
TOKMANNI
TARVIKKEET
kotikulta
SUSTAINABILITY
AVAILABLE FOR ALL
Sustainability Report 2020

HIGHLIGHTS OF 2020

SCIENCE-BASED CLIMATE TARGETS

We were the third retail company in the Nordic countries to set approved climate targets* that comply with the Science Based Targets initiative:

-70%
Absolute emissions from our own operations in 2025.**

80%
of our suppliers will set science-based climate targets by 2025.

*The goal is to keep our planet's maximum warming limit at 1.5 degrees Celsius.
**Compared to 2015.

Our turnover grew by 13.6% to EUR 1,073.2 million. As a thank you to our employees, we rewarded them with a total of EUR 3.7 million for their excellent work.

Emissions from our own operations in 2020***

-7.5%

***Scope 1 & 2

IMPROVEMENT TO OUR CDP CLIMATE CHANGE SCORE

Tokmanni's CDP **score B** is the third best in Carbon Disclosure Project's climate scoring. CDP is a non-profit charity which runs a global disclosure system for different operators to manage their environmental impact.

Solar panels on the roofs of every 5th Tokmanni store.

TOKMANNI ♥ FINNISH RED CROSS

We continue our collaboration with the Finnish Red Cross to combat loneliness and social exclusion in our society. In 2020, we helped the Finnish Red Cross to support approximately 2,500 people through the friend volunteer activities.

53,000 € TO PROTECT THE BALTIC SEA

For every Pisara product sold between May 1 and August 30 2020, we donated 5 cents to the John Nurminen Foundation to support the protection of the Baltic Sea.

Tokmanni and Unilever Finland made a product donation of

100,000 €

to the Veikko ja Lahja Hurstin Laupeudentyö ry charity organisation.

Tokmanni scored 48.1 points in the Status of Human Rights Performance of Finnish Companies (SIHTI) project run by the Finnish Prime Minister's Office. This is well above the average (23.9/100) of companies assessed according to the UN Guiding Principles on Business and Human Rights (UNGPs).

94%*

of factories situated in risk countries had a valid BSCI audit in place where the working conditions were audited. In addition, our own experts made 60 factory inspection visits in 2020.

TRACEABLE TEXTILES

We joined Aalto University's FINIX project to develop technology and tools to improve the traceability of textiles.

We piloted anonymous recruitment. Its extensive deployment requires updates to our recruitment system, which are currently underway.

*We require the factories we use to have a valid BSCI audit. Audit is not always renewed in time, which is why it is difficult to achieve 100% coverage in practice.

YEAR OF THE PANDEMIC

In March 2020, the COVID-19 pandemic caused disruption all over the whole world.

THE FIRST INFECTION was detected among Tokmanni's staff in March.

"At the time, the authorities did not provide clear instructions, so as a precautionary measure we made the decision to close the store immediately for the weekend," says **Sirpa Huuskonen**, HR Director at Tokmanni.

In addition to Sirpa, three other members of the Executive Group and three experts established a special group to decide on and coordinate measures related to COVID-19. The group communicates daily amongst themselves and also regularly with the staff.

THE STORES ARE CLEANED AND CONTACT SURFACES DISINFECTED DAILY

DURING THE PANDEMIC, Tokmanni had been informed of 17 confirmed coronavirus infections among personnel by the end of 2020.

"We always follow official instructions as a minimum, but we also take our own measures as well. In the event of infection, the store has always undergone intensive cleaning and disinfection, and all those involved with the sick person have been told to quarantine," Sirpa says.

In the event of infection, Tokmanni stores have for the most part been closed down only during the intensive cleaning. However, all stores are cleaned and contact surfaces disinfected twice a day even if no-one has become infected.

MARCH

In March 2020, Tokmanni had its first **coronavirus infection amongst its staff** in Laitila.

Tokmanni establishes a **group to discuss COVID-19-related matters**.

Floor stickers and store announcements remind people to keep a safe distance from one another. The first opening hour is dedicated to customers who belong to risk groups. The stores' contact surfaces are disinfected twice a day.

APRIL–MAY

The Call and Collect Service offers risk-group customers the opportunity to purchase products by phone or email.

Hand sanitising stations are installed at the store entrances.

Office employees were **recommended to work remotely** since March 2020.

There is **a temporary delay in delivery for some products**, as factories are being closed down in China. However, orders are not being cancelled. Factory inspections are also on hold.

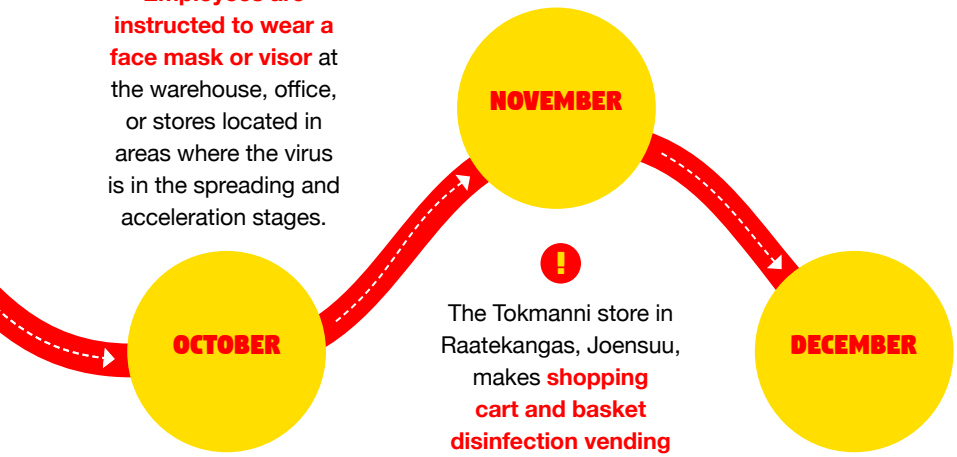
JUNE

After the drop in sales in spring, **sales rise to strong growth**. In particular, the demand for leisure, garden and home renovation products increases.

An additional bonus totalling **EUR 600,000 is paid to company personnel**, who were working in April-June, for successful work.

Tokmanni increases its support for the friend volunteer activities run by the Finnish Red Cross and donates requested crafts and drawing materials to children's hospitals.

THE STAFF IS MORE SATISFIED WHEN IT IS CLEAR THAT EVERYONE IS SUBJECT TO THE SAME RULES.



Employees are instructed to wear a face mask or visor at the warehouse, office, or stores located in areas where the virus is in the spreading and acceleration stages.

Tokmanni hires about **100 new warehouse workers** due to the growing demand.

The Tokmanni store in Raatekangas, Joensuu, makes **shopping cart and basket disinfection vending machines** available to customers.

All store **workers are required to wear a face mask or visor** when in the same space as customers. The same applies to the warehouse and office employees.

THE STAFF HAVE WORKED HARD DURING THE PANDEMIC

THE STORE STAFF in particular have been tested by these times.

"They have sometimes worked at their limits, for example when some of the store's staff were in quarantine. We wanted to rectify the situation by hiring more staff for the Christmas season," Sirpa says.

Each of the company's more than 3,000 store employees has also been offered the opportunity to go to a neck and shoulder massage, paid for by the company. In addition, employees were paid an additional bonus of EUR 600,000 in total for their good work.

The staff has also made several good proposals related to COVID-19 measures. For example, the pins used on the staff's shirts were an employee's idea to politely remind other people to keep a safe distance.

Towards the end of the year, Tokmanni extended the regional mask requirement to all employees. Employees can choose between a disposable or fabric mask, or wear a visor.

"We have noticed that the staff is more satisfied when it is clear that everyone is subject to the same rules," Sirpa says.

APPROXIMATELY 100 NEW EMPLOYEES WERE HIRED AT THE WAREHOUSE

WITH THE RECOMMENDATIONS and restrictions of the authorities, Finns have spent more and more time at home and in their leisure homes in Finland. Although Tokmanni's sales seemed to hit a wall for a short while in March, the business quickly recovered, as the demand for sporting and recreation products in addition to gardening and home equipment, for example, has risen even higher.

In order to prevent the goods from running out, approximately a hundred new employees were hired at the warehouse at the end of 2020.

Increased demand has also affected the planning of orders from Asia. In spring 2020, there were delays of 2–4 weeks in the delivery of products, as all the factories were closed in China. Creativity was needed.

"For example, some summer models of t-shirts were transformed into long-sleeved shirts due to later arrival. However, we didn't cancel any orders. Furthermore, we couldn't carry out as many of our own audits at the factories as planned," says **Emilia Koski**, Head of Corporate Responsibility at Tokmanni.

In preparation for the Christmas season, Tokmanni placed its orders around one month earlier than usual.

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DIRECTION

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



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FINLAND'S LEADING DISCOUNT RETAIL CHAIN

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

DURING 2020, Tokmanni expanded by opening five new stores and at the end of the year, Tokmanni had 192 stores located throughout Finland. Our corporate administration and logistics centre is located in Mäntsälä. In addition to its operations in Finland, together with the Norwegian company Europris ASA, Tokmanni jointly owns one half of a sourcing company located in Shanghai.

Tokmanni offers a wide assortment of products that offer great value for money in e.g. the home renovation and cleaning, clothing and leisure, and interior decoration and garden categories. Tokmanni's product range consists of its own private-label and exclusive products as well as non-branded products and leading international brands. Our private labels include Perfekt+, Pisara, Kotikulta, Priima, Brücke, Iisi, Pola and Tok Garden, among others.

Tokmanni does not own production facilities, as we purchase the products we sell directly from domestic and international producers, importers, and agents. We buy about 75 per cent of our products from Finnish suppliers, 15 per cent from Asia and 10 per cent from elsewhere in Europe. We are committed to responsible sourcing practices. Of the factories in high-risk countries, 94 per cent are BSCI-audited, so working conditions are audited by a third party and strictly evaluated.

Tokmanni's shares are listed on the main list of the Nasdaq Helsinki stock exchange. At the end of December 2020, there were 26,480 registered shareholders. ●

**IFRS 16 impact.*
***We require the factories we use to have a valid BSCI audit. Audit is not always renewed in time, which is why it is difficult to achieve 100% coverage in practice.*
****From 2020 onwards, having calculated a full Scope 3 inventory as part of our process to get Science-based climate targets approved, we start to report the carbon footprint of Scope 1 and 2 (our own operations), and Scope 3 (products and supply chain) separately.*

KEY PERFORMANCE INDICATORS

▲ **Revenue**
1,073.2
MEUR
944.3 (2019)

▲ **Comparable Operating profit* (Comparable EBIT)**
100.2
MEUR
70.4 (2019)

▲ **Employees**
4,056
3,659 (2019)

▼ **Permanent employees**
75%
78% (2019)

▲ *Growth from previous year*
▼ *Decrease from previous year*

▼ **Full-time employees**
33%
35% (2019)

▼ **Purchases from BSCI-audited factories****
94%
96% (2019)

Waste recovery
100%
100% (2019)

▼ **Total energy consumption**
113 361
MWh
114 335 MWh (2019)

▼ **Carbon footprint (own operations)*****
-7.5%
-46.3% (2019)



CUSTOMERS, EMPLOYEES AND PROFITABLE GROWTH ARE AT THE CORE OF OUR THE STRATEGY

Tokmanni's goal is to continue to reinforce its position as the leading general discount retailer in Finland by making the most of its key competitive advantages, which are its low prices, wide and attractive assortment, the most service-oriented and motivated employees, the combination of its online store and national store network, and an efficient and agile business model.

STORES AND CONSUMERS faced many changes during 2020, the year of COVID-19. Consumer behaviour changed as the safety measures related to the pandemic increased and people spent more time at home and travelling in Finland. Tokmanni was able to respond in an agile way to the changes caused by the coronavirus pandemic. During these unprecedented times, Tokmanni focused especially on the safety of customers and employees, improving customer service, developing digital channels, and adjusting its product assortments and prices. All measures taken helped to strengthen customer confidence.

Competent, enthusiastic and motivated Tokmanni employees work together to serve their customers, thus enabling the company to implement its strategy and achieve its goals. In 2020, Tokmanni focused in particular on ensuring the right kind of expertise of its employees, job satisfaction, coping with work and occupational safety.

During the exceptional year of 2020, the measures to improve profitability continued. Tokmanni aimed, for example, to improve the gross margin by growing sales of private-label products and increasing imports. These measures involved increasing sourcing through the sourcing company in Shanghai and boosting the efficiency, as well as improving batch sales. Due to the exceptional sales mix during 2020 the development in this target was modest but the company continues to concentrate on it. Moreover, Tokmanni focused on improving its operations in the areas of wastage and inventory obsolescence. Tokmanni's goal is also to reduce the relative share of operating expenses from the revenue.

Sustainability is part of Tokmanni's strategy and business operations, and its goals and content are updated as part of the company's business strategy. Responsible business operations create opportunities for improving customer satisfaction and the employer image and therefore also for increasing profitable business. During 2020, the following sustainability goals were set for the coming years: sustainable choices within everyone's reach, a store for everyone, carbon-neutral Tokmanni and responsible general discount retailer of the future. ●



TOKMANNI HAS RAISED THE BAR HIGH IN ITS SUSTAINABILITY WORK

Sustainability plays a key role in Tokmanni's strategy and day-to-day activities.

SUSTAINABILITY WORK means investigating, considering and making decisions on issues about which limited information is available and for which there are no easy solutions. We have accelerated Tokmanni's sustainability work and set ambitious sustainability targets. Together with growing sustainability expectations from society they oblige us to do more to make sure that our customers and other stakeholders can trust that Tokmanni's sustainability actions are enduring, consistent and impactful.

It is important for us to act honestly and to offer sustainable products and services that are great value for money and available to everyone. We continuously develop sustainability in our supply chain to ensure, among other things, that the rights of the people who manufacture our products are respected. In the future, we will include more sustainability labelled products in our assortment.

In the summer of 2020, Tokmanni became a global pioneer by adopting climate targets that are officially approved by the Science Based Targets initiative. With these targets, Tokmanni commits to doing its part to limit the global temperature rise to 1.5 degrees Celsius. Our climate targets are bold, showing the way for the entire retail sector.

We report Tokmanni's CO_2 emissions annually to the international Carbon Disclosure Project, which evaluates organisations' and companies' climate action and environmental reporting. In 2020, we achieved the Management level score of B in the climate change assessment. This shows that Tokmanni is actively taking measures to reduce emissions, combat climate risks, and develop a low-carbon economy. We are pleased that our results clearly improved compared to the previous year. However, our unequivocal goal is to achieve the highest score in the climate change assessment.

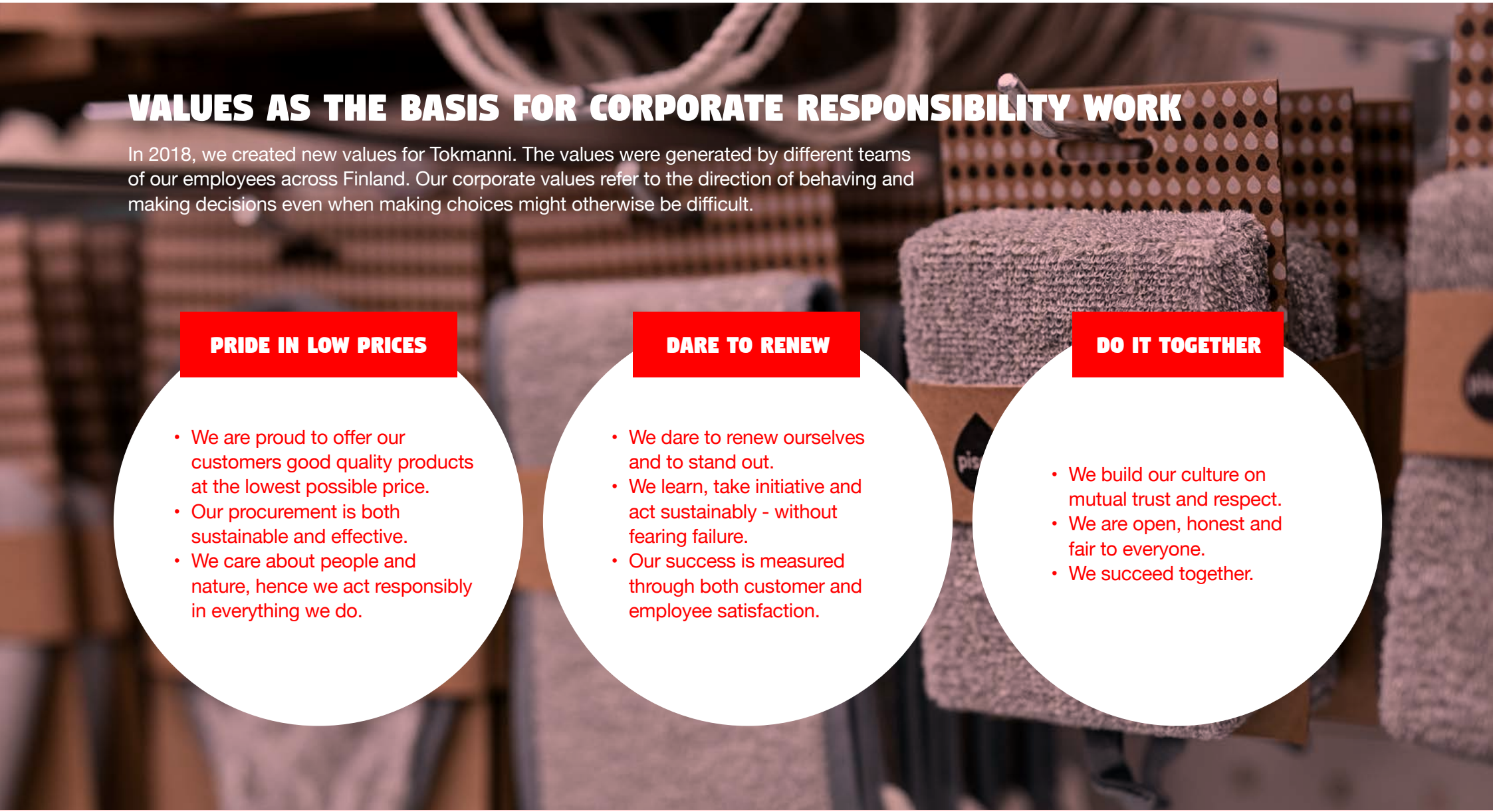
Tokmanni is involved in both national and global initiatives to develop responsibility and sustainable ways of working. For example, we are a member of the UN Global Compact initiative and committed to promoting the UN's Sustainable Development Goals in our business operations.

We are building an increasingly equal and diverse work community. At the end of 2020, we employed 4,056 people, who spoke over 23 different mother tongues. Tokmanni is known particularly as an employer for young summer workers and summer trainees. It is important for us to be ourselves and enjoy ourselves at work.

The COVID-19 pandemic has impacted our daily lives in many ways. We are very grateful for the fact that our personnel, customers, and other stakeholders have looked out for everyone's safety within and outside Tokmanni. At the same time, among other things, we feel regret for not having been able to conduct as many factory audits as we had planned to in 2020.

It is great to be able to say that Tokmanni's sustainability work has progressed at a fast pace in 2020, just like in previous years. However, we are not resting on our laurels and will continue to serve our customers as well as we can and to develop Tokmanni into an increasingly sustainable general discount retailer. ●

Mika Rautiainen
CEO, Tokmanni Group Corporation
Mäntsälä, 23 March 2021



VALUES AS THE BASIS FOR CORPORATE RESPONSIBILITY WORK

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

PRIDE IN LOW PRICES

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

DARE TO RENEW

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

DO IT TOGETHER

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



MEGATRENDS – OPPORTUNITIES AND RISKS FOR TOKMANNI

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

1. DEMOGRAPHIC CHANGES AFFECT CONSUMER BEHAVIOUR

RELEVANT DEMOGRAPHIC CHANGES for Tokmanni include, in particular, the ageing population and the emergence of the elderly as an important consumer group. Other factors affecting consumer habits include urbanisation, smaller families and an increase in the number of nationalities and religions in Finland, as well as a reduction in the importance of ownership, particularly in younger age groups.

	Opportunity	Challenge	Response
Store location	• Taking urbanisation and the ageing population into account in network planning	• Continued urbanisation and the decrease in the number of residents in small municipalities	• Online commerce and the extensive network of stores in Finland
Customers and consumer trends/ habits	• The diversification of the customer base • The "smart shopping" trend • The establishment of price-conscious families with children as a significant customer group	• The effect of smaller families, diversification of the customer base and the ageing population on product selections and package sizes • Young people may find Tokmanni unattractive	• Diverse personnel and product selection • Development of products and services in response to changing customer groups and needs • Business models based on the circular economy

2. CLIMATE CHANGE CALLS FOR A REDUCTION IN EMISSIONS AND PREPAREDNESS FOR NEW TYPES OF WEATHER CONDITIONS

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

	Opportunity	Challenge	Response
Stores and the entire value chain	• Competitive advantage based on sustainability and corporate responsibility • Reduction of environmental and climate effects throughout the value chain • Introduction of energy-efficient and cost-efficient solutions for stores, such as solar panels and LED lighting	• Increased energy consumption caused by new stores, emissions from logistics and growing waste volumes, as well as the related costs	• Reduction of energy consumption in all operations • More efficient use of resources, reduction of waste, reuse and recycling • Increased communications of sustainability work to a wide range of stakeholders including consumers
Global sourcing	• Cost control • Local employment, training and contribution to economic development in sourcing countries	• Interruptions in factory operations, particularly in coastal areas and emerging markets, due to floods, storms and other natural phenomena, or a pandemic • Shortcomings in the sustainability of the supply chain and partners • Difficulties in auditing the supply chain due to, for example, disease outbreaks	• Taking the monsoon into account in order schedules • Selection of suppliers and supplier requirements (BSCI system) • Human rights assessments, increased intervention in human rights violations and use of third-party audits and virtual audits if travel restrictions • More ecological alternatives for logistics: route and load optimisation, alternative fuels, no air transport
Product and service selection	• Environmentally sound product selection and increase in products with sustainability labels • Competitive advantage based on product safety management, quality assurance and a strong price-to-quality image • New business based on the circular economy • Services instead of or in addition to products	• The long-term effect of the limited availability of raw materials for products and packaging on the availability and prices of Tokmanni's products • Shortcomings in product safety and quality control	• Paying attention to raw materials for products, the use of renewable raw materials, recycling and the sale of recycled products, the modularity and maintainability of products • Products that reduce environmental impact (e.g. solar panels, rechargeable batteries) • Further development of packaging materials and methods and the recycling of packaging • Development of business models based on the circular economy • Focus on services (e.g. rental products and shared use) instead of products
Consumer demands for corporate responsibility and transparency	• Strengthening consumers' trust by increasing openness and transparency throughout the value chain • The necessity for products and services as an aspect of assessing companies' total impact and corporate responsibility	• Reputation risks and their effect on reduced sales, weaker employer brand and ability to attract competent employees	• Increased requirements for knowledge and transparency of the supply chain and for communication; information for consumers about responsible production • Provision of everyday products and services that are regarded as necessary • Increase in stakeholder collaboration

	Opportunity	Challenge	Response
Automation in buildings and the supply chain	• Use of automation, robotics and artificial intelligence in, for example, supply chain management, warehouse and logistics operations and the processing of masses of data • RFID identifiers and blockchain technology make access control and management easier within the supply chain • Remote work and other ways of working independent of time and place • Access to software interfaces and development opportunities	• Excessive pace of change • Failure to meet information security requirements • Inability to fully meet consumers' requirements for transparency • Tools and employees' knowledge and skills are lagging behind the pace of change	• Making business processes more efficient and using artificial intelligence in all business operations • Continuous increase in transparency in the value chain • Investment in personnel training • Recruitment and development of new types of competence • Development of a digital service selection and a multichannel Tokmanni
Digitalisation at the consumer interface	• Using digitalisation in marketing and new products and services, for example • Using digitalisation to further develop corporate responsibility (e.g. reducing the consumption of materials and energy, reducing waste and ensuring transparency in the supply chain) • New business models, such as the sharing economy and circular economy	• Tougher competition in a more global and less transparent arena	• Development of digital marketing and the use of digitalisation in communication within the organisation • Varied order and delivery methods and channels • Increased transparency and use of e.g. blockchain to increase customers access to the origin of products

3. DIGITALISATION IS CHANGING THE VALUE CHAIN AND CUSTOMERS´ EXPECTATIONS

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

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

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



ENGAGING WITH OUR STAKEHOLDERS

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

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

Active involvement in associations and initiatives

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

In the Finnish Commerce Federation, Tokmanni is represented on the chemical and product safety committee, the training committee, the legal affairs committee, the means of payment committee, the safety committee, the working life committee, the corporate responsibility committee, the communications committee, the urban

planning committee, and the environmental committee.

At PTY, Tokmanni's representatives participate on the Board of Directors, in the retail group, the resource efficiency group, the communications group, the product safety group, and the self-monitoring group.

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

Engaging with stakeholders on sustainability issues

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

We are a Pro member of the corporate responsibility network FIBS and have been active in its diversity, human rights and C-level groups and networks. We have committed ourselves to the ten principles of the UN Global Compact and are part of the UN Global Compact Finland network. On a global level, our Head of Corporate Responsibility serves on the technical working group of the Sustainable Supply Chain Initiative (SSCI) of the Consumer Goods Forum. Our Security and Real Estate Department Manager serves as the Director of the Board of Recser Oy, the Finnish producer organisation for battery recycling, and as a board member of SELT ry, the producer organisation for electrical and electronic equipment.

In 2020, we conducted a consumer survey (n>1000) to better understand the importance of and perspectives on sustainability from our customers' viewpoint. We also engaged with selected institutional investors and banks on ESG issues and our sustainability goals, and conducted an analysis to understand our net impact with the Upright project.

Supporting the young and the vulnerable

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

We also collaborated with the John Nurminen Foundation and donated 5 cents from every Pisara product sold (totalling €53,000) from May–August 2020 to the protection of the Baltic Sea.

We also continued to support Veikko and Lahja Hursti's charity association together with Unilever Finland, and started to support mental health work of the Finnish Association of Mental Health through their Mielinauha campaign in addition to local charity efforts. Piloted in 2018, the collaboration with the Children and Youth Foundation on the employability skills of young people at risk of marginalisation was put on hold due to prioritising the similar aims of Ohjaamo Helsinki, which operates under the Youth Department of the city of Helsinki.

We offered a total of several hundreds short-term summer jobs around Finland for adults and young people who participated the summer work experience programme 'Tutustu työelämään ja tienaa'. The amount of summer jobs was decreased due to COVID-19. We also hired trainees through Plan International's program. In addition, we were involved in the nationwide Vastuullinen kesäduuni (Responsible Summer Job) campaign, which aims to ensure that young people are offered high-quality summer jobs and employers, likewise, are offered skilled labour for the future. ●

WE CONDUCTED A SURVEY TO BETTER UNDERSTAND OUR CUSTOMERS' PERSPECTIVES ON SUSTAINABILITY.

CONSTANT DIALOGUE WITH STAKEHOLDERS

Stakeholder	Expectations	Our response
Employees	Labour rights, training opportunities, corporate citizenship	**Compliance with laws and regulations, ethical guidelines incl. Code of Conduct, labour policies, principles and instructions, training, communications and dialogue, NGO collaboration**
Customers	Product selection, availability and price of products, product safety and quality, responsibility of sourcing	**Efficient and agile business model, diverse selection of affordable products, ensuring quality and safety, compliance with amfori BSCI Code of Conduct and requirements for suppliers' factories, own audits, communications, marketing and dialogue**
Investors and analysts	Financial performance, responsible business conduct	**Performance according to strategy, compliance with laws and ethical guidelines, investor relations**
Authorities	Compliance with regulations	**Compliance with laws and regulations, ethical guidelines, meetings**
Industry associations	Active participation in operations, distribution of information	**Tokmanni employees in different working groups, joint statements**
Suppliers	Sourcing and supplier requirements, fair treatment	**Contracts, amfori BSCI requirements, communications, dialogue, and meetings (incl. factory visits)**
Media	Obtaining information, responsiveness of communications	**Social media, websites, media relations, and prompt response to queries**
Non-governmental organisations (NGOs)	Responsibility in the entire value chain, transparency, distribution of information	**Ethical guidelines, amfori BSCI membership and supplier requirements, factory audits, meetings, replies to inquiries**
Academia	Cooperation, obtaining information	**Recruitment, internships and other joint projects, contribution to research, lectures**

MAIN THEMES OF OUR SUSTAINABILITY WORK

OUR MAIN sustainability and corporate responsibility themes are business integrity, people, products and sourcing, and climate.

These themes were defined in a materiality analysis carried out in 2015 and further sharpened in 2020. In the materiality analysis, the impact of Tokmanni's operations was reflected in stakeholder expectations, megatrends and management's perspective on business. The themes remain topical today and the choice of themes still follows the reporting principles defined by the GRI 101 Foundation standard.

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

In 2020, sustainability strategy was updated and sustainability was selected as one of the three sources of success in Tokmanni's corporate strategy. We prepared several strategic projects, including must-win battles within our sustainability work for 2021–2025, to be launched in 2021.

BUSINESS INTEGRITY

- Economic performance
- Employment
- Anti-corruption
- Privacy protection
- Ethical marketing

PEOPLE

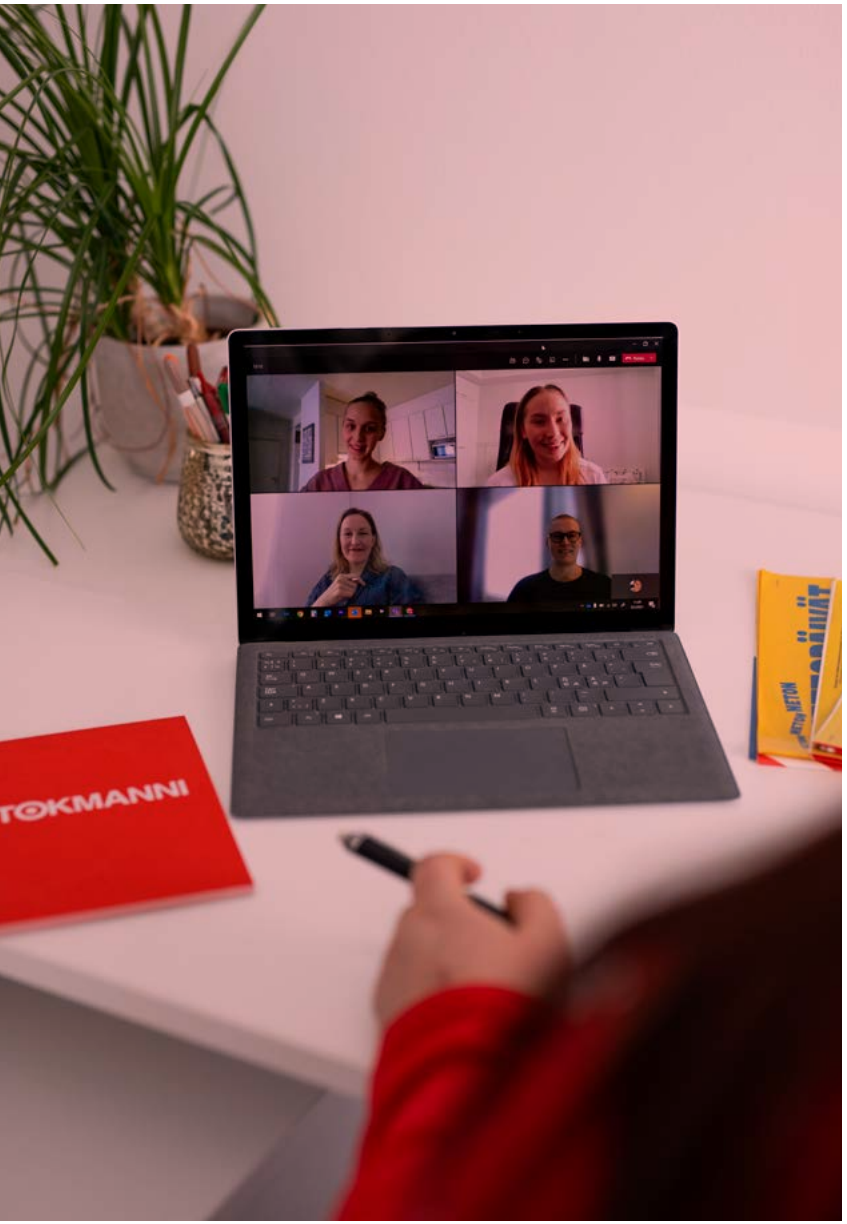
- Occupational health and safety
- Employee training and development
- Equality in work and remuneration
- Non-discrimination

PRODUCTS AND SOURCING

- Responsible sourcing
- Responsible products and packaging
- Product safety
- Appropriate marking of products

CLIMATE

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



MANAGING SUSTAINABILITY THROUGHOUT OUR BUSINESS OPERATIONS

Sustainability is one of Tokmanni's three sources of success in the corporate strategy and forms an integral part of the company's day-to-day business operations. Tokmanni's sustainability goals are related to minimising business risks, maximising opportunities, and producing added value for our stakeholders.

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

The CEO is responsible for the big picture

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

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

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

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

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

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

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

the Sourcing Director, the Store Network and Concept Director, the Quality Manager, and the Head of Corporate Responsibility. In 2020, the CEO joined the Sustainability Steering Group. The steering group discusses acute sustainability and corporate responsibility topics, policies and targets and meets at least every two months. The CFO makes the decision on whether a specific topic requires a separate discussion and decision by the company's Executive Group.

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

Sourcing and transport included in reporting

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

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

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

Managing material topics

Material topic	Main steering principles and policies	Targets and measures 2020
Business integrity		
Economic performance: 201-1	Accounting principles, International Financial Reporting Standards (IFRS), Governance	Financial targets
Anti-corruption: 205-2, 205-3, 206-1, 415-1	Code of Conduct, Anti-bribery principles, Governance	Targets of Business integrity
Anti-competitive behaviour: 206-1	Code of Conduct, Competition law principles	Targets of Business integrity
Marketing and labelling: 417–1 – 417-3	Code of Conduct	Targets of Products and sourcing
Customer privacy: 418-1	Code of Conduct, Data protection principles, Human rights principles	Targets of People
People		
Employment: 401-1, 401-2	Personnel policy	Targets of People
Occupational health and safety: 403-1, 403-2	Code of Conduct, Personnel policy, Operating plan for occupational health care cooperation, Human rights principles	Targets of People
Training and education: 404-3	Training plan	Targets of People
Labour-management relations: 402-1	Code of Conduct, Personnel plan, Personnel policy, Equality plan, Human rights principles	Targets of People
Diversity and equal opportunity: 405-1, 405-2	Code of Conduct, Equality plan, Human rights principles	Targets of People
Non-discrimination: 406-1	Code of Conduct, Equality plan, Human rights principles	Targets of People
Products and sourcing		
Responsible sourcing: 308-1, 308-2, 407-1, 408-1, 409-1, 412–1, 414-1, 414-2	Code of Conduct, amfori BSCI's Code of Conduct, Principles of responsible sourcing, Guidelines for responsible sourcing, Human rights principles	Targets of Products and sourcing
Customer health and safety: 416-1, 416-2	Instructions of quality and packaging, Human rights principles	Targets of Products and sourcing
Socio-economic compliance: 417-1, 419-1	Instructions of quality and packaging	Targets of Products and sourcing
Climate		
Efficient use of materials: 301-1	Code of Conduct, Environmental policy	Targets of Climate
Energy efficiency and emissions: 302-1, 302-3, 305-1 – 305-5	Code of Conduct, Environmental policy	Targets of Climate
Efficient waste recycling: 306-2	Code of Conduct, Environmental policy, Plastic bag commitment	Targets of Climate
Efficient logistics: 305-3	Code of Conduct, Environmental policy	Targets of Climate



HUMAN RIGHTS AS A GUIDING PRINCIPLE OF CORPORATE RESPONSIBILITY

Tokmanni is committed to the United Nation's International Bill of Human Rights, the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact, and, to advancing the UN's Sustainable Development Goals (SDG) in its operations.

THE SDGS ARE the blueprint for achieving a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace, and justice.

In 2019, Tokmanni selected the nine most important goals for our work and our stakeholders, and in 2020 we further prioritised three of them from the perspective of Tokmanni's operations. The relationship between the selected Sustainable Development Goals and Tokmanni's sustainability goals is outlined in a chart on pages 26-27.

In 2019, our CEO was among seven other CEOs in Finland to sign the Finnish version of WBCSD's CEO Guide to Human Rights.

In early 2021, Tokmanni received a relatively good score (48.1/100; the average of the surveyed companies was 23.9/100) in the Status of the Human Rights Performance of Finnish Companies SIHTI-project commissioned by the Prime Minister's Office. Tokmanni scored third among a total of 49 companies using the core UNGP indicators methodology*. This shows that Tokmanni's work for advancing human rights is developing in the right direction.

Guided by the principle of human rights due diligence

Regarding human rights, our operations are more specifically guided by the OECD Guidelines and the UN Guiding Principles on Business and Human Rights. These Guiding Principles emphasise that companies have an ongoing responsibility to respect human rights, even where government actions and regulatory frameworks are inadequate. Compliance with these principles requires companies to conduct human rights due diligence procedures to identify, prevent, mitigate and account for how they address impacts on human rights in their operations, products, and services. We seek to advance in this area, yet we recognise that many of the human rights challenges we face are deeply rooted in local

**The study included 78 Finnish companies, of which 29 were assessed using CHRB's comprehensive industry-specific methodology, and 49 using the Core UNGP Indicators methodology. Source: https://julkaisut.valtioneuvosto.fi/*

society and can only be effectively addressed through long-term commitment and close cooperation with global and local stakeholders.

We require our suppliers to respect human rights, and, if needed, we take corrective action. We assessed human rights risks in our highest risk countries in 2017 and continue to monitor the human rights impacts of our operations and supply chain. In 2017, we carried out separate human rights assessments at our suppliers' factories in Bangladesh (garments), China (household appliances), Myanmar (garments) and in Turkey (cosmetics), which included off-site interviews with employees. These audits were carried out by third parties, and the goal was to ensure the accuracy of the potential human rights impacts we had recognised based on BSCI audits and additional information. As such, the assessments provided us with a more detailed understanding of human rights issues within the selected industries and countries, and we have used them in the further development of our responsible sourcing risk management. We also re-visited the two factories in Myanmar ourselves in 2019 to verify the results and their latest BSCI score (A). In 2021, our plan is to resharpen our human rights approach, including prioritisation of future human rights in-depth investigations to selected factories.

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

The human rights impacts correspond to performance areas assessed in BSCI audits (p. 49–51). As a member of amfori BSCI, we support their initiatives aimed at furthering the realisation of living wages in supply chains. Read more about amfori BSCI's approach and our work with the BSCI (p. 52).

The most important measures for eliminating or mitigating human rights impacts in Tokmanni's own operations include improvements in occupational health and safety, increasing the flexibility of work, ensuring non-discrimination, and encouraging actions towards a more diverse workforce (p. 34–46).

Long-term work for transparency

Within our supply chain, we work together with our suppliers to further advance their social compliance. We also updated our general purchasing terms to include stricter terms relating to potential human rights violations and these were taken into use in 2020. In addition, we continued to work on the update of our guidance for responsible purchasing, including sanctions and corruption guidance, and started to deploy a supplier management system in our Shanghai office. The transparency and traceability requirements of responsible sourcing play a key role in developing this system.



We started to delve deeper into the supply chain by, among other things, drafting certification targets for our high-risk raw materials (see p. 54). To increase scientific knowledge, our customers' access to and our own understanding of the origin of products we started to collaborate with Aalto University's FINIX project. The FINIX project led by Aalto University produces new scientific research on sustainability aspects of textile systems. Tokmanni is involved in the "life cycle" section of the project, which also seeks to investigate how the origin of a product can be traced. The aim is to create a system that allows the consumer to check the manufacturing sites of clothing, materials and their origin, as well as the safety of the chemicals used. ●



THE CODE OF CONDUCT GUIDES EVERYONE´S DAILY WORK AT TOKMANNI

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

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

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

Regular trainings on updated ethical guidelines

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

The e-learning is mandatory for all, and 3158 (78%) of our staff working in the stores, the warehouse and the office completed the updated e-learning in 2020. The course also forms a compulsory part of the induction of

new employees.

The employees at the sourcing company located in Shanghai will undergo the training and sign up to comply with our shared rules. Due to COVID-19, the training for Shanghai office was delayed in 2020. In addition, the Executive Group and crucial employees have received additional training on anti-corruption, trade sanctions and competition law in 2017 and in 2018.

In 2019 and 2020, we continued to update our sanctions and corruption guidance and responsible sourcing guidelines and will train our purchasing and sourcing professionals on the updates in 2021.

Suppliers to adhere to amfori BSCI's Code of Conduct

We require our product and service suppliers to adhere to the Business Social Compliance Initiative's (amfori BSCI) ethical principles. We monitor our product suppliers' operations both via our own and third-party audits. Our relationships with our suppliers are based on honesty, fairness and mutual trust.

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

Anyone can report violations anonymously

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

In 2020, we introduced a new tool for both internal and external whistleblowing channels. Anyone can report violations of the Code of Conduct and the ethical guidelines anonymously through the Tokmanni whistleblowing channel either through the intranet or the website, by calling a member of the Compliance Unit or by sending a letter to Tokmanni Oy / Compliance-yksikkö, Isolammintie 1, 04600 Mäntsälä. Suspected abuse must be reported immediately.

The external whistleblowing channel is available on both our Finnish and English websites, and therefore also available to stakeholders outside Tokmanni. Read more about the whistleblowing channels and the process for handling reports on the next page.

The Compliance team treats reports confidentially

Tokmanni's Compliance team makes sure that the ethical guidelines and instructions are followed. The Compliance Unit is headed by the Chief Compliance Officer (the CFO), who reports directly to the CEO and who also keeps the Board informed at regular intervals. In addition to the Chief Compliance Officer, the Compliance Unit also includes four compliance officers, who each have their own remits. The compliance officers ensure that principles and guidelines that fall under their purview are kept up-to-date. ●

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

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



IRRESPONSIBLE PRODUCTS AND ACTIVITIES CAN BE REPORTED THROUGH A NEW WHISTLEBLOWING CHANNEL

TOKMANNI COLLECTS information about potential dishonest practices through a whistleblowing channel. Employees, customers, suppliers and other stakeholders can leave an anonymous report in the event that they suspect, for example, bribery, grey economy, anti-competitive or unfair competition, anti-environmental and occupational safety legislation or data protection legislation breach. Any other violations against Tokmanni's ethical principles can also be reported in the whistleblowing channel.

In the autumn of 2020, Tokmanni introduced a new whistleblowing channel, which is a service provided by an external service provider to guarantee the confidentiality of operations. Notifications to the channel are made anonymously, so that even sensitive matters can be reported confidentially. The system is also encrypted and password protected.

Cases are addressed to the Compliance team

The sender of the report will receive an anonymous username and password in the system, with which they can log in to the service and communicate anonymously with whistleblowing report handlers. At Tokmanni, only the CFO and the Head of Corporate Responsibility have access to the notifications. The Head of Corporate Responsibility coordinates the further processing of the cases. Serious reports and cases are discussed within Tokmanni's compliance team, which monitors ethical activities and conduct. The team includes representatives from finance and administration, the safety, human resources, finance, corporate responsibility and IT and logistics teams.

The compliance team meets regularly every two months or more frequently if necessary. The unit handles reports and makes decisions about any possible consequences. The notifier will receive a written response to their notification from the compliance team. If grievances are observed in the company's activities, the operations will be corrected and developed in the right direction based on whistleblowing observations, among other things.

In 2020, we regularly communicated about the whistleblowing channel to our employees highlighting the anonymous nature of the channel and the importance of filing complaints. Tokmanni did not face any corruption nor competition law infringements in 2020. ●

UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

We are committed to advancing the United Nations (UN) Sustainable Development Goals in our business. These goals aim to guide the UN member states' operations until 2030. In 2019, we chose the nine most important goals for our work and our stakeholders, and in 2020 we further prioritised three of them: **SDG 8: Decent Work and Economic Growth; SDG 12: Responsible Consumption and Production; and SDG 13: Climate Action.**

Tokmanni's sustainability topic	Relevant UN Sustainable Development Goals	Relevant Tokmanni's sustainability goals	How Tokmanni's goals support the UN Sustainable Development Goals	
Business Integrity	 **Decent work and economic growth**  **Peace, justice and strong institutions**	• All Tokmanni employees have completed the company's Code of Conduct e-learning. • Messages received through the whistleblowing channel are processed appropriately. • No cases of corruption found at Tokmanni. • No privacy violations found at Tokmanni. • Tokmanni receives no remarks from the authorities related to marketing.	• Business integrity shown towards our stakeholders by our employees supports justice and strong institutions, and contributes to economic growth in Finland as well as in countries we source our products from. • Tokmanni follows good corporate governance principles. • Code of Conduct directs each Tokmanni employee in their daily work and in decision-making. • Tokmanni requires its suppliers to comply with the amfori BSCI Code of Conduct. • Tokmanni has completed a human rights impact assessment in compliance with UN's Guiding Principles on Business and Human Rights and published its Human Rights Principles.	Read more p. 28
People	 **Good health and well-being**  **Gender Equality**  **Decent work and economic growth**	• Workplace skills are taught in compulsory induction training in the form of an e-learning course for all Tokmanni employees. • New employees recruited for the stores are provided with customer service training by their supervisors. • Coaching programme for extended management is launched. • The number of safety observations is doubled to develop the occupational safety culture and reduce the number of accidents. • The development of management by knowledge continues (eNPS > 38). • The extended management and new supervisors have been provided with diversity training.	• We treat all employees equally, seek to employ a diverse workforce and promote employee well-being. We also promote fair treatment in Finland and in our global supply chain, for example through the new whistleblowing channel. • Gender equality is part of Tokmanni's HR policy and Tokmanni's Code of Conduct.	Read more p. 33

Tokmanni's sustainability theme	Relevant UN Sustainable Development Goals	Relevant Tokmanni's sustainability goals	How Tokmanni's goals support the UN Sustainable Development Goals
Products and sourcing	 **Good health and well-being**  **Decent work and economic growth**  **Responsible consumption and production**  **Partnerships for the goals**	• Definition of a factory and supplier sustainability indicator. • Updated sanctions guidelines and responsible sourcing guidance finalized and taken into use. • Sharpen our human rights approach, including prioritisation of future in-depth investigations to selected factories. • Definition of certification targets for palm oil and wood. • Targets for selected sustainability labels set. • 70 own factory inspections in addition to third-party BSCI audits and audit management guidance updated. • Social compliance features of the supplier management system in use. • Development of contract management process. • No serious product safety flaws in the products sold by Tokmanni or accidents caused by them. • Determined reduction of the product complaint percentage in private-label products.	• Our purchasing practices help job creation and economic growth, and promote decent work and working conditions in our sourcing countries. • We co-operate with different organisations (e.g. amfori BSCI and BEPI) to reduce our human rights and environmental risks and to further advance sustainable production and consumption. • Tokmanni's own factory inspections in addition to BSCI audits minimise the risk of human rights violations in our supply chain. • Sharpening our human rights approach helps us to reduce our human rights risks. • We develop sustainable product selections and related communications and offer our customers certified options in select products to advance responsible consumption and production. • Our targets for certified high-risk raw materials promote responsible consumption and production. Read more p. 47
Climate	 **Affordable and clean energy**  **Industry, Innovation and Infrastructure**  **Responsible consumption and production**  **Climate Action**	• Reduction of location-based carbon dioxide emissions at the properties (scope 1 and 2) by 3% compared to 2020. • Maintaining greenhouse gas emissions from transport at the 2015 level in relation to revenue. • Comparable power consumption: -4% compared to 2020. • Power consumption (total): -3% compared to 2020. • Waste recycling and reuse rate: 80% (of total waste). • CDP completed for 2020.	• We strive to use of resources efficiently, such as energy and waste, and increase the share of renewable energy including solar power. • Raising awareness of environmentally friendly operations among our risk country suppliers (e.g. amfori BEPI) • In 2020, all electricity purchased and consumed by Tokmanni is renewable. • We will increase the selection of sustainable products and seek to pay more attention to raw materials, recycling and sales of recyclable products; sales of products that reduce environmental impact (e.g. rechargeable batteries); and development of more sustainable packaging materials, and business models based on circular economy principles. • Emphasis on sustainability-related communications and marketing towards our customers. Read more p. 59

BUSINESS INTEGRITY

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



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BUSINESS INTEGRITY

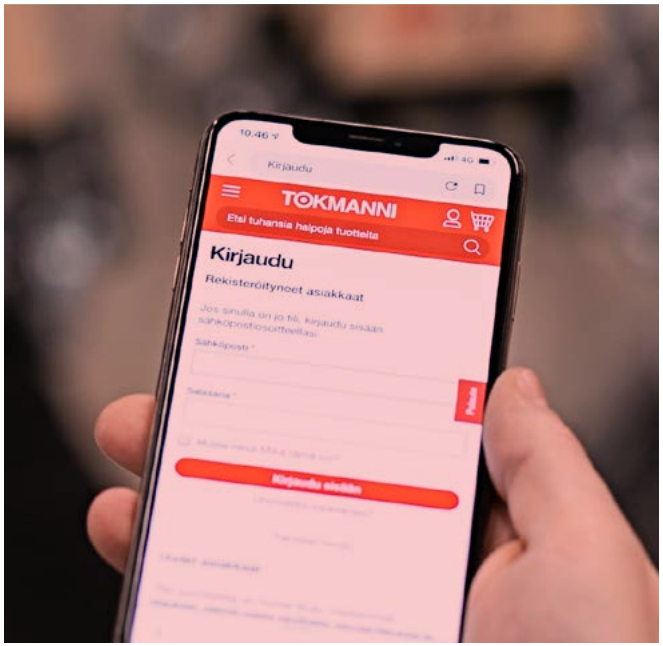
Responsibility towards customers, employees, investors and other stakeholders is a key tenet of Tokmanni's business. We observe the relevant legislative requirements and the principles of good governance in everything we do. In addition, the company is guided by its Code of Conduct, which consists of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

ACHIEVEMENTS AND CHALLENGES IN 2020

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

TARGETS FOR 2021

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



PRIVACY PROTECTION AT TOKMANNI

TOKMANNI COMPLIES WITH all legislative requirements for privacy protection. To ensure that nobody's right to privacy is violated, Tokmanni monitors compliance with data protection principles, and technical systems are monitored to ensure that they are up to date from an information security perspective. Our aim is for the systems and registers under our control to have no actual or suspected privacy protection breaches. We achieved this goal in 2020.

Employees are required to complete online training on information security as part of their introductory training. During 2020, we continued to comply with Tokmanni's information security management model and Tokmanni's information security policy.

Collecting and using personal data

The processing of personal data is based on a person's consent or other legal justification for collecting data. The purpose of processing the personal data of our customers is:

- to deliver and develop our products and services in ways that provide customers with a stress-free shopping experience
- to meet our contractual obligations and to honour our promises and obligations
- to manage our customer relationships
- to organise events
- to analyse and segment the behaviour of customers and other data subjects
- to engage in electronic and direct marketing
- to target the advertising carried out by the online services of our own company and other parties.

The customer data file register contains information disclosed by our customers on our website. Personal data is processed only during a predetermined time related to their intended purpose. Any data breaches will be announced in accordance with the General Data Protection Regulation.

Customers have the right to access their personal data stored on the data file. If the data is inaccurate, the customer may request that the controller rectify the errors. Customers have the right to prohibit the use of their data for marketing purposes by notifying the data controller. Registered customers of the tokmanni.fi online store may also issue prohibitions there. ●

SMART COMMUNICATION ABOUT SUSTAINABILITY

WE AIM TO COMMUNICATE about sustainability in an understandable, consistent and honest manner – in other words, smartly. We talk about our sustainability work without unnecessarily embellishing our message, but putting things into perspective. We aim to demonstrate how, for example, our efficient operations and various sourcing policies and our Code of Conduct help us combine low prices with sustainability.

We appreciate our stakeholders' interest in sustainability and encourage them to give us feedback and ideas for developing our operations. We also communicate about issues that are relevant to, for instance, our customers, colleagues and the media. In 2020, we published information about topics such as Tokmanni's work for the climate, food waste, the sourcing of clothing products and actions for promoting safe shopping. We also communicated about our charity work, including our support for the Finnish Red Cross, the John Nurminen Foundation, Veikko ja Lahja Hurstin Laupeudentyö ry and the Association of Friends of the University Children's Hospitals. Additionally, we participated in, for example, the latest campaigns by the Federation of Finnish Commerce and the Finnish Grocery Trade Association (PTY).

In our communications about sustainability, we particularly utilise digital channels, such as social media, digital newsletters and our website. In stores, our customers also receive information about sustainability from our employees and our store announcements and posters. Internally, we share information through the intranet, our internal social media channel and newsletters, among other means.

Clear goals

We aim to reach an ever-wider audience with our sustainability-related content. We strive to highlight the various dimensions of sustainability more diversely than before and to communicate about real, meaningful topics – including work in progress – in an increasingly consistent and interesting way. We believe that our messages, for example, on our climate action will also encourage others to do more to control climate change.

We provide truthful, comprehensible information to enable our customers to make justified purchasing decisions. We strive to avoid errors on our packaging labels, complaints from the authorities and violations of laws and voluntary principles. In 2020, a total 21 products (2019: 10) of Tokmanni's private labels were recalled from stores to our warehouse due to reasons related to quality or intellectual property rights. In 2020, our stores received seven complaints from the regional state administrative agencies (2019: 16). The complaints concerned deficiencies in the self-supervision plans, induction of new employees and ways of working.



We adhere to good marketing practices. We will continue to aim to create high-quality, interesting marketing that contains as few errors as possible and that will not need to be reviewed by the Council of Ethics in Advertising. In 2020, we reached our goal, as we did in numerous previous years.

No other violations of laws or voluntary principles were reported by Tokmanni in 2020. ●

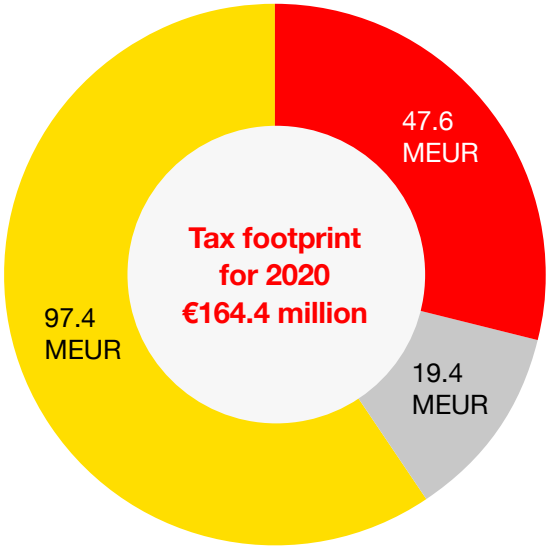
GENERATING ADDED FINANCIAL VALUE

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

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

	2018	2019	2020
Revenue (Customers)	870	944	1,073
Purchasing (Suppliers of goods and services)	575	619	702
Gross profit	**295**	**325**	**372**
Wages and benefits (Personnel)	107	114	122
Taxes (Public sector)	9	12	18
Financial expenses (Creditors)	6	10	10
Other expenses (Operations and business development)	137	142	150
Retained earnings	**36**	**47**	**71**

**Calculated according to IFRS standard.*



Withholding and employer contributions
Remitted withholdings from salaries 19.7
Employer pension insurance payments 26.5
Employer social security payments 1.3

Income and property taxes
Corporate income tax 18.3
Property tax 1.1

Indirect taxes
Value added tax 87.5
Excise duty 3.0
Import customs duties 5.2
Electricity tax 1.6
Insurance premium tax 0.1

PEOPLE

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



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PEOPLE

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

ACHIEVEMENTS AND CHALLENGES IN 2020

Achieved

- All Store Managers received occupational safety training.
- The occupational safety system (Tokmanni-Turva) was introduced during Q2 2020.
- Further increase in safety observations to develop occupational safety culture and reduce accidents.
- Sick leaves dropped through all personnel groups in Tokmanni.

Partially achieved

- All new employees were trained in customer service and all Store Managers manage the training using a new tool. The service level measured with a “Happy or Not” tool in the stores and with a yearly customer satisfaction survey (cNPS target >60).
- Workplace skills online training was completed as a mandatory induction course by all Tokmanni employees.
- Employee Net Promoter Score (eNPS*) = 36 (good).
- Coaching programme for extended management was launched.
- Diversity was taken more systematically into account in all recruitment decisions.

Challenges

- Periods of sick leave less than 10 days rose among Tokmanni personnel due to COVID-19.
- Due to an increase in sales during the spring of 2020 the warehouse of Mäntsälä was full of goods, which led to an increased number of occupational accidents among the warehouse employees.
- Due to COVID-19, we had to cancel some of the planned supervisor classroom training and change it to briefer online training.
- Due to COVID-19, the planned full-day occupational safety card training for Store Managers had to be changed to briefer occupational safety training.

TARGETS FOR 2021

- Workplace skills are taught via compulsory induction training in the form of an e-learning course for all Tokmanni employees.
- New employees recruited for the stores are provided with customer service training by their supervisors.
- Training programme for the extended management is launched.
- The number of safety observations is doubled to develop the occupational safety culture and reduce the number of accidents.
- Development of knowledge management continues (eNPS> 38).
- The extended management team and new supervisors have received diversity training.

**eNPS is a measure of how likely the employees are to recommend the company as a place to work.*



Kick-off in January 2020 (before COVID-19).

COMMITTED EMPLOYEES

OUR COMMITTED and motivated employees are the basis of Tokmanni's success. In 2020, our personnel grew by more than 10 per cent; at the end of 2020 there were 4,056 Tokmanni employees, 397 more than at the end of 2019.

On average, there were 3,873 Tokmanni employees in 2020. The reported employee numbers also include employees on a leave of absence, such as maternity, paternity, parental, childcare, study or job alternation leave.

High numbers of permanent employees

At the end of 2020, 75 per cent of Tokmanni employees held permanent employment contracts and 25 per cent held temporary employment contracts. The share of full-time employees was 33 per cent and part-time employees made up 67 per cent of employees.

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

During 2020, new permanent employment relationships numbered 453, and correspondingly, 347 permanent employment relationships came to an end.

Tokmanni developed its warehouse functions and facilities during 2020. The warehouse personnel grew by 62 persons; at the end of 2020 there were 323 employees, 94 per cent of whom are full-time employees.

The turnover of permanent employee arrivals during the reporting period was 16 per cent (2019: 14.5), and the corresponding departure turnover was 11.4 per cent* (2019: 12). The turnover figures do not include employees leaving the company because of retirement.

The employees' commitment is well-reflected in the fact that at the medal of merit party 2020, 178 employees received awards for 10, 20, 30 and as much as 40 years of service at Tokmanni.

At the end of the year, the average number of years of service among permanent employees was 8.4.

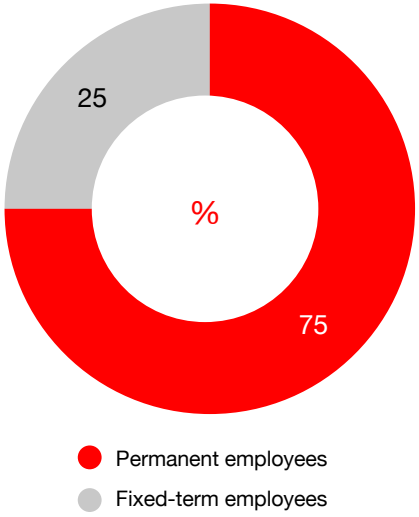
Limited use of temporary workers

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

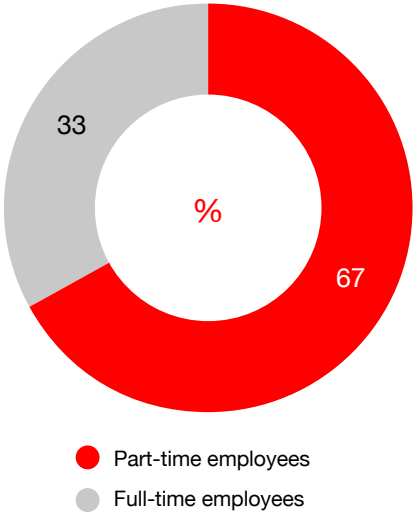
Covered by collective agreements

Tokmanni follows all the provisions of codetermination legislation (the Act on Co-operation within Undertakings) and those set out in collective agreements (the Finnish retail sector collective agreement), including the legal provisions and notification times concerning reorganisations. All personnel groups, except for the Executive Group and extended management team members, are covered by the Finnish retail sector collective agreement. Tokmanni's Executive Group and extended management team members accounted for 1.6 percent of the company's personnel at the end of 2020. As a rule, these two personnel groups also follow the terms of the retail sector collective agreement. •

75% Permanent employees



67% Part-time employees



All employments at the end of year included.

**Turnover of permanent employee arrivals measures the rate of new permanent employees while departure turnover measures the rate of finished permanent employments compared to the total number of staff at the end of 2020.*

	2018, %	2019, %
Permanent employees	76	78
Fixed-term employees	24	22
Part-time employees	64	65
Full-time employees	36	35



MEASURES TAKEN AGAINST COVID-19 BECAME THE NEW NORMAL FOR STORE STAFF

WHEN COVID-19 arrived in Finland, it also changed the way tasks are carried out in Tokmanni's stores. Safe distances, various protective equipment and group divisions in work shifts quickly became a part of the new daily routine in every Tokmanni store in Finland.

"In spring 2020, the changes the virus forced upon us felt big and even daunting at times, when no one had any definite information about how the virus would affect us. Suddenly the safe and familiar work community disappeared, and we had to adapt to a new situation filled with uncertainty," says **Sini Laine**, Store Manager at Tokmanni in Lieto.

Sini was employed at a Tokmanni store in Raisio when the pandemic started in spring 2020. Her first reaction to the situation was disbelief. Could this really be happening?

The store staff was immediately divided into two shifts to avoid infection, and the two groups were not allowed to have contact during the work day. This change was disheartening to most people, because they were not allowed to meet their co-workers or their supervisor like they used to. The balance between the workloads of the two groups was also discussed. However, people adapted to the situation rather quickly.

To protect the staff, Tokmanni installed signs and stickers providing instructions, hand sanitiser vending machines, and protective screens for check-outs during spring 2020 (p. 4–5). The company also provided visors and face masks for their employees later on during the year.

"Protective equipment has mostly been described as sufficient. People had to get used to wearing masks, but once they were taken into daily use, the power of example worked as a good incentive. Now if I happen to accidentally leave my mask in the employees' facilities before returning to my work for example, I almost run to go back and get it," Sini chuckles.

In spring 2020, it was a daily occurrence to encounter a customer who didn't comply with the guidance on safe distances.

"We had to remind people about safe distances a lot in the beginning, and that they shouldn't enter the store via the check-out area. Many customers found that annoying and gave us feedback. But now, the customers are also protecting themselves more when entering the store," Sini says.

At the store in Lieto, all new COVID-19-related guidelines are discussed in the morning meetings. According to Sini, the Regional Manager and Tokmanni's employment relationship helpdesk have always been helpful when an employee has had something on their mind.

"Relatively few people speak about the fear of falling ill in their work community. They are more likely to speak about their fear of infecting others at work. They are also concerned about how things will work out if one of us gets ill. I always try to assure them that if someone gets infected, it's not anyone's fault. We will get through it if needed," Sini says and continues:

"During coffee breaks, people are looking to others for support by asking whether they dare to go to the hairdresser's or the gym. If your friend has been, it is easier for you to pluck up the courage to go, too.

COVID-19 is still affecting people's everyday lives in Finland, but Tokmanni's staff in Lieto has slowly adapted to the situation over the last year.

"New measures taken against the virus have become the 'new normal' at work, and we should continue to remember to sanitise our hands, use masks and maintain safe distances even during busy hours. The better we protect ourselves, the faster we will hopefully be able to return back to normal," Sini says. ●

OCCUPATIONAL HEALTH AND SAFETY

TOKMANNI SUCCEEDS when its employees are healthy and conduct their work tasks safely.

We promote our employees' well-being, occupational health and safety through smooth work ability and occupational safety processes and day-to-day management. The goals of these processes are to prevent occupational health and safety risks, increase well-being and prolong the working careers, in other words, to comprehensively and continuously improve occupational health and safety. The average age of Tokmanni employees is 37.2 (2019: 37.9) and the average retirement age is 62.2 (2019: 63). The absence rate was 4.19 (situation as of the 19th of Jan 2021).

Tokmanni's occupational well-being group represents all Tokmanni's personnel groups. The group also acts as a statutory occupational safety and health committee. The group meets regularly, typically four times a year. The aim of the group is to improve the occupational safety culture by setting goals, monitoring results, and proposing and implementing measures. Tokmanni's work ability and occupational safety operating models, their effectiveness and cost-efficiency are regularly evaluated by the work ability steering group which has representatives from Tokmanni and Tokmanni's key partners in this field: the occupational health provider (Mehiläinen), the pension insurance company (Varma) and the accident insurance company (LähiTapiola).

Occupational Safety Culture

With continuous work to enhance occupational safety, the injury rate has decreased over the years. In 2020, the injury rate at Tokmanni was 26.7 (situation as of 19th of Jan 2021), including pain induced by work-related motion, while the corresponding 2019 injury rate was 31.8.

In 2019, Tokmanni launched a three-year development programme to enhance occupational safety culture. During 2020, Tokmanni implemented a safety tool called Tokmanni-Turva. Tokmanni-Turva covers health and safety risk assessments, improvement actions related to risk assessments, safety walks, findings, safety observations (e.g. concerns, near-misses and positive feedback) accidents and investigations. Through systematic, careful and transparent handling of matters, we aim to reduce the likelihood of accidents and increase safety in the workplace.

The goal for 2020 was to update the risk assessment process and train managers in the new process and the Tokmanni-Turva system. Both goals were achieved. The training was carried out in co-operation with the accident insurance company LähiTapiola. Occupational safety card training for managers was also started in 2020 and will be continued in 2021 within the limits allowed by the COVID-19 restrictions.

In addition to new systems (Tokmanni-Turva) and processes, good and effective practices created in the past are still in place to ensure a healthy and safe workplace. Workload and risk factors vary depending on the job. Material handling both in stores and in warehouses creates the biggest occupational safety risk factors and causes the most accidents. The risk factors for office staff are related to the demanding work and strict schedules.

Occupational health and safety issues are part of each Tokmanni employee's everyday life right from recruitment and orientation. Our employees have been informed about the new system and are actively encouraged to use the Tokmanni-Turva system. Employees have access to videos that improve occupational

THE INJURY RATE DECREASED DURING 2020.

safety (e.g. ergonomic instructions) as well as various training (e.g. first aid trainings and fire safety training).

We pay a lot of attention to the safety of our locations (stores, offices, warehouses), which helps us improve the safety of both our employees and our customers. The safety of our locations is promoted through e.g. various technical security solutions (including a camera and burglar alarm system), site-specific rescue plans and security services.

Occupational health services

With the help of occupational healthcare services, we are able to improve occupational health and safety and influence the well-being of our employees at different stages of their careers. Our employees have access to statutory occupational healthcare services as well as comprehensive medical care services (end of 2020, 3,334 employees will be covered by the expansion).

Our employees have the opportunity to use the digital services of an occupational health care service provider (e.g. digital clinic, electronic prescription renewal, training programmes), low threshold services related to e.g., musculoskeletal symptoms or concern about an employee's own mental well-being.

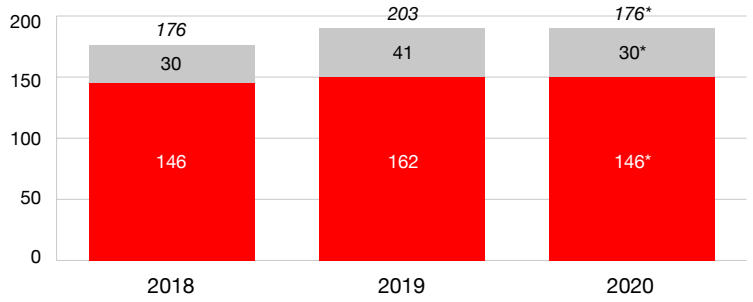
Musculoskeletal symptoms are the biggest cause of sick leave. For this reason, in 2020, we provided our employees with greater opportunities to support the well-being of the musculoskeletal system using the Tule kuntoon model. The purpose of the model is to ensure the best possible physical functioning and work ability of an individual, through proactive activities, timely treatment and rehabilitation.

During 2020, a regional coordination model was launched in cooperation with Mehiläinen to support Tokmanni's ten sale areas in occupational healthcare and work ability management. The regional coordination model enables occupational health care to better meet the needs of sale areas. At the same time, occupational healthcare practices are becoming more uniform.

In 2020, a direct appointment for an occupation physiotherapist was introduced to prevent musculoskeletal disorders. Also in 2020, a model for an active support for work ability was launched for Tokmanni.

The model takes into account for example work community problem-solving and guidance was developed for managers to address work community challenges. Guidelines were developed for work community mediation and for unfair treatment or harassment in work situations. The HR department employees were trained in this mediation method. ●

Accidents at work (No.)



**Accidents include all refunded cases. For 2020, the accidents include accidents for which compensation was paid by 19 January 2021. Therefore, the number is liable to change.*

The 2019 figures have been further specified due to additional information received after the launch of the 2019 Sustainability report.

Accidents at work and absences due to illness

	2018	2019	2020
Injury rate (IR)*	30.6	31.8	26.7**
Occupational diseases	0	0	0
Absence rate***	4.36	4.56	4.19**
Work related fatalities	0	0	0

**Workplace accidents *1 000 000 / hours worked, incl. pain induced by work-related motion*
***19.1.2021*
****Absences due to illness (hours) / theoretical working hours (EK)*



TOKMANNI INVESTS IN WORK ABILITY MANAGEMENT AND INTEGRATING EMPLOYEES THAT HAVE PARTIAL WORK ABILITY

Working life is in a constant state of change, and it is not always easy to maintain work ability in every situation. We manage Tokmanni's employees' work ability systematically in order to control the work ability risks and promote our employees' wellbeing at work.

AT TOKMANNI, risks to work ability are anticipated, managed, and reduced with great consistency and with the help of an active operating model to support work ability. The goal is to prevent Tokmanni's employees from losing their work ability due to illness for example and from having to resort to a disability pension.

"This benefits us all. We take our responsibility for managing the work ability of our staff and do not just outsource it to occupational health care and insurance companies," says Tokmanni's Work Ability Coordinator **Jonna Lindroos**.

A wellbeing-at-work team, supervisors, and a good cooperation network are the cornerstones of work ability management

Tokmanni's supervisors are supported in work ability management by an active and competent wellbeing-at-work team, as well as occupational health care professionals. Together they have created new practices and provided training for Tokmanni's employees and supervisors, for example.

"We do all we can in order to maintain our staff's wellbeing and satisfaction until they move on from working life to retirement. Our wellbeing-at-work team has been given good resources so that we are able to not only manage but also to develop our work practices."

In retail business, risks are minimised especially with everyday anticipation and responding rapidly to possible warning signs.

"It allows us to tackle any possible risks early on. Our supervisors have been given training in monitoring possible warning signs of reduced work ability and encouragement to speak up if they notice such signs. We have invested in research concerning work movement ergonomics, for example. In addition, we use vocational rehabilitation options offered by insurance companies."

Prominent advantages, but not without challenges

Tokmanni's investment in work ability management and integration of employees with partial disabilities have resulted in both improved wellbeing at work and cost reductions. Tokmanni has successfully lowered their employee pension contribution to category five, whereas in 2018 it was seven. In addition, the share of employees' sick leave has fallen below Tokmanni's target for 2020, to 4.19% (situation as of the 19th of Jan 2021).

"Work ability management shows that the employer cares about their staff. It is important to us that we show our employees that we care about them and that we support them in their daily work life. Our motivated, capable professionals help Tokmanni to become successful financially as well."

According to Jonna, some situations may pose challenges when it comes to offering full-time work that has been reduced enough in terms of the employee's work load.

"A person trying to return to work life after a period of disability can test their work ability for example by entering a work try-out. Work carried out in stores and warehouses is physically demanding, and we can have difficulties with providing meaningful and suitable tasks for a person with reduced work ability. If we cannot provide such work, we can use our collaborators' support to find a more suitable workplace for the employee," Jonna clarifies.

"The threat of losing one's ability to work can affect the employee's entire life situation. Our wellbeing-at-work team's task is to inform our employee about their options in situations where their health requires flexibility at work. We work with individuals, and it is important to find mutually satisfying solutions," she concludes. ●



EQUAL TREATMENT AT WORK

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

Equitable and versatile benefits

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

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

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

Incentives for work

Tokmanni operates an incentive pay scheme for all employees, with the exception of the warehouse staff, who have their own productivity bonus system. In 2020, the basis of this incentive scheme was like-for-like sales development, depending on the employee's role. For 2020, a total amount of EUR 1.3 million was paid in sales bonuses, which cover all personnel and pays out bonuses quarterly.

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

Equal opportunities for all

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

Improving job satisfaction

We monitor our employees' workplace satisfaction using a yearly survey. The survey focuses on how factors such as equality, working atmosphere, management and the development of fair management are realised and develop at Tokmanni. After the survey, we choose yearly development targets for the entirety of Tokmanni.

No cases of discrimination were reported during 2020.

A diverse workplace

Our goal is to create a diverse workplace community and to ensure equal treatment of all our employees from the moment they are recruited. At Tokmanni, diversity means equal opportunities, regardless of descent or gender, for example. During 2020, systematic diversity work was continued, including an anonymous

recruitment pilot. Its large-scale deployment will require an update of the recruitment system, and we are currently working on it.

We have used gender neutral job titles since 2019. In order to survey our employees' diversity regarding language, we started to gather information about our employees' mother tongues in 2019, and now 100 per cent of the information has been gathered. At Tokmanni, our employees speak over 23 different mother tongues.

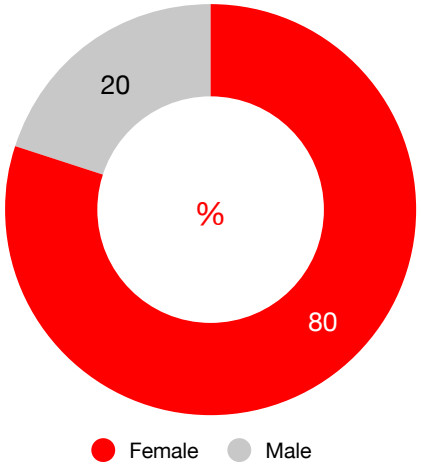
The top 4 languages are Finnish, Swedish, Russian, and Estonian. In 2020, job applicants spoke 60 different mother tongues.

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

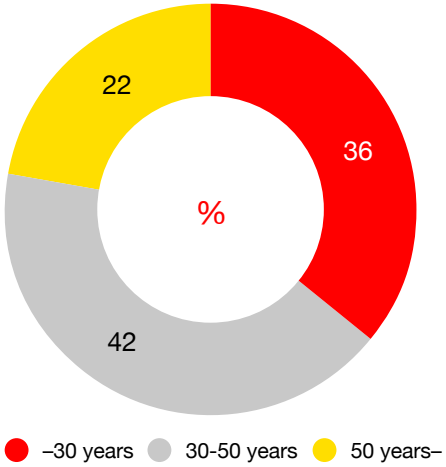
In 2020, Tokmanni purchased a packing service for Tokmanni´s Christmas packages from Eteva, the Joint Municipal Authority (for Disability Services). Eteva engaged 75 of its customers with disabilities to work with the project.

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

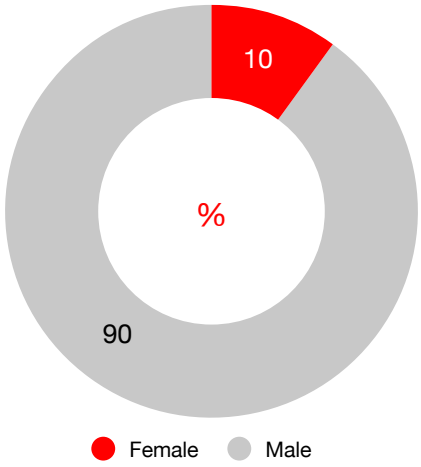
Majority of employees women, as is typical in the commerce sector



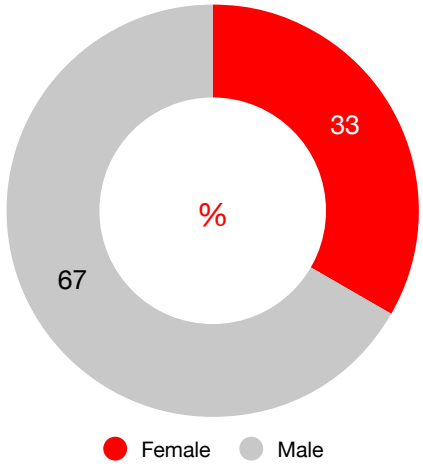
Average age of personnel 37 years



One woman in the Executive Group*



Two women on the Board of Directors**



**The Executive Group had 10 members in total in 2020. **The Board of Directors had 6 members in total. All effective employments at the end of 2020 are included in the calculation.*



MULTILINGUALISM IS PART OF EVERYDAY LIFE AT NÄRPIÖ'S TOKMANNI STORE

When Merja Kangasniemi drives 55 kilometres from Kauhajoki to her workplace in the morning and jumps out of the car, she might think she ended up somewhere even further away. A large number of Närpiö's residents speak Swedish as their mother tongue, and the companies in the area have employees from many different countries.

NÄRPIÖ IS A MULTICULTURAL municipality with 9,000 residents on the coast of Western Finland. Tokmanni has been serving Närpiö residents since 2017, and the store has slowly found its place in the daily lives of the locals. Merja's experience as a Store Manager is that Närpiö's residents are friendly, empathetic people with big hearts.

"We can provide customer service in the customer's own language. When the staff's language selection of Swedish and 10 other languages has not been enough, pantomime has sometimes been used but the transactions have been completed successfully," Merja laughs.

A multicultural workplace

Many of the current staff have ended up in employment through internships, and during the store's existence the team has welded together.

"It has taken a little more time to learn things than if the mother tongue of the whole team were Finnish, but now I can say that I have a dream team. I can spend my holidays without worrying about the store when I'm away," Merja says.

The store's staff come from all over the world: Vietnam, Ukraine, Turkey, and Russia. In the summer, trainees come from many other countries as well.

In a colourful and multi-background crowd, no one is discriminated against, and everyone talks to each other in English if there is no other common language.

"In Närpiö, foreigners learn Swedish first, and the new employees are given training in English at Tokmanni, because it may be the only common language and that is best understood within the team. Currently, we are studying Finnish together with many of our employees, and next the first employees will go on to study a degree in Finnish while they work with us," Merja says proudly.

A store like its customers

The customs of other countries and cultures are also taken into consideration in everyday life at Närpiö's Tokmanni. For example, shifts and holidays are planned Ramadan in mind.

Merja says that her team's strengths are work ethic, respect for other people and courtesy. Everyone helps each other, has a principle of taking care of things without being asked to. For example, if they notice any pieces of rubbish on the floor or things that are out of place, they deal with them independently.

Vietnamese employee **Tien Nguyen** said that at first, he was surprised by Merja's leadership style. In Vietnam, the boss is the boss and does not sweep the floors or take out the rubbish, while Merja does the same tasks than the employees in her team.

In addition to her staff's other positive attributes, Merja has noticed that many of her employees have a real talent for languages. For example, **Tetyana Ivantsova** (Tanja) from Ukraine serves customers fluently in Russian, Swedish, Bosnian, Ukrainian, English, and Finnish.

"We are indeed a store like our customers and we are able to serve the varied customer base of Närpiö and its surrounding areas," Merja concludes. ●



OPPORTUNITIES FOR TRAINING AND DEVELOPMENT

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

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

New online courses on work community principles and occupational safety

Last year, we implemented our work community principles and started to improve Tokmanni's occupational safety culture.

In the beginning of the year, we launched a novel online course, which helps our employees understand the personal conduct we expect from everyone at work. Our target was for every employee to complete the new online course

TOKMANNI´S YOUTH EMPLOYMENT PROGRAMMES

TOKMANNI AIMS to foster youth employment. Therefore, Tokmanni continued to participate in a project in which a group of young adults between the ages of 18 and 29 were given coaching in working life competencies. The participants conducted a work trial of three months in the retail stores. The project was carried out in collaboration with the Finnish Commerce Federation, Ohjaamo Helsinki, Stadin ammattiopisto vocational college and other retail companies. We co-operated with several educational institutions, for example by offering internships for young people at our stores. We also provided opportunities for students to write their final thesis.

During 2020, Tokmanni offered hundreds of summer jobs and work experience positions for young people (Tutustu työelämään ja tienaa). Some of the participants in the "Tutustu työelämään ja tienaa" work experience project have been hired as a part of an immigrant collaboration project with Plan International. Tokmanni also participated in a campaign called "Responsible summer job" (Vastuullinen kesäduuni).

during 2020 and for the course included in the induction materials. Due to COVID-19 the target wasn't completely reached and approximately 1,300 employees had completed the course by the end of 2020.

At the end of the year (Q4), we launched another new online course for all employees with a focus on occupational safety. Developing the course was one of the actions of the three-year development programme for enhancing the occupational safety culture at Tokmanni. The course is a part of our induction, and its role is to help us reduce the probability of accidents and increase safety at work. During the last quarter, approximately 350 employees had completed the course.

Supporting competence development

We support our employees' training and development, but each employee is also responsible for maintaining and further developing their professional knowledge and skills themselves. Professional expertise at Tokmanni is further developed through conventional and online training. The training is provided for employees through in-house experts and external training partners.

During the year, in the middle of COVID-19 pandemic, training was either organised online on Teams or some of them had to be cancelled. Because of COVID-19 precautions, updating our e-learning environment & tools became a necessity. We started the work by building new e-learning courses for our people around Finland. Tokmanni's office personnel and supervisors both at stores and the warehouse had also the opportunity to learn more through a video library.

We continued providing training for our supervisors on many essential HR topics and developing coaching-based supervisory work skills. This year, we also provided training on remote management skills for office supervisors. We started a leadership and management programme for our warehouse supervisors and a leadership programme for extended management. Tokmanni supports vocational development through apprenticeship training in retail, logistics and management. In 2020, nearly 200 employees participated in apprenticeship training.

We encourage our employees to grow and to take up new positions. Last year we outlined the potential career paths of our store employees. We also integrated the career paths process into appraisal discussions for our employees at stores.

Our aim was to offer classroom training on customer service to all Tokmanni's employees at stores. However, due to COVID-19 restrictions, it was not possible to organise classroom training. We will continue this training in 2021.

Supervisory work during the pandemic

Every employee usually evaluates their supervisors' work once or twice a year, but 2020 was an exception. Instead of one broad survey, we conducted two short surveys that focused on the leadership and well-being of

our employees in a very exceptional situation. Office personnel were working from home, employees at stores were serving customers on the front line, and warehouse workers continued their work within the limits of the COVID-19 restrictions. According to the survey results, employees were very satisfied with supervisors' leadership practices at the office and warehouse. The opportunity to work from home supported office personnel's coping at work while doing demanding work on strict schedules. For store employees, working with COVID-19 restrictions wasn't easy.

Annual personal appraisal discussions

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

In a normal course of the year, around 80% of Tokmanni's employees attend a personal appraisal with their supervisors. During 2020, only 55% of the appraisals were held. This is an important process for us, as personal appraisal discussions are known to increase satisfaction at work. Therefore, we aim for better results in 2021. ●

ETEVA'S CUSTOMERS PACKED CHRISTMAS GIFT PACKS SOLD AT TOKMANNI



ETEVA / SAMULI SOININEN

CHRISTMAS GIFT PACKS containing food products sold at Tokmanni stores in late 2020 were packed at daytime activity units run by Eteva, a centre providing services for people with disabilities.

Eteva's customers are people in need of special support, such as people with intellectual and developmental disabilities or autism spectrum disorders, or those participating in mental health rehabilitation, who aim to find employment in the labour market. Working in Duunarit ("worker") groups, they practice working life skills with the support of instructors and job coaches.

The packing work was performed by 75 Eteva customers from different units, working in two-hour shifts to produce a total of 24,000 Christmas gift packs during the autumn. Everyone participated in the different stages of the packing process according to their abilities.

The participants received incentive pay for their work in trainee groups, but the aim of the activities is to gain paid employment in the open job market.

"One of the fundamental human rights is the right to work. There are a lot of work in companies that people with disabilities can do", says **Marika Metsähonkala**, CEO at Eteva.

"In addition to cooperating with us in packing, Eteva's customers have been on traineeships at many of our stores," says **Sirpa Huuskonen**, HR Director at Tokmanni.

PRODUCTS AND SOURCING

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



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PRODUCTS AND SOURCING

Responsible sourcing means to us, in particular, ensuring that employees' fundamental human rights are respected in the supply chain. These fundamental rights are based on, for example, the United Nation's International Bill of Human Rights and Convention on the Rights of the Child, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

**In addition to third party BSCI audits.*

ACHIEVEMENTS AND CHALLENGES IN 2020

Achieved	Partially achieved			Challenges
No serious product safety faults or accidents were linked to products sold by Tokmanni.	Definition of certification objectives and measurement systems for high-risk raw materials.	Updated sanctions guidelines, updated general purchasing terms and conditions, and responsible sourcing guidance taken into use.	Verifying amfori BSCI audit results with at least 70 of our own inspections, and audits management guidance updated. (60 inspections conducted.)	Definition of a supplier sustainability indicator. Development of the contract management process. Overall assessment and updating of procurement quality processes.

TARGETS FOR 2021

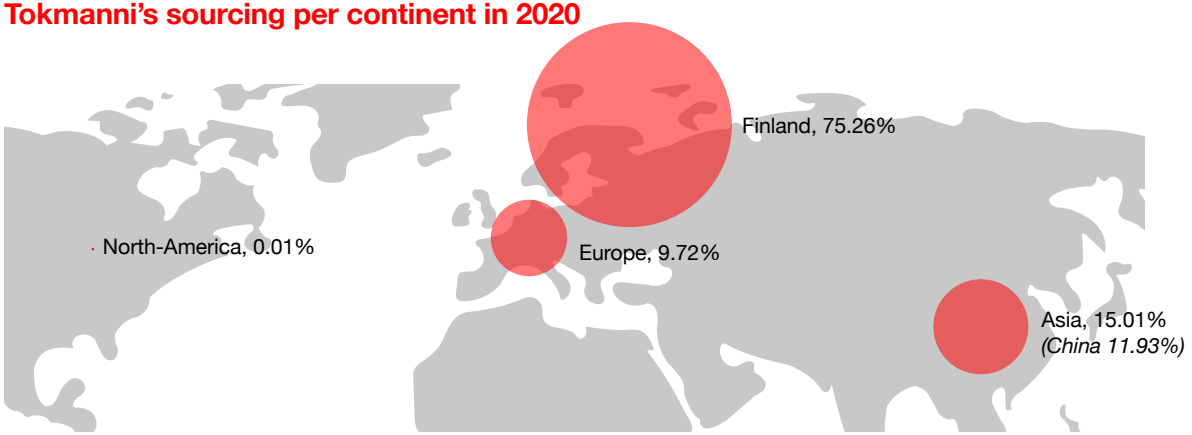
- Definition of a factory and supplier sustainability indicator.
- Updated sanctions guidelines and responsible sourcing guidance finalized and taken into use.
- Sharpen our human rights approach, including prioritization of future deep dives to selected factories.
- Definition of certification targets for palm oil and wood.
- Targets for selected sustainability labels set.
- 70 own factory inspections*, and audits management guidance updated.
- Social compliance features of the supplier management system in use
- Development of the contract management process.
- No serious product safety faults or accidents were linked to products sold by Tokmanni.
- Determined reduction of the product complaint percentage in private-label products.

RESPONSIBLE SOURCING REQUIRES SYSTEMATIC WORK

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

As a member of amfori BSCI (Business Social Compliance Initiative), Tokmanni is committed to adhering to its ethical principles (the BSCI Code of Conduct). Tokmanni also requires that its suppliers and their subcontractors adhere to amfori BSCI's ethical principles. In its sourcing agreements, Tokmanni retains the right to examine a supplier's entire subcontracting chain if necessary. Read more on page 52.

Tokmanni's sourcing per continent in 2020



Largest sourcing countries after Finland and China (each with <2% of purchases) are Denmark, the Netherlands, Bangladesh, Sweden, Germany, Poland and Estonia.

Work on responsible sourcing focuses on risk countries

Social compliance risk management focuses on risk countries, which according to the World Bank's classification have the greatest risk of labour and human rights violations. Out of all of Tokmanni's direct sourcing in 2020, a considerable portion was imported by Tokmanni itself. Of the products imported directly by Tokmanni, about 63 (2019: 64) per cent are acquired from countries classified as risk countries by the World Bank. The vast majority of Tokmanni's risk country suppliers are in China. Other important sourcing countries in the risk country category include Bangladesh, Turkey, India and Vietnam*.

The primary focus of social and environmental compliance efforts is on suppliers within Tokmanni's more immediate sphere of influence, i.e. private-label and exclusive distribution product suppliers. Tokmanni requires factories that produce these products in risk countries to have a valid amfori BSCI, SA8000, SMETA or the

OVER 75% OF OUR PRODUCTS WERE SOURCED FROM FINLAND IN 2020.

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

toy business' ICTI Care audit. These social audits in risk countries include among other things rights to freedom of association and collective bargaining. Sourcing agreements with the factories of brand suppliers must also contain a commitment stating that production complies with amfori BSCI requirements.

94% of purchases from risk countries from audited factories and the most common BSCI audit grade is C**

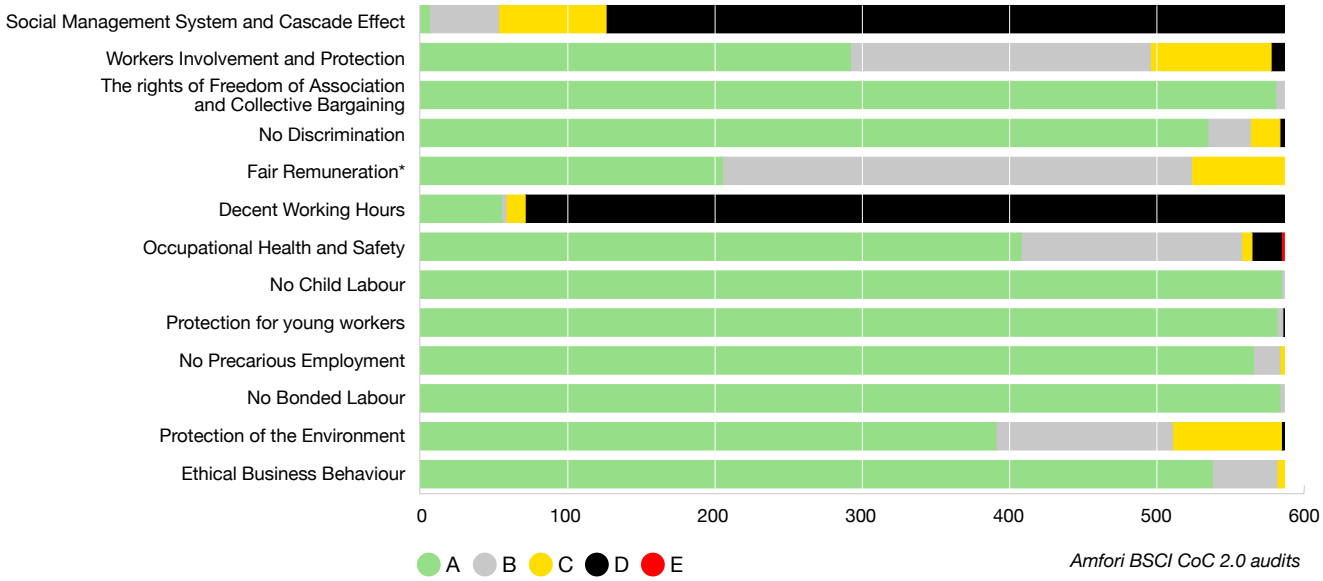
In 2020, 94 (96) per cent of direct purchases from risk countries took place from factories with a valid audit. 688 audits were conducted in 2020 in factories supplying for Tokmanni. Most factories (76.7%) received a C (acceptable) overall score. None of the factories supplying for Tokmanni received a E (unacceptable) in 2020.

The slight drop in the BSCI compliance figure was partially due to a modified calculation methodology used for calculating audit validity in 2020, partially due to changes in the internal reporting of the factory data and partially due to audits that were postponed or cancelled due to COVID-19. In addition, full, 100% coverage is difficult to attain in BSCI audits, as there may be a short time (typically a month or two) between two valid audits due to late re-audit bookings by other RSP holders. In these cases, no new orders are to be submitted to the factory until the BSCI audit is renewed.

Within the amfori BSCI system, some of the factories are under Tokmanni's responsibility, making Tokmanni a so called RSP holder (responsible company for the supplier). The RSP role brings with it the responsibility to book third-party audits for the factory and follow up remediation plans. It is not possible to be an RSP holder for all factories, as the factory's biggest customer usually prefers to take on the role.

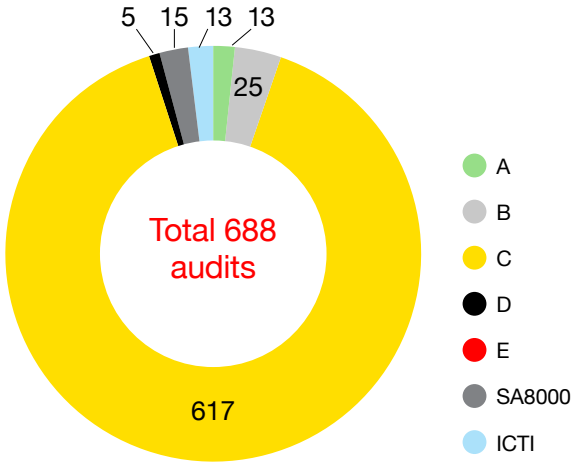
***Calculation based on 2020 purchases from factories in high risk countries that had BCSI or other social compliance audit valid in 2020.*

Amfori BSCI full audit results 1.1.2019–31.12.2020



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

The average BSCI audit grade is C



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

We became a Bangladesh Accord signatory

In 2020, Tokmanni signed the Accord on Fire and Building Safety in Bangladesh which works towards increasing fire, structural and electrical safety at factories in Bangladesh. We are committed to only sourcing garments from Accord-covered factories in Bangladesh.

Work with amfori BEPI started in 2020

In 2019, we joined amfori's environmental assessment programme (BEPI), a business-driven initiative, aimed at improving the environmental performance throughout supply chains. In 2020, we started active work with the programme by inviting our garment factories to start amfori BEPI Self-Assessment. At the end of the year, 231* of our suppliers had enrolled in the BEPI system. As amfori BEPI is a network of industry peers we benefit from the work of others and vice versa. Some of our factories have been invited to the system by other actors and data and progress is shared with all of their business partners. In 2021, we will continue the work by inviting our biggest suppliers to the system.

We carry out our own inspections at factories

Tokmanni also carries out its own product quality and social compliance inspections at factories in risk countries and other countries of manufacture, particularly at potential new suppliers' factories, and at factories where the assessed risks of human rights violations are the highest. Particular focus is placed on work safety and quality control. We assess the situation against BSCI reports, discuss and see whether non-compliance issues have been corrected. In 2020, we updated our responsible sourcing guidelines including guidance on factory inspections and it will be taken into use in 2021.

In 2020, Tokmanni carried out 60 (2019: 52) of its own factory inspections in China, Italy, and Poland mainly, during the second half of 2020 due to COVID-19. This corresponds to 15.0% (2019: 12.4) of active suppliers in risk countries and 8.6% of active factories in risk countries. Mainly due to travel restrictions, we piloted commissioning additional third-party factory audits to inspect new factories. We will continue to use these audits in selected factories.

Working towards a living wage

A living wage is one of the risks that comes up in our human rights assessments. Both the amfori BSCI Code of Conduct and Tokmanni's Supplier Code of Conduct contain the principle of fair remuneration**, which enables the employee and their family to earn a reasonable living sufficient to meet basic needs. As a member of amfori BSCI we support their initiatives that aim to achieve living wage in supply chains.***

As we do not own factories and therefore do not pay wages in the supply chain ourselves, we cannot influence living wages alone. We are, however, committed to promoting a living wage for employees in our supply chain. This issue can only be resolved through long-term commitment and close cooperation with global and local stakeholders. Constructive dialogue on the subject at factories is also stimulated through both our own factory inspections and BSCI audits where the issue is raised.

Further developing responsible sourcing

In 2020, we started updating our certification targets for high-risk raw materials (more on p. 54). Forced labour in the cotton industry was one of the issues addressed. In 2021, certification targets for the remaining high-risk raw materials will be set, as well as certification targets for selected sustainability labels. Progress in achieving these goas will be reported next year.

In further developing responsible sourcing practices in 2020, our updated general purchasing terms and conditions with stronger social and environmental compliance clauses were taken into use. We also continued to update our sanctions policy and responsible sourcing guidelines.

In addition, we continued the more in-depth work on our reporting systems to integrate factory-level data and social compliance issues into our business reporting, and to work more closely with our purchasing office in Shanghai, e.g. through a supplier management system, the implementation of which started in Shanghai in 2020. Factory and supplier sustainability index will be finalized in 2021.

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

**65% of them were in China and 30% were garment factories.*
***Anker-methodology is normally used.*
****BSCI members observe the principle of 'Fair Remuneration' when they respect the right of the workers to receive fair remuneration that is sufficient to provide them with a decent living for themselves and their families, as well as the social benefits legally granted, without prejudice to the specific expectations set out hereunder. More about amfori's living wage journey can be found here.*

HOW THE WORKING CONDITIONS AT FACTORIES ARE AUDITED IN RISK COUNTRIES

Tokmanni requires all factories in all risk countries, such as China, to be inspected by an independent party.



TOKMANNI USES one of the most popular auditing tools in the world, the amfori BSCI audit, with which we ensure that products are manufactured under humane conditions which are also constantly developed.

What do the audits assess? The audit will last a day or two, and it will go through 81 different aspects of working conditions at the factory. At larger factories, dozens of workers are interviewed during the audit without the presence of a manager. The report accurately records e.g. whether workers are allowed to freely join a union, whether everyone uses protective equipment, what kind of hours they work, and what kind of wages they have compared to the local general wage level*. With its attachments, a report of up to hundred pages is made available to all companies belonging to the BSCI system.

Who executes the audits in practice? Amfori BSCI has carefully screened 13 of the world's leading audit companies to carry out audits at local factories. The auditor uses the local language and he or she is required to undergo amfori training and pass an exam before qualifying as a BSCI auditor.

Does the factory have advance information about the audit? The factory is given a time window of a month, but not an exact date. The time window is necessary, since the audit requires the completion of many documents, as well as the presence of the factory management.

The most common general rating for Tokmanni factories is C, acceptable. How is it formed?** The rating is not an average of different sub-areas. If one of the 13 aspects of the audit is awarded a rating of D, insufficient, the final rating will be C.

In which areas do factories need to improve, and how is this addressed? The most problems are found in management systems, fair pay and overtime. The limit for overtime is 36 hours a month, and in Chinese factories this is almost invariably exceeded. In Bangladesh and Myanmar, overtime is not as common. For its part, Tokmanni is striving to reduce the pressure of working overtime by placing orders well ahead of time. If there is a significant amount of overtime, occupational safety risks increase and the quality of work often suffers. In these cases, Tokmanni will consider whether something can be changed or whether there is a reason to discontinue the cooperation.

What works well at the factories? Discrimination is rarely found in factories and investments have been made to improve occupational safety.

What happens if a factory receives an unacceptable rating? If violations of human rights or other serious misconduct, such as child or forced labour, are detected at the factory, it will receive an E (unacceptable), rating. Such misconduct occurs extremely rarely. In 2020, there was none at the factories used by Tokmanni. Products are not ordered from such factories. In a zero tolerance case, we adhere to BSCI's operating guidance where a conference call with all companies that place orders to the factory will be arranged within 72 hours. In the call, we will agree on how to correct the misconduct and how to act to ensure that future operations comply with the BSCI criteria. The agreement will not be extended if the matters are not resolved.

How do NGOs approach BSCI audits? Finnwatch, for example, asks companies to deliver BSCI audit reports and evaluates companies based on their audit rating. Pro Ethical Trade Finland (Eettisen kaupan puolesta ry – Eetti), which works to promote ethical trade, calls on BSCI for public audit results and more stringent criteria in place for an adequate living wage*. ●

**Amfori recommends the use of the Anker Methodology to estimate adequate living wage.*
***Amfori BSCI audits have rating scale of A (very good), B (good), C (acceptable), D (insufficient), E (unacceptable).*



TOKMANNI STAYS UP TO DATE ON THE CONDITIONS IN WHICH CLOTHES ARE MADE IN COUNTRIES LIKE MYANMAR*

Factories in Asia are monitored in different ways, and not all manufacturers are accepted as suppliers. We aim to ensure transparency throughout our supply chain by, for example, visiting factories by ourselves and through third-party audits.

ACCORDING TO THE WORLD BANK, Myanmar is a risk country due to several factors, including a drawn-out conflict in the country. However, the country has long been home to clothing manufacturers and boasts strong competence in this industry. Tokmanni has a long history of partnering with local suppliers and is well aware of the special characteristics of Myanmar and the risks it poses.

The volume of products we source from Myanmar is small. We only worked with five factories in the country in 2020 and have mostly sourced women's underwear from those factories. We do not procure any cotton clothing from Myanmar, and all materials are imported to the country's factories from abroad. We also do not accept leather from Myanmar or Bangladesh because of the poor conditions in their tanneries.

The factories we cooperate with in Myanmar are mostly internationally owned. They adhere to management, labour protection and remuneration systems that comply with international standards. Due to their decent working conditions, such factories are often attractive places to work.

Regular visits and audits to the factories

We visit the clothing factories ourselves roughly every other year. In Myanmar, we have visited three of the five factories several times, with the last visit taking place in 2019. We also aim to take a trip to the two factories that we have so far been unable to visit due to COVID-19. Once on site, we monitor particularly the quality of the work and the working conditions in particular.

On-site audits of the factories are also regularly conducted by an independent third party. These audits are used to assess whether the factories comply with the requirements of the international social compliance management system amfori BSCI. At two of the factories in Myanmar, we have also conducted a human rights assessment that is more comprehensive than a third-party factory audit. These assessments have included off-site interviews with factory workers in their homes and have helped us to increase our understanding of the local context and living conditions and of the degree to which human rights are observed. ●

**The current situation following the military coup on February 1 2021 is uncertain. Tokmanni's factories' operations and facilities have continued as normal and Tokmanni continues to apply responsible purchasing practices to ensure that the factory workers rights are respected.*

Amfori recommends currently communicating with local producers to understand the challenges they are facing, proceeding with payments and not cancelling orders which are already in production.

Tokmanni is actively monitoring the situation and will adjust its approach if needed.

KEY HIGH-RISK RAW MATERIALS AND PRODUCT CERTIFICATION

WE HAVE DEFINED cotton, palm oil, wood and fish as our key high-risk raw materials. One of our sustainability goals for 2020 was to set more specific goals for certification targets for high-risk raw materials as well as products with sustainability labels, with a focus on private labels. This target was not fully reached due to other priorities in responsible sourcing (see p. 49-51), and, thus, in 2021 we will continue to work with the remaining two high-risk raw materials, namely palm oil and wood.

In addition, to ensure origin and responsible production of raw materials and products, we will strive to further increase the number of certified products. We prioritise the following certificates: Nordic Swan Ecolabel, organic, BCI, MSC, FSC, PEFC, Fairtrade, RSPO, UTZ, Natural cosmetics (COSMOS and NaTrue) and Oeko-Tex.

Updated cotton and fish policies

The most important high-risk material for us is cotton based on the volume of our sales as well as the associated human rights and environmental risks. Thus, in 2020 our focus was to update our cotton policy including certification targets for cotton.

According to our updated cotton policy, 100% of our cotton will be sustainable by the end of 2024. We define sustainable cotton as organic, recycled, or produced in line with Better Cotton Initiative (BCI) or the Fairtrade International. We joined BCI in the beginning of 2021. In addition to this, the use of cotton from Turkmenistan and Uzbekistan is prohibited. We have also started to track the origin of the cotton at a regional/provincial level in China from January 2021 and do not allow cotton or manufacturing factories from Xinjiang. More information on our cotton policy can be found here.

In 2020, we also updated our fish policy. The updated policy is based on the WWF seafood guide and bans any fish products on the WWF seafood guide red list. In addition, we require that by the end of 2022, fish in our private-label products is caught responsibly, e.g. has an MSC (Marine Stewardship Council) certificate or is documented not to be on the WWF seafood guide red list.

Other high-risk raw materials

In 2020, we also began to update our palm oil policy. We joined the RSPO in the beginning of 2021 and will continue to update our policies on palm oil and wood in 2021.

We are committed to animal welfare

We consider animal welfare to be particularly important, and we are committed to promoting it in our supply chain. We require that all products sold by Tokmanni which contain raw materials of animal origin and the manufacturing of these products complies with laws and regulations throughout the entire supply chain.

Tokmanni's Animal Welfare Principles (see p. 56) are based on the universally accepted Five Freedoms of the UK Department for Environment, Food and Rural Affairs (Defra): freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury or disease; freedom to express normal behaviour and freedom from fear and distress.



Some examples in practice include verification of mulesing-free merino wool or down in Tokmanni's private-label down jackets produced in accordance with the Responsible Down Standard. In our private-label cosmetic products, we only use European manufacturers that comply with EU legislation (Regulation (EC) No 1223/2009 of the European Parliament and of the Council on cosmetic products), including a ban on animal testing for both the final product and the raw materials. ●



WE ARE PARTICIPATING IN THE FINIX PROJECT TO ADVANCE TEXTILE SUSTAINABILITY

Tokmanni is participating in the FINIX research project led by Aalto University, which is developing tools to ensure and improve the sustainability of textiles. We bring a commercial perspective to the project, and our role is to test and improve a life cycle data management application that is being developed in the project.

OUR SHARED GOAL is to increase the traceability in textile supply chains, which is a prerequisite for advancing the sustainability of textiles.

A life-cycle data sourcing application is currently being developed in the project. The app utilises information on the manufacturing materials, origin of the clothing, the chemicals used, and working conditions associated with the clothing in a collection included in Tokmanni's 2021 assortment.

By participating in the testing and development of the life cycle data management application, we will provide the FINIX researchers with important knowledge and valuable feedback on how the application can be further developed during the project. At the same time, we will increase our shared understanding of how to increase transparency and our opportunities to provide more comprehensive communication about our products to our colleagues, customers and other stakeholders.

Although Tokmanni's customers will not be able to access the life-cycle data management application or the information entered into it, information on the products will be available on a website that is separate from the research project. The website contains information and images on the clothing manufacturing sites and processes, sustainability certification, materials, and its origin. Each garment in the collection will be equipped with a tag containing a website link, for customers to find out more about the products before purchasing.

Further information on the FINIX project and Tokmanni's clothing collection can be found on Tokmanni's website at www.tokmanni.fi/finix (in Finnish). More information will be added to the website during in 2021. ●

THE FINIX PROJECT IN BRIEF

FINIX IS a multidisciplinary research project that is funded by the Strategic Research Council and led by **Minna Halme**, professor of Sustainability Management at the Aalto University School of Business. FINIX's aim is to enable the Finnish textiles sector to succeed in the circular economy and to influence the textiles sector as a whole to make a change towards a more sustainable future. FINIX's research areas are materials, digital innovations, design strategies, and circular economy ecosystems and business models. Further information on FINIX can be found at www.finix.aalto.fi.

ANIMAL WELFARE CONSIDERATIONS

Farm animals

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

Animal hair

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

Wool

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

Fur

- We do not accept real fur.

Fish

- Fish is listed as one of our key high-risk raw materials and we seek to increase the number of certified fish products in our product range in 2021. In addition, we will ensure that all fish products of our own brands are sustainably caught by the end of 2022.

Down and feathers

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

Leather

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

Exotic skin

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

Other animal products

- We do not sell toys intended for researching animals/living organisms/insects.
- We do not accept living organisms intended for educational purposes for children.
- In the handling of live organisms sold for practical uses (e.g. fishing bait), the correct transportation, storing, and disposal practises have to be considered.



Animal testing

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

ENSURING PRODUCT SAFETY

PRODUCT SAFETY is an integral part of Tokmanni's sourcing practices and we want to do our best to ensure that all the products we sell are safe to use. We ensure product safety, corporate responsibility and due diligence through self-monitoring, by visiting suppliers, by testing products ourselves, and by having products tested by third parties at various steps throughout the sourcing process.

We are responsible for the safety and quality of our products

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

In addition to private-label products, we import goods and brand products from various manufacturers outside the EU. As an importer, we are responsible for the safety of these products together with the manufacturer. The importer role includes various requirements comparable to the manufacturer's obligations. We need to ensure that these products are produced in accordance with laws and standards applicable in Finland and EU. This is conducted mainly through document management to ensure that all required tests and approvals for imported items have been carried out.

Safe, high-quality products

In 2020, our goal was to maintain a high level of product safety, product quality and quality of experience with regard to our private-label products, licensed products and imported products in particular. We measure product safety and the quality of experience in terms of the number of product types that do not meet all of our requirements. In 2020, we identified 21 such cases (2019: 10), most of which were due to the quality of experience deviating from the product specification.

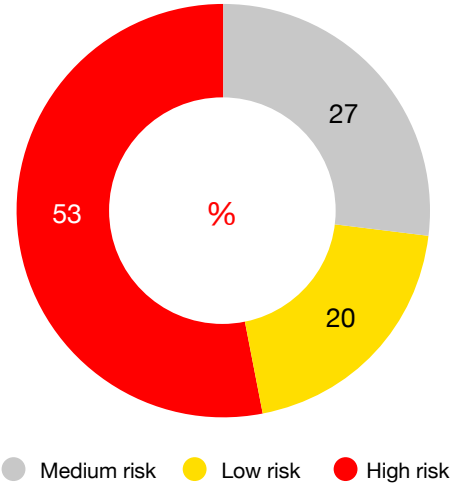
A typical example of inadequate quality of experience is women's jeggings losing their colour in the wash. In 2020, none of our own products posed a serious risk to consumers and we did not recall any of our own private-label products or products that we imported directly from outside the EU. In 2020, we received three decisions from Finnish authorities to stop selling goods due to possible non-compliance. One of these cases was a temporary sales ban while technical documentation was updated. One case was related to the impurity of a bird seed mixture and another one to the poor outer layer of an electrical cord. The contract management process update will continue in 2021. A determined reduction of the product complaint percentage in private-label products was added as new quality target for 2021.

Quality throughout the supply chain

Tokmanni is also responsible for ensuring that texts and packaging markings for goods we sell are correct. In addition to complying with current regulations on product information, all private-label products indicate the country of manufacture and recyclability of the packaging materials.

Tokmanni reviewed or renewed the labelling of 3,061 private-label products in 2020 (2019: 2,501). Self-monitoring process was changed in 2020 from pre-scheduled warehouse tours to risk-based product studies. The number of third-party product tests mainly run at the factories increased to 3,665 (2019: 3,001). Self-monitoring has been reduced in recent years because of improved quality guidelines, which have decreased the number of defective products identified during warehouse inspections. The focus of quality assurance has been shifted to factory inspections instead. ●

Product safety is tested in different stages of production



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



COOPERATION BETWEEN TOKMANNI AND THE JOHN NURMINEN FOUNDATION

The cooperation between Tokmanni and the John Nurminen Foundation, which focuses on the protection of the Baltic Sea and its heritage, culminated on the same week that the Baltic Sea Day was held (27 August) as Tokmanni handed a generous donation of EUR 53,000 to the Foundation. The donation was given to support the John Nurminen Foundation's Clean Baltic Sea projects in reducing the burden on the Baltic Sea and the number of environmental risks it faces.

THE COOPERATION between Tokmanni and the John Nurminen Foundation was carried out in the summer of 2020 as a purchasing campaign, in which we committed to donate five cents from every sale of one of Tokmanni's own Pisara brand products between 1 May and 30 August 2020 to protect the Baltic Sea through the Foundation. The aim was to make donating as easy as possible for the customers by offering over 200 skin, body and haircare products in the Pisara product range to choose from. The campaign included sales that took place in Tokmanni's physical stores as well as purchases from its online store.

"Although work to protect the Baltic Sea is a large-scale effort, private individuals also have opportunities to influence the future of the sea. We want to thank our customers for buying our Pisara products and thus participating in supporting important work for protecting the Baltic Sea," says **Emilia Koski**, Head of Corporate Responsibility at Tokmanni.

Impressive work to protect the Baltic Sea

The Baltic Sea is one of the most polluted seas in the world, and its most serious environmental problem is eutrophication. Climate change accelerates eutrophication in many ways, for example by increasing rainfall and nutrient runoff from land, and by causing sea water temperatures to rise.

The protection work done by the John Nurminen Foundation is guided by measurable results and impact. Since 2005, the Foundation has launched almost 40 Clean Baltic Sea projects, 25 of which have been completed.

With each Pisara product purchased from Tokmanni during the campaign, the John Nurminen Foundation can remove an estimated 250 grams of algae from the Baltic Sea, meaning that the donations make it possible to remove approximately 265,000 kilos of algae in total*.

"We thank Tokmanni for their good cooperation and the additional visibility that the Baltic Sea has received as a result of this campaign. It's great to see that Tokmanni's customers have joined the effort to save the Baltic Sea. I believe that the campaign will inspire more people to become friends – and saviours – of the Baltic Sea, including people from new geographical areas," said **Erkki Salo**, Fundraising Director of the John Nurminen Foundation, in the press release in 2020. ●

**The assessment is based on the Foundation's own impression and the results of the previous Clean Baltic Sea projects.*

CLIMATE

Tokmanni seeks to reduce the energy consumption particularly in its stores, reduce CO_2 emissions in its own operations and its supply chain, and to improve its waste recycling.



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Transportation emissions 66
Using waste and materials efficiently 67
Preventing food waste 69

CLIMATE

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

ACHIEVEMENTS AND CHALLENGES IN 2020

Achieved			Partially achieved	Challenges
Reduction of location-based carbon dioxide emissions at our properties (scope 1 and 2) by 3% compared to 2019.	Maintaining greenhouse gas emissions from transport at their 2015 level in relation to revenue.	Power consumption (total): -3% compared to 2019.	Reuse rate: 50% (of total waste).	Feasible data management systems for environmental reporting.
		Waste recycling rate: 35%.		
Comparable power consumption: -4% compared to 2019.	Achieving CDP score B, Management level.			

TARGETS FOR 2021

- Reduction of location-based carbon dioxide emissions at the properties (scope 1 and 2) by 3% compared to 2020.
- Maintaining greenhouse gas emissions from transport at their 2015 level in relation to revenue.
- Comparable power consumption: -4% compared to 2020.
- Power consumption (total): -3% compared to 2020.
- Recycling and reuse rate: 80% (of total waste).
- CDP score B or above for 2020.

SYSTEMATIC REDUCTION OF CLIMATE IMPACTS – DRIVEN BY SCIENCE-BASED TARGETS

SYSTEMATICALLY reducing our climate impacts is one of the most important areas of our sustainability work. We take the climate crisis seriously and we want to do our part to limit it. In 2020, our scope 1 and 2 CO_2 emissions decreased by 7.5%.

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

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

Governance around climate-related risks and opportunities

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

The Board reviews the group's main risk areas and internal control systems annually, including the group's values, code of conduct and corporate responsibility.

The Board reports annually as part of the Board of Directors' report and financial statements in the non-financial information section on the climate impacts and risks that the company faces. As of 2019, the company risk register, which is updated annually by the management and reviewed by the board, also covers climate-related risks. The CEO has the highest operational-level responsibility for climate-related issues, risks and opportunities. Since 2020, the CEO has been a member of the sustainability steering group.

The Executive Group reports on the progress of sustainability strategy and targets to the Board of Directors (p.19–20).

The process for managing climate-related opportunities often occurs in tandem with climate-related risk management. The Head of Corporate Responsibility works actively with different business units and departments, the CFO, the CEO and the Managing Director of the Shanghai sourcing office to drive forward sustainability work within the company. The Head of Corporate Responsibility reports to the CFO and is responsible for proposing and driving climate- related opportunity initiatives, maximising opportunities and identifying and minimising risks. Her task is also to ensure that the sustainability targets set are met. She also reports on progress on these targets to the CFO (deputy CEO), the sustainability steering committee and the Executive Group. The findings are used to plan further sustainability work and to set targets and objectives. These targets are approved by the Board (p.19–20).

Climate-related issues in Tokmanni's strategy

Sustainability is one of the three sources of success in Tokmanni's corporate strategy. Tokmanni is constantly examining new opportunities to cut energy consumption and make use of renewable energy sources at its properties, to make its logistics system more environmentally friendly, and to offer its customers a growing range of products and services with sustainability labelling. Part of our value proposition is to make quality products and everyday sustainable choices accessible to everyone.

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

Most of the climate impacts during the

lifecycle of Tokmanni's products arise during the manufacturing and use of the products The company has limited opportunities to influence these impacts and measuring them is challenging. Despite this, in 2020 Tokmanni calculated for first time a scope 3 inventory including the emissions of the products sold and the supply chain.

The main emphasis of Tokmanni's climate strategy is the climate impacts of its own operations, especially the reduction of carbon dioxide emissions and the energy usage of its properties.

As Tokmanni does not own its properties or its transportation fleet, improvements on eco-efficiency and emissions constantly require careful negotiations with its partners. In spite of its growth and the expansion of its store network, Tokmanni aims to keep greenhouse gas emissions from transport at their 2015 level in relation to revenue.

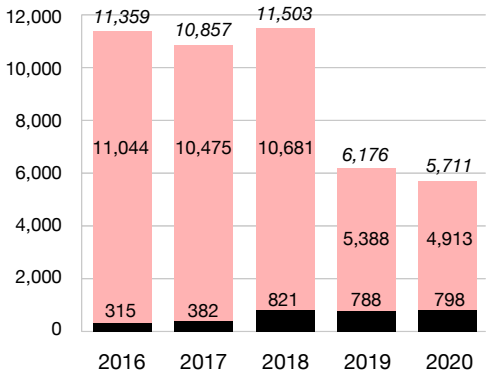
Science-based targets guide our CO_2 emission reduction efforts

In 2020, Tokmanni was the third retailer in the Nordics to publish approved science-based targets in line with the Paris Agreement and the 1.5 °C degree temperature rise.

Tokmanni commits to reducing absolute scope 1 and 2 GHG emissions by 70% by 2025 from 2015 as a base year. In addition, Tokmanni commits to 80% of its suppliers by spend, including purchased goods and services, having science-based targets by 2025.

These targets will be achieved, for example, through reducing energy consumption, improving energy efficiency, increasing the use of renewable energy particularly in heating,

Carbon footprint of own operations, tonnes CO_2



Scope 2 includes market based greenhouse gas emissions. In our 2019 Sustainability report (p.59), we included in our carbon footprint the following categories of Scope 3 emissions: domestic and international transportation of goods, postal services, air and rail travel, and waste. From 2020 onwards, having calculated a full Scope 3 inventory as part of our process to get Science-based climate targets approved, we start to report the carbon footprint of Scope 1 and 2 (our own operations), and Scope 3 (products and supply chain) separately.

Tokmanni's Science-based targets:

- Tokmanni commits to reducing absolute scope 1 and 2 GHG emissions by 70% by 2025 from 2015 as a base year.
- Tokmanni commits to 80% of its suppliers by spend covering purchased goods and services, having science-based targets by 2025.

Carbon footprint (Scope 3), tonnes CO_2

	2018	2019	2020
Upstream			
Purchased goods and services		533,027	608,568
Fuel- and energy-related (not included in Scope 1 or 2)		4,470	3,152
Transportation and distribution			
Transportation	9,967	10,858	11,885
Postal Services	15	24	63
Business Travel			
Air travel	162	270	13
Rail travel		3.8	0.145
Employee commutes		1,515	1,595
Waste		1,172	483
Downstream			
Downstream transportation and distribution		46,103	46,103
Total Scope 3 Greenhouse gas emissions	**10,144**	**597,443**	**671,863**

In 2020 Scope 3 screening was carried out for Tokmanni and a larger set of Scope 3 emissions have been considered in the calculations, according to science-based targets.

procuring renewable electricity certificates and undertaking careful negotiations with our suppliers. During 2020, Tokmanni's Scope 1 and 2 emissions decreased by 69.6% compared to 2015. Negotiations with suppliers are essential in reaching the scope 3 supplier engagement target of 80% by 2025. Building on the science-based targets, Tokmanni is also working on an updated carbon neutrality target, which will be tightened from the previous target of 2030 and published later in 2021.

Description of climate-related risks

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

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

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

Certain critical raw materials, such as cotton, are particularly vulnerable to climate change. We are increasing our share of organic cotton (p. 54). While at the same time, its demand is increasing but supply is limited, this is causing an increase in the cost of cotton.

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

Opportunities presented by the shift in consumer preferences

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

Based on our customer study conducted in 2020, our customers in Finland are increasingly prioritising a broader set of criteria for the goods they purchase. Their purchasing decisions are based not only on price and safety, but on the materials used, the carbon/human rights footprint the product has, its perceived sustainability, the corporate responsibility stance the retailer takes, and the durability and sustainability impact of the product.

We are currently increasing the range and number of products we offer with sustainability labelling (e.g. through setting certification targets for high-risk materials, p. 54), and aiming to pay greater attention to raw materials in general; recycling and sales of recyclable products; sales of products that reduce environmental impacts; and the development of more sustainable packaging materials, as well as exploring business models based on the principles of the circular economy. We are also placing heightened emphasis on sustainability-related communications and marketing to our customers. We aim to respond to heightened requirements for information and increase the transparency of our supply chain (e.g. within the FINIX project, p. 55); better inform our customers about responsible production, operations and products; and continue to sell everyday products and services that are regarded as necessary.

Collaborating with our suppliers to meet targets

It is also critical for Tokmanni to collaborate with and have strict requirements for our suppliers. The market is changing as a result of new policies and consumer trends are moving towards a low-carbon economy. We

engage with our suppliers to improve the efficiency of our partnerships, and work, for example, to find ways to reduce packaging and reduce emissions from transportation (p.66) in additions to negotiations relating to science-based targets.

Overall, we aim to increase the proportion of environmentally certified products we offer in all categories. Since our ability to influence suppliers' operations is limited, we work to improve supply chain transparency and social and environmental compliance together with others through initiatives such as amfori BSCI (pp. 52) and the environmental programme amfori BEPI. The latter in particular is an area where we recognise that there is room for improvement. In 2020, we invited all of our apparel suppliers and factories in risk countries to join amfori BEPI and to complete the amfori BEPI self-assessment as a first step. By the end of the year, 231 of our suppliers had enrolled in the BEPI system.

In 2020, we reported to the CDP (Carbon Disclosure Project) for the second time and improved our rating to B (Management level). The CDP report includes a more detailed description of our climate-related risks and opportunities, governance, strategies and targets. We plan to continue reporting to the CDP on a yearly basis to increase transparency.

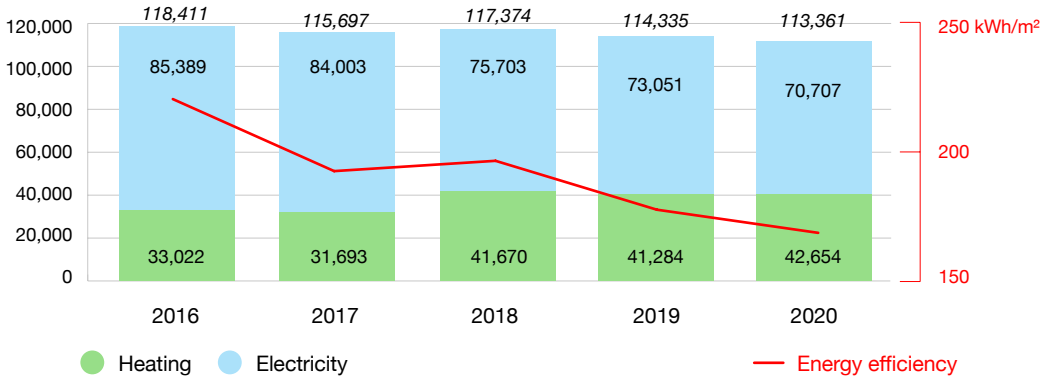
Tokmanni is constantly analysing the economic risks and opportunities posed by climate change, and we are constantly developing our reporting on climate risks in accordance with TCFD recommendations. We also constantly monitor the effects of new technologies on costs and energy usage. We are increasingly working to make sustainability more visible in our stores through various means.

A perspective on properties' energy usage

The most significant climate impacts of our own operations arise from the electricity usage and heating of the properties we rent (scope 1 & 2). Therefore, we are focusing in particular on properties where we can directly influence energy solutions. Lighting, ventilation and cooling of the properties we rent consume the biggest proportion of the electricity we use. We are focusing on the remote management of automation systems in properties and monitoring optimum use levels, and we also have an action plan to extend the use of LED lighting in our store network.

In 2020, location-based emissions from Tokmanni's properties decreased by approximately 12,2% (2019: 9%). In 2020,

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



The figures include both measured and estimated consumption. In 2020, Tokmanni opened two new warehouses.

one of the most important efforts to decrease emissions was the installation of LED lighting at 37 sites.

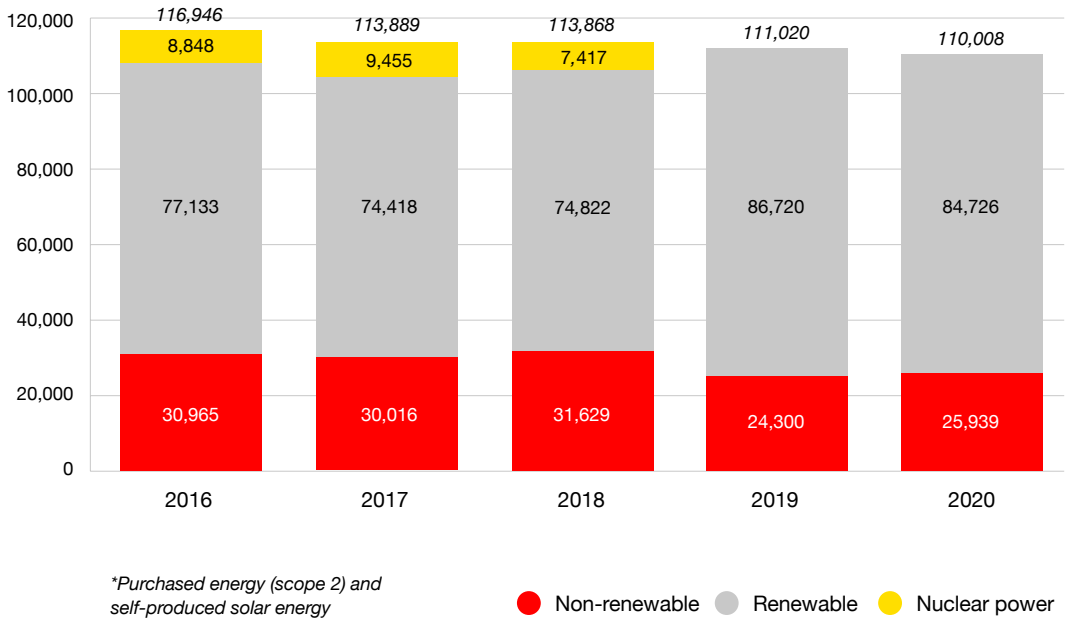
An increase in solar power in 2020

During 2020, we installed solar panels at 14 new stores, and used 3,710.7 MWh and sold 585.4 MWh of solar power in 2020, produced at our 39 solar plants (situation as of the 31th of Dec 2020). End of 2020, we have reduced our CO_2 impact by 902 tonnes of CO_2 through the use of our solar panels. In the coming years, we aim to increase the use of solar power in our stores throughout Finland. In 2021, the target is to install 10 new solar plants on the roofs of our stores.

100% renewable electricity

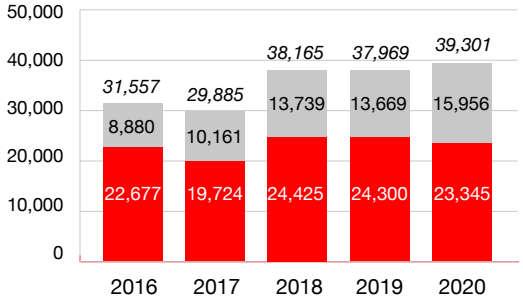
CO_2 emissions of electricity were also covered by renewable energy certificates. In 2020, we purchased renewable energy certificates for 100 (2019: 100) per cent of electricity consumed, equalling 66,997 (2019: 71,753) MWh. In 2020, all air travel emissions (scope 3: 13,2 tCO_2) were offset by investing in renewable energy projects. Similarly to previous years, we offset emissions with Gold Standard projects implemented in Bangladesh. ●

Energy consumption decreased slightly, most of it renewable energy*

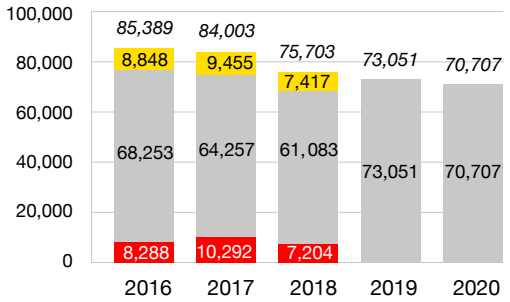


Purchased energy (scope 2) and self-produced solar energy

District heat, MWh



Electricity, MWh

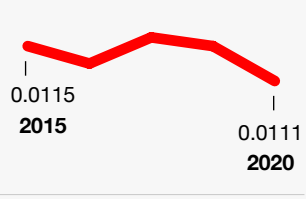


The figures include both measured and estimated consumption. Electricity includes self-produced and used solar electricity.

TRANSPORTATION EMISSIONS DECREASED BY 3% COMPARED TO 2015 LEVEL IN RELATION TO REVENUE

We have concentrated our transportation to ten long-standing partners. That provides opportunities to combine consignments, to better utilise load capacity and to optimise transport routes. The emissions from our own contract transportation in 2020 equal 11,885 tonnes of CO_2 which is around 17% of our emissions*.

TRANSPORTATION EMISSIONS IN RELATION TO REVENUE, CO_2/€





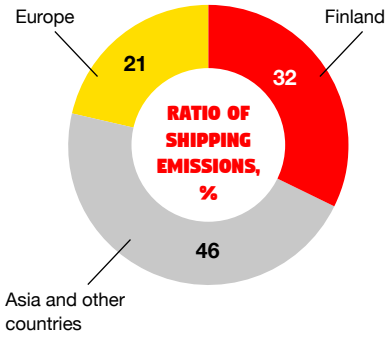
23%

OF DOMESTIC TRANSPORTATION BY LONG LORRIES

To reduce emissions, Tokmanni increased the share of long HCT vehicles to 23% of all domestic transportation during 2020.

UP TO 50% GREATER CAPACITY

A single HCT vehicle uses 14% more fuel, but its capacity is 20–50% greater than a regular sized lorry. The reduction of emissions has not been considered in the 2020 emissions calculations.



MAJORITY OF PRODUCTS FROM ASIA TRANSPORTED ON SHIPS.



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

THE NUMBER OF LORRIES RUNNING ON LIQUEFIED NATURAL GAS (LNG) WILL BE INCREASED.

In 2020, app. 17% of the shortsea shipments arriving in Vuosaari were ships powered by liquefied natural gas (LNG). 5% of the containers were transported to the central warehouse in Mäntsälä on LNG lorries.

Tokmanni has replaced almost all of its air transports from China with trains. In 2020, altogether 14 urgent deliveries of ie. face masks were transported by airplane (0.5% of all our transportations from abroad).

ALL THE LARGEST PARTNERS HAVE ISO 14001 ENVIRONMENTAL CERTIFICATES.

**Excluding emissions from goods and services, and including emissions from real estate energy usage, waste, transportation, postal services, employee commuting, air and rail travel.*

USING WASTE AND MATERIALS EFFICIENTLY



TOKMANNI SEEKS to minimise the amount of waste sent to incinerator plants by reducing, reusing and recycling waste. In 2020, we were able to reuse 45 (2019: 50) per cent and recycle 35 (2019: 32) per cent of our waste. The reuse level consists mostly of reused pallets in our transports, which decreased 7 per cent during 2020 (measured by weight). The rest of our waste was recovered, for uses such as recycled fuels to replace fossil fuels. In total, Tokmanni utilised all of its waste during 2020.

For 2021, our aim is a reuse and recycle level of 80% in total. Our waste recycling can be made even more efficient with careful sorting at stores, at the logistics centre and in offices, and by monitoring the use of waste components and providing guidance for employees.

The amount of food waste produced by the stores will be reduced in particular by providing instruction and monitoring results, as well as by retail sector campaigns, discounts on food products near expiration and donating unsold food to charity.

Recycling packaging materials

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

Most of Tokmanni's waste consists of packaging materials. We aim to reduce the amounts of packaging materials we use, monitor the amounts of waste being produced in our warehouse and at our stores, and keep improving the recycling of waste continuously. During 2020, we continued the good practice of optimising the wrapping of trolleys heading to our stores, which we started in 2019. This has resulted in a decrease in plastic use.

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

We use paper fibres, plastic, glass, metals and wood in our packaging. The use of PVC plastic is forbidden in our products, unless required for a particular reason (e.g. being resistant to UV light). We are constantly seeking solutions to reduce the use of plastics in both products and operations. For example, during autumn 2020 we changed the packaging for our organic duvet cover sets to a plastic-free alternative. As a result, we saved ca 460 kg of plastic. Additionally, we updated our private label Priima grocery packaging to include clearer recycling instructions for consumers.

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

Digital platforms grow alongside print advertising

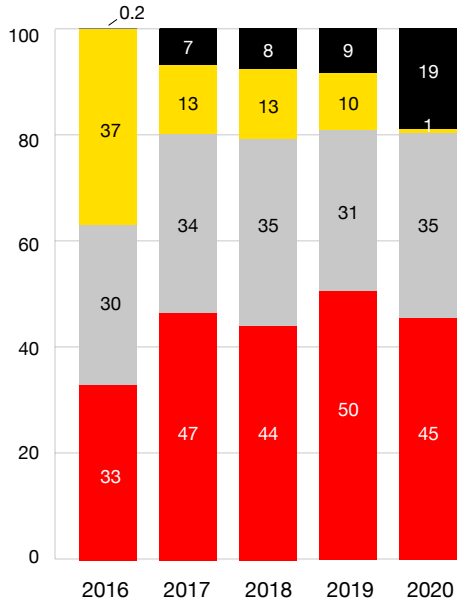
The role of digital marketing communications has increased significantly over recent years. In 2020, we invested more in digital marketing by, for example, creating several digital marketing campaigns, developing our e-commerce and social media channels and by engaging in influencer collaboration through several operators. We also advertised on the radio, on television, online and in several other channels.

In 2021, our aim is to continue developing our digital marketing and communications.

In addition to our digital channels, we invest strongly in print media, as it is one of the most important ways to reach our customers. We take the environmental impacts of paper seriously and only use certifiably responsible paper materials ingredients in our direct marketing leaflets*. In 2020, we used 7,678 tonnes of paper to print our direct marketing advertisements. The leaflet distribution reach is linked to the number of stores and to the widening of the distribution areas for the advertisements. ●

**The paper and print for our direct marketing advertisement have a PEFC certificate.*

90% of waste was reused or recycled

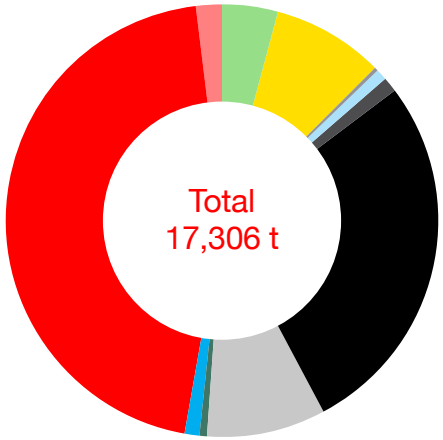


Reuse
Recycling
Recovery
Incineration
Landfill waste

Total 2016: 12,924 t
Total 2017: 14,379 t
Total 2018: 15,106 t
Total 2019: 16,787 t
Total 2020: 17,306 t

Reuse consists of reused pallets at the logistic centre. The data was obtained form the service providers. There was a change of service provider in 2017.

Waste by type, %



Biowaste	4.4%
Energy waste	8.1%
Paper	0.3%
Metals	0.9%
Plastic	1.1%
Carton	27.4%
Burnable waste	8.9%
WEEE*	0.7%
Hazardous waste	1.2%
Reusable pallets	45.1%
Other waste	1.8%

The data was obtained from the service providers, and it covers stores and the logistics centre.
**Waste electrical and electronic equipment*



PREVENTING FOOD WASTE

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

The grocery trade industry's aim is to achieve a 13 per cent reduction in expired food waste from 2016 by the end of 2021. This means reaching a level where the total weight of food waste is below 1.75 per cent of the weight of food products sold. These targets are in accordance with the food industry's materials efficiency commitment*, which we joined in 2020.

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

Evening discounts

One common practice is to sell food items nearing their best-before date at a 30 per cent discount. In addition to this, in August 2020, we applied an evening discounts practice to all stores. The practice, previously tried out in a pilot project during 2019, sees food products approaching their best-before date sold at a 50 per cent discount during the last two opening hours each day.

Expanding the practice has brought encouraging results as the sales volume of discounted products approaching their best-before date has risen by 32 per cent in our stores offering fresh groceries, and by 13 per cent in all stores combined, when compared to the same time period last year (Aug–Dec). Our active marketing on the new practice has clearly helped our customers find these products.

In addition to this, a total of 139 Tokmanni stores had given away food to charities by the end of 2020. Local stores draft written agreements with local charitable organisations in order to ensure correct use and handling of the food products. Our aim is that in the future, Tokmanni will be able to give away all unsold food products from stores to local charity operators. ●

*The food industry's materials efficiency commitment

GRI

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



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GRI Index 82

REPORTING PRINCIPLES

TOKMANNI'S sustainability report concentrates on matters that are completely within Tokmanni's sphere of influence and control, apart from logistics and sourcing. In the area of sourcing and product responsibility, the Shanghai sourcing office is included in the reporting, while for transport the emissions figures come from transport services providers and air travel emission data from our travel agency. The Shanghai sourcing office is a joint venture in which Tokmanni and the Norwegian company Europris ASA each have a fifty per cent holding. With the exception of responsible sourcing and product safety, the joint company's impact on corporate responsibility matters is marginal, because its personnel amount to less than one percent of Tokmanni's total workforce, and its environmental impact is generated only by the office and staff travel. The Shanghai office size equates to less than 0.1% of the total size of Tokmanni premises in Finland. The information in the report is for 2020, although some indicators also present historical data where this is available. Tokmanni plans to publish sustainability information annually, either in a separate corporate responsibility report or as part of its annual reporting. The previous corporate responsibility report was published in March 2020. The emissions information in this report has been verified externally and this report has been prepared in accordance with the GRI Standards: Core option. At least one indicator is reported for every material topic. The indicators have been selected to form as complete and balanced a picture of Tokmanni's corporate responsibility matters as possible.

Further information

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

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INFORMATION USED IN CALCULATIONS

SCOPE 1 AND 2

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

> The electricity is purchased from the power market. The electricity purchased for the stores controlled by Tokmanni, for the logistics centre in Mäntsälä and the consumption of electricity not controlled by Tokmanni is covered by renewable energy certificates. For these sites, the market-based specific emissions coefficient is 0 g CO_2/kWh.
> The environmental profile of the residual mix calculation published by the Energy Authority for 2019 has been applied to the location-based emissions [1]
> In the 2019 residual mix, non-renewable energy sources account for 43.34%, renewable energy sources account for 5,24% and nuclear power accounts for 51.42%. The average specific emissions of carbon dioxide from power production are 249.29 g/kWh, and the amount of nuclear fuel used is 1.42 mg/kWh.
> The primary energy coefficients used in the calculations: renewable fuels 1, non-renewable fuels 1.75 and nuclear power 3.03.[2]
> The location-based emissions coefficient used for electricity is the average CO_2 emissions coefficient published by Motiva for Finland, calculated as a three-year rolling average, which is 141 g CO_2/kWh.[3]

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

> The average market-based CO_2 emissions coefficient for district heating calculated for the Tokmanni sites is 124 CO_2/kWh.
> The location-based emissions coefficient used is the average CO_2 coefficient of 154 g CO_2/kWh calculated using the benefit sharing method for Finnish district heating CHP areas[4].
> The information concerning the division of district heating into renewable and non-renewable fuels is sourced from Finnish Energy's district heating statistics[5].
> The primary energy coefficient used in the calculation is 0.9[6].
> The fuel emissions coefficients published by Statistics Finland have been used as the emissions coefficients for gas and oil. The emissions coefficient for gas is 199.1 g CO_2/kWh, and that for oil is 264.5 g CO_2/kWh.[7]
> The gas energy amount has been calculated with lower heating value.

Calculation basis and accuracy of data

The recorded consumption data obtained for consumption monitoring is the primary information used for ascertaining the consumption of power and heating by Tokmanni's logistics centre, warehouses and stores. However, such data is not available for all stores, and so the consumption by active stores outside the monitoring system is estimated on the basis of the consumption by stores that are covered by the consumption monitoring. In other words, specific consumption (kWh/m^2 gross floor area) has been calculated for the stores covered by consumption monitoring. The specific consumption figure obtained is assumed to equate to the average consumption level of the stores and has been used to calculate the total consumption for those stores not covered by the monitoring. The base year for the energy consumption and emissions is 2015.

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

For warehouses the consumption of power and heating were calculated using logistics centre's specific consumptions.

The 2015 update of the GHG Protocol advises that emissions from purchased electricity and heating should be reported in accordance with both market-based and location-based

[1] Energy Authority. 2019. Residual mix in
[2 & 6] Matias Keto. Energy factor. General principles and factors of realised electricity and heat production. Report for the Ministry of the Environment
[3 & 4] Motiva. District heat CO_2 emissions coefficients
[5] Finnish Energy. 2019. District heating statistics 2019
[7 & 8] Statistics Finland. Fuel Classification 2020

coefficients. With regard to the market-based coefficients, they are energy company-specific and take renewable energy certificates into account. The location-based coefficients are national averages and do not take renewable energy certificates into account.

The effect of other emission components' (CH_4, N_2O) as CO_2-eq has been calculated for energy used in properties. For district heat, emissions factors for CH_4 and N_2O are based on values presented by Statistics Finland.[8] For gas and oil emission factors are based on GHG protocol material as well as the global warming potential values used in the calculations.[9 and 10] The emissions of these components were under 0.1% of properties emissions and were not included in the emissions.

Calculation of the market-based environmental effects of district heating takes the following factors into account: For sites where district heating consumption is recorded, the heating production emissions coefficient reported by energy producer is used. If the coefficient is not reported by the energy producer, whichever is the more accurate value of Motiva's reported city-based or Finnish average is used[11]. Using this information, the weighted average has been calculated for the emissions coefficients, which indicates the average CO_2 coefficient for the Tokmanni sites. For sites where the consumption and supplier of district heating are not known, the market-based emissions coefficient is 124 g CO_2/kW.

The calculations are based on the latest information available. The information from the Energy Authority, Motiva and Energy Finland is updated annually, and the information for 2020 was not yet available when the calculations were being made. The environmental figures for previous years have not been recalculated.

The total greenhouse gas emissions for the company's own heating production (oil and natural gas) are estimated on the basis of the fuel emissions coefficients published by Statistics Finland.[12]

The data on waste amounts, processing methods and definition of the hazardous nature of the waste comes from the statistics compiled by Encore Ympäristöpalvelut Oy, not including the data on electrical and electronic waste, which was obtained from figures gathered by Stena Oy.

Examining energy consumption information

At the end of 2020, Tokmanni had 192 (2019: 191) active stores, one logistics centre and two rented warehouses. The warehouses were added to the reporting in 2020. Active stores are those that are in normal use. Active stores do not include new stores that are not yet in operation, or stores that had been discontinued by the month in question. During the year, five new stores were opened, and four stores closed.

At the end of 2020, in terms of the total surface area, 76% (2019: 76%) of the active stores were covered by electricity consumption monitoring, and 46% (2019: 44%) were covered by heating consumption monitoring (district heating, gas and oil). If the logistics centre and warehouses are also considered in the consumption monitoring, 76% (2019: 79%) of the total surface area is covered by electricity consumption monitoring and 50% (2019: 51%) by heating consumption monitoring. Consumption by the properties not included in the monitoring has been estimated based on the specific consumption of the properties monitored.

In the energy intensity table for 2020, total area is used for electricity calculation and for district heating, sites with comparable data has been used.

SCOPE 3 INVENTORY

Scope 3 emission screening has been carried out for Tokmanni during year 2020 and the Scope 3 emissions are more detailed than in earlier reports.

Upstream emissions

> Purchased goods and services

Calculated with purchase spend data by purchase category and average sales margin data. Emission factors are from the Finnish Envimat model published by SYKE (Finnish Environment Institute)[13] representing lifetime GHG emissions. The purchase prices for 2020 were corrected using Statistics Finland's (2020) price index data and sales margin data. Envimat factors include the whole lifecycle of the products and thus there is some uncertainty related to double counting

[8] Emission factors for CH_4 and N_2O, district heat
[9] Emission factors for CH_4 and N_2O, oil and gas
[10] GWPV
[11] Motiva. District heat CO_2 emissions coefficients
[12] Statistics Finland, Fuel Classification 2020
[13] ENVIMAT 2019

the Scope 1&2 and Category 4 upstream transportation. Uncertainty related to double counting is estimated to be 3–5% based on the Scope 1&2 total. Category 1 data also includes a full cycle estimate for the use phase (Category 11 for electrical appliances) and end-of-life (Category 12). While purchase spend data is accurate, the emissions factors are high-level estimates intended for the evaluation of the magnitude of emissions from consumption in Finland.

> Fuel- and energy-related activities

For purchased electricity, district heat and fuels the emissions from extraction, production, and transportation are calculated based on the energy amounts reported in Scope 1 and 2. For this, WTT emission factors were used.[14]

For electricity and district heat, the emissions of transmission and distribution losses are also included. Emission factors for electricity grid losses were calculated based on from Fingrid's[15] and Caruna's[16] emission reports.

> Transportation and distribution

The calculations for transport in Finland use an average consignment size (based on the number and weight of consignments), distance travelled by consignments (invoiced kilometres, as opposed to actual kilometres that the cargo has been in load space), and average consumption and average emissions values per vehicle type as compiled by the transport operators. The limit for consignments sent via terminals was 2,500 kg in statistics before 2018 and after 3,000 kg from 2018 onwards.

The year used for comparison is 2015. Tokmanni has collected information about the emissions of transport outside Finland from various operators. The basis for emissions calculations and the energy consumption of the transport operations are not always known. Through its own agreements, Tokmanni manages 37% (2019: 36%) of the transport consignments of purchases. Its reporting covers 99.95% (2019: 99.98%) of the import consignments transported under its own agreements and 100% of the transport consignments from the warehouse to the stores. All of Posti's services in Finland are carbon neutral Posti Green services that generate no emissions for customers. The emissions of the services provided by Posti were 63 tCO_2 before offsetting in 2020. Marketing leaflets are not included in transportation emissions.

> Waste generated in operations

Waste data is received from waste operator Encore Ympäristöpalvelut Oy by type and treatment method. The amount data on electrical and electronic waste is obtained from Stena Oy. Waste emissions were added to reporting in 2019 but were calculated only for combusted wastes. Starting from 2020 waste emissions have been calculated using the WWF's climate calculator's emission factors. These factors consider the waste treatment and transportation.[17]

Waste emissions have been added to reporting in 2019, but were calculated only to combusted wastes. In 2020 calculation method of waste emissions was changed to consider the waste logistics emissions and combustion emissions only from hazardous wastes. Emission from logistics was calculated based on Defra emission factors[17] and emission factor for combustion of hazardous waste based on Statistics Finland.[18]

> Business travel

An emissions report for air and rail travel has been obtained from the service provider. Energy consumption is not known. The year used for comparison is 2015.

> Employee commuting

Emissions are calculated using the number of employees in 2020, estimated average distance travelled to work and average Finnish modes of commute[18] and commute type specific emission factors from VTT's Lipasto model.[19] During 2020 due COVID-19, 5% of employees were working from home.

Downstream emissions

> Transportation and distribution

Emissions are calculated using estimate data for number of weekly visits to Tokmanni stores and estimating the distance travelled to Tokmanni (Tokmanni consumers research). average Finnish modes of commute and commute type specific emission factors from VTT Lipasto model.[18 and 19]

[14] gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020
[15] fingrid.fi/globalassets/kuvat/piirrokset/fi/climate-fact-sheet-2020-fi.pdf
[16] images.caruna.fi/caruna_annual_report_2019_in_finnish.pdf#page=31
[17] www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020
[18] Statistics Finland, Fuel Classification 2020
[19] Lipasto

DATA

302-1 Energy consumption within the organisation

A. Total energy consumption, MWh

	2016	2017	2018	2019	2020	Change %
Electricity, total	85,389	84,003	75,703	73,051	70,707	-3.2
Includes solar power			193	1,298	3,711	185.9
District heat, total	31,557	29,885	38,165	37,969	39,301	3.5
Gas	1,104	1,484	1,661	1,468	1,351	-8.0
Oil	360	324	1,844	1,848	2,002	8.3
Heating, total	33,022	31,693	41,670	41,284	42,654	3.3
Total energy consumption	**118,411**	**115,697**	**117,374**	**114,335**	**113,361**	**-0.9**
Share of solar electricity of total electricity consumption, %			0.3	1.8	5.2	

Consumption in operations, MWh

2020			
	Stores	**Ware-houses and log cntr**	**Total**
Surface area m²	571,364	98,504	669,868
Electricity	64,346	6,361	70,707
District heat	35,981	3,320	39,301
Oil	2,002		2,002
Gas	1,351		1,351
Total consumption	**103,680**	**9,681**	**113,361**

At the end of 2020, in terms of the total surface area, 76% of the active stores (76) were covered by electricity consumption monitoring, and 46% (44) were covered by heating consumption monitoring (district heating, gas and oil). If the logistics centre and warehouses are also taken into account in the consumption monitoring, 76% (79) of the total surface area is covered by electricity consumption monitoring and 50% (51) by heating consumption monitoring. Consumption of the properties not included in the monitoring has been estimated on the basis of the specific consumption of the properties monitored. Own use of electricity production with solar panels included in the total electricity consumption was 3,7 GWh. During 2020, two new stores were opened. One new store is oil heated and one oil site was converted to district heat.

B. Consumption of purchased energy, MWh

	2017			Change %			2018			Change %			2019			Change %			2020			Change %		
	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total
Purchased energy	84,003	29,885	**113,889**	-1.62	-5.30	**-2.61**	75,703	38,165	**113,868**	-9.88	27.70	**-0.02**	73,051	37,969	**111,020**	-3.50	-0.51	**-2.50**	70,707	39,301	**110,008**	-3.21	3.51	**-0.91**
Non-renewable	10,292	19,724	**30,016**	24.18	-13.02	**-3.06**	7,204	24,425	**31,629**	-30.00	23.83	**5.38**	0	24,300	**24,300**	-100.00	-0.51	**-23.17**	0	23,345	**23,345**	0	-3,93	**-3.93**
Renewable	64,257	10,161	**74,418**	-5.86	14.43	**-3.52**	61,083	13,739	**74,822**	-4.94	35.22	**0.54**	73,051	13,669	**86,720**	19.59	-0.51	**15.90**	70,707	15,956	**86,664**	-3.21	16.73	**-0.06**
Nuclear power	9,455		**9,455**	6.86	0.00	**6.86**	7,417		**7,417**	-21.56	0.00	**-21.56**	0	0	**0**	-100.00	0	**-100,00**	0	0	**0**	0	0	**0**

C. Consumption of own energy production, MWh

	2017	Change %	2018	Change %	2019	Change %	2020	Change %
Non-renewable (oil)	324	-9.87	1,844	468.77	1,848	0.17	2,002	8.34
Non-renewable (gas)	1484	34.35	1,661	11.98	1,468	-11.65	1,351	-7.95

In Tokmanni's GRI report, electricity and district heating consumption are given in terms of usable secondary energy and consumption of own energy production in primary energy. Primary energy refers to energy contained within energy sources in their unprocessed form, prior to the transformation process into usable secondary energy. Primary energy is used to describe the energy available from various sources, as well as the amount of natural resources used as such sources and the effect this has on the natural resource. Transforming energy from one form to another inevitably results in waste, and thus the amount of primary energy is always higher than the amount of secondary energy. In 2019, four stores using oil heating (not measured) were included in oil consumption with calculated values.

D. Sold energy, MWh

	2020	Change %
Solar electricity	585	100

During year 2020, 4296 MWh of solar electricity was produced on Tokmanni sites. 13,6% of the produced solar electricity produced was sold.

302-3 Energy intensity

Energy intensity by energy type

Stores	2017			Intensity change %	Consumption change %	2018			Intensity change %	Consumption change %	2019			Intensity change %	Consumption change %	2020			Intensity change %	Consumption change %
	Consumption MWh	Total area m²	KWh/m²			Consumption MWh	Total area m²	KWh/m²			Consumption MWh	Total area m²	KWh/m²			Consumption MWh	Total area m²	KWh/m²		
Electricity	77,693	520,409	149	3.5	17.6	70,651	518,103	136	-8.7	-9.1	67,827	564,847	120	-11.9	-4.0	64,346	571,364	113	-6.2	-5.1
District heating	12,322	220,342	56	5.5	15.3	16,281	218,312	75	33.4	32.1	14,581	204,325	71	-4.3	-10.4	16,023	235,283	68	-4.6	9.9
Gas	1,484	22,565	66	6.4	34.3	1,661	22,565	74	12.0	12.0	1,468	22,565	65	-11.7	-11.7	1,351	22,565	60	-8.0	-8.0
Oil	324	4,034	80	-9.9	-9.9	1,844	20,215	91	13.5	468.8	1,848	18,990	97	6.6	0.2	2,002	21,550	93	-4.5	8.3
Logistics center and warehouses																				
Electricity	6,311	77,800	81			5,053	77,800	65	-19.9	-19.9	5,224	77,800	67	3.4	3.4	6,361	98,504	65	-3.8	21.8
District Heat	2,270	77,800	29			3,185	77,800	41	40.3	40.3	2,904	77,800	37	-8.8	-8.8	3,320	98,504	34	-9.7	14.3

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

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

Consumption of own energy production and CO_2 emissions

	Unit	2017	Change %	2018	Change (2017-2018) %	2019	Change (2018-2019) %	2020	Change (2019-2020) %
Non-renewable (oil)	MWh	324	-9.87	1,844	468.77	1,848	0.17	2,002	8.34
Non-renewable (gas)	MWh	1,484	34.35	1,661	11.98	1,468	-11.65	1,351	-7.95
Greenhouse gas emissions	ton CO_2	382	21.13	821	115.21	788	-4.06	798	1.33

305-2 Energy indirect GHG emissions (scope 2)

Consumption of purchased energy and CO_2 emissions

		2017			Change (2016-2017)%			2018			Change (2017-2018)%			2019			Change (2018-2019)%			2020			Change (2019-2020)%		
	Unit	Electric-ity	Heat	Total	Electric-ity	Heat	Total	Electric-ity	Heat	Total	Electric-ity	Heat	Total	Electric-ity	Heat	Total	Electric-ity	Heat	Total	Electric-ity	Heat	Total	Electric-ity	Heat	Total
Purchased energy (G4-EN3: Purchase)	MWh	84,003	29,885	**113,889**	-1.62	-5.30	**-2.61**	75,703	38,165	**113,868**	-9.88	27.70	**-0.02**	73,051	37,969	**111,020**	-3.50	-0.51	**-2.50**	66,997	39,301	**106,298**	-8.29	3.51	**-4.25**
Non-renewable	MWh	10,292	19,724	**30,016**	24.18	-13.02	**-3.06**	7,204	24,425	**31,629**	-30.00	23.83	**5.38**	0	24,300	**24,300**	-100.00	-0.51	**-23.17**	0	23,345	**23,345**		-3.93	**-3.93**
Renew-able	MWh	64,257	10,161	**74,418**	-5.86	14.43	**-3.52**	61,083	13,739	**74,822**	-4.94	35.22	**0.54**	73,051	13,669	**86,720**	19.59	-0.51	**15.90**	66,997	15,956	**82,953**	-8.29	16.73	**-4.34**
Nuclear power	MWh	9,455	-	**9,455**	6.86	-	**6.86**	7,417	-	**7,417**	-21.56	-	**-21.56**	0		**0**	-100.00		-100.00	0	0	**0**			**0**
Environmental impacts																									
Green-house gas emissions (market based)	ton CO_2	5,802	4,673	**10,475**	8.10	-17.68	**-5.15**	4,454	6,228	**10,681**	-23.24	33.28	**1.97**	0	5,388	**5,388**	-100.00	-13.49	**-49.56**	0	4,913	**4,913**		-8.82	**-8.82**
Green-house gas emissions (location based)	ton CO_2	15,205	5,260	**20,464**	-14.80	-8.92	**-13.36**	12,415	7,175	**19,590**	-18.34	36.41	**-4.27**	11,542	6,227	**17,769**	-7.03	-13.21	**-9.30**	9,447	6,052	**15,499**	-18.15	-2.80	**-12.77**
Radioac-tive waste	tonnes	0.02	-	**0.02**	-50.40	-	**-50.40**	0.02	-	**0.02**	-11.35	-	**-11.35**	0	0	**0**	-100.00		**-100.00**			**0**			**0**

305-3 Other indirect GHG emissions (scope 3)

CO_2 emissions of transportations and air travel, tonne CO_2

	2017	Change (2016-2017) %	2018	Change (2017-2018) %	2019	Change (2018-2019) %	2020	Change (2019-2020) %
Upstream								
Purchased goods and services					533,027		608,568	14.2
Fuel- and energy-related (not included in Scope 1 or 2)					4,470		3,152	-29.5
Transportation and distribution								
Transportation	9,269	5.8	9,967	7.5	10,858	8.9	11,885	9.5
Postal Services	22	100.0	15	100.0	24	60.0	63	163.0
Business Travel								
Air travel	237	21.6	162	-31.7	270	66.5	13	-95.2
Rail travel					3.8	100.0	0.145	-96.2
Employee Commuting					1,515		1,595	5.3
Waste					1,172	100.0	483	–58.8
Downstream								
Downstream transportation and distribution					46,103		46,103	0.0
Total Scope 3 Greenhouse gas emissions	9,528	6.4	10,144	6.5	597,443	5,789.6	673,531	12.6

In 2020, Scope 3 screening was carried out for Tokmanni and a larger set of Scope 3 emissions have been considered in the calculations. The key emission figures in 305-3 take into account freight transport in Finland and abroad, air travel and waste emissions. The data was received directly from the service providers. For international transport, the data for 2019 corresponds to 99.55% of suppliers (99.91% in 2018, 99.99% in 2017, 99% in 2016, 93% in 2015) in proportion to freight payments made. CO_2 emissions from transport have increased due to increased import volumes and the increase in the number of small consignments delivered to our stores. The emissions from e-commerce delivered by Posti in 2019 were 24 tonnes CO_2. Posti has offset all CO_2 emissions from its customers. In 2020 calculation method of waste emissions was changed to consider the waste logistics emissions and combustion emissions only from hazardous wastes. Emission from logistics was calculated based on Defra emission factors and emission factor for combustion of hazardous waste based on Statistics Finland.

305-4 GHG emissions intensity

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

	Unit	2017	Change (2016-2017) %	2018	Change (2017-2018) %	2019	Change (2018-2019) %	2020	Change (2019-2020) %
Greenhouse gas emissions (Scope 1 and 2)	tonne CO_2	10,857	-4.4	11,503	5.9	6,176	-46.3	5,711	-7.5
Net sales	MEUR	796.6	2.7	870.4	9.3	944	8.5	1,073	13.7
Greenhouse gas emissions intensity	tonne CO_2/MEUR	13.3	-9.0	13.2	-0.8	6.5	-50.5	5.3	-18.6
No. of employees	empl	3,255	1.0	3,558	9.3	3,659	2.8	4,056	10.8
Greenhouse gas emissions intensity	tonne CO_2/no. of employees	3.3	-7.4	3.2	-0.8	1.7	-47.8	1.4	-16.6

306-2 Waste by type and disposal method

A. Waste by waste type, tonne

Waste type	2017	2017 (%)	Change %	2018	2018 (%)	Change %	2019	2019 (%)	Change %	2020	2020 (%)	Change %
Hazardous waste	310	2.2	5.18	157	1.0	-49.47	98	0.6	-37.31	211	1.2	114.64
Other waste	14,068	97.8	11.39	14,949	99.0	6.26	16,689	99.4	11.64	17,095	98.8	2.43
Total	**14,379**	**100**	**11.25**	**15,106**	**100**	**5.05**	**16,787**	**100**	**11.13**	**17,306**	**100**	**3.09**

B. Waste by disposal method, tonne

Method	2017	2017 (%)	Change %	2018	2018 (%)	Change %	2019	2019 (%)	Change %	2020	2020 (%)	Change %
Recovery	1,808	12.6	-62.47	1,980	13.1	9.48	1,654	9.9	-16.46	163	0.9	-90.16
Recycling	4,870	33.9	26.50	5,296	35.1	8.75	5,271	31.4	-0.46	6,060	35.0	14.97
Incineration	979	6.8	6.81	1,141	7.6	16.64	1,440	8.6	26.19	3,270	18.9	127.02
Landfill waste	0											
Reuse	6,722	46.8	58.69	6,689	44.3	-0.50	8,422	50.2	25.91	7,813	45.1	-7.23
Total	**14,379**	**100**	**11.25**	**15,106**	**100**	**5.05**	**16,787**	**100**	**11.13**	**17,306**	**100**	**3.09**

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

Method	2018	2018 (%)	2019	2019 (%)	2020	2020 (%)
Recovery	2	1.1		0	106	50.2
Recycling	134	85.6	98	100.00	0	0
Incineration	21	13.3		0	105	49.8
Landfill waste						0
Reuse						0
Total	**157**	**100**	**98**	**100**	**211**	**100**

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

Method	2018	2018 (%)	2019	2019 (%)	2020	2020 (%)
Recovery	1,978	13.2	1,654	9.9	57	0.3
Recycling	5,161	34.5	5,271	31.6	6,060	35.5
Incineration	1,121	7.5	1,342	8.0	3,165	18.5
Landfill waste			0			
Reuse	6,689	44.7	8,422	50.5	7,813	45.7
Total	**14,949**	**100**	**16,689**	**100**	**17,095**	**100**

Information on waste disposal methods was provided by the waste disposal contractor. Reuse consists of reused pallets at the logistic centre. Reused pallets consist of pallets repaired, returned to supplier, reused, and purchased by the recycling service provider, as well as returned rental pallets.

401-1 New employee hires and employee turnover

a. New permanent employments 2020

	–30 years	30–50 years	50– years	Total
Female	176	105	20	**301**
Male	82	60	10	**152**
Total	**257**	**165**	**30**	**453**

b. Terminated permanent employments 2020

	–30 years	30–50 years	50– years	Total
Female	107	106	32	**245**
Male	54	39	9	**102**
Total	**161**	**41**	**145**	**347**

405-1 Diversity of governance bodies and employees

Age and gender distribution by employee category

	–30 years	30–50 years	50– years	Total
Management, female	0	0	1	**1**
Management, male	0	3	6	**9**
Senior salaried personnel, female	0	14	12	**26**
Senior salaried personnel, male	0	15	12	**27**
Office personnel, female	14	93	41	**148**
Office personnel, male	11	42	16	**69**
Employees, female	1,079	1,294	705	**3,078**
Employees, male	359	256	83	**698**
Total	**1,463**	**1,717**	**876**	**4,056**

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GRI 300 Environmental standards				
GRI 301: Materials				
301-1	Materials used by weight or volume	Reporting is currently under further development.	principles 7, 8	8, 12
GRI 302: Energy				
302-1	Energy consumption within the organisation	8, 61–65, 75	principles 7, 8, 9	7, 8, 12, 13
302-3	Energy intensity	76	principle 8	7, 8, 12, 13
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	62, 76	principles 7, 8, 9	3, 12, 13, 14, 15
305-2	Energy indirect (Scope 2) GHG emissions	62, 77	principles 7, 8, 9	3, 12, 13, 14, 15
305-3	Other indirect (Scope 3) GHG emissions	62, 78	principles 7, 8, 9	3, 12, 13, 14, 15
305-4	GHG emissions intensity	79	principle 8	13, 14, 15
305-5	Reduction of GHG emissions	8, 61–65	principles 8, 9	13, 14, 15
GRI 306: Effluents and waste				
306-2	Waste by type and disposal method	68, 80	principle 8	3, 6, 12, 13, 14, 15
GRI 308: Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria, %	2, 51, amfori BSCI, SA8000, other third party and Tokmanni audits	principle 8	
308-2	Negative environmental impacts in the supply chain and actions taken	50, 54, amfori BSCI, SA8000, other third party and Tokmanni audits	principle 8	
GRI 400 Social standards				
GRI 401: Employment				
401-1	New employee hires and employee turnover	8, 34, 81	principle 6	5, 8

401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	41–42		8
GRI 402: Labour/management relations				
402-1	Minimum notice periods regarding operational changes	19, 36	principle 3	8
GRI 403: Occupational health and safety				
403-1	Workers representation in formal joint management–worker health and safety committees	19, 38–39		8
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	38–39		3, 8
GRI 404: Training and education				
404-3	Percentage of employees receiving regular performance and career development reviews	44–45	principle 6	5
GRI 405: Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	42, 81, Corporate Governance Statement 2020	principle 6	5, 8
GRI 406: Non-discrimination				
406-1	Incidents of discrimination and corrective actions taken	41, zero cases of discrimination.	principle 6	5, 8, 16
GRI 407: Freedom of association and collective bargaining				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	21–22, 49–53, amfori BSCI, SA8000, other third party and Tokmanni audits	principles 2, 3	8
GRI 408: Child labour				
408-1	Operations and suppliers at significant risk for incidents of child labour	21–22, 49–53, amfori BSCI, SA8000, other third party and Tokmanni audits	principles 2, 5	8, 16
GRI 409: Forced or compulsory labour				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	21–22, 49–53, amfori BSCI, SA8000, other third party and Tokmanni audits	principles 2, 4	8

GRI 412: Human rights assessment				
412-1	Operations that have been subject to human rights reviews or impact assessments	21–22, 49–53, amfori BSCI, SA8000, other third party and Tokmanni audits	principle 2	
412-2	Employee training on human rights policies or procedures	34, 23–24, Ethical Guidelines	principle 1	
GRI 414: Supplier social assessment				
414-1	New suppliers that were screened using social criteria	3, 49–53, amfori BSCI, SA8000, other third party and Tokmanni audits	principle 2	5, 8, 16
414-2	Negative social impacts in the supply chain and actions taken	49–53, amfori BSCI, SA8000, other third party and Tokmanni audits	principle 2	5, 8, 16
GRI 415: Public policy				
415-1	Political contributions	23–24, Ethical Guidelines, Tokmanni does not financially support political parties, groups or individual politicians, nor does it make art or other purchases from them.	principle 10	16
GRI 416: Customer health and safety				
416-1	Assessment of the health and safety impacts of product and service categories	57		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	48, 57		16
GRI 417: Marketing and labelling				
417-1	Requirements for product and service information and labelling	57		12, 16
417-2	Incidents of non-compliance concerning product and service information and labelling	57		
417-3	Incidents of non-compliance concerning marketing communications	31		16
GRI 418: Customer privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	30		16

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Independent Limited Assurance Report to the Management of Tokmanni

Scope of Engagement

Tokmanni commissioned **DNV Business Assurance Finland OY/AB** ("DNV") to conduct a limited assurance engagement over the GHG Emissions data presented in the Sustainability Report 2020 ("Report") for the reporting period 1st January to 31st December 2020.

Selected Information

The scope and boundary of our work is restricted to the the greenhouse gas (GHG) emissions data included within the Report (the "Selected Information"), listed below:

- 305-1 Direct greenhouse gas (GHG) emissions (scope 1)
- 305-2 Indirect greenhouse gas (GHG) emissions (scope 2)
  - market-based
  - location-based
- 305-3 Other indirect greenhouse gas (GHG) emissions (scope 3)
  - Purchased goods and services
  - Fuel-and-energy-related activities (not included in Scope 1 or 2)
  - Transportation and distribution (excluding marketing leaflets)
  - Business travel
    - Air travel
    - Rail travel
  - Employee commuting
  - Waste

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used the Global Sustainability Standard Board's GRI-standards, GHG Protocol Corporate Accounting and Reporting Standard and Corporate Value Chain (Scope 3) Standard as well as Tokmanni's reporting principles, which can be found in pages 71-72 in the Sustainability Report 2020 (the "Criteria").

We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on Tokmanni's website for the current reporting period.

Our conclusions

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria.

This conclusion relates only to the Selected Information and is to be read in the context of this Assurance Report, in particular the inherent limitations explained below.

Standard and level of assurance

We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance.

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less detailed than those undertaken during a reasonable assurance engagement, so the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being in error is reduced, but not reduced completely.

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Assessing the appropriateness of the Criteria for the Selected Information;
- Conducting interviews with the persons responsible for calculation of data to obtain an understanding of the data management systems and processes used to generate, aggregate and report the Selected Information;
- Reviewing whether the evidence, measurements and their scope provided to us by Tokmanni for the Selected Information is prepared in accordance with the Criteria; and
- Reviewing the Selected Information in the Report regarding the Criteria.

Inherent limitations

Our assurance relies on the premise that the data and information provided by Tokmanni to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. Energy use data utilized in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Report.

Our competence, integrity, and quality control

DNV established policies and procedures are designed to ensure that DNV, its personnel and – where applicable – others are subject to independence requirements (including personnel of other entities of DNV) maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals, whose members have not been involved in the development of any of the Criteria. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

Responsibilities of the Management of Tokmanni and DNV

The Management of Tokmanni have sole responsibility for:

- Preparing and presenting the Selected information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to Tokmanni in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

For and on behalf of DNV Business Assurance Finland OY/AB
Espoo, Finland

11th March, 2021

Sari Siitonen
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