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Statement of
Non-Financial Information
2017

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Contents

1	Creating positive impact	3
2	Policies and related due diligence processes	4
3	Principal risks and their management	4
4	Content impact	5
5	Data impact	6
6	Learning impact	6
7	Environmental matters	7
8	Social and employee matters	7
9	Human rights	9
10	Anti-corruption and bribery matters	9
11	Value creation and tax footprint	10
12	Next steps: A click further	10

Statement of Non-Financial Information

2

This Statement of Non-financial Information for 2017 ('Statement') has been prepared in accordance with the disclosure requirements of non-financial information stated in the Finnish Accounting Act (1376/2016, as amended). The Statement has been reviewed by the Board of Directors of Sanoma. This Statement is presented as a separate report from the Board of Directors' Report.

The statutory auditors of Sanoma have checked that the Statement has been issued and that it complies with the financial statements of the company. Sanoma announced on 16 January 2018 an intention to divest its Belgian women's magazine portfolio. The divested business was consequently classified as Discontinued operations in the Financial Statements 2017. Unless otherwise stated, the information presented in this Statement for 2017, including corresponding information for 2016, covers both Continuing and Discontinued operations, and thus the scope of this Statement differs from the scope of Financial Statements 2017.

This statement includes descriptions of material non-financial information regarding

- Sanoma's business environment and value creation model
- Policies and related due diligence processes
- Principal risks and their management focusing on the following matters
 - Privacy and information security
 - Environmental
 - Social and employee
 - Human rights
 - Anti-corruption and bribery
- Thematic matters specific to Sanoma
 - Content impact
 - Data impact
 - Learning impact
 - Value creation and tax footprint
- Thematic matters defined by regulation
 - Environmental
 - Social and employee
 - Human rights
 - Anti-corruption and bribery

Creating positive impact

As a media and learning company, Sanoma plays an important role in the markets it is active in. Our cultural and social objectives are founded on shared values of human dignity, democracy and freedom.

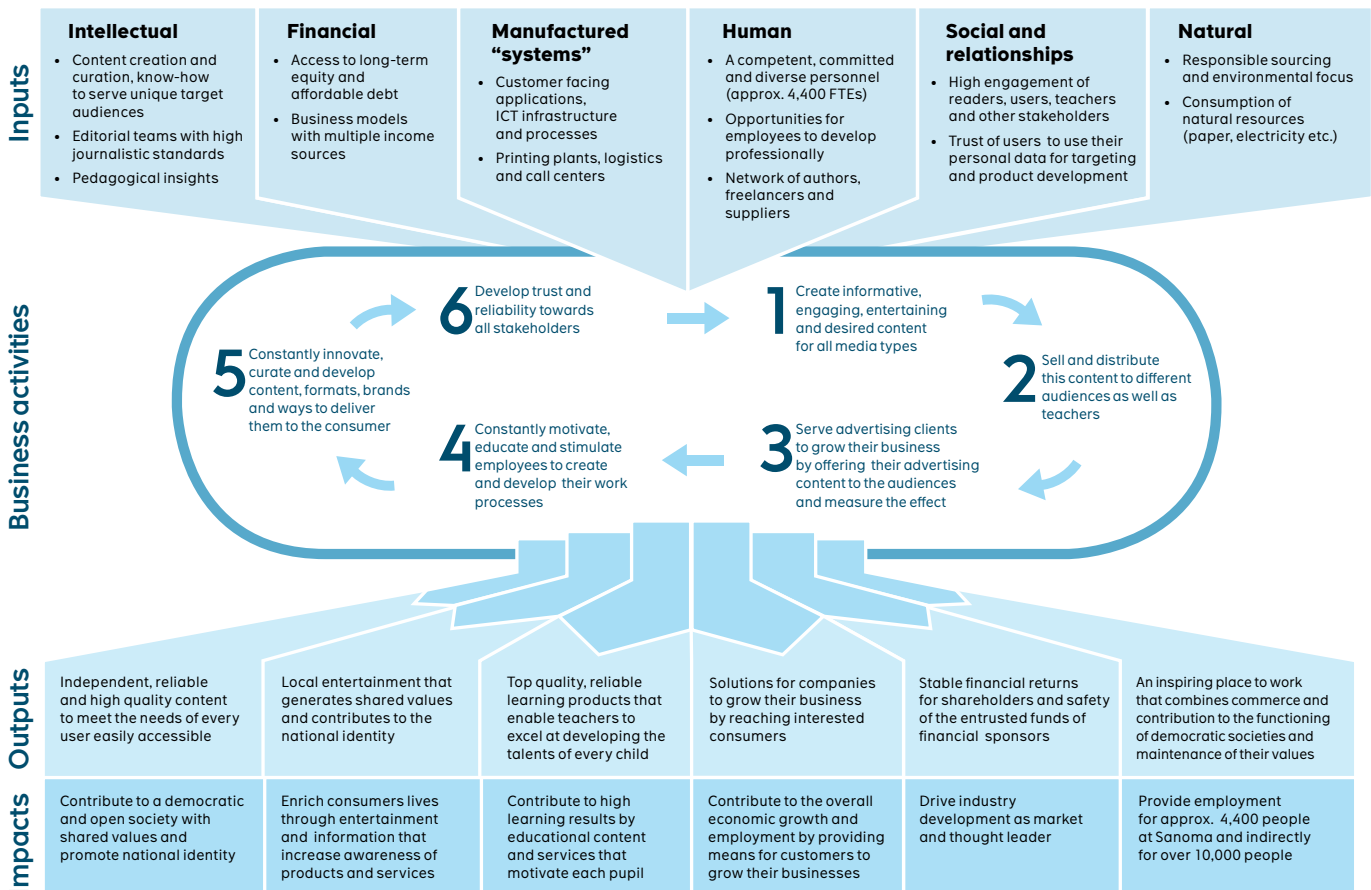
Sanoma makes an impact on society by

- Providing media content for consumers to support their opinion formation: Sanoma's media offering produced according to high ethical standards contributes to a democratic and open society
- Enriching consumers' lives through entertainment, information and inspiration
- Contributing to high learning results through educational content and services that motivate pupils
- Contributing to overall economic growth and employment by providing customers means to grow their business.

Sanoma value creation model describes what resources and inputs Sanoma utilises in developing, producing, curating and distributing media and learning content, and in offering services. It also describes what the outputs of Sanoma's business processes are, and how they impact Sanoma's audiences, customers, society and other stakeholders.

[Click to extend the picture](#)

Sanoma value creation



Policies and related due diligence processes

Sanoma applies responsible business practices and promotes responsible behaviour of employees by enforcing a common set of rules and values and ensuring that all employees commit to them. Sanoma's Code of Conduct together with the Corporate Governance Framework is the umbrella for all policies, and outlines how Sanoma aims to conduct its business in an ethical and responsible manner. The Code of Conduct is an integral part of shared values that guide working and decision making throughout the Sanoma Group. It sets out the principles of business and is publicly available on Sanoma's website.

All Sanoma employees are required to apply the Code of Conduct in full in their day-to-day conduct and business decisions. In addition, Sanoma expects its business partners to apply equivalent standards.

Specific policies define how Sanoma's operations are managed, and give a framework to daily work. The Board of Directors of Sanoma Corporation approves new policies and amendments to existing policies. Each policy has a specified owner in the organisation. Once a year, or when needed, the owners submit necessary updates or new policies to the Board for approval. Policies are implemented in each subsidiary with the approval of the local Board. The policies are applicable to all employees in the Sanoma Group, and available on the intranet.

In addition to the Code of Conduct and Corporate Governance Framework, policies on the following topics are currently in force:

- Fair Competition
- Related Party Transactions
- Donation
- Privacy
- Information Security
- Diversity
- Procurement
- Travel
- Anti-Bribery & Corruption
- Insider
- Disclosure
- Treasury
- M&A
- IPR
- Internal Audit
- Internal Control
- Enterprise Risk Management

Certain policies focus more on implementing the requirements of legislation (e.g. Insider Policy), while some policies entail a due diligence element (e.g. the Know Your Counterparty process and related tool) or specific disclosure requirements (e.g. Related Party Policy, under which all Related Party Transactions of the Group and SBU senior management need to be approved and disclosed). To ensure compliance with the policies, different training requirements and controls are used.

Management of the Group and its businesses is based on a clear organisational structure, well-defined areas of authority and responsibility, common planning and reporting systems as well as Sanoma's values and policies. The corporate functions and Business Units may have their own standards and instructions that are stricter than the Group's requirements. Practices that fall short of the Group requirements are not allowed.

Suppliers

In its operations, Sanoma is committed to ethical and responsible conduct and expects the same commitment from its suppliers.

Sanoma has a Supplier Code of Conduct, which sets out the ethical standards and responsible business principles suppliers are required to comply with in their dealings with Sanoma. Suppliers are expected to apply these standards and principles to their employees, affiliates and sub-contractors.

The Supplier Code of Conduct forms an important component of the procurement and purchasing framework, including supplier selection, evaluation and performance appraisal. All new supplier engagements initiated via Sanoma's source-to-contract solution incorporate the Sanoma Supplier Code of Conduct as a mandatory step for successful selection.

For existing suppliers, Sanoma's target is to implement the Supplier Code of Conduct through an amendment to the frame agreement. This will in most cases be triggered when the relationship is up for renewal.

The Supplier Code of Conduct is part of Sanoma's standard contractual framework and General Terms of Purchase.

Reporting Channels

The Code of Conduct, the Supplier Code of Conduct, and Sanoma's group policies and operating procedures are intended to prevent and detect improper or illegal activities. Any suspicions about violations can be reported through internal or external reporting channels. The external web-based whistle blowing hotline is hosted by an independent third party and can be used anonymously. The link to the whistle blowing hotline is provided on Sanoma's website and the intranet.

Head of Internal Audit and the Compliance Officer receive emails of the allegations received through the whistle blowing hotline. Cases are also identified during internal audits or through other internal channels. The allegations are reviewed and investigative activities planned without delay. All cases and the conclusions of investigations are reported to the Ethics and Compliance Committee and further to the Audit Committee of the Board of Directors.

Principal risks and their management

While executing its strategy and reaching for agreed business objectives, Sanoma and its businesses encounter numerous risks and opportunities. Managing business risks and opportunities is a core element of the responsibilities of Sanoma's management.

The full risk assessment takes place annually in relation to the strategy round, usually during the third quarter. During the first quarter, a follow-up of the top risks and related mitigating actions are reported to the Audit Committee.

In this statement, the focus is on the following risks and their management:

- Privacy and information security risks
- Environmental risks
- Social and employee related risks
- Human rights related risks

Privacy and information security risks

Collecting, storing and using large amounts of data are necessary for Sanoma's core businesses. This is needed to produce personalised media and learning content for consumers, to create correctively targeted reach for advertisers and to avoid undesired advertisement for readers.

The General Data Protection Regulation (GDPR) of EU becomes enforceable from 25 May 2018 after a two-year transition period. Sanoma has used the transition period to duly prepare for the regulation. The processes to fulfil the requirements have been established and actions taken to ensure readiness to identify and respond to security incidents. Sanoma's approach has been to focus on privacy and information security when developing new products and applications. When it comes to privacy and information security, there are not only the policies, but also e-learning and a network of experts in the businesses in place to support the implementation, to raise awareness of the content of the policies and to ensure active reactivity.

Sanoma has assessed that its privacy and information security risk is modest.

Environmental risks

Sanoma's main environmental impacts derive from the use of energy, use of printing material, distribution of products, and transportation.

As stated in the Code of conduct, Sanoma aims to prevent and minimise negative environmental impacts by focusing on efficient operations and use of materials as well as responsible procurement. Sanoma's processes support compliance with relevant environmental legislative, regulatory and operating standards.

Sanoma has assessed that its environmental risk is low.

Social and employee related risks

Sanoma is committed to creating a working environment and culture that inspires employees, values their diversity, embraces their views, and respects their individual rights. Sanoma has a zero tolerance for any form of discrimination, harassment or bullying at the workplace.

Sanoma has assessed that its risk in social and employee matters is modest.

Risks related to human rights

Sanoma supports international standards on human rights, labour conditions, anti-corruption and the environment. Sanoma's actions are guided by the United Nations Global Compact's principles of

human rights. Sanoma's media businesses strive to uphold and promote freedom of speech, in line with their editorial principles.

Sanoma operates in countries where human rights risk is assessed as low (Finland, Sweden, the Netherlands and Belgium) or medium (Poland) by Verisk Maplecrafft.

Sanoma has assessed that its risk related to respect of human rights is low.

Anti-corruption and bribery risks

Sanoma operates in countries that score high on Transparency International's corruption perception index. Media business is based on creating and selling content to individual people (B2C), and selling advertising space in Sanoma's products (B2B). In learning, the business partners mainly include municipalities and teachers.

Sanoma has zero tolerance for corruption. Sanoma does not offer, pay, or accept bribes in order to obtain or retain business or influence decisions. Sanoma competes in a fair and professional manner and respects applicable competition laws and regulations in all dealings with competitors, customers, suppliers and other business partners.

Sanoma has assessed that its risk related to anti-corruption and bribery is low.

[+ More information on Sanoma's risk management is available in a separate Risk Management review \(part of Financial Statements\) and in Corporate Governance Statement 2017, available at Sanoma.com.](#)

Content impact

Respect for freedom, democracy and equality are key values and cultural and social goals of western society. Media and education have a key role in supporting these goals.

Local media plays a special role for citizens as an educator, entertainer, communicator and builder of a worldview. It creates and strengthens shared values and national identities, gives people views into the world, and opens windows to other cultures.

The advertising that reaches consumers increases their awareness of products and services, and informs them on the effects consumption has on nature and natural resources.

Local media reflects and influences the society and its values. It also supports language and culture, and is an integral part of free public opinion. It ensures that multiple voices and perspectives in society get heard, and supports strong, transparent and fair democracy.

Sanoma contributes to the fulfilment of these common social values through high ethical standards and rigorous journalism. Sanoma respects the editorial independence without exceptions.

Sanoma's advertising solutions provide customers means to grow their businesses, which contributes to overall economic growth. According to the Value of Advertising study by Deloitte (2017), one euro invested in advertising contributes 6–7 euros to Gross Domestic Product (GDP).

Data impact

Data, insights produced through analytics and customer trust are critical assets in the media and learning business. By analysing data, Sanoma can help consumers find relevant media content, and personalise its service offering and customer service. Data is an important element in keeping traditional media competitive in a digital environment as it helps identify the most relevant target groups for advertising and produce insights, which can further improve digital offering. In the learning business, data is used to deliver adaptive learning methods, and to measure learning impact.

The use of data – especially of personal data – requires that potentially adverse effects are taken into account. In order to do this, Sanoma has since 2013 run a Privacy Programme, which supports privacy implementation and demonstrates accountability required by the new EU General Data Protection Regulation. Measures taken to implement privacy include the following:

- Employees are trained to understand their responsibility for protecting data.
- Privacy and information security are implemented into all relevant Sanoma operations, for which Privacy Impact Assessments are conducted on a regular basis.
- Examples of privacy protection measures in digital product development are data minimisation, anonymisation, encryption and the provision of notices and choices to data subjects about their data use.
- Business units have procedures in place to handle a potential personal data breach or an information security incident.
- Sanoma carries its responsibility for data throughout its value chain by including privacy and security requirements as part of its contractual framework with vendors and partners.

Privacy compliance is regularly reported to the Audit Committee.

Data impact KPIs

Completion rate of privacy e-learning of targeted employees

97%
(2016: 78%)

Completion rate of information security e-learning of targeted employees

97%
(2016: 80%)

Learning impact

The objective of modern education is to develop the full potential of every pupil. It is critical that they get the right knowledge, skills and attitudes for the future. This helps in building a strong foundation for a stable, productive and prosperous society. Sanoma's mission is to support teachers and pupils to realise the best possible learning outcomes and to reach the maximum potential of each pupil. To do this, Sanoma develops and sells a variety of learning products and services. The main products are print and digital learning methods for primary and secondary education (K-12) as well as vocational education methods.

Sanoma's methods are designed around the teaching and learning process. They are based on the latest pedagogical concepts to engage pupils and support teachers' workflow. By engaging pupils and motivating them to learn, and by supporting teachers to teach and manage their classes efficiently, better learning outcomes can be realised. The impact of Sanoma's methods on learning outcomes, engagement, and workflow efficiency are measured annually in teacher surveys* to determine the following scores:

Learning Outcome Score: Percentage of teachers that believe Sanoma's methods support them in realising learning objectives of their class

Pupil Engagement Score: Percentage of teachers that believe Sanoma's methods support them in engaging and motivating pupils

Teacher Workflow Efficiency Score: Percentage of teachers that believe Sanoma's methods support them in teaching and managing their classes efficiently

Learning impact KPI's

Learning Outcome Score **91**

Pupil Engagement Score **78**

Teacher Workflow Efficiency Score **86**

*) The survey is based on a selection of methods across the Netherlands, Poland, Finland, Belgium and Sweden. In 2017, over 6,700 methods were evaluated by nearly 3,000 teachers in the online survey. The number of method evaluations and the methods evaluated vary somewhat annually, which can lead to some natural variation in scores across years.

Environmental matters

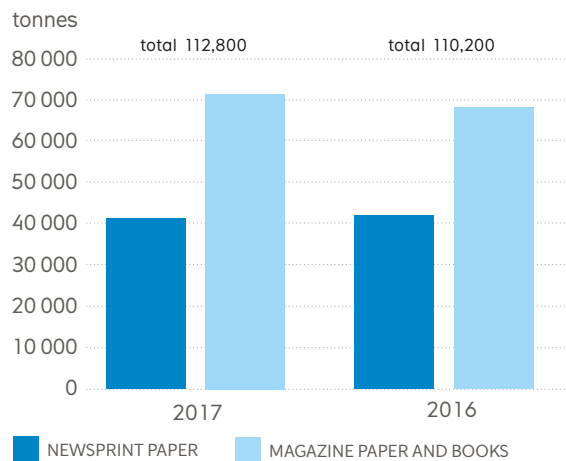
Sanoma aims to prevent and minimise its negative environmental impacts by focusing on efficient operations and use of materials as well as responsible procurement.

The most significant environmental impacts of Sanoma's operations result from the use of energy (digital services, print production and office space), use of printing materials, distribution of products and transportation.

Sanoma has Paper Procurement guidelines, which are annexed to all paper procurement agreements. The aim of the guidelines is to ensure that paper used by Sanoma is produced responsibly.

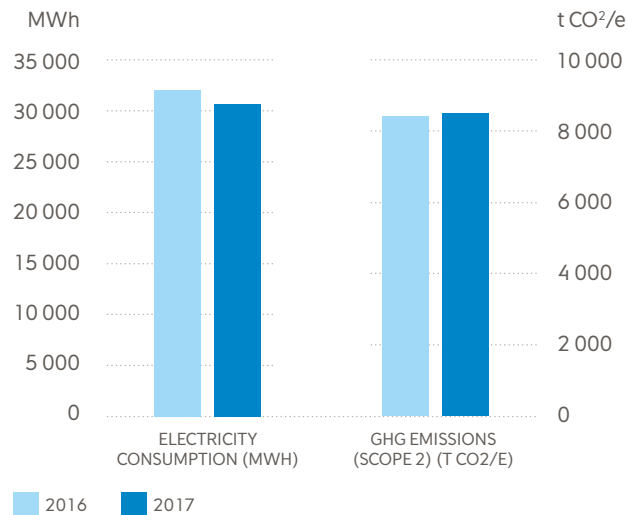
Environmental KPIs 2017

PAPER USAGE



Includes paper used in Sanoma's own printing facilities and paper acquired for externally printed products.

USE OF ELECTRICITY AND GHG EMISSIONS



An average emission multiple of EU28 countries has been used to calculate the Group's emissions.

Social and employee matters

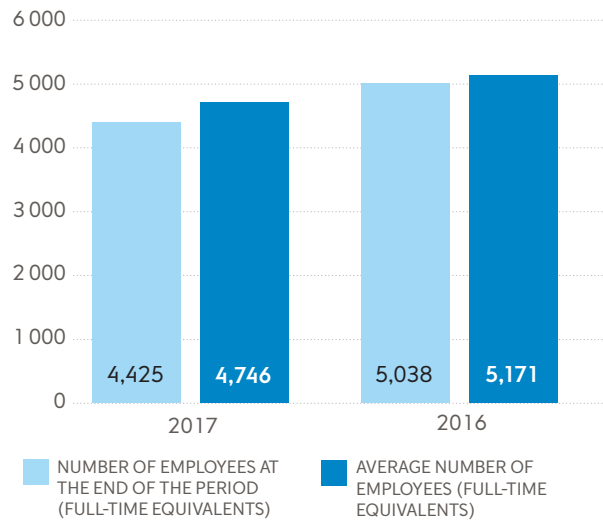
Sanoma employed 4,425 employees in the end of 2017. In addition, a large number of independent professionals provide services to Sanoma.

The Sanoma Code of Conduct sets out the general principles of ethical conduct and Sanoma's responsibilities as an employer. Sanoma is committed to creating a working environment and culture that inspires employees, values their diversity, embraces their views, and respects their individual rights.

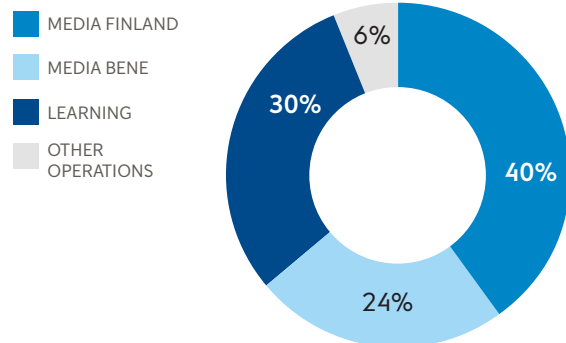
Sanoma's personnel

All HR KPIs are for continuing operations only and exclude Discontinued operations.

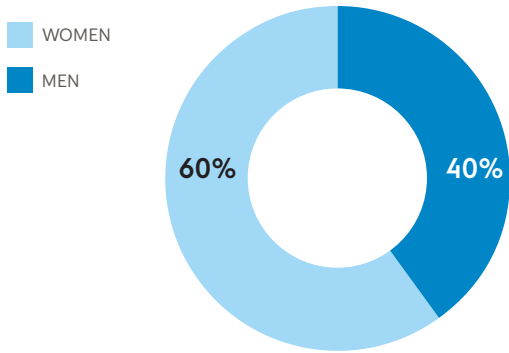
NUMBER OF EMPLOYEES



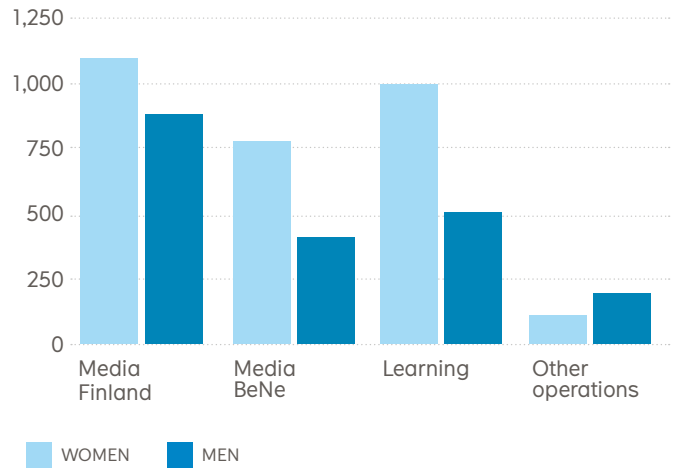
EMPLOYEES BY SBU



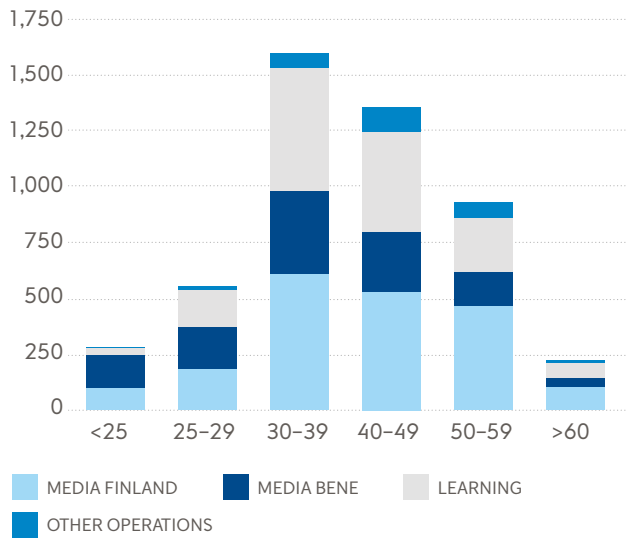
GROUP'S GENDER DISTRIBUTION



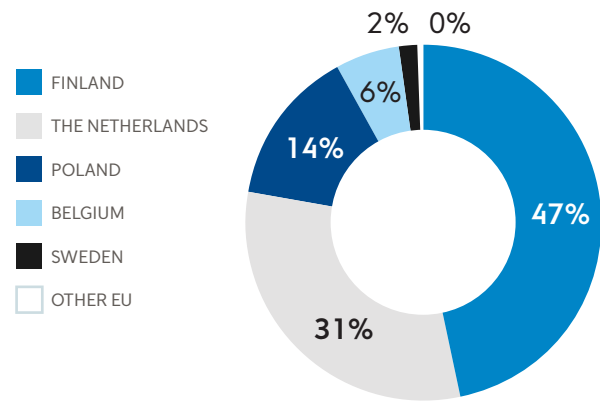
GENDER DISTRIBUTION BY SBU



PERSONNEL BY AGE



PERSONNEL BY COUNTRY



Sanoma has zero tolerance for any form of discrimination, harassment or bullying at the workplace. Sanoma provides equal opportunities for all employees and ensures fair treatment and rewards as well as good working conditions.

Sanoma measures employee engagement, leadership, internal communication and decision making annually in the beginning of each calendar year. In 2018, the Employee Engagement Survey was completed by 92% (2017: 88%) of employees. The scores are measured in People Power Rating, an inclusive overall metric between 0 and 100. In 2016-2018, the score has improved by 10%. The results of the survey are also utilised in the incentive system.

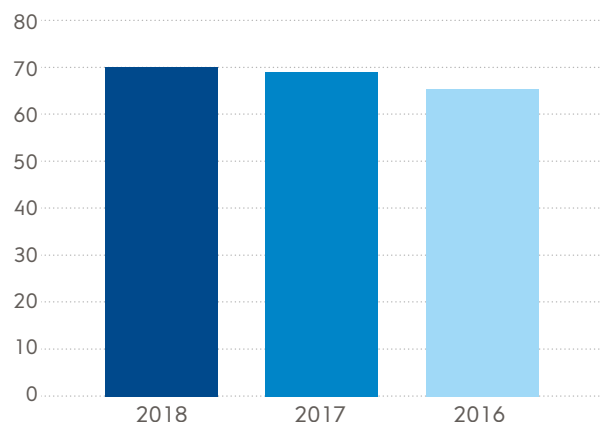
According to the Employee Engagement Survey, Sanoma's strengths as an employer include the following. Employees feel

- they have an opportunity to develop their career within the company,
- their departments live up to the values of the company, and
- their manager supports their growth and development at work.

Employee related KPIs

RESULTS OF EMPLOYEE ENGAGEMENT SURVEY

People power rating (0-100)



Response rate 2018: 92.3%, 2017: 88.3%

Employees covered by performance reviews

98%

Professional development of employees is crucially important to Sanoma, and on-going learning is strongly encouraged. Learning opportunities are offered both online and through training courses. The main focus is transforming employees' current skills to ones required in the future.

Sanoma sees visible and transparent leadership important in its daily business. Sanoma's managers provide employees with clarity regarding the direction of the company. Employees' autonomy and freedom in achieving results is supported, which fosters creativity.

Human rights

Sanoma supports international standards on human rights, labour conditions, anti-corruption and the environment. Sanoma's actions are guided by the United Nations Global Compact's principles of human rights. Sanoma's media businesses strive to uphold and promote freedom of speech, in line with their editorial principles.

All Sanoma employees are required to apply the Code of Conduct in full in their day-to-day conduct and business decisions. In addition, Sanoma expects its business partners to apply equivalent standards. Sanoma has launched a Code of Conduct eLearning which is compulsory for all employees.

Sanoma operates in countries where human rights risk is assessed as low (Finland, Sweden, the Netherlands and Belgium) or medium (Poland) by Verisk Maplecraфт.

Human rights related KPIs

Completion rate of Code of Conduct e-learning

98%

(2016: 89%)

Anti-corruption and bribery matters

The Code of Conduct as well as the Supplier Code of Conduct set out overall principles to promote and achieve compliance with anti-corruption, anti-bribery and money laundering laws.

A Know Your Counterparty (KYC) process identifies the risk of doing business with third parties by looking at their ownership, activities and role. The process includes anti-bribery, sanctions and other due diligence checks according to the level of risk identified.

A KYC due diligence tool is available on the intranet to screen thoroughly not just suppliers, but any third party Sanoma intends to do business with. The tool aims to identify and prevent possible third party compliance and corruption-related risks, according to customised criteria. In cases of medium or high risk, the tool refers employees to consult Group Legal before engaging in any business or transaction with the counterparty.

A systematic process to carry out KYC checks by Group Procurement will start in 2018, covering certain existing and most new vendors.

The Anti-Bribery and Corruption Policy gives specific rules and monetary limits (EUR 75) for received and given gifts, entertainment and hospitality, and sets out the process to seek further approval if necessary. The monetary limits do not apply to Public Officials. A separate Gift and Hospitality tool for requesting and recording approvals is being implemented step-by-step as of Q4 2017.

Sanoma has an Anti-Bribery and Corruption e-learning in use, and a wider launch of the training started in Q4 2017. Completion rate will be reported from 2018 onwards.

Value creation and tax footprint

Sanoma creates long-term value for its stakeholders by running its business profitably and responsibly. Improved profitability allows Sanoma to pay returns to financial stakeholders and to invest in growing its business and strengthening its position for the future. The Sanoma value creation model, presented earlier in this Statement, defines the impacts of the business to different stakeholders in more detail. In monetary terms, Sanoma creates value in the broader society by

- Offering of advertising opportunities for customers
 - Advertising creates economic growth. According to the Value of Advertising study made by Deloitte in 2017, each euro invested in advertising increased the GDP by 6-7 euros. In addition, advertising promotes competition for the benefit of consumers.
- Paying for goods and services to suppliers
- Paying wages and benefits to employees
- Paying interest to lenders
- Paying taxes on profits in its operating countries
- Paying dividends to shareholders
- Contributing with donations and charity.

Sanoma as a tax payer

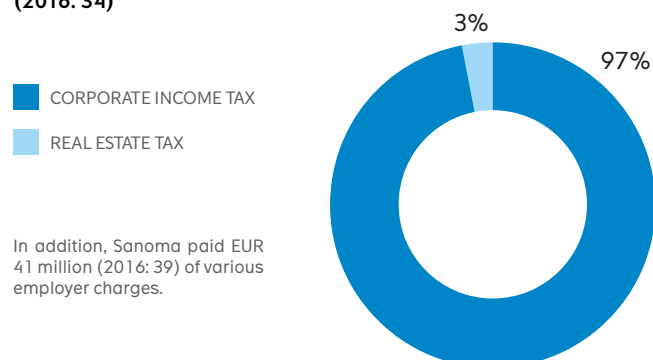
Sanoma is committed to paying all taxes and complying with related obligations according to local laws and regulations. Moreover, the Sanoma Code of Conduct, Corporate Governance Policy and Tax Strategy complement the framework for the tax-related decision making. Sanoma seeks to ensure tax treatment in advance, and to apply filing and payment obligations correctly. Tax facilities are used if appropriate and in accordance with the law.

Sanoma pays direct taxes on its earnings and property. Through taxes collected, Sanoma positively impacts the economies of the countries in which it operates. Taxes and similar charges collected include e.g. VAT, the employer's charges and social security premiums.

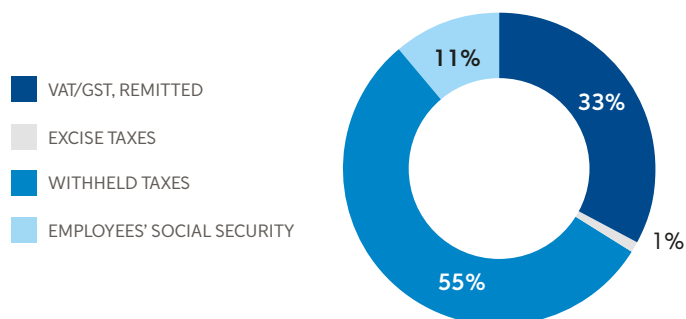
Tax footprint KPIs

Continuing operations only

TAXES BORNE IN 2017: EUR 37 MILLION (2016: 34)



TAXES COLLECTED IN 2017: EUR 163 MILLION (2016: 158)



➕ For a detailed view on Sanoma's financial performance in 2017, please visit [Sanoma's Financial Statements and Report of the Board of Directors for 2017](#).

Next steps: A click further

Sanoma's content, learning methods and data-enabled, tailor-made solutions have an impact on people and societies every day. Sanoma raises awareness with the content, renews education with its learning solutions, and has a vital role in promoting democracy and free speech.

Through optimal use of data-enabled tailoring and targeting, Sanoma can provide even more compelling content and individualised learning paths. With responsible business practices, Sanoma aims to minimise the negative environmental impacts and maximise positive social and economic impacts. Rigorous journalistic ethics are fundamental in creating the positive impact.

Sanoma continues to develop its corporate social responsibility further, which will be reflected in future reports.