



Sustainability Report

SUSTAINABILITY REPORT 2017

Sievin Jalkine Oy is the largest manufacturer of safety and occupational footwear in Northern Europe. Our product range also includes recreational footwear. The company was founded in 1951, and has production facilities in Sievi and Oulainen, Finland. Over one million pairs of shoes every year are shipped across the globe from Sievi factories. Our aim is to strengthen our position as the market leader in the Nordic countries and increase our sales in Central Europe.

Sievin Jalkine is part of the Sievi Group. In 2017, the Group's net sales stood at EUR 120 million. At the end of 2017, the Group had 527 employees.

This is Sievin Jalkine Oy's first Sustainability Report. In the future, we will be releasing a Sustainability Report every other year.

Values and operating approach

All that we do is based on the following values:

Safety
Innovation
Reliability
Efficiency

We aim to exceed our customers' expectations by continually developing innovative and sustainable solutions for our products. We are proud of our high quality, which is made possible by our highly skilled and committed employees and the use of the very best materials.

SUSTAINABLY DESIGNED, RESPONSIBLY MANUFACTURED SIEVI FOOTWEAR

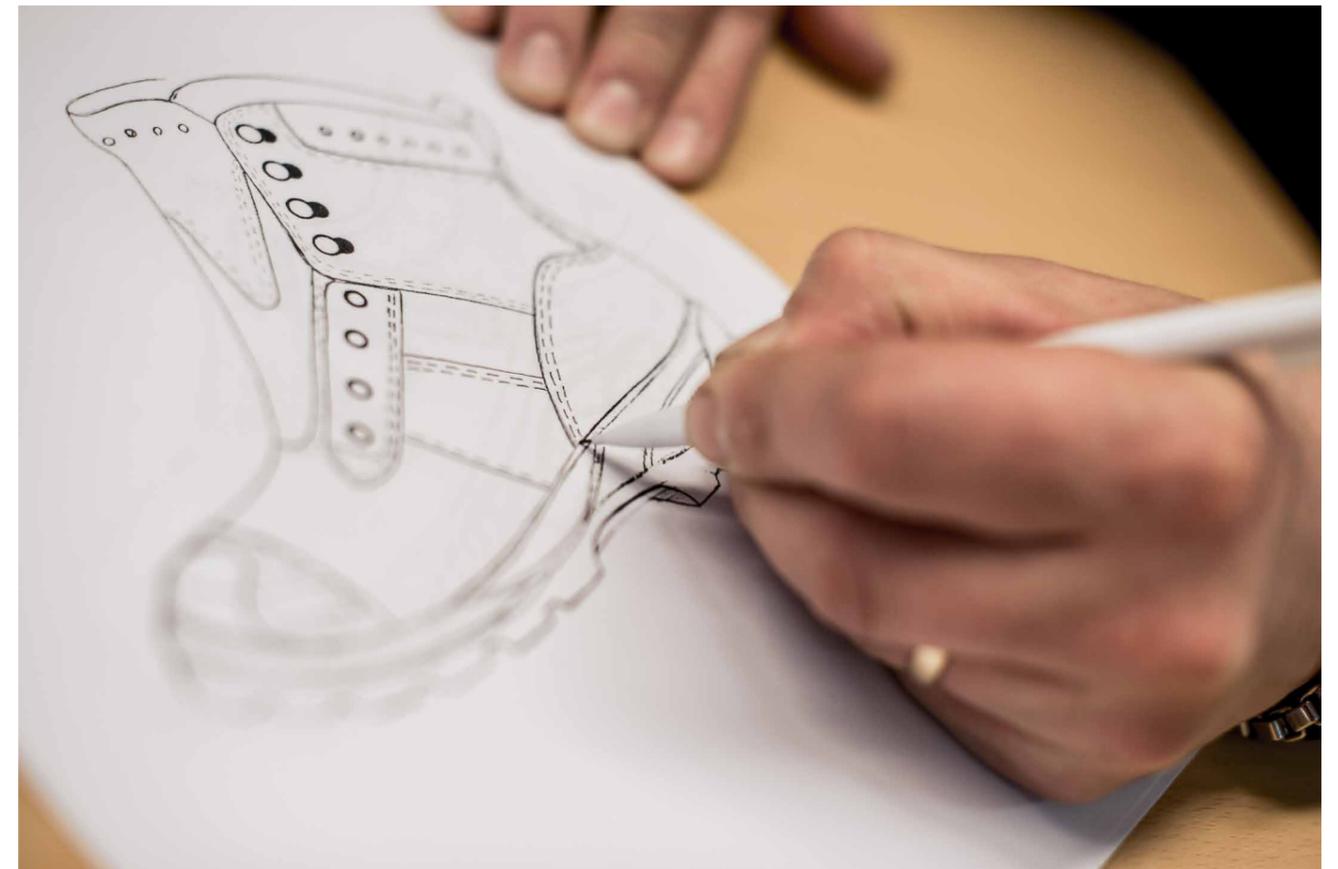
Sievi footwear is a combination of quality, comfort, first-class materials and the latest technology. We invest in durable materials, versatile protective properties and a product range that not only caters for all work and weather conditions, but is contemporary and easy to use.

Our safety and occupational footwear complies with the EN ISO 20345 and EN ISO 20347 standards. Our product development and material choices are made with the requirements of the relevant standards and REACH regulation in mind.

The Sievi symbol means that our products are

- safe for wearers and employees
- durable
- manufactured in a way that respects human rights and the environment
- produced from sustainably acquired materials.

To ensure the best possible durability, Sievin Jalkine uses upper leather that is 10–25% thicker than the leather normally used in footwear. For any complaints we receive from customers based in Finland, we do not automatically offer a new replacement product, but instead we investigate the root cause of the issue, and try to rectify it, for example by resoling the product or replacing a zip. Our footwear comes with a 12-month warranty against material and manufacturing defects.



CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT

Responsibility is central to the Sievi brand and its values. We are committed to responsible practices in line with our Ethical Guidelines. These guidelines are publicly available on our website.

We expect our suppliers to comply with our Supplier Code of Conduct that coheres with the Sievi Ethical Guidelines.

Our CSR management is incorporated into our overall management. We are guided by our management system, which draws its goals from the company's quality, environment and occupational health and safety policies. Our management system is based on the ISO 9001, ISO 14001 and OHSAS 18001 standards and is applied to all operations of the company.

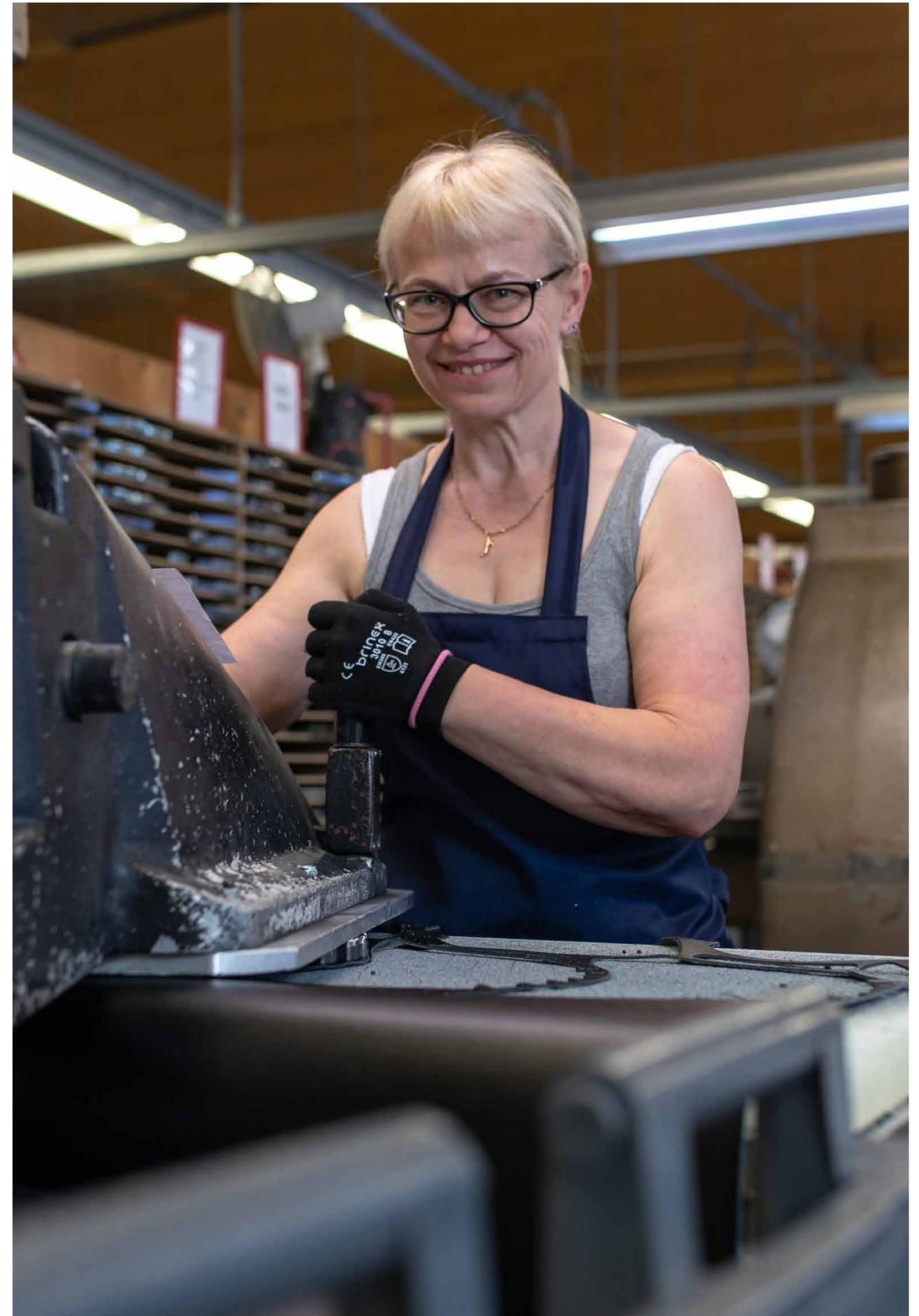
Corporate responsibility priorities

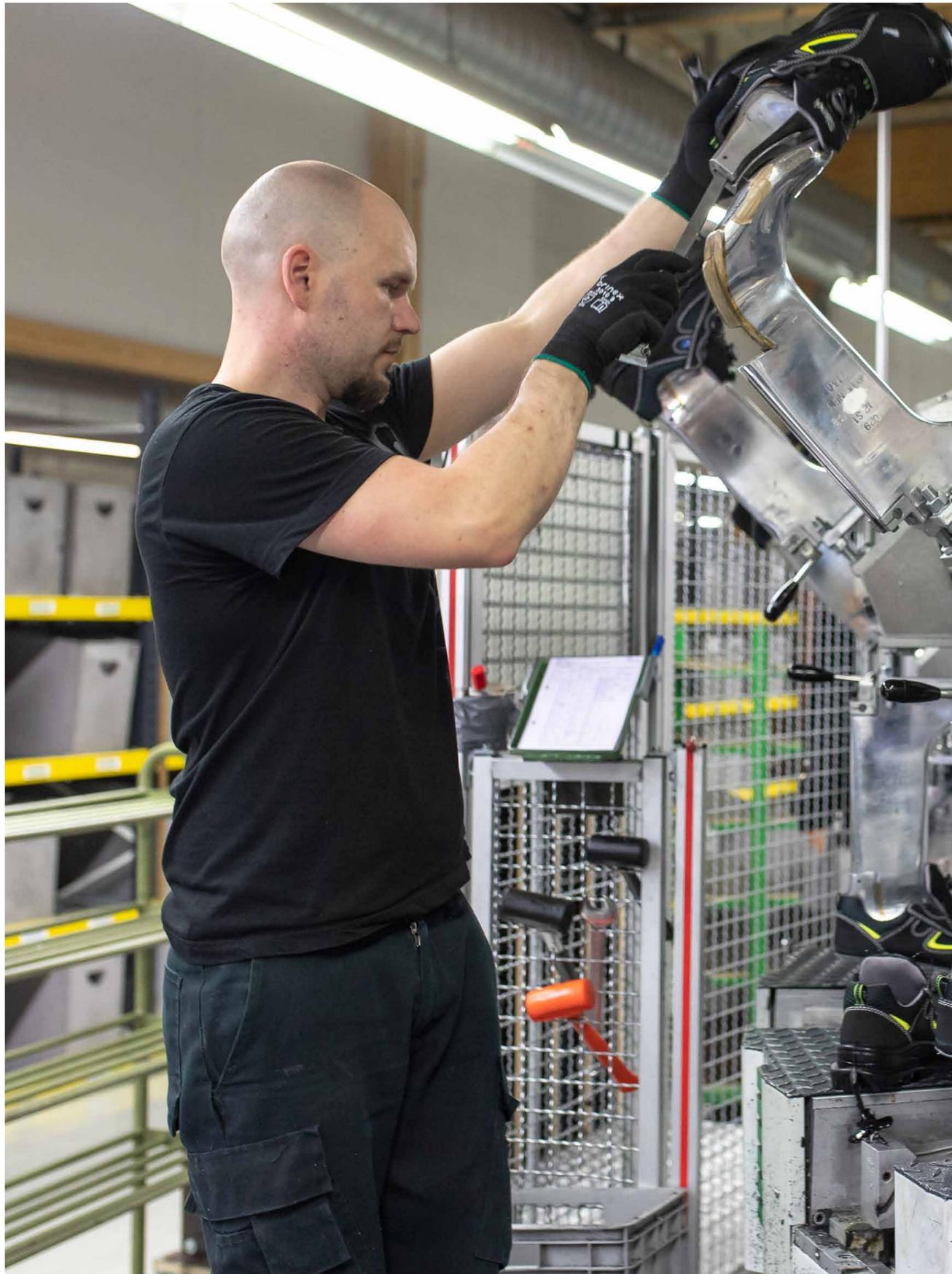
We take our social responsibility seriously and so ensure that operations at our plants are as resource and energy efficient as possible and choose leather, material and component suppliers that follow the same responsible practices as we do. We are committed to offering our employees job security, and we expect our partners to do the same. Responsible sourcing ensures that even those steps in the production process that are not in our own hands are carried out with respect towards the environment and people.

We manufacture our shoes using leather purchased primarily from European leather suppliers. Some of our components come from outside of Europe. Some of the materials we require we purchase already partially processed.

We have defined three priority areas for our CSR work:

- Responsible procurement
- Environmentally responsible production
- Responsibility for our staff





RESPONSIBLE PROCUREMENT

The principles of responsible procurement

The foundation of responsible procurement is the long-established relationships we have with our suppliers. We acquire our leather, which is our main material, mainly from European suppliers that acquire their raw-hides from European sources. The leather we use is a by-product of the meat industry. We have worked together with many of our suppliers for decades. The relationships between Sievi and its suppliers are based on openness and fairness. We do not accept corruption or unfair business practices.

Suppliers from whom we make purchases totalling at least EUR 20,000 a year are required to sign Sievi's suppliers responsibility principles.

In 2017 we had 60 suppliers who met these criteria, of whom 58 signed our principles. Of the remaining two, one's own responsibility principles were considered sufficient to serve in the place of Sievi's, and the process continues with the other during 2018. We require that our non-European suppliers hold the SA8000 social accountability certification. Alternatively, suppliers can demonstrate that they fulfil the criteria of the standard SA8000 in another, reliable way.

In the future, new suppliers will be required to sign our responsibility principles prior to being established in the Sievi system. Similarly, we also require details on the country of origin for all of our materials. We have acquired information on the origins of our current materials, and these are stored in our systems.

Priorities and long-term objectives

- The environmentally responsible operation of the whole value chain.
 - We extend the lifecycle of our shoes and recycle the materials used in them for other purposes.
 - We offer a warranty and repair service for all of the shoes we manufacture.
 - We minimise leather waste in our manufacturing processes.
 - We are increasing the use of recycled materials in the manufacturing of our shoes.
 - We minimise the use of environmentally harmful chemicals in the production chains for the shoes we manufacture.

- We respect labour and human rights in our supply chain.
 - Through the use of a separate auditing system we ensure that our partners adhere to international and national agreements concerning human and labour rights.
 - We are developing our auditing practices and our Supplier Compliance Auditing checklist based on our experiences and feedback.
 - We require our suppliers to sign Sievi's supplier responsibility principles.

2017 results

Our 2017 audit plan was based on the number of suppliers we worked with in 2016. As we work with such a large number of suppliers, we focused on the largest from a financial perspective, i.e. those from whom procurements were made totalling EUR 100,000 or more in 2015. In total, these suppliers accounted for almost 90% of our procurements.

Of our most significant suppliers from a financial perspective, 20 operate within the EU, five outside the EU, and the remainder are Finnish suppliers. Of these, we selected leather suppliers, our largest chemicals supplier in terms of order value, and randomly-chosen Finnish suppliers for auditing. In total, 14 supplier audits were carried out.

In 2017 the SA8000 certification was granted to two suppliers based outside Europe. These certifications are valid for three years and require audits by the certifying body.

Objectives for 2018

We ensure that all our goods suppliers from whom we ordered over EUR 20,000 of goods in 2017 have supplied or will in 2018 supply a signed copy of our responsibility principles.

According to the auditing plan, in 2018 we will carry out a total of 14 supplier audits. The companies audited are primarily large suppliers from whom our procurements are worth more than EUR 100,000, however a number of smaller Finnish suppliers are also included. We are aiming for 70% of our procurements to have fallen within the scope of auditing operations by the end of 2018. Our objective is to audit 80% of our largest suppliers, from a financial perspective, by 2020.

ENVIRONMENTALLY RESPONSIBLE PRODUCTION

Identification of environmental aspects

Environmental matters at Sievi are managed in accordance with the ISO 14001 standard. In 1997, Sievi was the first footwear manufacturer in Europe to be granted this certification, and it covers both Sievi plants.

The identification of environmental aspects in accordance with our environmental system is an ongoing process, and we have identified the health, safety and environmental risks leather waste and use of chemicals entail as the most significant environmental aspects of our production operations. Transportation of products and materials, as well as heating of our facilities also cause environmental emissions. A particular source of water consumption is the leather manufacturing process, where in collaboration with our leather suppliers we are aiming to reduce the water footprint of the shoes we manufacture.

Priorities and long-term objectives

- Ideally, our shoe production operations will use the absolute minimum in terms of water required.
 - We are working with our suppliers to minimise the water footprint of Sievi footwear.
- We maintain a high level of safety with chemicals.
 - We minimise the use of environmentally harmful chemicals in the production chains for the shoes we manufacture.
- We are a climate-friendly manufacturer of footwear.
 - We are reducing the greenhouse gas emissions of our transportation operations.

2017 results

The amount of electricity consumed to create one pair of shoes has been reduced from the 2016 level of 4.61 kWh to 4.35 kWh, and the overall fuel consumption of light fuel oil has fallen from approximately 95,000 litres to under 69,000 litres. Overall water consumption fell from 53,000 m³ to less than 38,000 m³. Our leather saving percentage was 3.64, compared to 3.72 the previous year. We aim to achieve over 3% in savings.



Objectives for 2018

We are establishing the average water footprint of Sievi footwear in cooperation with our leather and materials suppliers, and we are surveying opportunities to reduce this.

We are striving to reduce the carbon dioxide emissions generated through the transportation of the materials we procure and the products we manufacture

- by combining modes of transportation in procurements through optimising transportation times
- by minimising the use of air freight
- by examining freight costs.

During 2018 we are surveying the opportunities available for the transportation companies we use to provide us with low-carbon services. We are also looking into ways to reduce the carbon footprint of our products.

RESPONSIBILITY FOR OUR STAFF

HR principles

At Sievi employees are treated equally. We promote non-discrimination and equality in accordance with the Finnish Non-discrimination Act and Act on Equality between Women and Men. Our occupational health and safety operating programme is updated annually, and at the same time we assess any needs to update our non-discrimination and equality plan. The results of periodic staff surveys are used to support these updates.

We believe that employees' occupational wellbeing can be best ensured by providing all employees with work best suited to them, by providing clear objectives for the work, and by unambiguously defining areas of responsibility and authority. Employee wellbeing and the atmosphere of the whole working community can be influenced by providing appropriate feedback and managing the flow of information.

Our staff have access to occupational health services more extensive than required by law.

An assessment of risks associated with work tasks are carried out annually on a department-by-department basis at the same time as occupational health and safety inspections. Additionally, risks are always assessed when working methods are changed substantially or when new, different tasks are introduced.

We have identified the following health and safety risks in our production operations:

- exposure to solvents and isocyanates
- noise
- accidents
- repetitive strain injuries.

Priorities and long-term objectives

- We maintain a high level of occupational safety.
 - Sievin Jalkine is a safe employer.
- We maintain and promote our employees' occupational wellbeing.
 - People are healthy.
 - We maintain and strengthen staff motivation.

- Sievin Jalkine's employees have the requisite skills and expertise.

- We maintain the professional skills of our current employees, and if necessary provide training for more employees.
- Sievin Jalkine is an attractive employer.

2017 results

In 2017 the staff survey achieved a response rate of 52 % at the Sievi factory, and 61 % in Oulainen. We aim to increase this for the next survey by improving the dissemination of information and telling staff more concretely how the survey can have an impact on the development of Sievi as a company and a place to work.

In the survey responses, problem factors highlighted relating to the working environment included the strain caused by repeated series of movements, as well as the speed of work required, to some extent. The staff are reasonably satisfied with their work, they like to learn more, and they derive a relatively high degree of pleasure and feelings of success in their work. Based on the survey, there do not appear to be issues with the management, supervisors or colleagues.

A committed and skilled workforce is one of Sievin Jalkine's key success factors. However, it has been shown that the availability of a workforce with the requisite professional skills is becoming more and more challenging. Therefore, in collaboration with a local vocational institute, the Centre for Economic Development, Transport and the Environment (ELY Centre) and the Employment and Economic Development Office, we organised a professional course in technical sewing, which ended in January 2017. We hired 22 of the course graduates as phase sewers.

The employees' assessment of the success of the work community was 8.11 on a scale of 4–10.

There were only two occupational accidents requiring more than 10 days of absence. Our sick leave percentage was 6.39% in 2016, i.e. it exceeded the average in the industry (5.2% in 2016) to some degree.

Objectives for 2018

On the occupational accident index we will try to remain below the industry average (31 accidents/million working hours in 2015).

Our aim is to achieve a staff turnover rate of below 10%.

We are attempting to ensure our rate of sick leave is below the industry average.

Based on the results of the staff survey, we have agreed on the following development measures:

- We are compiling a supervisors' handbook. The objective here is to standardise practices in different departments and increase occupational wellbeing, as well as promote equal treatment.
- During 2018 the TYK3 rehabilitation group programme is set to come to an end. TYK is small-group rehabilitation supported by Social Insurance Institution for staff who are at risk of retiring or losing their capacity to work prematurely. A total of eight Sievi employees have been involved in TYK3.
- The Kiila rehabilitation programme, supported by Social Insurance Institution, for maintaining working capacity and extending the career was undertaken by three employees in Sievi and five in Oulainen in 2018.

CORPORATE RESPONSIBILITY KEY FIGURES

	2017	2016	2015
Financial responsibility			
Turnover, EUR 1,000	78 347	68 344	57 070
Equity Ratio, %	79,3	79,9	84,2
Salaries and fees paid, EUR 1,000	12 261	11 694	10 776
Pension and other personnel costs, EUR 1,000	2 708	2 851	2 501
Income tax, EUR 1,000	4 012	3 509	2 608
Responsible procurement			
Proportion of suppliers audited, % of purchases	46,5 %	23,9 %	23,8 %
Sievin Jalkine Oy's Ethical Guidelines violations found	0	0	0
Environmentally responsible production			
Electricity consumption per pair of shoes manufactured, kWh/pr	4,35	4,61	4,91
Light fuel oil consumption, litres	68 739	94 789	97 588
Amount of Volatile Organic Compounds (VOC), kg	7 505	6 499	6 984
Water consumption, m ³	37 804	53 015	39 741
Waste generated by operations, tonnes			
Cardboard	72,0	62,4	48,2
Waste sent for incineration	379,8	328,9	284,6
Hazardous waste	3,4	4,0	3,4
Leather savings %, target above 3%	3,64	3,72	3,52
Responsibility for our personnel			
Number of employees in the group (as of 31 December)	527	505	455
The employees' assessment of the success of the work community. (scale 4–10)	8,11 (2017)	7,90 (2014)	not asked (2011)
Accidents leading to absences lasting more than 10 days	2	4	0
Sick leave percentage	*	6,39	5,36

* The figure for 2017 will be confirmed in autumn 2018 as soon as the statistics material is available from the Confederation of Finnish Industries.