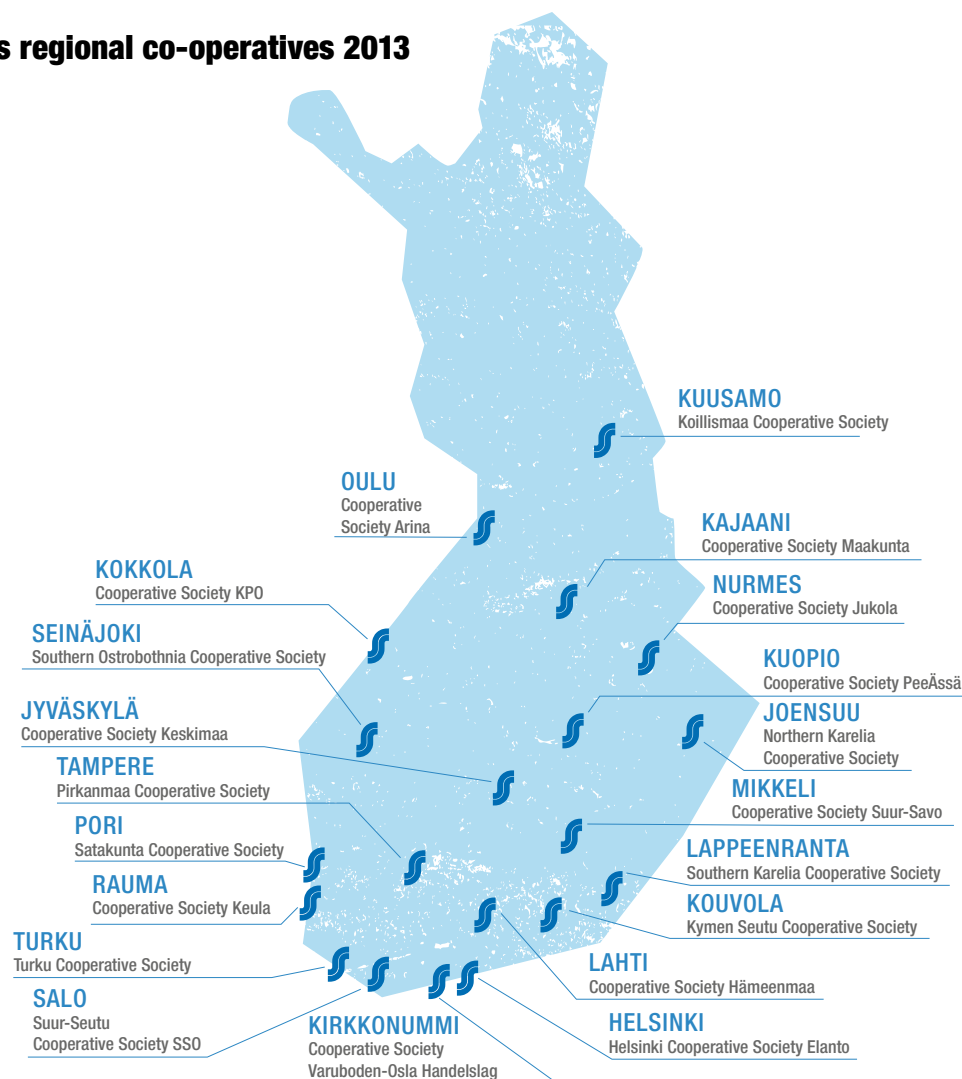
In addition to business operations in Finland, S Group operates in the supermarket trade as well as the travel industry and hospitality business in Russia and the Baltic countries. In 2013 S Group had three Sokos hotels in St. Petersburg and one in Tallinn. There were nine Prisma stores in Estonia, seventeen in Russia, five in Latvia and three in Lithuania.

At the end of 2013, S Group had 1,646 outlets: 1,608 in Finland, 20 in the Baltic countries and 18 in Russia. S Group employed 41,784 service sector professionals, of whom 37,741 worked in Finland, at the end of 2013.

S Group – owned by customers



S Group's regional co-operatives 2013



S Group's key figures 2013 (incl. the entire S Group)

EUR million

11,353

Retail sales

9,541

Bonus sales

379

Bonus paid out to co-op members

566

Investments

226

S Group's result

2,109,025

Co-op members

41,784

Personnel (incl. the entire S Group)

1,646

Outlets (incl. the entire S Group and online stores)

1,608

Outlets in Finland (incl. the entire S Group and online stores)

20

Co-operatives



Becoming a forerunner in responsibility

S Group's values are based on the basic principles of co-operative activities. In turn, our responsibility principles have been derived directly from these values.

The purpose of S Group's business operations is to provide the co-op members with competitive services and benefits. The objective shared by all S Group employees is to be a forerunner in responsibility.

The level of responsibility in S Group's activities exceeds legal requirements. Responsibility is based on S Group's values and responsibility principles, SOK Corporation's ethical principles and the joint strategic goals set for responsibility.

S Group's strategic objective is to be a forerunner in responsibility. This policy is part of the customer relationship strategy approved in 2012. In order to advance towards being a forerunner, we have defined a responsibility programme for S Group.



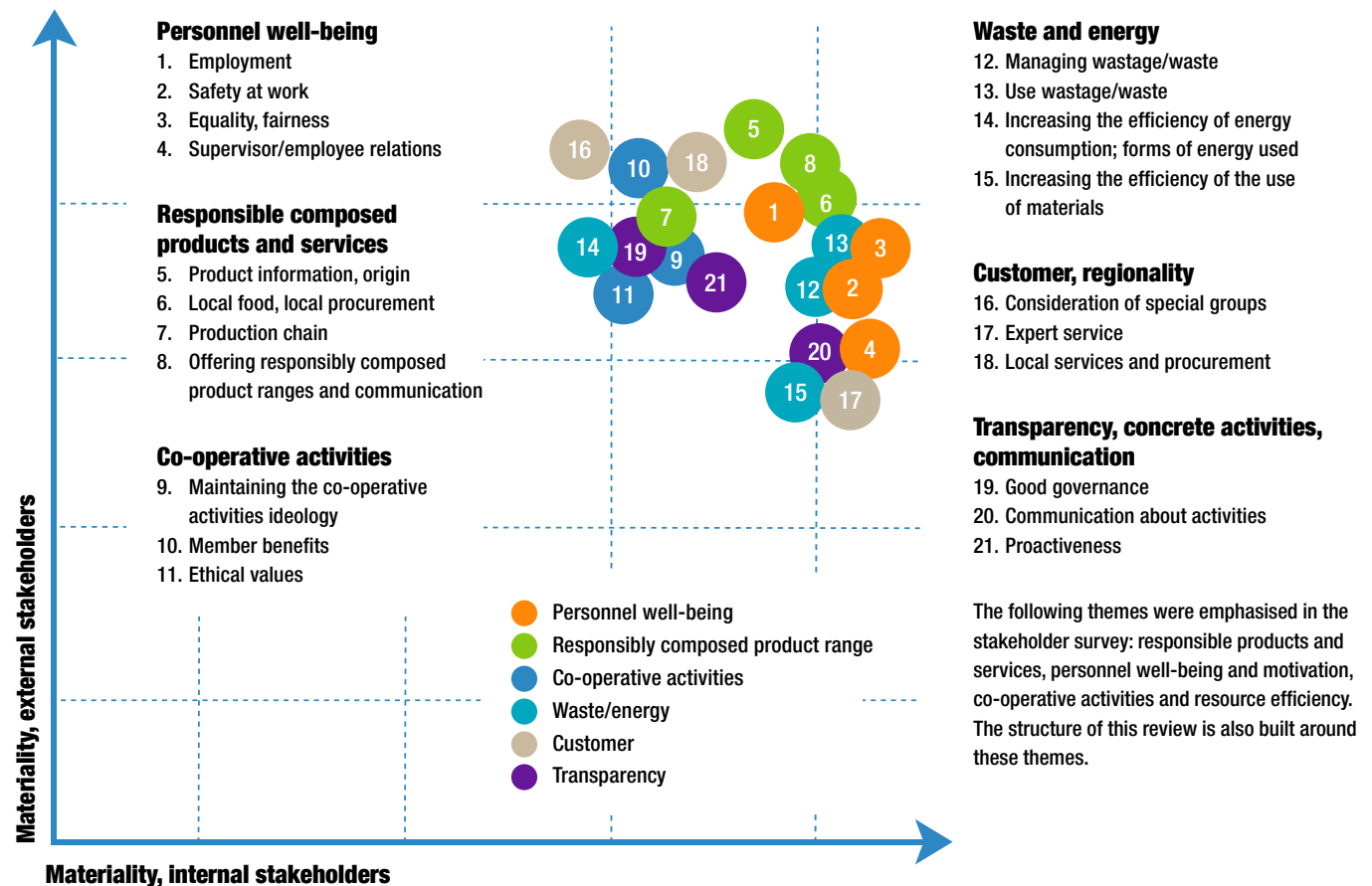
S Group's responsibility programme



S Group is a consumer co-operative. Therefore, developing responsible operations primarily means improving all areas that our co-op members and other important stakeholders consider important.

The main themes of S Group's responsibility programme effective until 2016 and the focus areas of development, as well as the key indicators, are based on a stakeholder analysis conducted in the autumn of 2011 and on global responsibility megatrends. When compiling the responsibility programme, we also carried out an international survey on responsibility in forerunner companies. We will carry out a more detailed survey on stakeholder expectations in 2014 and analyse the changes in the operating environment in order to pinpoint potential new focus areas of development.

We have assessed the impact of stakeholder expectations and global megatrends on S Group's operations from the perspective of both risks and opportunities. 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.



S Group's responsibility programme



The scarcity of material and water resources and vanishing ecosystems will become increasingly important. They will have a growing impact on assessing 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.

S Group's responsibility programme is built on four themes: well-being through co-operative activities, personnel well-being and motivation, responsible products and services, and resource efficiency.

In 2013, we concentrated on implementing the focus areas of development defined in the responsibility programme and on defining more detailed goals and action plans per business area. We will talk more about the areas of improvement and the progress of implementation in the sections Responsible products and services and Resource efficiency.

Global megatrends

Climate change

Energy and fuel

Population growth and ageing



Vanishing ecosystems

Scarcity of natural resources

Food security and food safety

Scarcity of water

S Group becoming a forerunner in responsibility



Well-being through
co-operative activities



Personnel well-being
and motivation



Responsible products
and services



Resource efficiency



Management of responsibility

Responsibility in S Group covers all business areas, which is why it is managed at the Group level.

The S Group-level development, management, reporting and communication of responsibility-related matters are handled by SOK's Responsibility unit. Due to the organisational changes that took place in the summer of 2013, the previous management and steering model for responsibility matters was discontinued. The new model will be created in 2014. In the autumn of 2013, SOK's Responsibility unit was managed by the Business Area Boards of different business areas.

The responsibility management and steering model also includes the S Group-level theme working groups: Responsible products and services and Resource efficiency. The theme working groups include specialists from S Group's different business areas and support functions. The task of the working groups is to plan objectives and measures across business areas and to manage and co-ordinate their implementation. In addition, they share best practices in S Group and identify risks related to the current operating models.

Implementing and monitoring the objectives and practical measures are part of regular business management. The specified measures and policies will be implemented by

the co-operatives and subsidiaries in accordance with the guidelines provided by the chain management. The most important goal is to ensure that everyone in S Group knows how to promote compliance with the responsibility principles through one's own work.

SOK's Responsibility unit regularly reports to the Group's Corporate Management Team on changes and key trends in the operating environment, implementation of the strategic responsibility objective and responsibility programme, as well as the results of responsibility reporting. Changes in the operating environment, key trends and implementation of the responsibility programme are also monitored regularly in the management teams of the key business areas. SOK's Supervisory Board receives yearly reports on the development of responsibility and, in particular, how responsibility work is made visible to co-op members.



Responsibility reporting



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

Being a forerunner in responsibility requires systematic management. To do this, comprehensive and reliable monitoring information on a number of key indicators is needed. External reporting should also be transparent. In 2013, we specifically focused on the assessment and development of the scope and reliability of the key indicators at the S Group level.

The key indicators for monitoring the development areas defined in the responsibility programme include the following: the share of private label products, with countries of manufacture and origin indicated, in all private label products; the share of purchases from countries at risk in private label products and in own imports from audited suppliers (the rights at work); number of certified products and services in the product range; volume and reuse/recycling rate of waste; consumption of electricity, heat, fuel and water; as well as the percentage of outlets in which target consumption for energy has been defined.

In 2013, SOK's Internal Audit performed an audit on how responsibility measuring and reporting are implemented.

The objective was to assess the functioning and effectiveness of tools, methods and practices related to responsibility measuring and reporting, as well as to identify development measures. The areas assessed were the process of collecting information related to responsibility reporting and the reliability of the reported key indicators.

In 2013, we specified the definition of responsibility key indicators, the information gathering process and guidelines. The usability of the information gathering and reporting system implemented in 2012 was improved, and an additional feature was developed within it for calculating the hotels' carbon footprint. In total, S Group's responsibility reporting contains 144 key indicators, and information gathering covers all regional co-operatives and SOK Corporation's operations in Finland. Each key indicator contains information on whether information is gathered at the level of outlet, chain, regional co-operative or S Group.

This Corporate Responsibility Review is S Group's second in which the international Global Reporting Initiative (GRI)

guidelines are applied while taking S Group's co-operative structure into account.

The GRI G4-compliant, S Group-level Corporate Responsibility Review depicts the S Group-level responsibility policies and their implementation, as well as the key indicators and measures in Finland. As legally independent businesses, the co-operatives also report their own responsibility activities in their annual reports and on their websites. The review has not been audited by an external party.

Open dialogue with stakeholders



Open dialogue with stakeholders is a central aspect of S Group's responsible operations. Trust in S Group grows through transparent operations.

As a large and diversified company, S Group interfaces with numerous sectors of society and thus also has many stakeholders. S Group's central stakeholders include co-op members, personnel, suppliers, authorities, civic organisations, political decision-makers, business area organisations and representatives of the media.

Responsibility issues essential for the stakeholders will be mapped more extensively again in 2014. Stakeholders' views and matters important to them are also assessed through continuous interaction with the stakeholders. The most important stakeholders – co-op members and personnel – are covered in separate sections of the Review.

Stakeholder dialogue is conducted extensively in a number of forums, such as in individual meetings, seminars, social media and discussion groups. Although the majority of S Group's operations are located in Finland, they are also considerably affected by the global and European markets and economy. Therefore, S Group also participates in the work of international and European advocacy and partner organisations.

Systematic stakeholder engagement

S Group's aims to conduct systematic dialogue with stakeholders. The goal of the dialogue is to disseminate information on S Group, increase mutual understanding and utilise the competence of the stakeholders and their development ideas in developing our operations. Successful stakeholder engagement will improve our operations and clarify our operating environment.

The stakeholder dialogue model drawn up in 2012 is the basis for S Group's stakeholder engagement. In accordance with the model, central stakeholders and their expectations of and impact on S Group have been defined in different parts of the organisation. In addition, decisions have been made on the forms of stakeholder engagement in each group and on responsibilities in order to continue or initiate dialogue.

Transparency builds trust

S Group wants to participate in social discussion openly and proactively. A proactive approach means that matters are communicated as soon as objectives have been set for action. Differing views are taken into account and criticism



S Group's stakeholders

is discussed. For example, S Group's grocery stores launched the Patarumpu.fi website in the summer of 2013 for open and social discussion concerning food. Articles and topics related to grocery trade are published on the website weekly.



Open dialogue with stakeholders

Our principle is to openly answer questions asked and respond to feedback, whether they come from customers or civic organisations. For example, S Group responded to all S Group-related enquiries submitted by Finnwatch, a civic organisation observing companies' responsibility.

In September, SOK invited nearly a dozen economic journalists to its traditional economy seminar. The event introduced news from S Group's business operations, plans in St. Petersburg and development of S-Bank, as well as S-Voima's objectives regarding wind power, among other things. SOK's management met editors-in-chief of the largest media in the traditional Christmas get-together in December.

Listening and learning

In responsibility work, we assess key stakeholders and the need for co-operation, as well as methods to achieve the responsibility objectives. Our objective is to build partnerships with key stakeholders, which would help us learn and develop S Group's business operations and achieve shared goals.

SOK has a two-year partnership agreement with WWF Finland, for example. The goal of the partnership is to advance S Group's responsibility in sustainable and resource-efficient use of natural resources, above all.

Through the partnership, SOK supports the WWF's efforts in promoting the sustainable use of natural resources.

Another shared goal is to raise the level of environmental responsibility in Finland by bringing together stakeholders related to the central themes defined in SOK's responsibility programme to discuss responsibility issues and solution models. SOK and WWF also organise a series of roundtable events together. For example, an event to reduce food loss was organised in 2013. Stakeholder engagement also includes addressing various topical questions and viewpoints brought up by stakeholders. These are assessed on a case-by-case basis, and policies and operating methods are updated, if necessary.

Responsibility equals co-operation

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 in relation to them. In accordance with our ethical principles, we operate with integrity and responsibly and expect the same from our partners. For example, at the beginning of 2013 we signed a letter of intent on the Principles of Good Practice as soon as it became available to us. We will do the same with the actual agreement. These principles concerning the food supply chain have been prepared at the High Level Forum of the EU Commission.

S Group's grocery trade has been intensively developing predictive analytics in recent years. The analytics helps develop the operations of the entire food supply chain – from the producer to the store – and make them more predictable. Improved predictability makes everyone's work more systematic and productive and makes it possible to reduce food loss, among other things.

Dialogue to support political decision-making

In 2013, S Group continued stakeholder dialogue related to the Competition Act amendment proposal concerning the grocery trade. S Group's management also met with members of the Commerce Committee that plays a key role in the amendment, as well as other members of Parliament. The goal of the dialogue was to draw the Parliament members' attention to the unfavourable effects that S Group thinks an approved proposal would have for consumers.

In July, S Group organised a panel discussion at the Suomi-Areena in Pori in Western Finland. The discussion covered the prerequisites of increasing food production in Finland, among other things.

Open dialogue with stakeholders



Sharing know-how and learning together

S Group actively participates in sharing good practices related to responsibility and in learning new ones. Measures to do so include a map of responsible trade ('Kaupan vastuukartta'), a corporate responsibility tool offered by the Finnish Commerce Federation to its members, among other things. The map gathers together corporate responsibility information and guidelines, as well as the best practices in the sector.

"It was important in terms of project success that a representative from SOK was involved in developing both the functionality and content of the map of responsible trade from the beginning. It is great that a large company considers it as a part of its own responsibility work to exchange experiences regarding responsibility matters with retail companies slightly smaller in size."

Marja Oja, Specialist, Finnish Commerce Federation

Finland has the highest rate of co-operative activity in the world, and S Group is one of Finland's largest co-operative societies. Globally, co-operatives have more than one billion members and employ more than 100 million people. Therefore, the role of companies operating under the co-operative principle is considerable in the economy and in building national welfare.

The Co-operative Advisory Board decided to honour the objectives of the UN's International Year of Co-operatives in 2013 and the development decade 2020, and co-funded the professorship of co-operative enterprise management, donated to Lappeenranta University of Technology. The parties co-funding the professorship are SOK, Pellervo-Seura and OP-Pohjola Group's Research Foundation.

The professorship of co-operative enterprise management makes it possible to both concentrate on developing research into co-operative activities as part of the reforming business economics and to participate closer in social discussion concerning co-operative activities.

"Nowadays companies are expected to have an active and responsible approach. The new funding model is also an opportunity for co-operatives. In practice, without intervention from the co-operative communities, it would have been impossible for

MEMBERS OF
CO-OPERATIVE SOCIETIES

1 BILLION



The co-operatives of the world have more than one billion members. They employ about 100 million people.

co-operative activities to enter the processes of information generation and dissemination in business economics. The donated professorship in the study programme for management and organisations is a good start. Gaps in the knowledge of the co-operative activities cause friction both within co-operatives and in their social relationships. This incurs astronomical costs to the co-operatives, their members and the entire society every year. Investments in researching and teaching co-operative activities thus provide considerable benefits to all parties."

Iiro Jussila, Professor of Co-operative Activities Management, Lappeenranta University of Technology



Open dialogue with stakeholders

Advocacy organisations for common interests

S Group is represented in various advocacy organisations. These organisations supervise the interests of companies in society. S Group is a member of the Finnish Commerce Federation. In 2013, SOK's CEO (until 17 September) and the Managing Director of the Kymen Seudun Osuuskauppa co-operative were also members of the Federation's Board of Directors.

S Group is also a member of the Finnish Grocery Trade Association as well as of the Tekstiili- ja Muotialat TMA textile and fashion sector organisation. In addition, S Group is a member of the Finnish Hospitality Association Mara and the Finnish Petroleum Federation (ÖKL). Through various business area organisations, S Group is also involved in the operations of the Confederation of Finnish Industries (EK). S Group is represented in numerous committees and working groups in the aforementioned organisations.

S Group also has representation in international retail sector organisations. As a co-operative enterprise, S Group is a member of, among others, Euro Coop that aims to highlight the economic, social and environmental objectives of consumer co-operatives. S Group also influences European legislation through the Euro Commerce organisation. The organisation supervises the interests of the retail sector in the European Union. The organisations' objective is,

among other things, to develop the practices in the sector voluntarily so that separate regulation is not needed. Central themes in 2013 included, for example, health and nutrition, safety, consumer information, sustainable consumption and production, as well as climate change and energy.

S Group is also a member of the International Co-operative Alliance (ICA). ICA is an independent, non-governmental organisation that serves co-operatives globally. ICA is the world's second largest organisation after the United Nations (UN). The General Assembly of the International Co-operative Alliance convened in Cape Town in November 2013 and elected a new Board for 2014–2017. SOK's representative, who already was a Board member in the previous period, was re-elected in this election, which was more competitive than ever before. SOK's representative is only the third Finnish person ever to have been elected to ICA's global Board.

SOK also participates in the operations of the Foreign Trade Association (FTA) and its Business Social Compliance Initiative (BSCI) system. The objective of the BSCI system is to improve working conditions in countries at risk to the level required by international agreements and to ensure that customers can rest assured on the origin of his or her purchases. SOK has a representative in the Board of Directors of FTA and the steering group of BSCI.

Measuring stakeholder engagement

S Group measures the success of stakeholder engagement on a yearly basis. The annual Reputation and Responsibility survey conducted by TNS Gallup maps stakeholder impressions of S Group as a responsible player. The survey also compares S Group with other players in the sector. In 2013, the impression of the reputation and responsibility level in the entire trade sector improved slightly, compared to the previous year. In the survey, the reputation index of retail was 57 (2012: 56). S Group's reputation index was 64 (2012: 63). Compared to the sector overall, S Group's reputation continued to be at a good level. The index depicting S Group's responsibility was 33 (2012: 30), whereas the sector average was 25 (2012: 24). Thus, S Group's responsibility image is better than the sector average.

In addition, stakeholder engagement is measured in a corporate communications survey conducted by the market research company Taloustutkimus Oy. According to the survey, the media follows S Group's communications more often than that of other retail companies. Four out of five journalists who assess retail sector companies follow S Group's communications. In 2013, S Group received the shared second highest overall score in the sector for communications, showing a slight decline from the previous year. The survey covered a total of nine retail companies.

S Group's Corporate Responsibility Review 2013

Well-being through co-operative activities



Co-op members are the customers and the owners of the co-operative



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

Finland has the highest rate of co-operative activity in the world, and S Group is one of Finland's largest co-operative societies. Co-op membership is S Group's way of conducting its co-operative form of business, and the purpose of the activities is to produce services and generate benefits for co-op members. Co-op members are all equal in status, and each member owns one share in his/her own co-operative.

Co-operative activities are business operations that emphasise both financial profitability and social responsibility. Because of the co-operative form of business, the money circulating in the operations 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 co-operative form of business includes the interest paid on the membership fee and the return of the surplus.

S Group always reserves the best benefits for its co-op members. In addition to receiving Bonuses and payment method-related benefits, members receive discounts at cafés, restaurants, hotels, department stores and speciality stores with the S-Etukortti card.

The number of members in S Group's co-operatives increased by 53,798 (2012: 61,448) in 2013. At the end of the year, the total number of co-op members was 2,109,025 (2012: 2,055,227). Approximately 78 per cent of Finnish households (2012: 80.5 per cent) are co-op member households.

Co-op membership offers a variety of benefits

The purchase reward, or Bonus, accumulated through the use of the co-operatives' services, is the most significant financial benefit offered by the co-operative form of business. In 2013, a total of EUR 379 million was paid in Bonuses (2012: EUR 378.5 million), or more than a million euro every day of the year. The payment method-related benefit, based on payments made using the S-Etukortti card, totalled EUR 6 million (2012: EUR 5.6 million), which is seven per cent more than in 2012. The payment method-related benefit of 0.5 per cent has been available to the co-op members since the beginning of 2008. The payment of interest on membership fees totalled EUR 13.2 million (2012: EUR 12.7 million) and the return of the surplus totalled 24.7 million (2012: EUR 22.9 million). In total, S Group's co-op members received EUR 423 million in financial benefits, or on average EUR 212 (2012: EUR 207) per co-op member.

CO-OP MEMBERS IN 2013

2,109,025



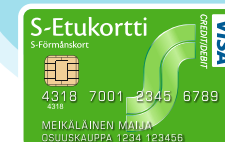
At the end of 2013, the total number of co-op members was 2,109,025.

CO-OP MEMBER HOUSEHOLDS

78%

In Finland, 78% of households are co-op members.

Asiakas
= Omistaja



Co-op members are the customers and the owners of the co-operative



Co-op members' influence the operations of their co-operative

Each co-operative protects the interests of its members in its region. A co-op member is not just a loyal customer. The members of co-operatives can influence how their co-operative operates by either casting a vote in the election of the co-operative's Council of Representatives or by presenting themselves as candidates.

The Council is a governing body elected by the members of the co-operative among themselves every four years and comparable to an Annual General Meeting of a company. The Council of Representatives elects the members of the Supervisory Board and the auditors. The Supervisory Board then elects the members of the Board of Directors. In 2013, Council of Representatives elections were held in six regional co-operatives: the Osuuskauppa Hämeenmaa, Osuuskauppa Keskimaa, Satakunnan Osuuskauppa, Koillismaan Osuuskauppa, Etelä-Pohjanmaan Osuuskauppa and Kymen Seudun Osuuskauppa co-operatives.

In addition, customers can always give feedback and express their wishes and development suggestions when using S Group services. Co-op members can also interact through a number of S Group's own online channels. Customer panels available online are also a convenient way to develop the operations. All co-op members are eligible to become customer panelists.



INFLUENCE IN CUSTOMER PANELS



For more information visit the S-kanava site

Co-op members are the customers and the owners of the co-operative



Co-op members benefit from S Group's expansion in Russia and the Baltic countries

In addition to Finland, S Group has operations in Russia and the Baltic countries. S Group is a co-operative group of companies, owned by its Finnish customers, that provides services and benefits to its co-op members, which is why some consider the operations abroad to be in conflict with this basic philosophy. A general mind-set is that S Group should reduce prices or pay larger Bonuses to co-op members, instead of making investments abroad. Expansion abroad is also not considered to offer any benefits to co-op members.

Nevertheless, the business operations in the neighbouring countries do not compromise the interests of co-op members. When S Group expands into the neighbouring countries, it grows its own market volume, which allows it to procure goods from international markets more economically. The lower procurement prices can in turn be used to benefit customers in Finland in the form of cheaper products. Thus, the internationalisation of the grocery trade and the growing impact of procurement in pricing are the most important factors for S Group's operations in Russia and the Baltic countries as well.

The volume of S Group's investments abroad accounts for only five per cent of all S Group's investments, and 95 per cent of investments are still made in Finland. In addition, the outlets in Russia and the Baltic countries operate in leased facilities, which is why the investments are relatively light. We believe that the business operations in the neighbouring countries will be generating profit in the upcoming years. In Finland, this will further support our objective to offer co-op members an increasingly affordable selection of products.

S Group's operations in Russia and the Baltic countries focus on supermarkets, hotels and restaurants. In 2013 S Group had three Sokos hotels in St. Petersburg and one in Tallinn. There were nine Prisma stores in Estonia, seventeen in Russia, five in Latvia and three in Lithuania.

Co-op members are the customers and the owners of the co-operative



Co-op member and customer register information in the Oma S-kanava service

In order to increase openness and transparency related to personal information, S Group published a new service on its website at the end of 2013. The service enables customers to electronically check what information is stored on them in the co-op member and customer register. Through the new service, everyone in co-op member households can review their own information stored in S Group's co-op member register free of charge. Members can view their information in the register in S-kanava's Oma S-kanava service using their banking IDs or mobile authentication as identification. The Oma S-kanava service also provides information on their Bonus purchases and financial benefits.

As before, an extract of the register can also be ordered at S Group customer service centres or by submitting a signed, written free-form request to one's own co-operative.

Creating well-being locally



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

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

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

Co-operatives are important regional employers. S Group employs nearly 42,000 people, so its impact on the state tax revenue is considerable.

Although the chain operations are managed nationally, S Group consists of 20 independent regional co-operatives

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 co-operative's region.

Local economic well-being is generated, among other things, by selling local products and using the services of local companies in construction projects, for example. In 2013, S Group invested nearly EUR 566 million in building new outlets and renovating and expanding existing ones.

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 2013. 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. 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 it is paid by the consumer.

S Group's tax footprint in 2013 totalled EUR 1,57 billion. Of this, value added tax, property tax and income tax accounted for EUR 460 million. The amount of tax-like expenses related to personnel and tax withholding was EUR 520 million, and environmental taxes and excise duties accounted for EUR 593 million of the total tax footprint.

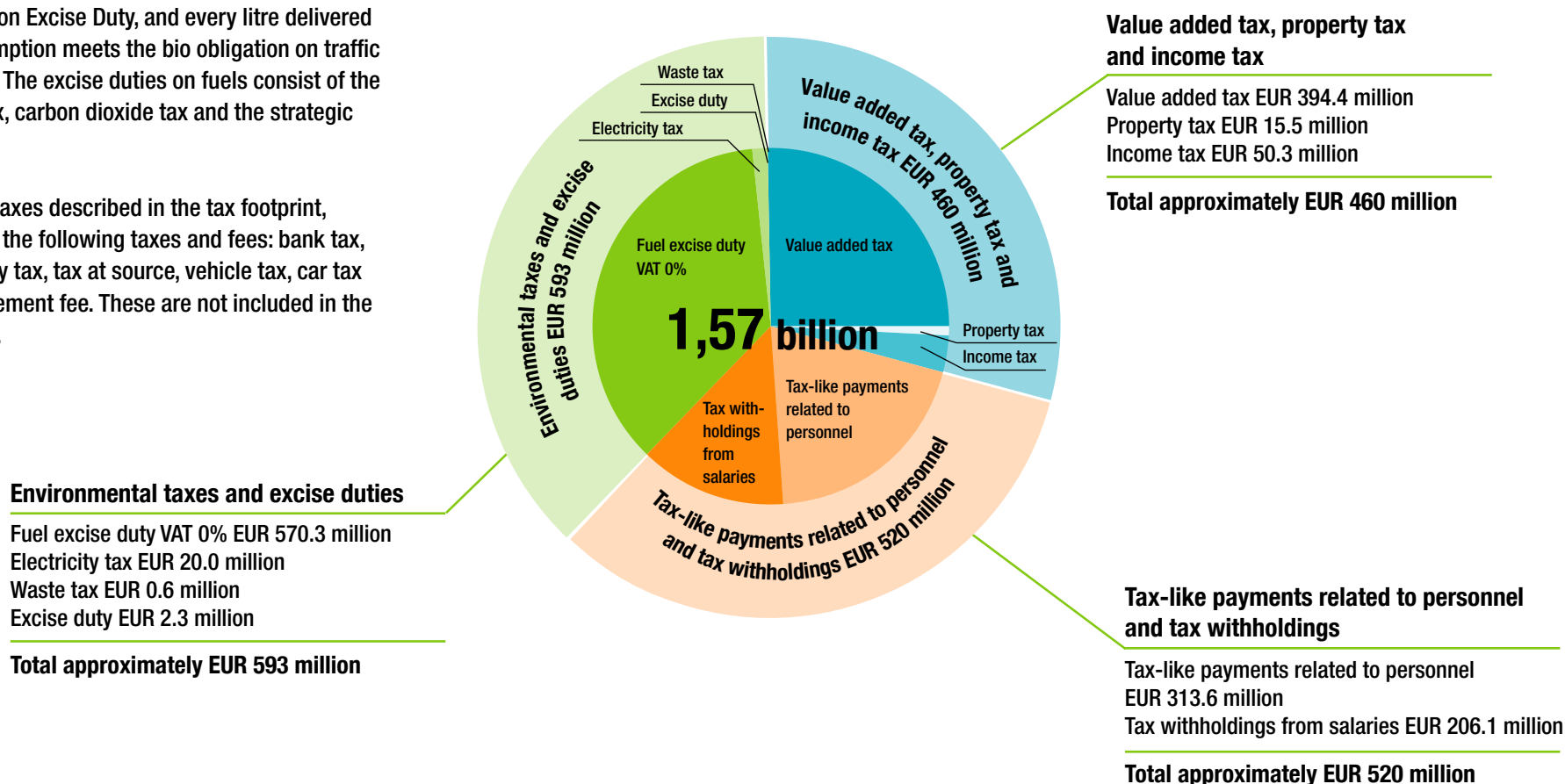
Creating well-being locally



The 2013 tax footprint only includes the value added tax portion remitted to the state by S Group. Excise duties on fuel have been calculated using the tax table in accordance with the Act on Excise Duty, and every litre delivered for taxable consumption meets the bio obligation on traffic fuels it generates. The excise duties on fuels consist of the energy content tax, carbon dioxide tax and the strategic stockpile fee.

In addition to the taxes described in the tax footprint, S Group also pays the following taxes and fees: bank tax, transfer tax, lottery tax, tax at source, vehicle tax, car tax and forest management fee. These are not included in the 2013 tax footprint.

S Group's tax footprint in 2013



Extensive network of outlets near the customer



Despite the challenging economic operating environment, S Group renovated and expanded many of its outlets in 2013. The outlets are continuously developed in terms of energy efficiency and to serve co-op members better.

The grocery trade is conducted in the Prisma, S-market, Sale and Alepa chains, ABC petrol and service stations, ABC Delis and the grocery sections of Sokos stores. The main focus of S Group's operations has shifted from new investments to the renovation and expansion of existing outlets. At the end of 2013, there were 64 Prisma stores, 437 S-markets, 275 Sale stores and 87 Alepa stores in Finland. On average, co-op members had only 2.4 kilometres, as the crow flies, to the nearest S Group grocery store in 2013.

In S Group, the consumer goods trade chains are Prisma, Sokos, Emotion, Kodin Terra and S-Rauta. In addition, consumer goods are sold by the S-markets, Sale stores and ABC petrol and service station stores. The Pukumies clothing chain also operates in six cities. There were 22 Sokos department stores, 36 Emotion stores, 11 Kodin Terra stores and 14 S-Rauta stores at the end of 2013.

The ABC chain network expanded in 2013 by five new petrol and service station stores and twelve unmanned stations. At the end of 2013, there were 106 ABC petrol and service station stores and 309 unmanned ABC stations. In addition, there were 16 ABC Delis in the greater

Helsinki area and one ABC Grillimarket in both Sipoo and Lohja.

At the end of the year, the Sokos Hotels chain consisted of 47 hotels and the Radisson SAS chain had seven hotels in Finland.

There were 15 national S Group restaurant chains containing 343 restaurants at the end of 2013. The total number of restaurants is approximately 630. The ABC chain restaurants included, S Group has 760 restaurants.

SOK made a decision to discontinue its automotive trade in 2013 and divested six Automaa dealerships to Veljekset Laakkonen Oy. A total of 11 regional co-operatives still engage in the automotive trade in S Group.

The majority shareholding in Hankkija-Maatalous Oy was sold to the Danish DLA at the beginning of 2013. However, the Agrimarket and Multasormi chains continued their operations as usual. Three regional co-operatives also conduct agricultural trade: Etelä-Pohjanmaan Osuuskauppa, Kymen Seudun Osuuskauppa and Suur-Seudun Osuuskauppa.

DISTANCE TO STORE **2.4 km** 

A co-op member's average distance, as the crow flies, to the nearest S Group grocery store in 2013.

Extensive network of outlets near the customer



S-Bank served its customers at approximately 130 full-service customer service centres (Prisma stores, most Sokos department stores and selected S-markets) at the end of 2013. In addition, banking services could be accessed in nearly 600 service points by filling in a form. Therefore, co-op members could access S-Bank's services in a total of more than 700 S Group outlets. All basic banking services are free of charge to co-op members.

Thanks to its large network, S-Bank ensures the availability of basic banking services also in rural areas. In many smaller communities, S-Bank is the only provider of banking services.

The merger of S-Bank and LocalTapiola Bank was confirmed at the end of 2013. The banks merged and formed the new bank on 1 May 2014, which further expanded the service network. As of the beginning of May 2014, S-Bank services have also been available at approximately 60 LocalTapiola branch offices.

In August 2013, S-Bank acquired the majority shareholding in the investment service company FIM. As a result of the acquisition, S-Bank's product range expanded to fund saving and asset management.

In 2013, S Group had a total of 1,646 outlets, of which 1,608 were located in Finland.

Services through multiple channels

S Group currently focuses on the development of online trade and other online services in all business areas. The principle is to create a synchronised set of services in which online stores and physical outlets complement each other.

The first operating year of the Prisma online store, launched in the autumn of 2012, demonstrated the appeal of Prisma's product range online as well. Last year, new product categories in sports and household items, among others, were added to the product range. The Sokos.fi website, which previously focused on beauty, expanded to clothing and household items. The Kodin Terra online store specialising in garden products was developed in 2013.

As a developer of online and mobile services for grocery shopping, S Group is a leader in the Finnish grocery trade. Shopping for groceries online has been available in S Group in the greater Helsinki area, Kuopio and Oulu. The plan is to expand the operations to Tampere and Lahti, among others. The Foodie.fi service launched in 2010 already has as many as 180,000 registered users. With the service, customers can, for example, review price information, since the service includes complete price and product range information for all S Group grocery stores. This level of transparency in the grocery trade is rare even on a global scale.

OUTLETS

1,646



At the end of 2013, S Group had 1,646 outlets (incl. the Baltic countries and Russia).

Diverse activities through responsibility cooperation



S Group's responsibility cooperation includes culture, sports and social activities. In 2013, the amount of financial support totalled approximately EUR 6 million, of which about half was allocated to sports, 35 per cent to social activities and 15 per cent to culture.

S Group supports many forms of culture and entertainment that the co-op members find interesting. Instead of high culture, S Group is now offering support to fields of culture that are closer to ordinary culture enthusiasts. In the future, S Group will sponsor individual events only if they are nationwide, large and potentially accessible to all Finns. In addition, the benefit available to co-op members must be significant. The main focus of support provided for sports is on activities for children and the young.

An example of this is the co-operation between S Group and the Football Association of Finland, which aims to build new outdoor sports fields ('Ässäkenttä') close to children's homes in different parts of Finland. In 2013, a total of 14 new Ässäkenttä fields were built. During the past three years of cooperation, the number of Ässäkenttä fields grew by 33. 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.

A new aspect of S Group's responsibility activities is participating in the construction of the new Children's Hospital. S Group decided to donate one million euro to the new Children's Hospital being built in Helsinki and serving the whole of Finland. This generous donation also makes S Group one of the founding donors of the hospital. In addition to making a donation, S Group also invited all of its two million co-op members to take part in raising funds.

For many years, S Group has been one of the principal partners of the Finnish Red Cross (SPR). S Group wants to bring SPR's important work closer to co-op members, their families and S Group's 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 the organisation visibility in S Group media and outlets.

"We are in the process of building the best children's hospital in Finland for all children who need its services and their caretakers. We need all Finns to participate in this campaign, to join us in building the future together and to ensure equal and high-quality medical care and related prerequisites for future generations as well. S Group's twenty co-operatives in Finland and SOK Corporation are present in people's daily life and special occasions. Together we can invite people all around Finland to join the effort and to make their participation possible."

Anne Berner, chairperson, Uusi Lastensairaala tukiyhdistys 2017 ry association and Säätiö Uuden Lastensairaalan tuki foundation

Diverse activities through responsibility cooperation



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 parents, 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, 60,269 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.

In 2013, S Group's traditional Christmas donations were directed towards the children and the young in Finland and in Syria. SOK's Supervisory Board granted a total of EUR 25,000 in Christmas donations for organisations working with children and the young. The support focused primarily on hobbies and activities aimed at preventing the marginalisation of the young and on supporting families where a child or a parent has fallen ill. In marginalisation prevention efforts, S Group's support of Save the Children Finland's activities continued, with the Tukikummit foundation as a new support recipient. A considerable portion of S Group's Christmas donations was directed towards healthcare organisations. The Munuais- ja maksaliitto ry association of people with renal and hepatic disorders was selected as S Group's new support recipient, and support

for the Sairaalaklovnit ry hospital clown association continued. New support recipients also included the Green Flag project of the Finnish Association for Environmental Education, which promotes the sustainable development of daycare centres and schools, as well as the Skeba band contest for young people under 18 years of age, organised by the Lions Club of Finland. In addition to supporting activities in Finland, S Group helps refugees of the war in Syria in three refugee camps through Finn Church Aid.

S Group supported the Finnish Speed Skating Association in arranging the Ice Skating Tour campaign. The more than 50 events arranged on the campaign day in different parts of Finland attracted approximately 31,000 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 winter's largest sports event in many communities. S Group wants to offer co-op members benefits that encourage participation in different cultural activities. Families have discovered the Moomin World theme park in Naantali and the Linnanmäki amusement park.

The Pori Jazz Festival, Seinäjoki Tango Festival and Kaustinen Folk Music Festival are examples of popular Finnish music events where the benefits offered to co-op members by S Group are widely used by the visitors.

RESPONSIBILITY COOPERATION IN S GROUP



S Group's responsibility cooperation is divided between culture, sports and social activities.

Diverse activities through responsibility cooperation



ABC encounters the young

Nuorten palvelu ry youth service and the ABC chain carried out the four-year ABC kohtaa nuoria ('ABC encounters the young') project. The purpose of the project was to improve the skills of personnel in ABC petrol and service station stores in daily encounters with the young. The project generated plenty of operating models and materials, including a guidebook on encountering the young, distributed to everyone working at ABC petrol and service station stores; materials on ground rules for the young; as well as personnel training programmes developed and tested in the fifteen pilot locations of the project.

The project also provided valuable information and experience to support youth education in commercial establishments. The young spend more and more time at commercial establishments instead of traditional premises designated for the young and want to be treated equally and as 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 petrol and service station stores. Improved customer service encounters with the young have also had a positive impact on personnel well-being and coping at work.

Cooperation networks in various communities were also created in the project. These networks regularly brought professionals working with the young around the same table at ABC. Some networks also included the young or their parents.

In addition to using information and training materials produced in the projects effectively within S Group, the plan is to also utilise the various cooperation models generated through the cooperation in other sectors.

"Over the course of the project, we discovered numerous interesting and topical aspects of youth culture, as well as encountered operating environments and interaction atmospheres that often varied considerably between regions. In smaller communities, in particular, the role of the ABC petrol and service station store is significant among the young. One parent described the situation as follows: 'The way the young are treated at ABC affects the young people in the entire community.'"

Henriikka Strengell and Mikko Leppävuori, employees in the ABC kohtaa nuoria project

Diverse activities through responsibility cooperation



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 school-children to become the next generation of well-behaving young. Therefore, each Fransmanni restaurant is designated a class of students in an area school every year, and the restaurant personnel coaches the class in good manners. In addition, the Fransmanni restaurants hand out 'Ruokalistalla hyvät tavat' leaflets, which offer information and tips on good manners to everyone.

More than 420 restaurants around Finland participated in Finnish Committee for UNICEF's Thirst Day campaign in 2013. A total of 196 S Group restaurants participated in the campaign. In the campaign, restaurant customers could include a donation to UNICEF's water programmes in the payment of their bill. Customers of S Group's restaurants were active participants in the campaign: an S Group restaurant again collected the most donations, for the third year in a row. A total of EUR 240,000 was raised during the campaign and used to help children suffering in the middle of the crisis in Syria.

"Cooperation with S Group has provided extensive publicity for UNICEF's Thirst Day campaign. S Group restaurants also did a great job raising half of the proceeds of the restaurant fundraising in the campaign. The funds have enabled UNICEF to deliver clean water and sanitation supplies to children in developing countries. I can assure you, each and every euro has filled a dire need."

Hannele Pulliainen, Fundraising Manager, Finnish Committee for UNICEF

S Group supports the protection of the Baltic Sea through WWF's Operation Mermaid project. S Group donates five cents from each product sold in S Group's own We Care Icon cosmetics line to the project supporting the Baltic Sea.

Responsibility cooperation is also carried out regionally, and the regional co-operatives extensively support local activities. The Kannustajat ('Supporters') concept is a way for the co-operatives 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 co-operative pays. The Bonus accumulated by the supporter co-op members is combined, and the co-operatives pay a certain percentage

Kannustajat

of the total amount to the participating associations. The higher the number of supporters and the larger the amount of Bonuses they accumulate, the bigger the support amount can grow. The support amount does not reduce the co-op members' Bonuses, since the amount is paid by the co-operatives. In 2013, the Kannustajat concept was implemented by the Osuuskauppa KPO, Osuuskauppa Hämeenmaa, Osuuskauppa Suur-Savo, Osuuskauppa Arina, Satakunnan Osuuskauppa and Osuuskauppa Keula co-operatives.

Personnel well-being and motivation



Skilled personnel



S Group wants to be the preferred employer in the service sector and employ skilled personnel who are motivated to reach their objectives and succeed. Competent personnel are key to S Group's success in the rapid change that is taking place in the service and retail sectors.

In the future, the importance of the web both as a marketplace and a source of information to support the purchasing decision will increase. Customers will also expect better service. These global, significant change trends in the operating environment of the retail and service sectors are setting new requirements for S Group's personnel as well.

This development requires that employees and supervisors possess diverse, and also partly new skills. Customer encounters highlight personnel skills in sales, interaction and customer service. Supervisors should be available in the front line of sales, evaluate the competence of the team and master the big picture of producing results.

S Group wants to support extending work careers. Young people in the working life and committing them in the service sector have been a focus of S Group's HR operations for many years. Attention has been paid to employee competence, working capacity and commitment to S Group. Population growth and ageing will also be global challenges in the future. In Finland, population ageing, in particular, will cause a shortage of skilled service sector employees as more people will retire.

HR management is based on S Group's values and principles of responsibility. S Group's HR strategy is the basis of the HR operations of the entire Group. S Group's HR management model is based on group-level management and a partially centralised and partially decentralised provision of HR services. S Group's HR management specialists form a network that aims to share information and competence.

The turmoil in retail is reflected in personnel

S Group is a large Finnish employer. It employs approximately 42,000 (2012: 43,000) retail and service professionals. The majority of S Group personnel work in the 20 regional co-operatives. The central firm SOK and its subsidiaries and associate companies employ approximately 9,600 (2012: 11,000) people. In addition, S Group has operations abroad in Russia and the Baltic countries, where the number of employees is as many as 4,000 (2012: 3,800).

In 2013, the number of S Group employees declined for the first time in years: during the past twenty years or so, the number of S Group's employees has grown every year. The entire Finnish retail sector experienced difficulties in 2013.

Considering the circumstances, S Group did well: operations were adapted to the changed operating environment in a number of ways, and the co-operatives did not need to resort to temporary lay-offs or terminations. Most of the reduction in workforce was due to the restructuring the business operations. For example, SOK divested its automotive trade and agricultural trade operations.

However, the turmoil in retail and the consequent streamlining measures also resulted in personnel reductions in some S Group companies. For example, SOK which produces procurement, expert and support services to S Group companies, initiated a massive streamlining programme in 2013. The goal of the programme is to achieve savings of EUR 50 million by the end of 2015 by changing operating methods and cutting costs. Among other things, the services provided by SOK were reorganised. In accordance with the decisions made after the co-operation negotiations, the number of SOK's employees will be reduced by up to 240 people by the end of 2014.

Skilled personnel

Centralised shift planning

S Group offers diverse positions and career opportunities. In all, there are more than 240 different job titles within S Group. In S Group, the average age of employees is 35 years and the majority, or 73 per cent (2012: 75%) of the employees are women, which is characteristic of the service sector. More than 86 (2012: 86%) per cent have permanent employment contracts.

Part-time work is typical in the retail and service sector. About 61 per cent (2012: 61%) of S Group personnel were part-time employees. Sixty-two per cent of part-time employees had contracts that defined their work-time at 80 per cent of the work-time of full-time employees at minimum. For example, in the retail sector the majority of part-time employees have employment contracts for 30 weekly hours at a minimum. Various arrangements are implemented in order to continuously increase the number of full-time employees, for example, by offering additional work to part-time employees. For example, the Tempus system that distributes additional shifts to employees sent approximately 83,000 text message offers to employees interested in additional shifts in 2013. In 2013, Tempus was used in 17 S Group companies: 16 regional

co-operatives and Sokotel Oy. In the summer, part-time employees are offered plenty of additional hours.

One of the most important HR work development projects in 2013 was the reform of work shift planning. In the future, S Group aims to centralise work shift planning further. For example, shifts will be planned for larger entities, such as several units, at a time. When employees work flexibly at several units, we can offer part-time employees more hours at other units, for example.

A new system is being developed to support work shift planning. The systems already in use, such as Tempus and the personnel's own Dooris application being used in 12 co-operatives (2012: 5), are part of the new work shift planning. Through Dooris, personnel can manage matters related to their own shifts and employment contracts via their home computer or mobile phone.

S GROUP'S EMPLOYEES 2013

35 yrs Average age



Approx. **28%** Under 25 years of age

Women 73%
Men 27%



86% In permanent employment

Full-time 39%
Part-time 61%



Percentage of full-time employees

Skilled personnel



Targeted competence

The reformed work shift planning also aims to improve customer service and ensure that units always have the required number of skilled and competent employees to serve our customers. This requires that personnel competence is recognised by supervisors and, if needed, developed. Team-specific competence discussions and development discussions assessing personal competence are routinely conducted in S Group. In S Group, personnel are encouraged to develop themselves and diversify their competence.

The driver of competence development is the Jollas Institute. In addition to organising training and coaching, the institute is increasingly working as S Group's partner in business development. In 2013, approximately 19,300 (2012: 20,700) S Group employees participated in coaching organised by Jollas Institute, which is the Group's own learning and coaching centre. The total number of coaching days was 1,718 (2012: 1,778). The Institute also offers an increasing selection of courses online, which saves time and other resources of personnel in the regional co-operatives. In 2013, a total of 19,171 (2012: 16,000) online training sessions were taken.



JOLLAS INSTITUTE AND S GROUP EMPLOYEES 2013

1,718 Coaching days

19,300 Participants

In 2013, Jollas Institute organised 1,718 coaching days which were attended by 19,300 S Group employees.

Skilled personnel



Well-being at all career stages

In S Group, personnel well-being at work and working capacity are promoted in all career stages, from induction to retirement. Personnel working capacity is built by means of a shared model of working capacity management and related operating models. In 2013, different S Group companies continued including working capacity management in every day operations. The early support guidelines were also updated in 2013. The guidelines help detect issues affecting working capacity as early as possible and address them promptly.

A good supervisor plays a key role in both maintaining working capacity and well-being at work and achieving results. Supervisors and management are constantly developing in S Group. Supervisors are supported by the company's HR professionals and the occupational health services. Information flow between units, HR functions and occupational health services is being developed.

Partially incapacitated individuals at work

The Etelä-Pohjanmaan Osuuskauppa co-operative participated in a pilot project concerning incapacitated individuals at work, organised by the Ministry of Social Affairs and Health. The programme spanning three years (2013–2015) offers support and tools for partially incapacitated individuals to continue working and finding employment. The programme covers both partially incapacitated individuals who are employed and those who are unemployed.

The objective is to develop operating methods that promote the ability of the partially incapacitated to retain employment and intensify co-operation with partners. The co-operative draws up shared operating models and ground rules for improving employees' working capacity. In addition, work is carried out to constructively impact attitudes and the culture of working capacity management.

A working capacity coordinator is designated for the partially incapacitated individual in the co-operative. The coordinator designs and tailors a package of various methods, benefits and services based on the needs of the individual.

The pilot aims to test and develop an operating concept and an operating method drawing from the competence of the working capacity coordinator in various organisations. It also aims to identify challenges related to the use and integration of different methods and services and to seek new solutions for them.

Skilled personnel



A preferred employer

S Group's units monitor and measure job satisfaction regularly by means of work community surveys. In 2013, S Group's response rate in the work community survey was 85.8 per cent. According to the survey, S Group's result was excellent compared to other Finnish companies.

Although the results of the work community survey vary by unit and co-operative, S Group's overall strengths included work management and supervisory work. S Group's personnel know what is expected of them and feel that the objectives guiding the operations are clear. According to S Group's overall results, areas for improvement include, among other things, reducing bureaucracy and making responsibility areas clearer.

Supervisory work is praised on many levels: employees feel that they are trusted and that supervisors reward good performance. Personnel also consider S Group's employer image to be good and feel that values guide the operations and the company provides high-quality services.

S Group also wants potential new employees to know about personnel job satisfaction. The theme of employer communications is 'This is why I work here', under which S Group employees can tell job applicants what they like about their jobs. Recruitment will also focus increasingly on social media in the future.



In S Group, personnel are rewarded for good performance. The majority of employees are included in a performance-related pay scheme. In addition, the Group develops various rewarding models for performance management in order to support the management of sales. These models

aim to reward personnel for peak performance at the team or individual level and do it faster than in a regular performance-related pay model. Employee benefits overall are good: in addition to purchase benefits, employees are offered a number of exercise and cultural event benefits.

Acquainting the young with the service sector



Among Finnish groups of companies, S Group is one of the largest employers of young people. More than 25 per cent of all S Group employees are under 25 years of age.

S Group aims to acquaint the young with the service sector. Co-operation with educational institutes is part of our personnel development and supervisory work. S Group co-operates with all levels of education. In particular, we aim to inform students at vocational institutions about the career opportunities the service sector and S Group offer. For years now, regional co-operatives have been closely involved in organising the Finnish National Skills Competition SM Taitaja, the annual competition for students at vocational institutions. In 2013, the event was organised in Joensuu, with the Pohjois-Karjalan Osuuskauppa co-operative and professionals from the Jollas Institute as judges in several skills categories.

The Economic Information Office TAT is one of S Group's partners. It coordinates a youth programme of Finnish industries, which is a channel for S Group to increase awareness of service sector jobs and opportunities among teachers, school management, municipal decision-makers, students studying to become teachers and the young.

In 2013, S Group participated in TAT's Me & My City learning environment, organised in several cities. Me & My City is a study module aimed at 6th graders in comprehensive

school. Pupils have the opportunity to play grown-ups for one day and learn how society and business life function. Me & My City consists of a miniature city with business premises for 15 different companies and public service providers. A pupil works in his/her own vocation in the city, receives wages, pays taxes and participates in society as a consumer and a regular citizen. The city has an S-market where the pupils are both employees and customers.

In 2013, S Group offered nearly 7,000 summer jobs (2012: 7,000), and 6,000 (2012: 5,000) young people took their first steps in the world of work by participating in the Tutustu ja tienaa ('Learn and earn') programme. Throughout the year, S Group offered thousands of short-term jobs for young people through various practical vocational orientation programmes organised by schools and on-the-job learning or traineeship opportunities for students.

S Group has specific recruiting training programmes, S-Trainee and S-Päällikkö ('S-Manager'), for the training of future talents and supervisors. New training programmes did not start last year, since the programmes are being developed further.

YOUNG EMPLOYEES 2013

Nearly **7,000**

Summer employees



5,000

School-age trainees took part in the Tutustu ja tienaa ('Learn and earn') programme



Continued work for a safe working environment



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 knowledge of safety 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.

The safety of S Group outlets is monitored through self-assessment and external audits.

A total of 755 S Group outlets (2012: 751) carry the Turvasuojattu ('Security guarded') label issued by the Finnish Commerce Federation. In order to receive the label, the outlet must pass all the 34 listed requirements. The requirements are related to fire, crime, personnel and outlet safety and information security. In addition, insurance companies audit the safety of all S Group outlets every third year.

Last year, there were 2,576 occupational accidents in S Group (2012: 2,799), and the accident frequency was 38 accidents per one million hours worked (2012: 39). Of the accidents, 81 per cent (2012: 80 per cent) occurred at work, and the remaining 19 per cent on the way to or from work (2012: 20 per cent). The most common accidents at work involve strains of upper limbs, slipping or tripping or wounds and other superficial injuries. Occupational diseases are rare. The share of serious accidents, in other words those that cause an absence of more than 30 days, of all accidents was 3.7 per cent (2012: 4.4 per cent).

Since 2004, S Group and the Finnish Red Cross have been arranging Turvapassi ('Safety passport') training to improve the personnel's safety competence. The training provides S Group employees with skills ranging from first aid and preliminary fire extinguishing to encounters with threatening customers. Last year, a total of 2,700 S Group employees (2012: 3,461) acquired the Safety passport. As many as 24,106 employees (2012: 21,406) have taken the Safety passport training so far. Moreover, S Group has arranged first aid training, with 330 people taking part last

24,106 Safety passports 

Up to 24,106 S Group employees have taken the Turvapassi ('Safety passport') training.

755 Security guarded labels 

A total of 755 S Group outlets carry the Turvasuojattu ('Security guarded') label.

year (2012: 272). A total of 2,063 employees (2012: 1,733) have taken first aid refresher courses. In addition to the Safety passport, the personnel's safety skills are improved through S Group's internal training events and with the help of online learning materials designed for 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.

Responsible products and services



Developing responsible procurement



S Group is accountable to two million co-op members for all products in its product range. Procurement operations include several responsibility policies. These consist of the principle of non-discrimination, product-specific quality requirements and monitoring the rights at work and human rights in purchases from risk countries.

S Group has been carrying out systematic work for several years in order to develop product responsibility and responsible procurement. In 2012, we defined the key development areas for product responsibility and decided on the areas of improvement on which S Group will place special focus. In 2013, we concentrated on implementing the selected areas of improvement in each of S Group's business areas. The work is progressing well and will continue as planned in 2014.

Key areas of improvement in product responsibility

1

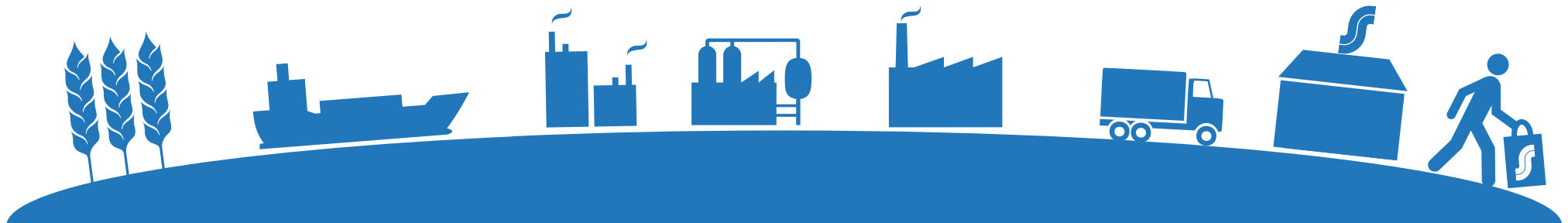
Improving the traceability of products and the transparency of their origin

2

Developing social and environmental responsibility monitoring of the production chain

3

Developing raw material responsibility



1 Focus on improving the traceability of products

Product traceability and knowing the origin of products are important to our customers. S Group wants to know its production 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, long-term improvement of transparency in production chains.

As a large diversified company, S Group also has a large number of suppliers. In 2013, a total of 3,208 suppliers provided products or services to S Group's grocery and consumer goods trade and restaurants. Of these, the majority are Finnish or European suppliers, but S Group also has direct suppliers in countries where working conditions in production plants may be lacking. These countries are referred to as 'risk countries' in this Review. Some of the products delivered by European and Finnish suppliers have also been manufactured or formed in risk countries. These kind of products are called products from indirect risk countries.

In accordance with the objectives of S Group's responsibility programme, we have elaborated the traceability of products for our private label products. S Group's private labels include Rainbow, X-tra, House, Glup and Ciraf, among others. By monitoring products more closely based on the country of origin of the raw material and the country of manufacture, we will be better able to identify risks related to products from indirect risk countries as well. The work is proceeding well in S Group's grocery and consumer goods trade.

Supplier survey assists in developing operations

In the spring and summer of 2013, we conducted a survey among 1,600 suppliers. The survey covered the suppliers' practices to ensure product traceability, product safety and environmental and social responsibility in the production chains. The survey included all suppliers delivering private label and brand products to Meira Nova and the grocery trade, as well as the Finnish suppliers who deliver private label products to the consumer goods trade. The survey provided us valuable information on what needs to be developed in our operations together with our suppliers, so that we can better ensure a responsible product range for our customers.

Our suppliers pay a lot of attention to the impact of their own operations on the environment. The majority of suppliers have an environmental policy or programme in place. There is room for improvement in setting environmental requirements downstream within the production chain. The environmental requirements are mainly



monitored in S Group's own production plants and with its suppliers. Food suppliers also most often monitor raw material production.

Approximately 70 per cent of the suppliers have a social responsibility policy in place. Setting social requirements on suppliers is more common than setting environmental requirements, but there is room for improvement in how subcontractors and primary production are monitored.

Ensuring product safety is an essential aspect of responsibility work in companies. This is manifested by how common quality systems are in food production, in particular. The quality criteria set for raw material suppliers, supplier assessment and the company's own or third-party audits are widely used.

1 Focus on improving the traceability of products

Disclosing the country of origin

It is important for S Group that the origin of products is disclosed as transparently as possible. In 2011, we launched a project with the aim to include the country of origin of the main ingredient of the product on all Rainbow and X-tra brand (private label) products, even though so far it is not required by law. At the end of 2013, information of the country of origin of the main ingredient of the product was indicated on 1,295 products, or approximately 90 per cent of the products.

The country of manufacture is also indicated on private label consumer goods. The labelling is already available on slightly more than half of private label textile product, either on the package or the product care instructions. More labelling will be added as product packaging is renewed.

Since 2012, S Group has also been making the country of origin labelling of products made in Israel clearer. S Group does not boycott products of Israeli origin, but wants to offer information on the origin of products as transparently as possible and thus provide customers with an opportunity to make their own choices. In accordance with this policy, 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.



Image by Tina Leppiniemi

COUNTRY OF ORIGIN INDICATED

90%

The country of origin of the main ingredient is indicated on up to 90% of the products in 2013.

2 Focus on monitoring the production chain

Another area of improvement in terms of responsibility in S Group's procurement is developing the monitoring of social and environmental responsibility in the production chain. Previously, monitoring the working conditions mainly focused on rights at work in the production stage.

Global production chains involve several stages. Therefore, it is important to know the stages of the chain and to identify the risk areas that require special monitoring. S Group's grocery trade placed special focus on this in 2013.

S Group's grocery trade specified the contract requirements so that suppliers who have production or whose subcontractors have production in a risk country, or who import products made in risk countries, must also ensure that the production complies with our responsibility principles. Upon request, the supplier must be able to verify this by means of certificates or an audit report.

S Group has been involved in developing a monitoring model, similar to the BSCI model used in rights at work monitoring, for the environmental impacts of product manufacturing as well. The development of the Business Environmental Performance Initiative (BEPI) started in 2012, and S Group's suppliers in Vietnam were the first to start testing the model in 2013. The objective is for BEPI to enable us to contribute to, for example, improving the energy efficiency of factories and reducing their emissions.

Monitoring working conditions in risk countries

S Group is a member of the Business Social Compliance Initiative (BSCI) system. The system aims to improve working conditions in risk countries to meet the level required by international agreements and to ensure that customers have no need to be concerned about the origin of the products they buy. High-risk countries include most countries in Africa, Asia and South and Middle America, as well as some European countries. More than 1,300 European companies participate in the BSCI system. S Group is heavily involved in developing the system and also has a representative in BSCI's steering group.

The BSCI Code of Conduct is based on frontline international agreements that protect employee rights. In particular, these include ILO agreements and recommendations. All BSCI participant companies have undertaken to apply the Code of Conduct in their supply chains.

The BSCI Code of Conduct was updated in 2013. S Group was heavily involved in the work in order to ensure that

More than **1,300** participants 
More than 1,300 European companies participate in the BSCI system.



the principles would be as extensive as possible and meet S Group's and various stakeholders' expectations. Finnish BSCI participants also organised a joint stakeholder event in the spring of 2013. They invited the central civic organisations and authorities to the event to talk about their expectations and wishes concerning the need to update the BSCI Code of Conduct.

One of the key changes in BSCI is extending the coverage of the Code to the entire production chain. The goal is to clarify the opportunity and obligation of each actor to influence the fulfilment of rights at work and human rights throughout the production chain.

2 Focus on monitoring the production chain

In the BSCI system, independent auditors inspect production plants to ensure that the criteria of the system are met in practice. The audits include inspecting the procedures and operating methods used at the production plants and the facilities' compliance with national legislation, among other things. In addition, auditors check that employees have appropriate protective equipment to ensure safe working conditions. A harmonised control system is convenient for both production plants and the retail chain, as every buyer does not need to inspect the working conditions of the production plants themselves. Being a part of an international system is also a strength, because when a large number of companies is committed to the same principles, it is also worth the suppliers' while to commit to carrying out improvements.

Twenty-eight per cent of the direct purchases in the private labels and own imports in S Group's grocery and consumer goods trade come from risk countries. Fourteen per cent of the purchasing volume of private label products and own imports in S Group's grocery trade comes from risk countries (2012: 16%), and in the consumer goods trade, the share is 62 per cent (2012: 61%). In addition, Meira Nova's direct risk country purchases account for 5 per cent (2012: 12%) of its purchasing volume. The change in Meira Nova's risk country purchases is due to supplier changes and changed volumes.

Objectives of 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

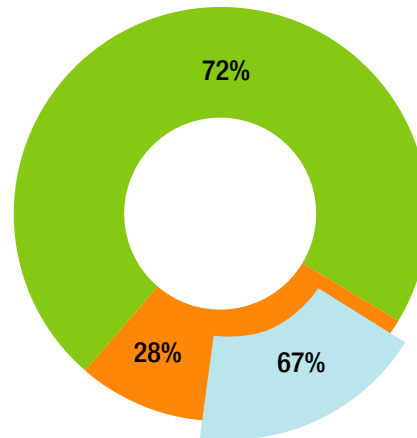


Ethical business behaviour

2 Focus on monitoring the production chain

Sixty-seven per cent of the direct purchases of private label products and own imports from risk countries in the consumer goods trade come from BSCI-audited suppliers. Fifty per cent of the audited purchases from risk countries are from suppliers whose score in the audit was either 'Good' or 'Improvement needed'. In addition, nine per cent of the audited purchases from risk countries are from suppliers with an SA 8000 or ICTI certificate. Forty-one per cent do not yet meet the requirements. In 2013, BSCI audits were conducted on suppliers from 12 risk countries in the grocery trade (2012: 10) and on 71 suppliers in the consumer goods trade (2012: 44).

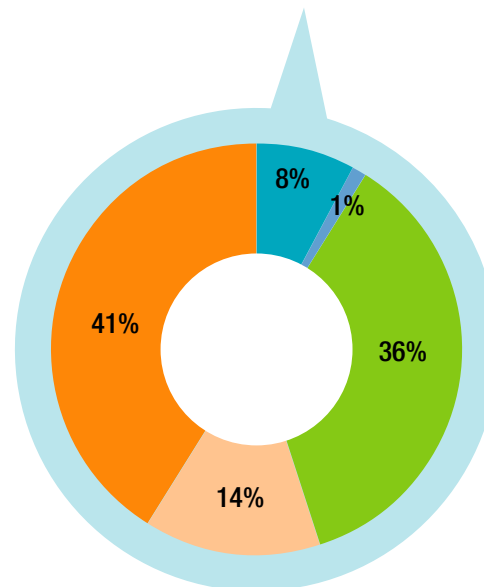
In addition to the primary auditing models, that is, the SA 8000 certification and BSCI, S Group also accepts other similar social responsibility audits, such as SMETA (Sedex Members Ethical Trading Audit). This practice is used because retail groups use several auditing systems internationally, and it is not sensible that several similar audits be carried out at the production plants. Furthermore, BSCI was implemented in the food industry later than in other sectors, which is why it is not yet a very well known and widely used model among food industry actors. Since other audits have not been accepted for very long, their monitoring is not quite as meticulous as is the case in the BSCI audits. A more systematic review of other auditing systems began in S Group in 2013.



S Group's private label purchases

- Purchases from non-risk countries 72%
- Purchases from risk countries 28%
- Audited risk country purchases

Includes the purchasing volume of private label products and own imports in S Group's grocery and consumer goods trade.



Results of the BSCI audits in the consumer goods trade

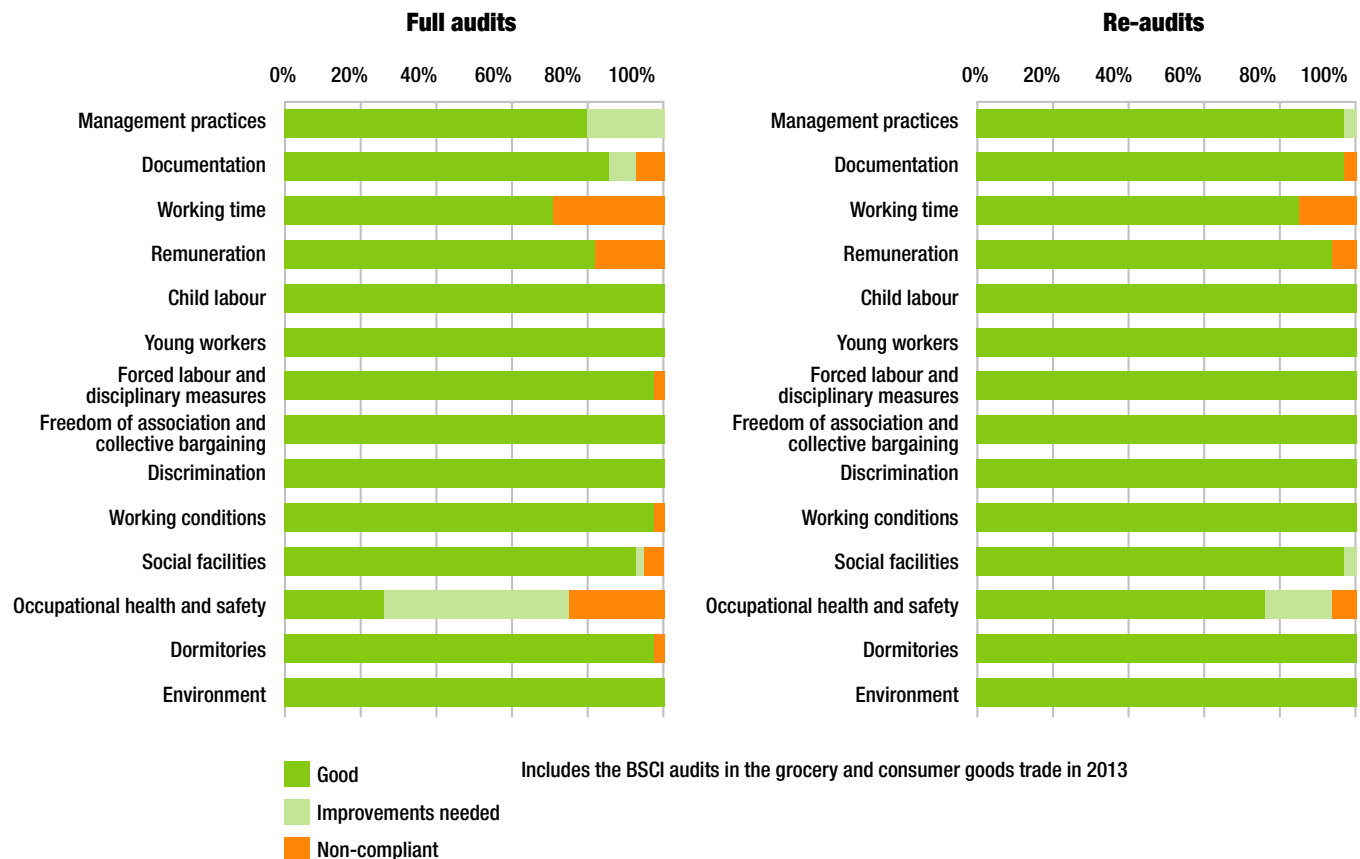
- SA 8000
- ICTI
- BSCI Good
- BSCI Improvements needed
- BSCI Non-compliant

Includes the grocery trade and consumer goods trade audits.

2 Focus on monitoring the production chain

By analysing the audit reports in greater detail by different audit area, it can be seen that the results of the different areas covered in the audit have, as a rule, been approved without remarks. However, the areas in need of the most development include the managing practices of social responsibility, work time, pay, occupational safety and occupational health. The results of S Group's BSCI audits by area are presented in the figure on this page. For example, in production plants in Thailand, it is customary that the work time practices do not meet BSCI's requirements, even though they do meet the requirements of the national legislation in Thailand. Therefore, many Thai factories receive an auditing score of 'Non-compliant'. Re-audits are carried out with suppliers whose result requires improvements or who do not meet expectations. After re-audits, the results usually improve.

The results of S Group's BSCI audits by audit area in 2013



2

Focus on monitoring the production chain



Prohibiting sandblasting of denim

S Group has prohibited the use of the dangerous sandblasting method in the manufacture of denim products sold under S Group's private labels. The prohibition has been entered in the procurement criteria. The sandblasting prohibition is also a product requirement for suppliers of S Group's private label products. Manual sandblasting of textiles without proper protective equipment is dangerous and may cause silicosis, which can be lethal.

Controversial production in Thailand

At the beginning of 2013, the Finnwatch civil organisation published its survey on the responsibility of private labels. In the survey, Finnwatch discovered serious violations of proper working conditions in a Thai company that manufactures pineapple concentrate and supplies it for private label products of Finnish retail chains, including the Rainbow pineapple juice.

S Group is taking the report findings seriously. As soon as we learned about the situation, we started discussions on the issue with the Finnish manufacturer of the product. Over the course of the spring and summer, we conducted a survey on responsibility practices among all suppliers. Among other things, the survey included questions on the kind of responsibility requirements that are set for subcontractors and raw material suppliers and on monitoring compliance.

The management of S Group's grocery trade visited Thailand in August 2013 and, together with the Finnish supplier, met the suppliers of tuna products and juice raw materials mentioned in the report, among others. The trip also included a visit to a network of immigrant workers from Myanmar and meetings with representatives of four ministries. All meetings focused on understanding and improving the working conditions of workers and, in particular, immigrant workers, in factories. S Group's expectations concerning responsibility were reviewed with the suppliers.

>>>>>>>

2 Focus on monitoring the production chain

"There is still a lot of work to do in ensuring product responsibility, but S Group's active and open approach to resolving problems deserves praise. The company's decision to extend risk assessment all the way to raw material production is a significant step."

Sonja Vartiainen, Executive Director, Finnwatch ry.

In accordance with the Finnwatch recommendation, S Group has already expanded the assessment of risks to the origin of raw materials. Previously, risks were assessed based on the product's country of origin and monitoring covered the manufacturing stage of the product. Responsibility matters have been specified in procurement agreements so that they also cover the raw material production, which may take place in another country.

In the international procurement market, S Group is a small buyer, which also reflects on how much influence it has in the global production chains. International networks, such as BSCI, developed for the monitoring of social responsibility are our best opportunity to make a difference, because in them a large group of buyers is committed to the same principles. We forwarded the conclusions of the Finnwatch report to BSCI as well, and the network organised two stakeholder events on the rights of immigrant workers in Thailand in 2013.

3 Focus on raw material responsibility



The third area of improvement in product responsibility concerns the development of raw material responsibility. Certified and eco-labelled raw materials play an important role in it.



Many raw materials are associated with environmental or social responsibility risks. It is essential to look at raw materials central to S Group's business areas and seek solutions to ensure their responsibility. This work is in progress, and guidelines are in place, for example, for palm oil, tropical wood and fish products. The product range contains numerous different certified and eco-labelled products.

S Group systematically develops its range of eco-labelled and certified products and services. Customers' expectations and wishes and, on the other hand, their actual buying behaviour impact the composition of the product range.



Image by WWF

3

Focus on raw material responsibility



S Group scored well in WWF's Palm Oil Buyer's Scorecard

S Group was the best Finnish retail company in the international Palm Oil Buyer's Scorecard ranking WWF carried out in the autumn of 2012, scoring 11 out of 12 points. The international Palm Oil Buyer's Scorecard is carried out every two years, and it evaluates companies based on the responsibility of their palm oil procurement chain. S Group received points for, among other things, its membership in the Roundtable for Sustainable Palm Oil (RSPO) and for using certified palm oil.

For years now, in addition to the responsible procurement of palm oil, S Group has focused on replacing palm oil with other oils. For example, all palm oil used in deep-frying oil in S Group's restaurants is certified. In private label food products, special effort has been made to replace palm oil with other plant-based oils whenever possible without compromising product quality. In products in which palm oil cannot be replaced with other oil alternatives, RSPO-certified palm oil is preferred. Seventy-one per cent (2012: 12%) of the palm oil in S Group's private label food products is certified.

Overall, 78 per cent of palm oil used in S Group's private label products and deep-frying oil in restaurants is RSPO-certified. Additional work is still required: the next goal is to increase the share of certified palm oil to one hundred per cent and to increase the use to traceable 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.

11/12 points

S Group's points in WWF's international Palm Oil Buyer's Scorecard ranking.

RSPO

Roundtable on Sustainable Palm Oil

3

Focus on raw material responsibility

Extensive range of certified products

S Group has been paying special attention to ensuring sustainable production of raw materials, which include palm oil and tropical tree species. In terms of tropical wood, our policy is that products made of tropical wood should be made from FSC-certified wood. FSC-certified wood has been produced with environmentally friendly methods, and the timber procurement company takes care of its personnel's rights and occupational safety. In addition, the product range contains PEFC-certified wood products.

S Group also participates in a national working group established in 2012 to monitor the preparation of a European standard to ensure the sustainability and traceability of cocoa production.

We want to offer our customers an opportunity to make choices based on their own values by making products with environmental and sustainability certificates available to them. For example, the product ranges of grocery stores, consumer goods trade and restaurants all include Fairtrade products.

Numerous products with the Nordic Swan eco-label are available in the product ranges of all S Group business areas. For example, all Rainbow baby care products and

liquid laundry detergents and concentrates have been awarded the Swan label. Five Sokos Hotel units have received the Swan eco-label for their environmentally conscious operations. In addition, all seven Radisson Blu hotels in Finland have the Swan eco-label. Products carrying the European EU Flower eco-label were also included in the product range, in particular, in textiles.



All Rainbow baby care products and liquid laundry detergents and concentrates have been awarded the Swan eco-label.

Products with environmental or sustainability certificates in S Group's product range (quantity) (incl. private label and brand products)

Environmental or sustainability certificate	Grocery trade	Consumer goods trade	Hotels and restaurants	ABC and ABC Delis
Swan-labelled products	483	57	248	107
EU Flower-labelled products	7	114	11	7
Organic products	3,000	129	91	12
Fairtrade products	150	16	23	14
FSC-certified products	1	56		
PEFC-certified products		10		
MSC-certified products	41		28	20
Öko-tex-certified products		1,044		

Due to the information collection methods, the numbers are not comparable between business areas. The products ranges of several business areas may carry the same products.

3

Focus on raw material responsibility

Range of organic products growing in the grocery trade

In recent years, demand for organic products has been clearly increasing, leading S Group to expand its range of organic products. Sales of organic products increased by 13 per cent in S Group's grocery trade, compared to the previous year. Co-operation throughout the chain – producers, processors and retail – plays a key role in this. S Group has a strong presence in the development of the organic food supply chain through the Pro Luomu organic product association, founded in the spring 2011. S Group is one of the founding members of Pro Luomu, and a representative of SOK chairs the Board of the association.

S Group accounted for 46 per cent of consumers' organic product purchases in Finland (2012: 45%, Nielsen Home-scan). This means that S Group is the largest retailer of organic products in Finland.

In 2013, S Group's grocery product range included more than 3,000 different organic products (2012: 2,200). This figure contains products from the nationwide chain assortment, as well as products purchased locally by co-operatives. The share of organic products grown and produced in Finland in S Group's organic product sales was 60 per cent (2012: 63%).

The number of different organic products in the product range of hotels and restaurants was 91, while the numbers in the ABC service station stores and the grocery trade were 12 and 129 (2012:145), respectively. Since May 2012, two out of five wines for co-op members have been organic in S Group's restaurants. The share of organic wines in the sales of wines remained at the previous year's level, at ten per cent. An organic product is always included in S Group's hotel breakfasts.

Fish from sustainable fish stocks only

The criteria for the procurement and range of fish products sold by S Group were established in the autumn of 2009 and updated in the spring of 2012. The basic principle is to not accept fish from fish stocks that are endangered, jeopardised or subject to over-fishing in the grocery trade and chain restaurant selections. Furthermore, S Group does not approve of the use of environmentally harmful fishing methods, such as fishing with explosives or toxic substances.

The policy concerning fish selections covers approximately 80 species of fish. Criteria concerning the fishing area and method have been specified for some fish species in order to ensure that the fish we sell come from sustainable fish stocks. The criteria are particularly strict for many species

ORGANIC PRODUCTS

3,000



The quantity of organic products in S Group's grocery trade product range in 2013.



Image by Lauri Mannermaa

3

Focus on raw material responsibility



originating from faraway areas, since they are associated with higher over-fishing risks or the monitoring of fishing is poor.

The range of eco-labelled fish products is also being systematically developed. For example, in the frozen fish and shellfish category, the sales of MSC-certified products was as much as 15 per cent of the total sales in the product category. The sales of MSC-certified processed fish products was also over four per cent of the total sales in the product category. Processed fish products refer to, for example, salt cured and smoked fish products and herrings.

In 2013, the debate concerning the sustainable fishing of Finnish migrant fish species continued. The good result achieved by the whitefish working group established by the Ministry of Agriculture and Forestry, and the fishing decree that came into force in August, prompted WWF to change its Finnish whitefish recommendation from status red to yellow, that is, from to be avoided to buy with discretion. S Group was an active participant in the whitefish working group.

S Group has been involved in finding solutions to improve salmon stocks by participating in the work of the salmon and sea trout working group of the Ministry of Agriculture

and Forestry. The group included environmental organisations, fishermen, fish retail representatives, researchers, authorities and the energy industry. In October 2013, the working group released its report which proposes measures for regulating fishing, marking of planted fish and protection of habitats, among other things. The report will be discussed by Parliament in 2014.

15% MSC-certified products

The share of MSC-certified products in the sales of frozen fish and shellfish in the product category in 2013.

More local fish

The goal of S Group's grocery trade is to offer an increasingly fresh and diverse selection of locally caught fish, including pikeperch, perch and vendace. Demand for domestic local fish has grown, and we aim to actively develop co-operation between regional co-operatives, local fishermen and fish farmers in order to improve the selection of locally caught saltwater and freshwater fish in stores.



Image by Tiina Leppiniemi



3 Focus on raw material responsibility

Importance of biofuels increasing at ABC service stations

North European Oil Trade Oy (NEOT), established in 2003, is a fuel wholesaler jointly owned by SOK and ST1 Nordic Oy. The operations of NEOT consists of fuel procurement, storage and distribution. It supplies fuel to S Group's ABC service stations.

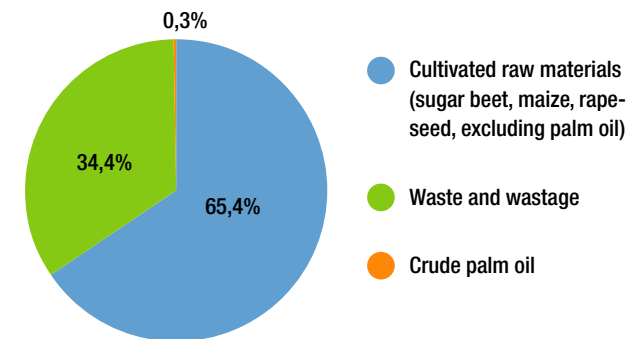
NEOT is the world's only wholesaler selling traffic fuel which offers the E85 fuel grade. In this grade, ethanol is produced completely from raw materials derived from the non-food supply chain.

The EU's goal is that by 2020, biofuel accounts for ten per cent of the energy content of traffic fuels. This is called the biofuel obligation. Biofuels can considerably reduce the carbon dioxide emissions in traffic. Finland aims to reduce emissions in road traffic by 15 per cent by 2020. In 2013, biofuels used by NEOT helped reduce road traffic emissions by nearly 1 per cent in Finland.

In biofuel procurement, NEOT aims to continuously increase the share of biofuels derived from waste and food waste, as well as biofuels generated outside the food supply chain. To reach this goal, NEOT invests in the production of waste-based biofuels considerably by building a production plant for waste-based ethanol, among other things. Last year, 34.4 per cent of NEOT's biofuels were produced from raw materials derived from waste and food waste, such as bio waste in food production. For example, the share of biofuel made from palm oil during the same period was 0.3 per cent.

NEOT requires that all biofuels it purchases meet the EU's sustainability criteria for biofuels. It also requires that compliance with the criteria is verified by means of an independent certificate scheme approved by the EU. The EU's sustainability criteria require that biofuel production complies with the laws and collective agreements of the target country, as well as ILO's minimum requirements concerning working life.

Biofuel raw materials



3

Focus on raw material responsibility



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 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. For example, waste bread from the Helsingin Osuuskauppa Elanto and Osuuskauppa Hämeenmaa co-operatives is used for producing bio ethanol. Additional co-operatives will implement the operating model in 2014.

Approximately 12 per cent of the EkoFlex E85 fuel sold at ABC stations in 2013 was produced from waste raw material collected from co-operatives. Reusing this amount of waste in the production of fuel reduces emissions by 520 tonnes of carbon dioxide. This equals emissions which would be generated by a Ford Focus driving around the world 100 times.

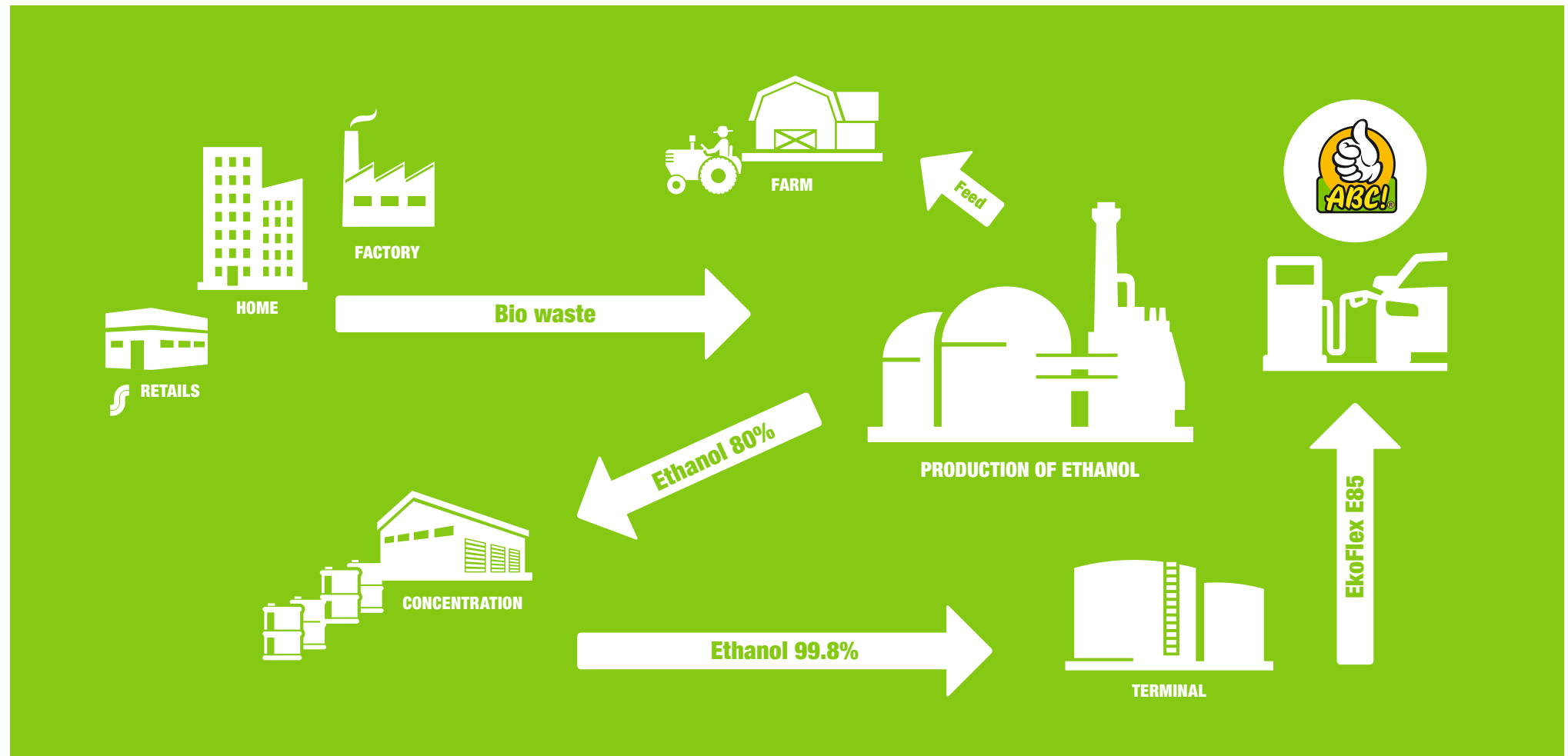
The ABC chain opened its first EkoFlex E85 filling pumps in the summer 2011, and currently there are approximately 40 of them in different parts of Finland (2012: 30). The EkoFlex E85 fuel has received the Key Flag label as a recognition of Finnish work.

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 generated as a by-product of the waste and food waste-based ethanol production. Ethanol with a concentration of approximately 80 per cent produced from bio 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.

EkoFlex E85 can only be used in Flexifuel vehicles, which are similar to vehicles that run on petrol in terms of appearance, price and basic operation.

3 Focus on raw material responsibility

Production process of the EkoFlex E85 fuel



3

Focus on raw material responsibility



Environmentally friendly packaging materials

Environmental matters are taken into consideration in the materials of menus, napkins and take-away containers in S Group restaurants as much as possible. The Coffee House chain's takeaway mugs, bags and wrappings, among other things, are completely biodegradable.

S Group's own cosmetics label, We Care Icon, uses recycled plastic for packaging whenever possible, and the products are not packed in separate cardboard boxes. The We Care Icon products are manufactured in Central Europe.

In 2013, S Group's grocery stores sold a total of nearly 145 million shopping bags (2012: nearly 150 million). Of these, 140 million were traditional plastic bags (2012: 143.5 million). S Group aims to increase the share of recycled material. In 2013, the plastic bags sold in all grocery stores contained 10–90 per cent of recycled materials, depending on the type of the bag.

As of 2012, stretch films used in the transport of products sold at S Group's grocery stores are sent to plastic bag suppliers as raw material. As a result of this co-operation, 30 per cent of the raw material in some of S Group's plastic bags comes from these recovered materials.



SALES OF REUSABLE
SHOPPING BAGS

+45%

Increase in the sales of reusable shopping bags in 2013.

Consumers were very interested in the five different patterns of S Group's reusable shopping bags, and the sales of the bags increased by nearly 45 per cent. S Group's grocery stores sold 890,000 of these durable and multi-purpose bags (2012: 620,000).

Valuing Finnish and local products

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.

It is important for S Group to provide customers with a domestic alternative whenever possible. To secure the production of domestic and local food, co-operation is needed in the entire food supply chain. In Finland, self-sufficiency is relatively high in many products. For example, self-sufficiency in fresh meat is approximately 80 per cent, but in S Group, 95 per cent of meat sold is of Finnish origin.

The new Kotimaista product line was introduced in stores in March 2014. Kotimaista is the new brand in S Group's grocery stores, which makes it easier for customers to recognise Finnish private label products in the product range. The products are always of Finnish origin and affordably priced.

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. The first products are already available on the shelves in stores, and the number of products will be increasing in the future. The goal is for the Kotimaista brand to include more than 400 products.

Local specialities in the product range

Local products are an increasingly important part of S Group's grocery product ranges, since customers value food in which the background, producer and production chain are known. In S Group's grocery trade, local food means food which is manufactured or produced in the co-operative's region. The grocery trade has defined a strategic intent according to which customers are being offered more of locally produced food. In practice, this means that co-operatives work in even closer cooperation with the producers in their own region and actively work to find new products. However, many regions have a shortage of local food providers whose production volumes are large enough to meet the stores' needs.

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 co-operative's outlets. If the production volumes are



Image by SOK Media

Valuing Finnish and local products

high enough, the product may expand to S Group's nationwide selections. S Group's systems have been designed to function with both large and small co-operation partners. Everyone benefits from the information obtained from the systems, which will, for example, help assess demand and thus support production planning. One example of a product that expanded to the nationwide selections is the organic muesli from Sysmän Luomuherkut. At the end of the 1990s, Sysmän Luomuherkut Oy's products were only sold in the stores of the Osuuskauppa Hämeenmaa co-operative. Today, the popular organic products of this local producer are available in nearly all S Group's grocery stores.

Co-operatives offer plenty of local products in their product ranges, particularly in fresh produce, such as vegetables, and bread. Some co-operatives have already implemented their own local food labelling and put together displays to make it easier for the customer to find local food items.

Local products are also visible in the selections of many restaurants and service station stores, as well as at the breakfast buffet of the Sokos Hotels.

Labels indicating Finnish work

The product range of S Group's grocery trade contained 1,672 Key Flag -labelled products indicating Finnish work at the end of 2013 (2012: 1,551). The number of such products in S Group restaurants was 382 and in the ABC service station stores it was 237. The Key Flag is a voluntary label for products and services made in Finland. Several co-operatives, the ABC chain and S-Bank have also been awarded the Key Flag label.

The number of food products awarded the Hyvää Suomesta label for the Finnish origin of their ingredients in the product range of S Group's grocery stores was 937, and in restaurants and ABC service station stores the number was 783 and 537, respectively.



Image by Tiina Leppiniemi

Product safety is key



Ensuring the continuous safety of the products included in the product range is crucial for S Group. Extensive monitoring and jointly agreed operating methods guarantee the best result.

Ensuring food safety is a vitally important part of the grocery trade and restaurant business. Comprehensive statutory self-monitoring guarantees that each link in the chain contributes to ensuring the quality of food by maintaining correct storage temperatures and an unbroken cold chain, for example.

The quality of new food products to be included in the product range of grocery stores is inspected, and the products are subjected to sensory evaluation even before they are accepted for sale. In 2013, SOK's test kitchen inspected a total of 3,787 food samples (2012: 4,274). The safety of consumer goods is also checked before they are accepted into the product range. In 2013, a total of 126 (2012: 225) 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-monitoring plan. For example, meat and fish products are tested many times per year, whereas non-food items are tested slightly less frequently. In 2013, self-monitoring measures were carried out on private label products already in the product

range from a total of 1,532 grocery trade product batches (2012: 1,849). In the consumer goods trade, products from a total of 783 product batches (2012: 441) were tested.

Daily self-control in outlets

In addition to procurement and logistics, self-monitoring is carried out by each grocery store and restaurant in S Group. S Group's grocery stores focus on systematic self-monitoring. The quality of products on the shelves is checked by means of sensory evaluation during the day. If for some reason the 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-monitoring databank system that also enables the authorities to review the self-monitoring entries of individual stores directly. The self-monitoring entries made by stores in the databank are subject to regular monitoring and reporting.



Product safety is key



Oiva reports in grocery stores and restaurants

Oiva is a food safety information publication system coordinated by the Finnish Food Safety Authority Evira. Inspections in accordance with the Oiva system are carried out by municipal food inspectors according to the control plan. The control results have been published by means of Oiva reports since May 2013.

In the Oiva system, food safety, such as food hygiene and product safety, in companies is assessed by issuing them smiley faces. To receive the best smiley, the company must comply with legislation in its entirety. Whenever the Oiva face flashes a wide smile, consumers can rest assured that food safety in the company in question is at a good level.

An Oiva inspection was conducted in 56 per cent of S Group's grocery stores in 2013. The result in the Oiva report was excellent or good in 95 per cent of companies, and there was room for improvement in the remaining five per cent. None of S Group's grocery stores received a poor result in the Oiva inspections.

An Oiva inspection was conducted in approximately 30 per cent of S Group's restaurants in 2013. The result in the Oiva report was excellent or good in all restaurants, with the exception of two. These two restaurants had some room for improvement, but none of S Group's restaurants received a poor result in the inspections.



Image by Evira

Product safety is key



Operating models in place in case of product defects

Preventive measures are essential for food safety, but efficient operating models in case of defects must also be in place. S Group has a specific operating model for serious product defects in the grocery trade. The purpose of the model is to ensure the fastest possible communication and efficient co-operation with the authorities in cases of serious product defects.



In 2013, there were 23 recalls of private label products in grocery stores and 14 recalls of consumer goods products.

A product recall 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 S Group's grocery trade, there were 11 recalls of private label products (2012: one) and in the consumer goods trade, there were three recalls (2012: one).

We also actively listen to our customers in quality assurance. All complaints and product feedback are thoroughly reviewed and the message is forwarded to suppliers and manufacturers. Customer feedback is used in product development and the selection of suppliers in the manufacture of private grocery labels. In 2013, S Group's consumer services received and processed a total of 61,961 (2012: 58,587) consumer feedback contacts concerning private label products. Of these, 19,601 (2012: 16,890) concerned products in the consumer good trade and 42,360 (2012: 41,697) concerned consumer goods.

CONSUMER CONTACTS

61,961

S Group's Consumer Service received and processed 61,961 consumer contacts concerning private label products in 2013.

Product safety is key



A frozen Rainbow product contained seeds of the Datura plant

In May 2013, SOK's Consumer Service received concerned calls from customers who suspected having fallen ill after eating the frozen Rainbow Ruokaisat pannukasvikset vegetable mix. At the same time, Consumer Service was contacted by a customer who had found an unknown core in the same product.

We immediately set out to investigate the issue based on the picture the customer had sent. The producer of the product identified the core as Datura, or thorn-apple, which is a weed. The producer was able to quickly trace the raw material batches used in the product and to identify the romano beans as the source of the weed.

The distribution and sales of the Rainbow product was interrupted and the product was recalled immediately. As a precautionary measure, another product from the same producer, containing romano beans, was also recalled from the market. The interruption of sales was ensured by activating a sales block in the cash register system.

This exceptionally unfortunate event launched measures which had never been needed before. As the ultimate measure to reach all customers who had purchased these products, we requested permission from the authorities, in other words Evira, to combine the data from our co-op member register and the cash register information system. This enabled us to directly contact those customers who had bought the product. Co-op members who had bought the Rainbow Ruokaisat pannukasvikset product were immediately sent text messages, e-mail messages and letters. A total of 30,581 customers were contacted.

After these immediate measures, we visited the production plant of the producer. During the visit, we reviewed the quality assurance procedures of the production plants and the measures in relation to the romano bean farmers. The quality assurance measures at production plants have been stepped up, and in addition to the contract farmers, the entire personnel have received additional training following the Datura incident. In particular, the hazards of Datura and other toxic weeds have been emphasised so that the personnel understand the high risks related to weeds. Extreme care is required from the personnel in each production stage. Special attention has been paid to the adjustment of scanners that detect biological and other impurities in the vegetable rinsing and packaging lines. In this way, the scanners detect impurities in products better than before. In addition, the procurement source of the romano beans used in Rainbow products was changed from Spain to Belgium, where the growing conditions are unfavourable for the Datura plant.

Product safety is key



Chemicals under scrutiny

We want to offer our customers only products that are safe to use. In the clothing industry, it is difficult to avoid using chemicals in the different stages of the value chain. When clothes are imported from other countries, they must arrive in prime condition despite long transport distances. This sets requirements for the protection of the products during transport.

EU legislation and national legislation specify limits for the amounts of residual chemicals. These limits are the absolute minimum requirements, which all S Group suppliers must meet in order to have their products accepted for sale at S Group outlets. Some product categories, such as clothing for babies and children, are subject to special requirements that are stricter than the legal requirements.

ÖKO-TEX-CERTIFIED PRODUCTS

1,044

The number of Öko-tex-certified products in S Group's product range in 2013.

The product range of S Group's consumer goods trade also includes 1,044 Öko Tex-certified products (2012: 915), 57 Swan-labelled products (2012: 61) and 114 products with the EU's Flower certificate (2012: 129). The use of chemicals in the manufacture of these products is more restricted than required by legislation.

In the procurement of consumer goods, internal chemicals testing is also carried out, in addition to the statutory regulation by the authorities. The Customs Laboratory also performs random checks of all products as part of import control.

Stricter age limit control

Age limit control is an important aspect of responsibility in the grocery trade. The vigilance and skills of the checkout personnel who sell alcohol or tobacco products play an important role in preventing minors from obtaining these products. Therefore, all employees working in S Group's grocery stores complete training leading to a certificate that makes them better prepared to ensure that minors do not get a hold of products subject to age limits. The age limit checks are entered in the cash register system, as are any suspicions of alcohol or tobacco being bought on behalf of minors. These entries are monitored monthly per store.

AGE LIMIT CHECKS

500,000

Approximately 500,000 ID checks per month were carried out in S Group's grocery stores in 2013.

The age limit control of alcohol and tobacco products was expanded in Finnish grocery stores in January 2013. From that date on, the checkout personnel will need to check the age of customers purchasing alcoholic beverages and tobacco products and supplies if they appear to be under 30 years of age. Previously, the reference age was 23 years. Due to the new practice, the number of age limit entries made in the cash register system multiplied at the checkouts in S Group grocery stores. In 2013, the average number of ID checks made per month was approximately 500,000.

Responsible services and development

S Group carries out continuous development in order to make the daily life easier for co-op members. Last year, focus was on different methods of purchasing, among others.

New services in the grocery trade

The Finnish grocery trade took a step towards new service solutions with the opening of S Group's new self-checkout lanes in S-market Vallila, Helsinki, in June 2012. In the new self-checkout concept, customers themselves use a self-checkout lane to scan the EAN codes on products and use a card for payment. Making and paying for purchases has been made as easy and secure as possible for the customer. An assistant is always available to help with any issues and to oversee the sales of age-restricted products. The self-checkout lanes have received plenty of positive feedback from customers who consider them convenient in checking out small and quick purchases, in particular. In 2013, there were self-checkout lanes in 11 S-markets in different parts of Finland. In addition, two Prisma stores in Tallinn have a self-checkout option.

The Foodie.fi service, developed by S Group's grocery trade and Digital Foodie Oy, has evolved from a digital food assistant into an interactive online shopping community. At the end of 2013, the service had as many as nearly 180,000 users. The Foodie.fi service provides complete information on the prices and product ranges for all S Group's grocery stores. This level of transparency in the grocery trade is rare even on a global scale.



Image by Lauri Mannermaa

Responsible services and development



The Allergy Label criteria met by the Sokos Hotels chain



Smoke-free and pet
dander-free rooms



Fragrance-free
hygiene products



Non-allergenic interior
decoration and surface
materials



Unscented detergents and
cleaning agents



Ventilation meeting
the criteria

Sokos Hotels the first in the hospitality sector to receive the Allergy Label

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

The development cooperation between Sokos Hotels and the Allergy and Asthma Federation dates back to 2006. The development project has, in particular, improved the quality of indoor air in hotel rooms, surface and interior decoration materials, and cleaning methods and agents. A special focus has been placed on using high-quality, easy-care interior decoration materials. In addition to using unscented cleaning agents, Sokos Hotels now also provides fragrance-free personal hygiene products. Rooms suitable for pets and smokers are now located on designated floors for more convenient accommodation of those with allergies. The Allergy and Asthma Federation granted Sokos Hotels the 'Vuoden allergiateko 2012' award in recognition of the chain's work to take allergic guests' needs into consideration.

Responsible services and development



Menus available in Braille

Menus written in Braille are available for visually impaired customers in the Rosso 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.

Electricity and natural gas to power cars

Finland's first public and commercial quick-charging station for fully electric cars was opened at ABC Nihtisilta in autumn 2012. At the end of 2013, the total number of charging stations in operation was seven. The slower charging at home and in workplaces will most likely continue to be the most common charging method. However, a public and easily accessible network of quick-charging stations will extend the vehicle's operating radius and ensure uninterrupted travel. 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.

ABC also wants to offer opportunities for driving natural gas-powered cars. In June, the chain's third natural gas filling station, maintained by Gasum, was opened in Tytyri in Lohja.

Comprehensive and extensive banking services throughout the country

In November 2013, S Group introduced the S-mobiili smart phone application, which integrates a mobile bank and the benefits of co-op membership. In the banking section of S-mobiili, co-op members can check the balance of their S-Tili accounts and pay bills anywhere and at any time. 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. The S-mobiili application further expanded the selection of service channels offered to co-op members by S Group.

Cash continues to be needed, although using it for payment has decreased considerably in the era of card payments. As the network of ATMs is shrinking, withdrawing cash is becoming increasingly difficult in smaller communities, in particular. S-Bank's 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's services in more than 700 S Group outlets. All basic banking services are free of charge to co-op members. In August 2013, S-Bank acquired the majority shareholding in the investment



service company FIM Corporation. As a result of the acquisition, S-Bank's product range expanded to fund saving and asset management.

A guide for responsible consumers assists in shopping

The guide for responsible consumers, published at the beginning of 2012, offers practical tips and food for thought regarding different product categories. The guide also offers tips for preparing meals from table scraps and information on S Group's responsibility policies. Teachers can order the guidebook free of charge through the SubjectAid service. More than 10,000 guidebooks were ordered in 2013, making them one of the most often ordered materials in SubjectAid last year.

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 energy, reduction of the amount of waste and efficient reuse, recovery and recycle of waste.

In 2012, S Group defined the key areas of improvement for resource efficiency, to which we will be paying special attention. Work has been carried out to improve these areas since 2013, and results are already starting to show.



Key areas of improvement for resource efficiency

1

Outlet-specific energy consumption target

2

Energy efficient and appropriate lighting

3

Reduction of the amount of waste

4

Efficient reuse of waste and amount of waste to landfills to be 0 kg

Systematic energy saving in a key role



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

S Group works continuously to save energy and improve energy efficiency. The most important measures are to develop cost monitoring and to set concrete objectives. S Group has signed energy efficiency agreements concerning the commerce sector, hotel and restaurant sector as well as heating oils and transportation fuels. It is committed to the sector's shared energy efficiency objective of nine per cent by 2016, compared to the 2005 level. In 2012, S Group defined the key areas of improvement for energy efficiency, to which we will be paying special attention.

One of our goals is to define outlet-specific target for energy consumption for all S Group outlets by 2016. In the future we can monitor energy consumption and the meeting of targets per outlets. Another key area of improvement for us 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 outlets concepts, take care of appropriate automation and control methods, use new technology in lighting and pay attention to people's habits concerning lighting.

Monitoring energy consumption tells us how we're doing

The use of energy has been improving continuously in S Group. In 2013, the measured total consumption of electricity and heat in S Group outlets was 1,594 gigawatt hours (2012: 1,619 GWh). The relative consumption of energy in 2013 was 333 kilowatt hours per gross square metre (2012: 361 kWh/gross m²), so the relative energy consumption decreased by 7.8 per cent over the course of the year. Compared to the 2010 level (2010: 441 kWh/gross m²), the relative energy consumption decreased by 24.5 per cent. Nevertheless, compared to the 2010 level, part of the efficiency improvement is calculatory, since the 2010–2011 consumption data and gross square metres also included calculatory information, in addition to the measured data.

In 2013, S Group monitored energy consumption in a total area of 4.78 million gross square metres (2012: 4.51 million gross m²). The increase in the area is partly due to the new outlets and partly to the expansion

of existing ones. For example, Prisma Kannelmäki in Helsinki was expanded in 2013 and is now the Kaari shopping centre.

S Group's total electricity consumption in 2013 amounted to approximately 1,176 GWh (2012: 1,157 GWh). This equals the electricity consumption that is consumed in washing laundry by all Finnish households over the course of three years. Electricity consumption increased slightly compared to the previous year. The warm summer season affected this change in consumption. Nearly a third of the electricity consumed by S Group is used for refrigeration in grocery stores. In a hot summer, the refrigeration system has to work harder, which also increases its electricity consumption.

The weather-corrected consumption of heating energy (district heat, geothermal and ground source heat, oil and

HEAT CONSUMPTION

-9.5%



S Group's heating energy consumption was 9.5% lower than in 2012.

Systematic energy saving in a key role



natural gas) was approximately 418 GWh (2012: 462 GWh), which means a reduction of approximately 9.5 per cent in heat consumption. The weather-corrected consumption of heating energy has continued to decrease, in line with the previous years. The consumption of heating energy measured in weather correction is normalised to match the weather data of a 'normal' year. Approximately three per cent of the reduction in consumption is due to the change in the national normal year used in weather correction: the heating needs figures of the new comparison period are slightly lower than in the previous period. 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.

In 2013, water consumption amounted to approximately 1.87 million cubic metres (2012: approximately 1.76 million m³), showing an increase of 6 per cent compared to the previous year. In S Group, the petrol station and hotels account for the highest water consumption. The main reasons for the increased water consumption include more accurate reporting and an increase in the number of locations included in consumption monitoring.

Energy data reporting has improved and data are more extensive than in the previous year. The reported figures are based on data measured and reported by building or

flat. Their coverage in terms of the locations monitored is as follows: 88 per cent in building area, 82 per cent in energy consumption and 62 per cent in water consumption. The coverage of data has improved in all areas. 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. The coverage of data is the best in the grocery stores, petrol stations and hotels.

Measures for more efficient use of energy

S Group uses energy roughly for four large-scale purposes: cooling, lighting, ventilation and heating. Energy efficiency is taken into consideration both in the daily activities and when building new outlets and renovating existing ones. For example, the energy efficiency of cold storage equipment has been improved considerably. Replacing cold storage equipment with coolers that have doors or covers has continued according to plan when new appliances have been acquired. All new cold storage equipment is also equipped with doors or covers.

Lighting will receive increased attention in the future. 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 neon lights. S Group has also piloted using LED lights for the lighting of an entire store.

Remote management of energy use in buildings is an important way of saving energy. In 2013, two new co-operatives joined the remote management system. Currently, the system includes approximately 300 premises of SOK and twelve regional co-operatives. In remote management, the efficiency of building service technology is monitored in a centralised manner. In addition, on-site visits are paid on a regular basis, which help locate any defects and shortcomings in the buildings. Approximately 500 on-site visits were paid in 2013. 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 1.8 million lower in 2013 than in 2012.

In S Group, cooling is one of the main consumers of electricity. Traditionally, cooling has been provided by means of various kinds of hydrofluorocarbons (HFCs). The problem with these refrigerants is their high GWP value, which describes their warming impact on the atmosphere compared to carbon dioxide. The EU will ban refrigerants with a high GWP value. The ban will become effective gradually so that as of 1 January 2020, the currently most common



Systematic energy saving in a key role

refrigerants (with a GWP value over 2,500) are no longer permitted in new refrigeration facilities. The use of these agents in maintenance will end on 1 January 2030. S Group is already making preparations for the ban.

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 70 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.

S Group is drawing up energy certificates based on calculatory energy consumption, according to the new law, for stores and hotels. The official calculation method focuses only on assessing the building's energy consumption and does not take into consideration store refrigeration, which accounts for approximately half of the energy consumption in grocery stores. In reducing the use of energy, it is often worthwhile to invest in the energy efficiency of the refrigeration system, even though it does not impact the energy class details in the energy certificate. The most important methods are cold storage equipment with doors and freezers with covers, as well as producing refrigeration as efficiently as possible. The most important measures undertaken by S Group to reduce energy consumption in buildings are lighting control and adjusting lighting levels based on need.

Sale Enonkoski, a small local grocery store with optimal efficiency

When the life cycle costs of a building are estimated, the costs of using various technical systems are also considered in addition to the investment price. Of these costs, energy usually accounts for the single largest expense item.

The energy efficient Enonkoski Sale opened in March 2013. The most important differences in energy consumption compared to a 'regular store' include improved heat insulation and properly insulated base floor, ceiling and walls. In addition, the interior height and volume of the store have been optimised. The draught lobby is equipped with two air curtains that blow air at the entrance to prevent the flow of cold outside air from entering when the doors are open. A blower at the inner doors also warms the draught lobby, making it semi-warm.

Energy efficient luminaires are used in lighting, and the intensity of lighting is adjusted as needed. The lighting is pointed at product shelves rather than the floor, and the lighting control system is more versatile than usual.

The store technology used is also modern and saves energy and the environment. Heat generated by refrigeration is used to heat the building. All cold storage equipment have covers or doors, and the efficient and natural CO₂ is used as refrigerant in refrigeration equipment. These solutions aim to achieve energy savings of 40 per cent compared to a traditional refrigeration system. The total energy consumption of the store is only half of that of an average Sale store.

Systematic energy saving in a key role



Procurement and origin of energy play a key role

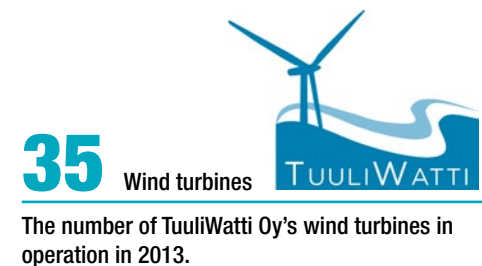
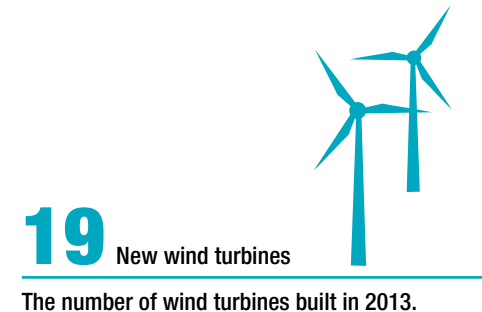
As a whole, S Group's electricity consumption is high: we consume more than one per cent of the total electricity consumed in Finland in our more than 1,600 outlets. This makes us one of the ten largest consumers of electricity in Finland. Electricity procurement in S Group is handled by S-Voima Oy. 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.

In 2013, 83 per cent of S Group's metered electricity consumption consisted of Kimppasähkö (determined directly on the basis of the market price of electricity) procured by S-Voima Oy. Seventeen per cent was electricity procured by regional co-operatives from national and regional utility companies. TuuliWatti Oy, founded in 2009, is a joint venture company specialising in the production of industrial wind power. It is owned by the energy company St1 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 35 wind turbines in operation. A total of 19 new wind turbines were built in 2013, corresponding to 51 per cent of Finland's entire new wind power capacity for the year. In addition, 43 new wind turbines are being constructed and will be completed in 2014–2015. 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. The goal is for wind power to account for 50 per cent of electricity used by S Group in 2016. In 2013, 9.2 per cent of S Group's electricity consumption was covered by the Group's own wind power.

Investing in wind power does not reduce the importance of energy saving measures carried out in S Group. Operations, which are as energy efficient as possible, is an objective shared by all chains in S Group.



Systematic energy saving in a key role



S Group participated in WWF's Seize Your Power campaign

WWF's global Seize Your Power energy campaign challenged all Finnish municipalities and other players and companies to invest in new wind or solar power. S Group accepted the challenge and committed to making additional investments in wind power through TuuliWatti Oy's project. In the project, two 5 MW wind turbines will be built in southern Finland. The wind turbines, to be completed in 2014, will be the most efficient in Finland so far.

Investing in renewable, environmentally friendly and emission-free wind energy means investing in the future. It is a method that helps S Group impact global challenges, such as climate change.

"The investment in the Märynummi area in Salo is truly significant on the Finnish scale. By means of its positive example, S Group shows that moving towards a future relying completely on renewable energy is possible."

Hanna-Liisa Kangas, Climate Coordinator, WWF Finland

Keeping emissions at bay



The prevention and systematic reduction of emissions into the soil and atmosphere are an important part of environmental responsibility in the fuel trade. S Group's operations generate greenhouse gas emissions, in particular, into the atmosphere but also produce volatile organic compounds, or VOCs. Fuel distribution causes a risk of soil contamination and ground water pollution.

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

In 2013, carbon dioxide emissions from S Group's electricity and heat production amounted to slightly more than 318,000 tonnes (2012: 348,000 tonnes). In terms of electricity and heat, the emissions for the reporting year are always calculated using the previous year's specific emission coefficient. This is because the emission coefficients for the reporting year are available only after the publication of S Group's Responsibility Review. The emission coefficients vary by year and depend on the fuels used in energy production 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. This is not yet reflected in the emission figures presented here, since the emissions were calculated using the 2012 emission coefficients.

Transportation emissions

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 logistics company for groceries and consumer goods, and Meira Nova Oy, the procurement and logistics company for hotels and restaurants, require that transportation companies continuously improve their operations in order to reduce their environmental impact.

Transportation companies which are Inex Partner's contract partners are monitored in accordance with a separate audit programme. The areas inspected in the audits include training provided for truck drivers in economical driving techniques, temperature monitoring, hygiene, loading efficiency, optimisation of routes, fuel consumption and the quality of the transport fleet (such as the Euro classification of engines). In 2013, Inex Partners audited one transportation company (2012: 2). 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.

Inex Partners and Meira Nova monitor transportation emissions annually by means of a survey conducted among transportation companies. The survey maps, for example, the total kilometres driven, fuel consumption and engine classification. The emission calculations are based on the tonnes transported and fuel consumption data, using emission coefficients from the LIPASTO system for traffic exhaust emissions and energy consumption calculation developed by VTT Technical Research Centre of Finland. The 2013 figures cover 83 per cent of transportation companies used in domestic transports and 48 per cent of companies used in international transports.

In 2013, GHG emissions from Inex Partners' domestic transports totalled slightly over 49,000 tonnes (2012: 40,490 tonnes). The GHG emissions per one tonne transported in domestic transportation were 18.7 kg (2012: 16.6 kg). The increase in the emissions



Keeping emissions at bay

from domestic transportation is due to the increased transportation volumes. In 2013, the GHG emissions from Inex Partners' international transports totalled slightly over 20,480 tonnes (2012: 15,518 tonnes). The GHG emissions per one tonne transported in international transports were 154 kg (2012: 82.6 kg). The considerable fluctuation in the relative development of emissions in international transports is due to the varying reliability of source information. Obtaining information on international transports is difficult, and in 2013, less than half of the transportation companies responded to the survey. In addition, transportation companies report all of their transport emissions and do not itemise Inex Partners' share of the emissions.

Fifty-nine per cent of the Finnish transportation companies Inex Partners uses have a quality or environmental system in place, and 70 per cent of international transportation companies have the same. Of the domestic transportation companies, 59 per cent has signed the energy efficiency agreement on goods transport. Training in economical driving techniques has been taken by 84 per cent of drivers in domestic transports and by 88 per cent of drivers in international transports.

The GHG emissions from Meira Nova's domestic transports in 2013 totalled 4,965 tonnes (2012: 4,996 tonnes). In domestic transports, GHG emissions per transported tonne amounted to 25.4 kg (2012: 27.5 kg). Eighty-six per cent of the transportation companies have a quality or

environmental system in place, and 36 per cent of transportation companies has signed the energy efficiency agreement on goods transports. Training in economical driving techniques has been taken by 90 per cent of the drivers.

Focus on the environmental impacts of work-related travel

S Group's travel policy takes environmental aspects into consideration. Phone and web meetings are used instead of travelling whenever it makes sense and is possible considering the objective of the meeting. S Group has approximately 70 pieces of video conferencing equipment in use. S Group implemented a chat application in the autumn of 2013, and by the end of the year, the application had approximately 5,000 users. The intention is to have the majority of office staff use the application in 2014. Using the application has reduced travel and made communication with Russia and the Baltic countries, in particular, easier.

The online travel reservation service provided by our travel agency shows the carbon dioxide emissions of each flight. This enables the person making the reservation to also consider the environmental impacts of the planned trip. Carbon dioxide emissions generated by air travel related to S Group personnel's work travel totalled 1,780 tonnes in 2013 (2012: 1,860 tonnes). Primarily, the reduction in

emissions is due to declined air travel and shorter trips. Airlines have also invested in the energy efficiency of their planes when renewing their fleet, for example.

SOK Corporations' company car acquisition guidelines set the maximum emissions limit at 170 g CO₂/km (2012: 160 g CO₂/km). Although the maximum emissions limit has been raised slightly, the actual emission average of cars used by SOK Corporation has been decreasing continuously. In 2013, the emission average of company cars was 136 g CO₂/km (2012: 140 g CO₂/km). Acquiring low-emission FlexFuel vehicles is recommended. No emissions limit has been set for these vehicles. The recommended fuel is EkoFlex E85, whenever possible.

Initiatives to reduce GHG emissions

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

Inex Partners' consumer goods logistics centre completed in Sipoo (30km from Helsinki), in spring 2012 uses geothermal heat and bioenergy for heating and cooling.

Keeping emissions at bay



Approximately half of its yearly heating needs is covered by geothermal heat and the rest by pellets. The environmental impact of the logistics centre, heated almost entirely with renewable energy, is less than seven per cent compared to the use of district heat.

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

Work to minimise environmental risks in Petrol Stations

At the end of 2013, a total of 362 out of S Group's 433 petrol stations had an environmental permit or a registration notification in accordance with the new government decree (2012: 364). ABC pays special attention to the technology and monitoring of the petrol station forecourts.

The condition of all S Group's petrol station forecourts is inspected regularly. A station manager has been assigned for each forecourt who is responsible for monitoring it. The station managers receive regular training in their work. In addition, the technology of the forecourts is constantly being developed to ensure safety and operation.

The government decree on the environmental protection requirements of liquid fuel petrol stations requires that the stations have drawn up a quality assurance report on those work stages that are extremely demanding in terms of environmental protection. The Finnish Petroleum Federation organises degree training on the quality assurance of the environmental construction of petrol stations. Persons who pass the training are qualified to build petrol stations in accordance with the requirements and to draw up the report required by the decree. In order to ensure that the obligations of the decree are met, ABC only uses contractors with a person responsible on staff who has taken this training.

Petrol releases volatile organic compounds (VOC) into the atmosphere. Petroleum vapours generated when filling the tanks at the stations have been recovered for a long

time. In addition, new and renovated filling stations are equipped with systems that recover petrol vapours released when filling. At the end of 2013, 63 per cent of ABC stations had such recovery systems (2012: 59%). 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 2013 totalled 715 tonnes (2012: 718 tonnes). The new petrol vapour recovery systems have reduced S Group's VOC emissions as well.

Aiming for reduced amounts and increased reuse, recycle and recovery of waste



Reducing the amount of waste and reusing, recycling and recovering 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, recycling and recovering waste as effectively as possible.

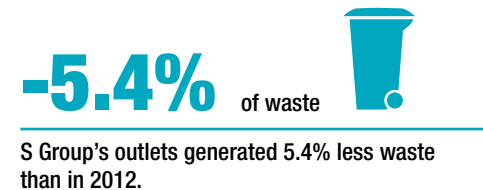
The new Waste Act came into force on 1 May 2012. The objective of the renewed Waste Act is to promote the prevention of waste generation and the reuse of products, increase recycling and reuse of waste and reduce the amount of waste that ends up in landfills. For S Group, the most important factors are the prohibition to deposit biodegradable waste in landfills and the obligation to accept discarded Waste Electrical and Electronic Equipment (WEEE).

S Group has defined the key areas of improvement for material efficiency, to which we will pay special attention. 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. 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 a landfill also reduces waste management expenses through lower waste taxes.

Reducing the amount of waste

S Group succeeded in reducing the amount of waste, since in 2013, we generated approximately 105,000 tonnes of waste (2012: 111,000 tonnes). In other words, the total amount of waste generated decreased by more than 5 per cent from the previous year. The waste generated included approximately 102,000 tonnes of municipal waste and about 2,400 tonnes of wet waste, such as waste from grease traps and sand traps, as well as septic tank sludge. S Group's reuse, recycling and recovery rate of waste increased to 88 per cent (2012: 85%). The amount of S Group's waste taken to landfills decreased by 26 per cent from 2012 to 2013. Proportional to retail, the amount of waste also decreased, in line with the previous year.



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 80 per cent of S Group's outlets. Compared to 2012, the coverage of waste data has improved considerably. 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.

Aiming for reduced amounts and increased reuse, recycle and recovery of waste

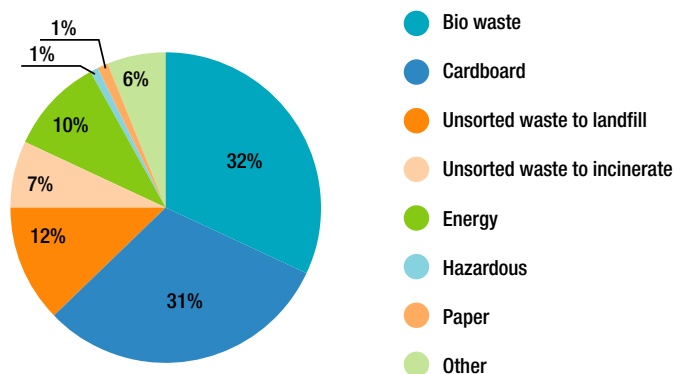


Efficient reuse, recycling and recovery

Recycling, recovering and reuse of waste requires waste sorting facilities, containers and other equipment and, above all, skilled personnel. Opportunities to reuse various waste fractions varies by region in Finland, but S Group's outlets strive to sort waste fractions and reuse, recycle or recover them as efficiently as possible, given the region's resources. This is indicated by S Group's good reuse, recycling and recovery rate of 88 per cent.

Waste in S Group is divided into the following fractions. Quantitatively, the largest fractions are bio waste and cardboard, as well as unsorted mixed waste and waste-to-energy. The amount of bio waste remained nearly

S Group's waste in 2013



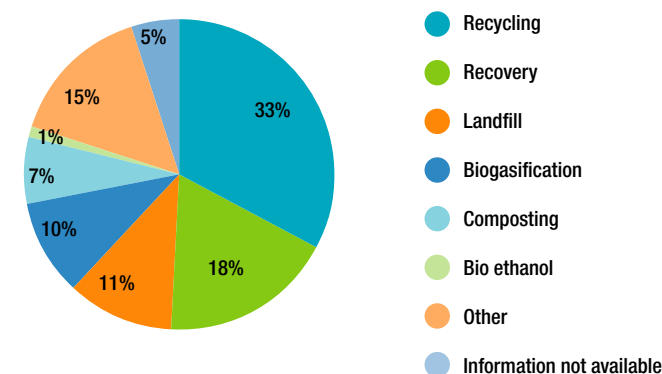
unchanged compared to 2012. The amount of cardboard reduced by 2,000 tonnes compared to 2012. Unsorted mixed waste includes waste to landfills and waste to be incinerated. The amount of waste to landfills decreased by approximately 4,300 tonnes compared to 2012. By contrast, the amount of waste to be incinerated increased by nearly 2,500 tonnes. The amount of waste-to-energy increased by approximately 400 tonnes compared to 2012. Thus, part of waste that was previously landfilled was incinerated. This was contributed to by two new waste incineration plants opened in Vaasa and Oulu in 2012.

"The waste incineration plant and the sorting facility of the waste centre completed in 2012 raised the reuse, recycling and recovery rate of municipal waste in the Oulu region so high that only about 3.6 per cent of the total amount of municipal waste was taken to landfills in 2013. It is great to see that the incineration plant has motivated residents and companies to separate waste not used in energy production but suitable for recycling, such as glass, metal, bio waste, from waste that can be incinerated. Waste incineration has thus increased the eagerness to recycle."

Markku Illikainen, Director, City of Oulu Waste Management.

S Group's objective is to reuse, recycle and recover the generated waste effectively. The above figure shows the forms of waste management S Group's uses. Reporting must be improved since the form of waste management is not reported for five per cent of waste. A third of the waste is reused as materials and nearly a fifth is reused as energy. Bio waste is used, in particular, for biogasification, composting and the production of bioethanol.

S Group's waste treatment in 2013



Aiming for reduced amounts and increased reuse, recycle and recovery of waste



Measures to reduce the amount of waste and increase reuse

The new consumer goods logistics centre prepares the products for selling for all Prisma, Sokos and Emotion stores and the largest S-markets in Finland. The preparation for selling and repackaging produce waste in the logistics centre, because products are unpacked from cardboard boxes and protective plastic covers before they are placed in plastic boxes for delivery to stores. The preparation for selling has been carried out earlier, but the new logistics centre expanded the operations. The new operating model has moved cardboard, plastic and energy waste, in particular, from stores to the logistics centre. Since sorting is easier in the logistics centre than in stores, the change in the operating method is also reflected in S Group's recycling, reuse and recovery ratio.

The consumer goods chain management defined the principles of waste management for S Group stores in 2013. The goal was to harmonise how waste management is organised in the stores. Hotels have also provided instructions to personnel and improved the effectiveness of sorting of waste from rooms.

Increased attention has been paid to the waste management facilities and their functioning when designing outlets. Sorting at outlets in rural population centres has been made more effective, and other outlets have also renewed sorting bins and containers equipment to facilitate sorting. Some outlets have switched to using smaller containers for unsorted waste, and this has improved the recycling, reuse and recovery ratio of the outlet.

The grease used in S Group's restaurants and stores is recycled for example, to make biodegradable lubricants. Seventeen co-operatives participate in recycling.



Aiming for reduced amounts and increased reuse, recycle and recovery of waste



Less food loss

A product may remain unsold and end up as waste for many reasons. It can expire or break, or its quality no longer meets expectations. S Group has defined measures to minimise each of these factors. Efficient management of the order-supply chain guarantees quick product turnaround to minimise wastage. Packaging has been improved in co-operation with suppliers so that products survive the logistics chain and do not end up as waste too soon. The quality of fruit and vegetables is consistently evaluated. Inventory turnaround and temperature control in warehouses are being continuously improved in order to keep the products fresh and in good condition for as long as possible.

Reducing the amount of waste is a routine activity at Inex Partners Oy's logistics centres. Fruits and vegetables that fail to meet the quality standards of sellable produce are sold at reduced prices to market sellers and equivalent parties approved by the Finnish Food Safety Agency Evira. The personnel store sells usable products that cannot be sold customers. Areas of improvement are being sought by means of regular packaging audits performed at the Kilo logistics centre and by means of the 'Top 15 broken items' list in co-operation with suppliers in order to improve the logistical durability of packages.

In Meira Nova's logistics centre in Tuusula, the amount of waste has been reduced by more effective expiration checks upon receiving products; implementation of a voice

>>>>>>



Aiming for reduced amounts and increased reuse, recycle and recovery of waste



picking system; use of a thinner stretch plastic film and by optimising the picking sequence so that heavy products are always placed at the bottom, among others. Products approaching their 'best before' date at grocery stores are sold at a discount in order to minimise the amount of food waste. Food loss in S Group's grocery trade was approximately 34,000 tonnes in 2013. The figure also includes products loss donated to charity. Therefore, not all products recorded as loss end up in bio waste. The number of stores donating food to charity increased considerably at the end of 2013 with the application of Finnish Food Safety Authority Evira's new guidelines for food aid. The loss proportionate to the sales volume, or loss by weight, was 1.8 per cent (2012: 1.96%).

On average, Finns throw 23 kilograms of food to waste annually. In February 2013, S Group and WWF together organised a round table event to find ways to reduce food loss in households. The participants in the event included opinion influencers, organisations, consumers, researchers and specialists, all of whom could contribute to reducing food loss.

The first national food loss week was organised in November 2013. To honour the week, vegetable loss from Co-op HOK-Elanto Prisma stores and Inex Partners was delivered to Haaga-Helia University of Applied Sciences' chef students as ingredients. The free portions created from the vegetables were handed out in Motiva's Saa syödä! ('Free to eat') campaign in the Narinkkatori in Helsinki.

Aiming for reduced amounts and increased reuse, recycle and recovery of waste



More food to charity

Some of the regional co-operatives have been working together with charities for a while now to donate bread, canned foods and other non-perishable food products, in particular. In May 2013, the Finnish Food Safety Authority Evira issued a guideline on donating foodstuffs to charity. The new guideline clarifies the policies of donating foodstuffs and the related responsibilities and also makes it easier to donate products marked with 'Use by' dates.

In accordance with the guideline, food safety must not be compromised, and the responsibility for safety is shared by both the stores donating food and the organisations handing out the donations. The store will be responsible for making sure that the donated products are suitable for consumption. For example, there must not be any signs of spoilage on the products and the packaging must be intact. The continuity of the cold chain of the donated products is ensured by collecting such food items into a designated place in the store. Donating food to charity is always a matter that co-operatives decide on individually. S Group's grocery stores have more than 100 food aid partners around Finland.

Diverse opportunities to recycle



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

In 2013, there were 311 recycling stations in or next to S Group outlets (2012: 213). The recycling stations accept, among others, cardboard, cartonboard and liquid packaging board, paper, glass and metal and clothes.

Retail outlets started accepting on 1 May 2013 decommissioned WEEE, such as energy saving bulbs, mobile phones, coffeemakers and cameras. Customers can return decommissioned small WEEE, fluorescent lamps and energy saving bulbs to our biggest outlets. Stores accept returns of larger appliances if a new appliance is bought in the store. Other outlets will provide information on the nearest official collection point.

All grocery stores, have a recycling point for refundable plastic bottles and cans. Usually the reverse vending machines also accept non-refundable plastic and glass bottles and cans. In the spring of 2012, the recycling network for refundable glass bottles was expanded. Today, such bottles can be returned to reverse vending machines at all S Group outlets. Glass is an ideal material for recycling since it can be practically reused indefinitely. In terms of cleanliness, the quality of recycled glass collected through the refundable bottle collection system is the best. Just like glass, aluminium can also be recycled

nearly indefinitely. The returned aluminium cans are melted and the material is used for manufacturing new cans in a highly energy efficient manner. Non-refundable cans should also be recycled in order to reuse the raw material and save natural resources. Just like with cans, the raw material is recycled in refundable plastic bottles.

Finns are very diligent about returning refundable beverage containers. The returning rate of cans is approximately 96 per cent, that of refundable plastic bottles about 94 per cent, and nearly 90 per cent of refundable glass bottles are also returned. More than 46 million refundable glass bottles, over 548 million beverage cans (2012: over 540 million) and more than 303 million refundable plastic bottles (2012: 153 million) were returned in 2013 through the reverse vending machines at S Group outlets. This amounted to approximately 21,400 tonnes of glass, more than 7,400 tonnes of aluminium and over 10,500 tonnes of plastic recycled.

The majority of textile waste generated in Finland ends up in landfills. The most effective way of recycling old clothes is to take them to clothes collection stations, since using textile fibres as material is challenging. This is because numerous different materials are used in textiles (such as

QUANTITY OF REFUNDABLE
PLASTIC BOTTLES

Over **303** million



The number of plastic bottles returned to bottle return stations in S Group outlets in 2013.

Diverse opportunities to recycle



cotton, synthetic fibres). Separating textiles made from different materials is not effective today, and not all fibres can be reused. A large quantity of clothes is also collected at the recycling stations in connection with S Group outlets. For example, the clothes collection stations maintained by UFF accumulated 2,160 tonnes of clothes (2012: 1,500 tonnes).

All batteries contain substances that are hazardous or harmful to the environment. Therefore, it is very important to collect and handle accumulators and batteries properly, since it reduces the burden on the environment and helps reuse the raw materials. Currently, approximately 33 per cent of used portable accumulators and batteries are recycled, and the collected amount is constantly increasing. Customers may return portable accumulators and batteries to all S Group outlets that sell batteries. The red cardboard return box has become familiar to customers: the quantity of portable accumulators and batteries returned to S Group outlets has increased from 116 tonnes in 2009 to 269 tonnes in 2013 (2012: 236). This means that almost a quarter of all recycled portable accumulators and batteries are collected through S Group outlets.

"UFF greatly appreciates the opportunity provided to it by S Group to collect recycled clothes at the Group's outlets. Making recycling easy and available to customers running their daily errands makes it more popular and saves natural resources. By working together, S Group and UFF directly impact consumers' recycling behaviour. This results in surprisingly large amounts of recycled clothes collected at the clothes collection stations at S Group outlets."

Heidi Heinonen,
communications and fundraising coordinator, UFF

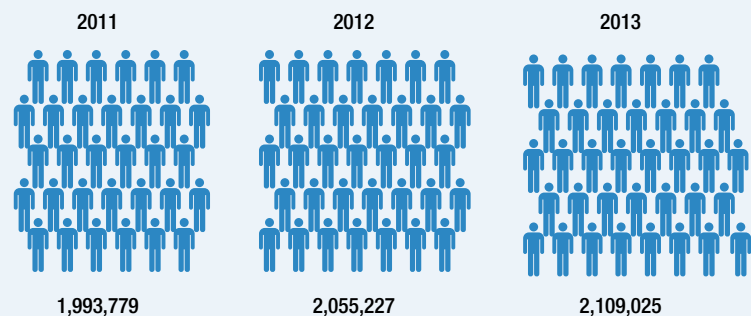


S Group in figures

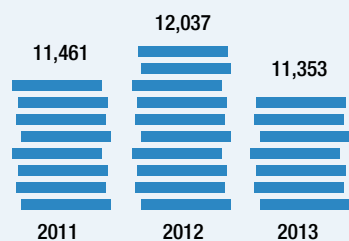


Key figures 2013

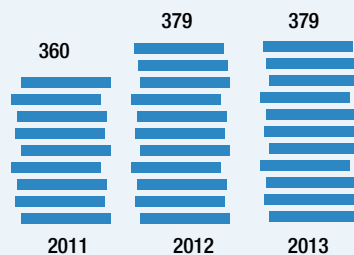
Co-op members



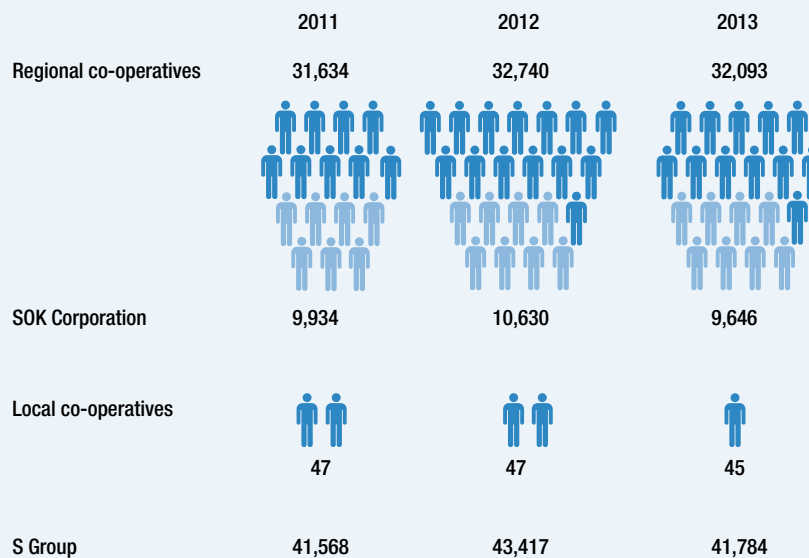
Retail sales, EUR million



Bonus paid, EUR million



Personnel

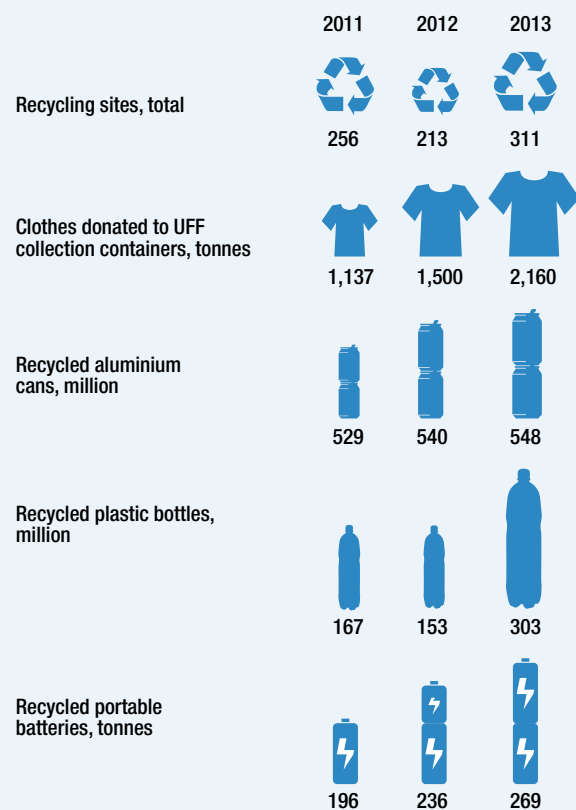


The count includes S Group's entire personnel.

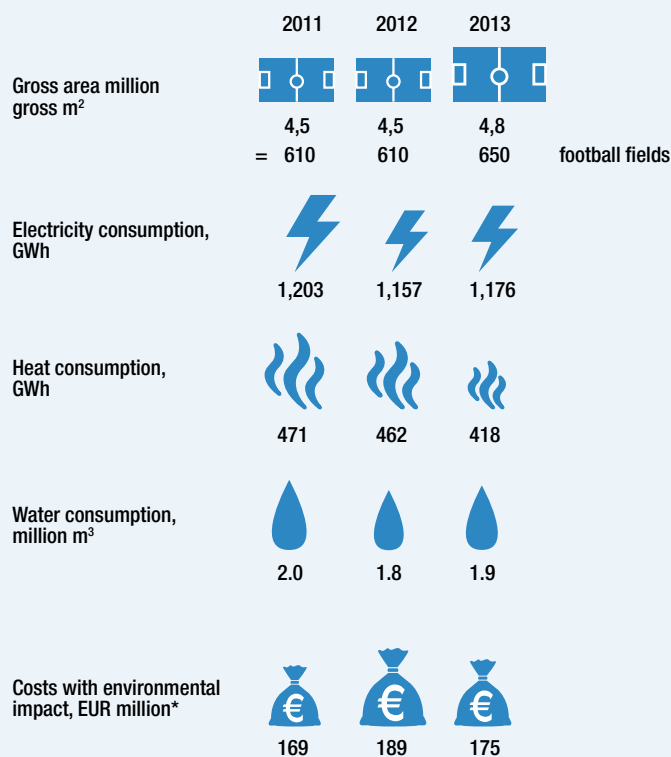
Key figures 2013

Recycling services

(in S Group outlets or in connection with them)



Real property information



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

Key figures 2013

ECONOMIC RESPONSIBILITY			
	2011	2012	2013
Co-op members	1,993,779	2,055,227	2,109,025
Retail sales, EUR million (VAT 0%)	11,461	12,037	11,353
Bonus sales, EUR million	9,051	9,444	9,541
Bonus paid, EUR million	360	379	379
Investments, EUR million	546	573	566
Profit before extraordinary items, EUR million	269	212	226
Number of co-operatives, including local co-operatives	29	29	28
Number of outlets in Finland	1,643	1,663	1,608
SOCIAL RESPONSIBILITY			
Number of employees	2011	2012	2013
Regional co-operatives	31,634	32,740	32,093
Local co-operatives	47	47	45
SOK Corporation	9,934	10,630	9,646
S Group	41,568	43,417	41,784
Personnel turnover, permanent employees (%)	22.9*	16.5**	13.7

*) The 2011 figure contains the personnel of S Group's regional co-operatives (with the exception of Koillismaa), Sokotel, Hankkija-Maatalous and SOK. The increase in personnel turnover is partly explained by the divestment of five Sokotel hotels.

**) 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.

Key figures 2013

SOCIAL RESPONSIBILITY			
Type of employment (%)	2011*	2012	2013
Permanent	86	86	86
Fixed-term	14	14	14
Full-time	38	39	39
Part-time	62	61	61

*) The 2011 figures contain the personnel of S Group's regional co-operatives (with the exception of Koillismaa), Sokotel, Hankkija-Maatalous and SOK.

Gender distribution (%)	2011	2012	2013
Women	74.8	74.8	73.0
Men	25.2	25.2	27.0

Results of S Group's work community survey	2011**	2012	2013	General norm in Finland 2013
Work community index (including all questions)*	72.3	72.7	71.7	63.5
Dedication index	76.3	76.1	75.3	69.1
Commitment index	73.1	72.6	70.7	65.4
Management index	72	72.7	71.9	61.5
Performance index	69.4	70.3	70	59.7

*) In 2011, a new survey provider was used and the survey was modified. The work community index is based on 22 core questions and contains the indices given in the table. The survey results were presented as indices for the first time. The results were weighed by the number of respondents.

**) The figures contain the regional co-operatives, SOK Corporation (with the exception of Sokotel) and Hankkija-Maatalous.

Key figures 2013



SOCIAL RESPONSIBILITY			
Training	2011	2012	2013
Training days, Jollas Institute	2,030	1,778	1,718
Number of students at Jollas Institute	34,000	20,722	19,301

ENVIRONMENTAL RESPONSIBILITY (The tables contain S Group's operations in Finland)			
Packages	2011	2012	2013
Imported packages to Finnish market (tonnes)	70,759*	63,584*	64,317

*) The amount of imported packages have been recalculated after the publication of the responsibility review 2012.

Environmental risks	2011	2012	2013
Recovery of fuel vapour (pcs)	236*	249*	272
VOC emissions in petrol sales (tonnes)	749*	718*	715
Number of environmental permits and registration notifications for fuel distribution (pcs)	359*	364	362

*) The figures have been recalculated after the publication of the responsibility review 2012.

Waste	2011	2012	2013
Total amount of waste generated (tonnes)	107,000	111,000	105,000
Reuse/recycling rate (%)	82	85	88

GRI table 2013

This S Group's Corporate Responsibility Review 2013 is the second one in which we apply the Global Reporting Initiative (GRI) guidelines. The Review covers S Group's operations in Finland. It does not contain separately those GRI figures which are included in employers' statutory obligations or collective labour agreements in Finland. This Responsibility Review has not been audited, but according to our assessment, it is GRI G4-compliant. Corporate responsibility specialist Ratkaisutoimisto Vinha has also reviewed S Group's 2013 Responsibility Review and confirms that reporting meets the GRI G4 requirements.

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GRI table 2013



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GRI table 2013



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GRI table 2013



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Definitions of terms and calculation of key indicators



Definitions of terms and calculation of key indicators

Key terms used and calculation formulas are described in greater detail on this page. All indicators presented in this Review only apply to S Group's operations in Finland, unless stated otherwise.

Co-op member

A co-op member is an individual member of S Group's co-op membership system.

S-Etukortti

The S-Etukortti card is the membership card of S Group's co-operatives, a symbol of co-op membership and a key to benefits available for co-op members. An S-Etukortti card is personal. Members of the same household as a co-op member will receive their own S-Etukortti cards. The S-Etukortti card can be a cash card or payment features offered by the S-Bank can be included in it.

Bonus

The Bonus is a purchase reward paid on purchases from S Group and its co-operation partners. The Bonus amount is determined by the total monthly purchases of the co-op member household and the Bonus table of the household's own co-operative.

Payment method-related benefit

The payment method-related benefit is a benefit of 0.5%, accumulated from purchases covered by the payment method-related benefit and made in S Group outlets in Finland and paid with an S-Etukortti card. The payment method-related benefit is calculated from the monthly purchases of the co-op member household.

Return of the surplus

A co-operative can distribute to its members a share of the result of the financial period by paying them a return of the surplus, among other things. The return of the surplus to be paid is determined on the basis of the purchases made by the co-op member household in the co-operative during the financial period, based on the percentage decided by the Council of Representatives. The decision regarding the payment of the return of the surplus is made annually by the co-operative's Council of Representatives in connection with the adoption of the financial statements.

Interest on membership fee

A co-operative can distribute to its members a share of the result for the financial period, among others, by paying interest on the membership fees invested. The decision regarding the payment of the interest on membership fee is made annually by the co-operative's Council of Representatives in connection with the adoption of the financial statements.

GWh

Gigawatt hour = one million kilowatt hours (kWh)

CO₂

Carbon dioxide, a greenhouse gas which considerably contributes to the warming of the climate.

Recycling and energy recovery rate (%) =

$$100 - \frac{\text{Volume of landfill waste}}{\text{Total volume of waste}} \times 100$$

Definitions of terms and calculation of key indicators



Accident at work

An accident at work includes all accidents reported to the Insurance company regardless of the level of severity.

Accident frequency =

$$\frac{\text{The number of accidents between 1 January and 31 December}}{\text{Number of work hours completed between 1 January and 31 December}} \times 1,000,000 \text{ hours}$$

Personnel turnover =

$$\frac{\text{Number of permanent employees who left the company in 2013 (the situation on 31 December 2013)}}{\text{Number of permanent employees (the situation on 31 December 2012)}}$$

GWP

Global Warming Potential, an index which depicts the impact of a substance on climate warming. The values of other substances are compared with carbon dioxide, for which the value is 1.

Heating degree day

A heating degree day is a measurement used to render the actual consumption of various types of heating energy mutually comparable. Using the heating degree day measurement in estimating the heating need of a building is based on the building's heating energy consumption being nearly directly proportionate to the difference between the indoor and outdoor temperatures. The new comparison period mentioned in the text covers the years 1981–2010.



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