



**nokian**<sup>®</sup>  
**TYRES**



Sustainable  
tracks



Nokian Tyres  
Corporate Sustainability  
Report 2012

# Nokian Tyres Corporate Sustainability Report: Contents

Nokian Tyres in brief	3	• Other management	17	<b>Social responsibility</b>	<b>33</b>	<b>Environmental responsibility</b>	<b>50</b>
<b>CASE:</b> Vianor: Responsible retail sales and service near end users	4	• Salaries and remunerations 2012	17	• Ethics at Nokian Tyres	34	• Organisation	51
President & CEO's review	5	• Mechanisms of internal control, internal audit and risk management	17	• <b>CASE:</b> Life in the Hakkapeliitta Village	36	• Management systems	51
<b>Nokian Tyres and sustainable development</b>	<b>6</b>	• Risk management	18	<b>Personnel</b>	<b>39</b>	• Authorities and permits	52
• 1. The company's impact on sustainable development	6	<b>Financial responsibility</b>	<b>20</b>	• Skilled and inventive personnel	39	• Chemical control operations	53
• 2. Probing future trends	6	• Financial profitability of operations	21	• Diverse competence development	41	• Audits	53
• Mission, values and operating principles of the organisation	7	• Financial development 2012	21	• Development discussions	42	• Environmental impact of tyre plants	54
• Boundary setting, changes and measuring techniques	8	• Cash flow between Nokian Tyres and its stakeholders	22	• Benefits provided to the personnel (full-time, part-time)	42	• Emission into air	54
<b>Nokian Tyres sustainability principles from the point of view of stakeholders</b>	<b>9</b>	<b>Product responsibility</b>	<b>23</b>	• Employees within the scope of collective labour agreements and compliance with minimum notice of termination requirements in restructuring situations	42	• EHSQ policy	54
• Stakeholders	9	• Evaluation and development of products and services	24	• Frequency of accidents, occupational diseases and absence due to illness	43	• Waste	55
• Memberships in organisations	13	• Uncompromising testing	25	• Personnel survey	43	• Continuous improvement	59
• Sponsoring and support to society	14	• Nokian eLine	26	• Occupational health care, employee training and advising employees on disease prevention	44	• Key measures in 2012	59
<b>Governance</b>	<b>15</b>	• Cost-free Hakka guarantee	26	• <b>CASE:</b> Positive thinker Sirpa Veirto	45	• Other units	61
• Annual General Meeting	15	• EU tyre labelling	27	• Personnel statistics	46	• Development efforts to optimise transportation	61
• Shareholder's rights	15	• With respect for fields and forests	28	• Fairness and equality	47	• <b>CASE:</b> Where do tyres end up after use?	62
• Board of Directors	16	• Safe driving with articulated vehicles	28	• <b>CASE:</b> Working for well-being and safety	49	GRI comparison table	63
• Composition of the Board	16	• Combatting street dust	29			Contact details for corporate social responsibility	69
• Independence of the Board members	16	<b>CASE:</b> Natural rubber value chain	30				
• President and CEO	16						

# Nokian Tyres in brief

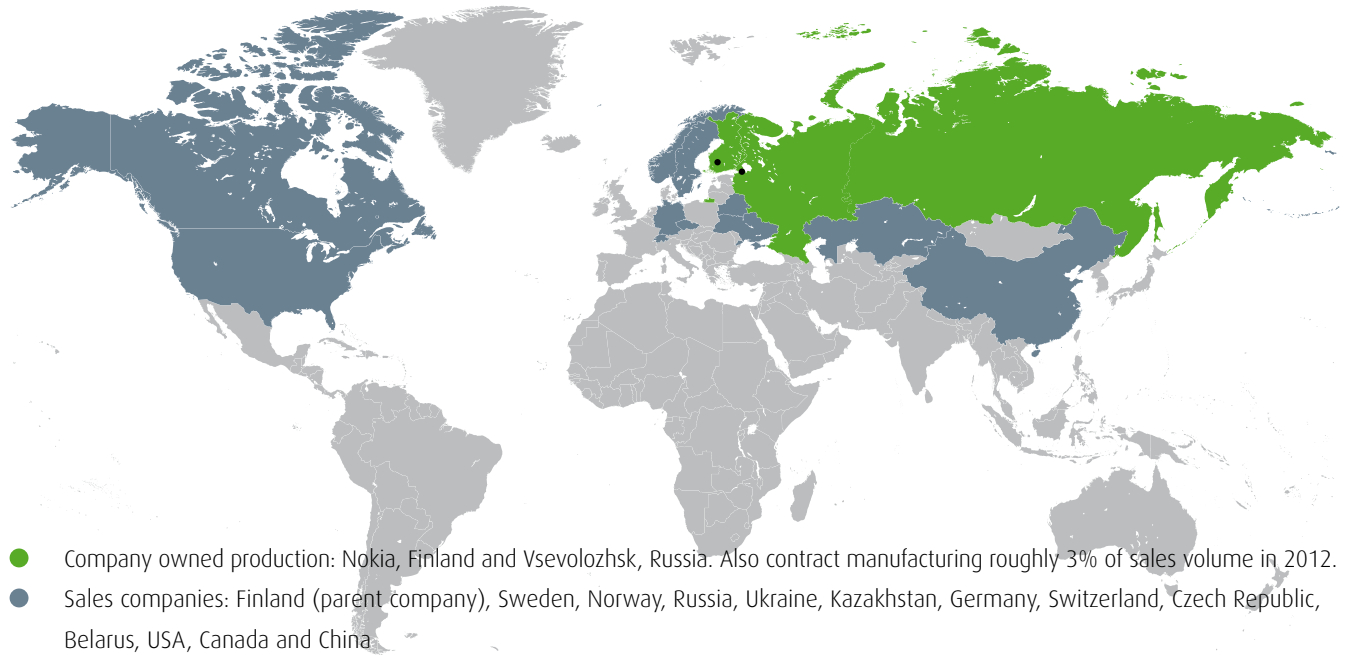
## A specialist in Northern conditions

Nokian Tyres develops and manufactures safe tyres for demanding conditions with respect for environmental values. The world's northernmost tyre manufacturer, Nokian Tyres works persistently to make driving safer, more economic, more comfortable and environmentally friendly – in all seasons. A respect for nature and an understanding of its whims is an inherent part of the special expertise in Nordic conditions. Nokian Tyres' most important brands are Nokian Hakkapeliitta, Nokian Hakka and Nokian Nordman.

Nokian Tyres' reliable, innovative tyres for passenger cars, trucks and heavy machinery are primarily intended for areas featuring snow, forest and demanding driving and usage conditions caused by changing seasons. The products are tailored to different conditions, which is a unique approach in the tyre industry. The rough roads and extreme weather conditions of the north require different tyre structures and rubber compounds than in warmer climates found, for example, in Southern Europe. Sustainable safety is a guiding principle in our product development. Nokian-branded tyres maintain their properties throughout their life cycle. They serve quietly and reliably even when aged and worn.

## More than a century of expertise and professional competence

Nokian Tyres' roots go all the way back to 1898, when Suomen



Gummitiehdas Osakeyhtiö was established. The Nokian plant has stood by the river Nokianvirta since 1904. Nokian Tyres Ltd was established in 1988 and went public in 1995, becoming Nokian Tyres plc. The company's second production plant was established in Vsevolozhsk, Russia, in 2005. The third plant commenced production on the same property in Vsevolozhsk in 2012. In addition to its own plants, the company utilizes high-quality contractual manufacturing. In 2012, contractual manufacturing accounted for approximately 3% of the company's sales volume.

Nokian Tyres has sales companies in Finland, Sweden, Norway, Russia, Ukraine, Kazakhstan, Germany, Switzerland, the Czech

Republic, Belarus, Canada, the USA and China. The quality and environmental certificates cover the Nokia and Vsevolozhsk plants as well as the Swedish sales company.

The first winter tyre in the world, the Kelirengas, was developed in 1934 to suit the Finnish conditions: the typical Finnish roads, varying terrain and winter driving. Based on the Kelirengas, the first Nokian Hakkapeliitta was developed a few years later. The success story of this "Master of snowy roads" has continued for almost 80 years.



# Vianor – responsible retailing



## Responsible retail sales and service near end users

Vianor is the biggest tyre chain, in terms of size and reach, in the Nordic countries, Russia and the CIS-countries. In year-end 2012, the chain comprised 1,037 sales outlets in 26 different countries in Nokian Tyres' core market regions. In 2012, the chain grew with 127 new outlets. The Nokian Tyres Group owns 182 Vianor outlets, while the rest operate on a franchising/partnership principle.

Vianor offers passenger car, van and truck tyres, as well as heavy tyres. In addition to Nokian-branded tyres, the chain sells other leading tyre brands and a variety of motoring products, such as rims, car batteries, and shock absorbers. Apart from retail sales, Vianor conducts wholesale and fleet customer sales. Vianor's service range also includes tyre changes and mounting, as well as oil changes, car servicing and tyre hotels (off-season storage) in some outlets.

Co-operation between Vianor and Nokian Tyres' manufacturing offers synergy benefits. Advanced data systems improve design, monitoring and reporting. Vianor offers Nokian Tyres a direct communication channel to the end users and provides the company with valuable information that can be used in service development.


In 2012, Vianor achieved its strategic goals: it offered the best network for the retail and wholesale of Nokian Tyres' products in its core market regions. Vianor also improved its recognition rate and market shares in the Nordic countries. The gradual change of operating model from tyre sales to full car service in the stores continued with investments and local acquisitions of car service shops. A total of 25 companies were purchased and their car servicing operations were integrated into existing Vianor outlets in 2012.

## Partner network spearheads growth in new markets

The Vianor tyre chain spearheads the Group's growth in markets that are strategically important to Nokian Tyres. Vianor aims to be the leading tyre chain in the regions where it operates, building a foundation for permanent market shares for Nokian Tyres' products.

The Vianor concept offers several business-friendly services to entrepreneurs in the partner network, such as strong brands, training and technical support. Vianor outlets get support for advertising and sales promotion, and guaranteed quick deliveries especially during the peak season.

# Responsibility and financial success go hand in hand



We have a genuine desire to be a responsible pioneer in the tyre industry.

The high quality of our products, safety, eco-friendliness, and the responsible development of our company in all areas of business are the cornerstones for all our actions. In addition to adhering to the laws and regulations, we have always pursued exceeding the requirements that are set for our activities. We strive to do things better than required, and simultaneously set an example for the other companies in the industry.

We have a genuine desire to be a responsible pioneer in the tyre industry. We care about our interest groups and are continuously improving our activities responsibly, even if we have not been reporting everything or otherwise bringing it up. It is true that some issues are hard to verify, and their development is difficult to track. This first ever Corporate Sustainability Report does, however, give a general description of the steps we are taking to improve the traffic safety of consumers, the welfare of our personnel and other interest groups, and to support sustainable development for our part. This is a good start for developing both our reporting and our activities in different areas.

I am very happy that we expanded our comprehensive Environmental Report into a Corporate Sustainability Report pursuant to the GRI guidelines. This will further increase the transparency and openness of our activities, and offer a good opportunity to track our activities and the effects of our actions on the surrounding world. Our company culture of going “one

step beyond” will surely manifest itself in future CSR reporting. Therefore, I believe that our next report will be even more comprehensive.

Since this is our first official Corporate Sustainability Report and reference figures are not available for all of the indicators, we added perspective by describing our activities from the past few years. In the face of international financial crises, we have sometimes had to change our course of action, but the core of our strategy has remained the same. All of our activities will always aim at ensuring growth, mutual success, and opportunities for development.

Developing social responsibility issues and activities are areas that our company addresses in true Hakkapeliitta spirit; we work together in order to find solutions and create results. We can succeed and responsibly develop our activities despite the challenging international market situation and general uncertainty. Profitable growth brings success and financial gain to our company, which in turn increases the welfare around us – for our investors and personnel alike.



**Kim Gran**  
President and CEO

# Key impacts, risks and opportunities of the organisation

Nokian Tyres' risk management is discussed on pages 17 through 18 in this report as well as in the company's annual report. The key risks regarding corporate responsibility are related to product safety, environmental responsibility and the company's reputation management.

Tyres manufactured by Nokian Tyres undergo each year millions of kilometres of driving in extremely challenging road and weather conditions. The safety of passengers rests on four tiny areas equalling the size of the palm of a hand, which makes product safety an area of particular importance for Nokian Tyres. Nokian Tyres targets to invest annually around 2.5% of its net sales in product development. Consumers are provided with ever safer tyres through continuous product development.

75.2% of the environmental impacts during the life cycle of tyres are generated during their usage (emissions due to fuel consumption). As climate change makes extreme weather conditions increasingly common, the importance of tyre properties becomes even greater. Nokian Tyres is prepared to respond to climatic challenges. New focus areas are actively being sought in tyre material development. What lies ahead are a new generation of silica compounds and steel belt structures. These will generate less heat in the deformation process of a tyre while driving, which in turn lowers rolling resistance. According to Nokian Tyres' estimates, the best car tyres in 2015 will likely reduce fuel consumption by an additional 5% compared to the best current tyres without compromising on any safety feature.

Increased interest among consumers both in the environmental and social aspects of corporate responsibility will pose challenges as well as offer possibilities to Nokian Tyres. By focusing on product development and making environmentally friendlier products, the company will stand out from competition and gain a new competitive edge on the market. In terms of social responsibility, the procurement of raw materials is emerging as a topic of general interest. While Nokian Tyres guides its raw material suppliers through instructions on ethical procurement practices, a lot of work remains to be done to increase awareness about workers' conditions at rubber plantations – and this applies to all players in the tyre industry.

Since the beginning of 2011 quality management functions have been merged with the new quality department, and environmental, health and safety (EHS) management was streamlined and now covers all safety aspects related to environment, personnel and the company's assets. The goals of EHS management include damage prevention in all areas of operations, faultless production processes as well as good corporate citizenship. In the development of the company's operations the best practices and advanced solutions are applied, while also taking into account human values, in addition to economic factors.

We promote safety through risk management, constant process development and new investments. The most important management tool is our operations manual, a compilation of

all the environment-, safety- and quality-related guidelines. The Nokia and Vsevolozhsk plants as well as the Swedish sales company Nokian Däck are certified according to the international ISO 14001 standard on environmental management systems and the ISO 9001 standard on quality management systems.

The starting point for Nokian Tyres' environmental policy is life-cycle thinking: the company takes responsibility for the environmental impact of its operations and products over their entire life-cycle. Thanks to long-term development in safety and environmental stewardship, Nokian Tyres can be regarded as a pioneer in its industry. The company was the first tyre manufacturer globally to discontinue the use of high-aromatic (HA) oils in rubber compounds as early as 2005. The sales and import of any tyres containing HA oils was prohibited in the EU area only after 2010.

## Working for top quality and environment

During 2011 Nokian Tyres invested heavily in the development of its products and the high quality of its operations. Quality management functions were merged in the new quality department, the expertise and role of which was reinforced throughout the Group, especially in both production plants. Modern production processes as well as automatic measurement and assurance functions integrated with the machinery lay a sound basis for consistently excellent quality. A lot of attention was additionally paid to the expertise and quality attitudes of personnel.

# Mission, values and operating principles

## The safest tyres for Nordic conditions

We have the innate ability to understand customers operating in Nordic conditions and know their needs and expectations. We focus on tyres and services that provide our customers in Nordic conditions sustainable added value and build the foundations for our company's profitable growth and successful business.

## Vision – what do we want to be?

We want to be the best in all we do: number one in winter conditions, market leader in the Nordic countries, Russia and other selected key areas (quality, price, service, brand, distribution, retail chain), best corporate culture, fastest growing and most profitable tyre company.



Our company culture is called "Hakkapeliitta Spirit" which includes the following values:

### Entrepreneurship = Will to win

We thirst for profit, we are quick and brave. We set ambitious objectives and perform our work with persistence and perseverance. We are dynamic and punctual, and we always make customer satisfaction our first priority.

### Inventiveness = Will to survive

We have the skill to survive and excel, even in the most challenging circumstances. Our competence is based on creativity and inquisitiveness, and the nerve to question the status quo. We are driven by a will to learn, develop and create something new.

### Team spirit = Will to fight

We work in an atmosphere of genuine joy and action. We work as a team, relying on each other and supporting each other, offering constructive feedback when needed. We embrace differences, and we also encourage our team members to individually pursue winning performances.

Targets revealing the company values

### Customer satisfaction

We have the industry's highest customer satisfaction rate in the Nordic countries, Russia and CIS countries, and the highest satisfaction rate in our core products globally. All our activities are geared to support the customer service personnel.

### Personnel satisfaction

Nokian Tyres is a respected and attractive workplace. Our personnel are highly skilled and motivated. Our activities are characterised by our desire to continuously develop our personal skills as well as the company.

### Shareholder satisfaction

We are the most profitable tyre manufacturer and tyre distributor in the industry. Our consistently good performance translates into good share price development and dividend policy.

### The best processes in the business

Our key processes and our business network are efficient and represent the cutting edge in the industry. We uphold the principles of the responsible citizen in all of our activities.

# Boundary setting, changes and measuring techniques

This is Nokian Tyres' first Corporate Sustainability Report. The report was drawn up in accordance with the latest guidelines published by the Global Reporting Initiative (GRI) (3.1). The previous report, partly dealing with the same issues and particularly with regard to environmental responsibility, is the

2009 EMAS Environmental Statement on Nokian Tyres' unit in Nokia. After that, the company has published annual EMAS interim reports as required by EMAS certification. In 2011 the company decided to revise its responsibility reporting to include social and economic responsibility principles in accordance with the GRI

model. As the first GRI report, this document cannot be directly compared with previously published environmental responsibility reports. However, since some of the key performance indicators relating to the company's environmental and social responsibility have been compiled and calculated using the same methods,

## Nokian Tyres Key CSR themes and priorities

Economical responsibility	Product responsibility	Code of conduct	Personnel	Production
<ul style="list-style-type: none"> <li>Responsible &amp; profitable growth</li> <li>Supply certainty</li> <li>Productivity</li> <li>Taxes</li> </ul>	<ul style="list-style-type: none"> <li>Product safety</li> <li>Ecological products</li> </ul>	<ul style="list-style-type: none"> <li>Ethical business principles</li> <li>Transparency</li> <li>Ethical principles for employees</li> <li>Commitment to following the legislation</li> <li>Sustainable sourcing</li> </ul>	<ul style="list-style-type: none"> <li>Personnel development</li> <li>Equal employee rights &amp; management</li> </ul>	<ul style="list-style-type: none"> <li>Production safety</li> <li>Eco-efficiency, energy efficiency, emission control</li> </ul>
<ul style="list-style-type: none"> <li>Impact to the local communities</li> <li>Influencing as an expert to the traffic safety and rubber industry</li> <li>Direct and indirect financial impacts</li> <li>Sponsoring non-profit activities</li> </ul>				



comparisons between the results of previous years can be made. These key performance indicators are specified in greater detail in the GRI comparison table on page 63 of the report.

The reporting covers all of Nokian Tyres plc's operations, with the exception of the environmental responsibility key performance indicators for the sales locations of the Vianor chain. The financial responsibility key performance indicators are based on the company's financial statements, the drawing up and presentation of which are governed by IFRS standards. The environmental responsibility indicators cover the company's operations located in Nokia and Vsevolozhsk. The existing calculation and data collection systems have been created as a result of the Nokia unit's previous EMAS reporting. With regard to the Vsevolozhsk unit, not all of the same key performance indicators are available for the three-year review period presented in the report.

### Reporting period, publication frequency

This publication covers the events of Nokian Tyres plc's 2012 reporting period. For the reasons mentioned in the section above (i.e. the change in the reporting model), certain essential responsibility-related matters have been included, despite the fact that they took place in previous financial periods. In addition, key issues that have emerged in 2013 before the finalizing of this document are mentioned. In future, the company will publish its corporate social responsibility report once a year.

### Contents of the report (materiality, importance, stakeholders)

In autumn of 2012, Nokian Tyres plc's corporate responsibility

steering group carried out an assessment of materiality on the company's responsibility based on a stakeholder analysis. Drawing on the assessment, a model designed to identify and develop the most important focal areas of the company's corporate social responsibility was created. A matrix describing Nokian Tyres' responsibility was devised on the basis of the assessment of materiality and the focal areas. The adjoining chart presents the themes of the assessment of materiality and the focal areas. The contents of this report are divided into themes and focal areas in accordance with the materiality assessment. They are dealt with in greater depth in the relevant sections of the report.

The work to define the company's responsibility focal areas is continuous, and the table presented in this report is constantly being evaluated and improved.

### Stakeholder work

The stakeholder analysis carried out in 2012 defined the most important groups in terms of Nokian Tyres' corporate responsibility. These groups are: customers, product end users, local organisations, NGOs, co-operation partners, the company's employees, suppliers, shareholders, investors and officials.

In terms of social responsibility, the constantly developing civil society and the possibilities for immediate feedback and public debate created by social media have made stakeholder work increasingly important. Stakeholder work is part of Nokian Tyres' business, and it is steered by the company's internal stakeholder guidelines and by the company's ethical guidelines. Every Profit centre's Vice President, the company's Marketing & Communications department and ultimately the President & CEO

are all responsible for leading the stakeholder work. Nokian Tyres complies with the principle of openness and the regulations set for listed companies in its stakeholder operations. Nokian Tyres strives to fulfil all of its stakeholders' expectations, particularly in matters related to corporate responsibility, despite the fact that between different stakeholder groups there may be conflicting expectations of the company's operations, especially when it comes to social responsibility. The company continuously develops its stakeholder operations: the adjoining chart lists Nokian Tyres' stakeholders, the expectations stakeholders have of the company, and the actions the company has taken to fulfil stakeholders' expectations in 2012.



Stakeholder (in alphabetical order)	Expectations	Nokian Tyres' actions
<b>Authorities</b>	Compliance with laws and regulations Dialogue & expertise Reporting Transparency	Comply with laws and regulations We report and communicate actively, regularly and openly Support in decision making EMAS-report
<b>Customers</b>	Deliveries on time and good service Good brand image Good Corporate responsibility management Long-term customer relationship	We develop new top products and give personal service Open communication and test wins We offer a good price/quality ratio Same contact persons and good service
<b>End users</b>	Value for money Product quality, guarantees and liabilities Driving safety Energy efficiency and conservation tips Environmentally-friendly products Recycling of used products Environmental manufacturing process Participation in social programs (for example charity) Ethical business processes Availability of reliable information and dialogue	We develop new top products. Wide product range We offer a good price/quality ratio To reach test wins regularly New services and programs like Hakkapedia, Hakka Guarantee and Hakkapeliitta Test Drivers
<b>Media</b>	Open and active dialogue telling everyday actions but looking also in to the future Nokian Tyres as business leader and commentator Tyre professional – seasonal tips, releases, articles, consultation (how to drive safely etc.) Transparent and global processes: raw materials, personnel, manufacturing, testing, logistics, recycling	Our communication is open and active  Availability Tips from Nokian Tyres' tyre professionals

	<ul style="list-style-type: none"> <li>Product safety</li> <li>Environmentally-friendly products and factories</li> <li>Ethical business processes</li> </ul>	
<b>Neighbours and local communities</b>	<ul style="list-style-type: none"> <li>Dialogue and collaboration</li> <li>Elimination of noise, smell and emissions</li> <li>Plant safety</li> <li>Safequarding local environment and biodiversity</li> <li>Transparent communications</li> <li>Cooperation and donations to schools and universities</li> </ul>	<ul style="list-style-type: none"> <li>Good employer and neighbour</li> <li>We communicate actively and openly</li> <li>We support activities of local communities</li> <li>We manage our risk and operate in line with our Code of Conduct</li> </ul>
<b>Non-governmental organisations</b>	<ul style="list-style-type: none"> <li>Open interaction and dialogue</li> <li>Operational responsibility</li> <li>Collaboration projects</li> <li>Reliable and transparent reporting</li> </ul>	<ul style="list-style-type: none"> <li>Communicate actively and openly</li> <li>Corporate Responsibility matters are online at web pages</li> </ul>
<b>Outsourcing partners</b>	<ul style="list-style-type: none"> <li>Long-term relationship</li> <li>Responsibility</li> <li>Liquidity</li> <li>Good brand image and products</li> </ul>	<ul style="list-style-type: none"> <li>We offer long relationships and good cooperation partnership</li> <li>We operate responsibly and reliably</li> </ul>
<b>Personnel</b>	<ul style="list-style-type: none"> <li>Equal treatment</li> <li>Training and career opportunities</li> <li>Good working atmosphere</li> <li>Rewarding and benefits</li> <li>Sustainability of employment</li> </ul>	<ul style="list-style-type: none"> <li>We promote the well-being of our employees through safe working conditions and motivating atmosphere</li> <li>We engage personnel in operational planning</li> <li>We develop personal competence</li> <li>We offer performance-based remuneration</li> <li>We respect the culture and values of individuals and groups, and we support equality</li> <li>We develop leadership quality regularly</li> </ul>

<b>Public at large</b>	<ul style="list-style-type: none"> <li>Activities for the good of the society</li> <li>Openness</li> <li>Good corporate citizen</li> </ul>	<ul style="list-style-type: none"> <li>We communicate actively and openly</li> <li>New services and programs like Hakkapedia, Hakka Guarantee and Hakkapeliitta Test Drivers</li> </ul>
<b>Services and goods suppliers</b>	<ul style="list-style-type: none"> <li>Liquidity</li> <li>Long-term customer relationship</li> <li>Responsibility</li> <li>Predictability and sustainability of business</li> <li>Reference value</li> </ul>	<ul style="list-style-type: none"> <li>We operate responsibly and reliably</li> <li>Same contact persons and good service</li> </ul>
<b>Shareholders, investors and financial institutions</b>	<ul style="list-style-type: none"> <li>Good return on investment</li> <li>Risk management</li> <li>Effective Management</li> <li>Responsible operations</li> <li>Good corporate citizenship</li> <li>Transparency in Corporate responsibility and investor information</li> <li>Ethical business processes</li> <li>Profitability and growth</li> </ul>	<ul style="list-style-type: none"> <li>Dividend at least 35% of the year's net profit</li> <li>We compensate investors as agreed</li> <li>We manage our risk and operate in line with our Code of Conduct</li> <li>We operate responsibly and reliably</li> </ul>



# Memberships in organisations

In December 2012 Nokian Tyres was qualified to the OMX GES Sustainability Finland index. The index is designed to provide investors with a liquid, objective and reliable benchmark for responsible investment. The benchmark index comprises of the 40 leading NASDAQ OMX Helsinki listed companies in terms of sustainability. The index criteria are based upon international guidelines for environmental, social and governance (ESG) issues. The index is calculated by NASDAQ OMX in cooperation with GES Investment Services.

## Memberships and sponsoring

Nokian Tyres embraces open communication and positive co-operation with its surrounding communities. Accordingly, Nokian Tyres takes part in various associations and organisations that participate in law and policy-making or it acts as a specialist, distributing or generating information on fields of interest related to Nokian Tyres' operations. However, as a non-political entity, Nokian Tyres does not take part in political activities, fund-raising or political donations, as stated in Nokian Tyres' Ethical Guidelines.

This report deals with the memberships and sponsoring that take place at the parent-company level. Group companies participate in similar associations on the local level, according to local needs. Personal memberships in various specialist associations, round-table functions and other information distribution networks by the specialists working in the group and paid by the employer are omitted from this report.

## Memberships in professional associations

Nokian Tyres is a corporate member of various industrial and employer organizations, as is expected of a responsible operator in the field of manufacturing and marketing tyres. Actual participation in an organization's functions depends on the current issues and on the company's interest and expertise in the matters at hand. The most important associations include:

- Kemianteollisuus Ry (Employers' association for the chemical industry in Finland)
- Kumiteollisuus Ry (Employers' association for the rubber industry in Finland)
- Autonrenkasliitto Ry (Employers' association for the tyres industry in Finland, co-operative member)
- ETRMA / European Tyre and Rubber Manufacturers' Association
- ETRTO / European Tyre and Rim Technical Organization
- Registered Association Finnish Russian Chamber of Commerce
- Tampere International Chamber of Commerce
- International Chamber of Commerce Finland
- Finnish Tyre Recycling Ltd (Suomen Rengaskierrätys Oy)
- The Environmental Register of Packaging PYR Ltd (Pakkausalan ympäristörekisteri PYR Oy, packaging recovery co-operative)
- Tampere Business Campus (local education co-operative)
- Corporate Responsibility Network FIBS



## Sponsoring and support to society

In addition to its memberships in useful organisations, Nokian Tyres is involved in other non-profit or charitable organizations in a supporting role. In general, this participation does not include any expected gain or profit, but depending on the case, some visibility or PR benefits could be gained as a result. In most countries where Nokian Tyres operates, this kind of charity is not tax-deductible; as a result, the sums contributed are generally very conservative. The biggest contributions have generally been made in educational institutions. The biggest donations so far were made in 2011: based on a decision made by the Annual General Meeting of 2010, Nokian Tyres donated 300,000 euros to three Finnish Universities as part of a major change made in the funding of the Universities.

Besides direct monetary donations for chosen purposes, the personnel resources offered for various functions should be noted here as charitable actions. Experts working for Nokian Tyres provide valuable services in areas requiring their expertise, for the public good – without charging a fee. Examples of such participation include technical support for police on tyre-related accidents and issues, generating branch-specific safety education material for the rubber and tyre industries in co-operation with the Finnish Centre for Occupational Safety, participating in standardisation work on a national level in matters related to our operations, or our CEO's membership in the "Team Finland" network's steering group for Finland's external economic relations.

## Pit roast for veterans

In 2012, Nokian Tyres became one of the sponsors of the traditional annual meetings of WWII veterans in Finland. For 20 years the veterans have gathered together for a meal of traditionally prepared pit-roasted lamb while meeting their peers in different locations around Finland. In 2012 the meetings were organized in 11 locations, with approximately 10,000 veterans invited, the oldest one being over 100.

- By sponsoring these pit-roast events we convey our gratitude and honour the efforts made by the veterans for our homes and common well-being. Solidarity, genuine caring and trust for one another are still needed every day, says Antti-Jussi Tähtinen, VP Marketing and Communications, Nokian Tyres plc.



# Governance

Nokian Tyres plc (hereinafter “the company”) complies with the rules and regulations of its Articles of Association and the Finnish Companies Act, as well as those published by Nasdaq OMX Helsinki Oy (“The Helsinki Stock Exchange”) concerning listed companies. The company also complies with the Finnish Corporate Governance Code 2010 approved by the Securities Market Association that became effective 1 October 2010. The code document is available on the Internet here (<http://cgfinland.fi/en>).

The company’s corporate governance is based on the entity comprised of the Annual General Meeting, the Board of Directors, the President and the Group Management Team, the above-mentioned laws and regulations, and the Group’s policies, instructions and practices. The company’s Board of Directors has accepted the report concerning corporate governance. According to the company’s auditors, the report and the related descriptions of internal reporting controls and risk management are in compliance with the actual reporting process.

## Annual General Meeting

The highest decision-making power in the company is held by the Annual General Meeting, whose tasks and procedures are outlined in the Limited Liabilities Companies Act and the company’s Articles of Association. The Annual General Meeting decides on such matters as the confirmation of the company’s annual accounts, profit distribution, and discharging the Board of Directors

and the President from liability. The Annual General Meeting elects the members of the Board of Directors and auditors and determines their fees. In addition, the Annual General Meeting can make decisions concerning for example amendments to the Articles of Association, share issues, granting warrants, and acquisition of the company’s own shares.

An extraordinary general meeting is summoned whenever the Board considers this to be necessary or if an auditor or shareholder with a holding of a total of at least one-tenth of the entire stock requires it in writing in order to address a certain issue.

The Annual General Meeting is held by the end of May of each year on a date determined by the Board of Directors, either at the company’s registered place of business or in the city of Helsinki or Tampere. The Articles of Association state that the invitation to the Annual General Meeting must be published in one daily newspaper distributed nationwide and one distributed in the Tampere region. In addition, the company publishes the invitation to the Annual General Meeting as a stock exchange releases and on its website.

The Annual General Meeting for 2012 took place on 12 April 2012 in the Tampere Hall, Tampere. The meeting confirmed the consolidated financial statements and discharged the Board members and the President from liability for the fiscal year 2011. All documents related to the Annual General Meeting are available here (<http://www.nokiantyres.com/annual-general-meetings>).

## Shareholder’s rights

According to the law, shareholders are entitled to subject matters belonging to the Annual General Meeting’s scope of power to be addressed at the meeting. This requires that the shareholder submits the requirement to the Board of Directors in writing, far enough in advance so that the matter can be added to the agenda on the invitation.

Shareholders registered in the company’s shareholder register by the date specified on the invitation to the Annual General Meeting, 8 days before the meeting (the record date), are entitled to attend the Annual General Meeting. Shareholders can also authorise a proxy to act on their behalf in the Annual General Meeting. Owners of administratively registered shares can be temporarily added to the shareholder register in order to make them eligible to attend the Annual General Meeting.

In the Annual General Meeting, shareholders are entitled to use the entire amount of votes they own on the record date. Shareholders have the right to present questions regarding issues on the General Annual Meeting’s agenda. In addition, shareholders are entitled to suggest draft resolutions concerning matters belonging to the scope of power of the Annual General Meeting and included on its agenda.

## Board of Directors

The Board is responsible for corporate governance and the appropriate conduct of ordinary activities. The Board holds the general juridical power in company-related issues that do not belong to the scope of power of other corporate governance bodies as stipulated in applicable laws and the Articles of Association. The policies and key tasks of the Board are defined in the Limited Liability Companies Act, the Articles of Association and the Board's working order. The key tasks include:

- Consolidated financial statements and interim reports
- Proposals to the Annual General Meeting
- Appointing and dismissing the President and CEO
- Organisation of financial control.

In addition, the Board deals with, and decides on, matters of principle, as well as issues that carry financial and business significance, such as:

- Group and profit centre strategies
- The Group's budget, action and investment plans
- The Group's risk management and reporting procedures
- Decisions concerning the structure and organisation of the Group
- Significant individual investments, acquisitions, divestments and reorganisations
- The Group's insurance and financing policies
- Reward and incentive scheme for Group management
- Appointing Board committees
- Monitoring and evaluating the actions of the President.

The company has no separate audit committee. The Board handles the audit committees' tasks specified in the governance code.

Nokian Tyres' President and CEO is in charge of ensuring that the Board members have necessary and sufficient information on the company's operations.

The Board assesses its activities and operating methods by carrying out a self-evaluation once a year.

## Composition of the Board

The Board of Directors shall comprise such a number of members and feature such a composition that it is capable of efficiently carrying out its tasks. The elected Board members must be qualified for the task and able to allocate enough time for the Board duties.

According to the Articles of Association of Nokian Tyres, the Board of Directors comprises no less than three and no more than eight members. Members of the Board are elected at the Annual General Meeting. The Board members' term of office terminates at the end of the first Annual General Meeting following the elections.

Remunerations payable to Board members are confirmed at the Annual General Meeting. The Board of Directors appoints a chairman from among its members at the first constituent meeting following the Annual General Meeting. The chairman presides until the end of the following Annual General Meeting. The Board meetings usually take place in Helsinki. The Board visits yearly different Group units and holds its meetings at these locations. When necessary, telephone conferences can also be arranged. The Vice President responsible for finance and control

and other Group Management Team members as well as internal auditor participate in the Board meetings when necessary. The auditor participates in the annual meeting dealing with financial statements and auditing plan. The Group Legal Council is the secretary of the Board.

- Board of Directors  
(<http://www.nokiantyres.com/board-of-directors>)

## Independence of the Board members

Kim Gran is the President and CEO of the company. The other Board members, except Benoit Raulin (Bridgestone Europe), were independent of the company in 2012. After Annual General Meeting 2013 all Board members are independent of the company. All Board members are also independent of any major shareholders of the company.

## President and CEO

The President runs the Group's business operations and implements the current corporate governance in accordance with the instructions and guidelines provided by the Board of Directors. The President may, with regard to the extent and quality of the company operations, undertake unusual or extensive actions only under authorisation from the Board of Directors. The President is in charge of ensuring the company accounting's conformity with the law and the reliable organisation of asset management. Kim Gran, Bachelor of Science in Economics, has been the company's President and CEO since 2000.



## Other management

The Group's management team assists the President in operative management. In compliance with the Group's meeting practice, the Management Workshop convenes once a month, and it is attended by the President and CEO and profit centre Vice Presidents, as well as the service centre Vice Presidents and the Vice President for Russian operations and the group's internal auditor.

- The Group Management Team is introduced in more detail here (<http://www.nokiantyres.com/top-management-and-personnel-representat>)

## Salaries and remunerations 2012

### Remuneration of the Board members

Remunerations payable to Board members are confirmed at the Annual General Meeting. In 2012, remunerations to Board members totalled EUR 280,000 (EUR 218,750), including 3,913 (2,592) Nokian Tyres' shares worth EUR 140,000 (EUR 84,000). In addition, the committee members received a meeting fee totalling of EUR 39,600 (24,000). Board members are not included in the company's option scheme. The President does not receive separate remuneration for participating in Board meetings, but the President comes under the scope of option schemes.

### Remuneration of the President

The Board of Directors makes decisions concerning the President's salary and other benefits. The compensation package includes basic salary, fringe benefits, pension scheme, stock options and performance related bonus scheme, which is based on Group

profitability and growth. Maximum bonus is 80% of President's annual base salary.

### Management's incentive system

The Nomination and Remuneration Committee's proposal for the salaries and benefits of managerial employees, as well as for the employee incentive scheme, is subject to the Board's approval. Management rewards are based on a monthly remuneration determined by the competence classification of the tasks and on a separate annual bonus. The annual bonus is determined on the basis of the Group's net result and the achievement of the KPIs set for different functions. The function specific KPIs consist of several factors including profitable growth, cash flow and the efficiency of operative process. At maximum, the annual bonus can correspond to 15-25 % of one's annual salary.

The Group has also created an option scheme covering the entire personnel, which aims to provide long-term incentives and to build commitment to the company.

### Mechanisms of internal control, internal audit and risk management

The Group's internal control mechanisms are in place to ensure that the financial reports released by the company contain the essential, correct information on the Group's financial position. The Group has defined Group-level instructions and policies for the key operative units specified below in order to ensure efficient and profitable company operations.

The business activities of the Nokian Tyres Group are divided into two areas: the manufacturing business and the tyre chain. The manufacturing business consists of profit centres, which are Passenger Car Tyres, Heavy Tyres (Nokian Heavy Tyres profit centre was incorporated into an independent company as of 1 January 2006), and Truck tyres. Each profit centre is responsible for its business area and its financial performance, risk management, balance sheet and investments, supported by the different service functions. The Group's sales companies are a part of the sales function and serve as product distribution channels in local markets. The tyre chain is organised into a separate sub-group, whose parent company is Vianor Holding Oy, fully owned by the parent company Nokian Tyres plc. The tyre outlets operating in different countries are part of the sub-group. The Managing Directors of the company's subsidiaries are responsible for the daily operations and administration of their companies. They report to the company's Vice President responsible for Sales and Logistics, while the Managing Directors of the Vianor chain report to the director of the Vianor profit centre.

The Board of Directors is responsible for the functionality of the internal control mechanisms; they are managed by the company management and implemented throughout the organisation. Internal control is not a separate function; it is an integral part of all activities at all levels of the Group. Operative company management bears the main responsibility for operational control. Every supervisor is obliged to ensure sufficient control over the activities belonging to his/her responsibility and to continuously monitor the functionality of the control mechanisms. The Vice President responsible for finance and control is responsible for organising financial administration and reporting processes and the internal control thereof. The parent company's Finance and

Control unit is responsible for internal and external accounting; its tasks also include producing financial information concerning the business areas and ensuring the accuracy of this information.

The preparation process of the consolidated financial statements (IFRS), the related control measures, as well as the task descriptions and areas of responsibility related to the reporting process have been defined. The parent company's Finance and Control unit is in charge of consolidating the business areas' figures to produce Group-level financial information. Under the parent company's Finance and Control unit's supervision, each legal Group company produces its own information in compliance with the instructions provided and in line with local legislation.

The net sales and operating profit of the Group and business units are analysed, and the consolidated profit is compared with the management's assessment of business development and information on operative systems. The Group Finance and Control unit is centrally responsible for the interpretation and application of financial reporting standards, and also for monitoring compliance with these standards.

Efficient internal control requires sufficient, timely and reliable information in order for the company management to be able to monitor the achievement of targets and the efficiency of the control mechanisms. This refers to financial information, as well as other kinds of information received through IT systems and other internal and external channels. Financial administration and other instructions are shared on the intranet for those who need them, and financial administration provides training with regard to these instructions when necessary. There is continuous communication with the business units. The company's financial

performance is internally monitored by means of monthly reporting complemented with rolling prognoses. The profit is communicated to company personnel immediately after releasing the official stock exchange releases.

The Internal Auditing in Nokian Tyres Group makes assessments and audits to ensure the efficiency of risk management, internal control and governance processes. Internal Auditing is an independent and objective activity, which aims to help the organisation to achieve its targets. Internal Audit activity in the Group is managed by the Internal Auditor working under the Board of Directors and the President and CEO. The Internal Audit activity of the Group is planned to be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

In 2012, the internal audit focused, among other things, on assessing the administrative arrangements in different units of the group and the compliance with corporate governance instructions, corporate social responsibility matters and some misconduct risks. The Internal Audit activity in Vianor, which concentrates on guiding the outlets and ensuring conformity to the Vianor activity system, reports to the Internal Auditor of the Group and to Vianors' Managing Director of the country.

### Risk management

The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of goals and ensures business continuance. The Group's risk management policy focuses on managing the risks pertaining to business opportunities, as well as those facing the achievement of the Group's goals, in the changing operating environment.

Risks are classified as strategic, operative, financial and hazard risks. Strategic risks are related to customer relationships, political risks, country risks, R&D, investments and acquisitions. Operational risks arise as a consequence of inadequate or failed company's internal processes, people's actions, systems or external events for example changes in raw material prices. Financial risks (read more about financial risks from financial review 2012, page 13) are related to fluctuations in interest rate and currency markets, refunding and counterparty risks. Hazard risk can lead to injuries, damage to the property, interruption of production, environmental impacts or liabilities to third parties.

The risk management process aims to identify and evaluate risks, and to plan and implement practical measures for each one. Such measures may include, for example, avoiding the risk, reducing it in different ways or transferring the risk through insurances or contracts. Control functions and actions mean securing or backing-up procedures applied to reduce risks and ensure the completion of risk management measures. Risk management is not a separate organisation; its tasks follow the general distribution of responsibilities adopted in the organisation and other business activities. The main risks detected in risk surveys are reported to the company's Board of Directors once a year.

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Financial responsibility





# Financial responsibility

A company's most important responsibility aspects are ensuring its financial success and ability to bring added value to its financial stakeholders. When the business is profitable, it opens up the possibility to develop it further and offer financial security, jobs and well-being, both to the company's personnel and to its shareholders.

## Financial development in 2012

Uncertainty and slowing growth continued in the global economy. Doubt about the direction of the US economy, slower growth in China and continuing problems in Europe weakened the economic situation, and with it consumer confidence and spending. From an economic development point of view, Nokian Tyres' core markets, Russia and the Nordic countries, were among the best of the developed world.

Nokian Tyres performed well in a challenging environment and recorded all time high sales and profits combined with excellent cash flow. The company's position is very strong in core markets, it is debt-free and able to further develop its business from a healthy position.

Nokian Tyres' sales in Russia grew more than three times faster than the overall market, by almost 50%, further strengthening the company's market leader position. In the Nordic countries sales came in as planned, the company gained winter tyre market share and continues to be a clear market leader.

## Key figures, IFRS

EUR million	2012	2011	change %
Net sales	1,612.4	1,456.8	10.7
Operating profit	415.0	380.1	9.2
% net sales	25.7	26.1	
Profit before tax	387.7	359.2	8.0
% of net sales	24.0	24.7	
Return on capital employed (ROI), %	24.3	27.4	
Return on equity (ROE), %	25.2	29.1	
Interest bearing net debt	-65.2	-3.6	1,724.2
Gross investments	209.2	161.7	29.4
% of net sales	13.0	11.1	
Earnings/share, EUR	2.52	2.39	5.4
Shareholders equity per share, EUR	10.89	9.15	19.0
Equity ratio, %	71.2	63.2	
Taxes, EUR	56,8	50,3	
Wages, fees, social security contributions	197.1	182.4	





### Nordic countries: Solid development

Finland, Sweden and Norway accounted for some 34% of the net sales of Nokian Tyres in 2012. The company is the market and price leader in the Nordic countries. Annual sales in these countries total some 10 million tyres for passenger cars and vans, 6 million of which are winter tyres. The markets usually grow around 1–3% a year, and there are around 80 competing brands. The countries also have legislation that requires winter tyres to be used during the winter months.

### Russia: Strong growth

Nokian Tyres is the market leader and the biggest manufacturer of premium tyres in Russia. In 2012, the share of Russia and the CIS countries rose to 35% of the total sales of Nokian Tyres. Use of winter tyres is not mandatory by law in Russia, but the climate conditions in Nokian Tyres' operating region require the use of winter tyres during the winter months.

Nokian Tyres  
sales in Russia grew more  
than three times faster than  
the overall market,  
by almost 50%.

An estimated 41 million car and van tyres were sold in Russia in 2012. The market for premium tyres is estimated to grow on the average by 10% yearly.

### Central Europe: Promising possibilities

With tyre markets continuously expanding and winter tyre legislation becoming more common, Central Europe has become one of Nokian Tyres' most important growth areas. The size of the European market, excluding the Nordic countries, was approximately 230 million car and van tyres in 2012. The total market growth is slow, but the winter tyre segment is growing faster. Nokian Tyres customizes its tyres to meet the needs of consumers in different market areas. The non-studded winter tyres designed for Central and Eastern European winter conditions, as well as the summer tyres offered in the region, differ considerably from the products sold in the company's core markets.

## Cash flow between Nokian Tyres and its stakeholders

A good financial result is broadly reflected in the company's stakeholders. The adjoining chart illustrates the financial "tyre tracks" that Nokian Tyres leaves on its stakeholders.

## Outlook

Development of the company's sales and its financial situation are discussed in the 2012 Annual Report and Financial Review, which are available here (<http://www.nokiantyres.com/company-and-investor-information>).

## Added value to stakeholders





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# Product responsibility



# Green choices at the core of our products

Natural rubber, synthetic rubber, carbon black (which gives tyres their colour), oils, different chemicals – a tyre factory receives dozens of raw materials from all over the world every day. Nokian Tyres' production does not accept any raw material without the approval of its own laboratory. In accordance with the company's purchase policy, raw materials are procured from reliable international suppliers, and the suppliers' commitment to environmental matters is verified during the purchasing process. Supplier acceptance criteria include meeting statutory requirements, and having an appointed person responsible for quality and environmental issues and having identified the main quality and environmental impacts. Suppliers are expected to be committed to continuous improvement, and to have their major environmental aspects identified and environmental goals as well as quality and environmental policies specified. All raw material loads arriving at the company's factories are inspected prior to unloading and storing. A sample of each raw material consignment received is taken for testing in a laboratory. Each raw material consignment is stored until it is accepted by the laboratory for use in the manufacture of rubber compounds.

At the factories all of the raw material packaging is recycled; for example some of the pallets are sent back to the suppliers for reuse.

Nokian Tyres was the first tyre manufacturer worldwide to switch to the use of purified, low-aromatic (LA) oils in its production. In addition to the LA oils, Nokian Tyres uses vegetable-based oils

in its products. Oils are used in rubber compounds as plasticisers, which affect the tyre's grip. Oils can account for up to 20% of the rubber compound. Naturally derived canola oil is added to the rubber compounds of winter tyres to increase tear resistance and grip on ice and snow, while pine oil used in summer tyres improves wear resistance.

In addition to the rubber compounds, steel and textiles are used in the manufacture of tyres as reinforcing materials. Chemicals such as carbon black and sulphur are required in the manufacture of the rubber compounds. As far as is known, Nokian Tyres is the only tyre manufacturer not using any toxic or carcinogenic classified chemicals in its production processes.

Nokian Tyres invests in top technology and materials, which is demonstrated by the rapid renewal of the company's product range. Today, the company's product development is based on the same principle as almost 80 years ago: our tyres are developed for consumers, who require safety, durability and comfort under all driving conditions. Our product development is based on the principle of sustainable safety: the tyre should retain its safety features almost intact despite ageing and wear.

The principle of sustainable safety also includes a commitment to the development of environmentally friendly products and production technology.

## Rolling resistance

Rolling resistance refers to the energy consumed as a result of the deformation caused by the tyre's road contact. This deformation and the amount of energy it requires can be influenced by structural and material choices in the tyre design.

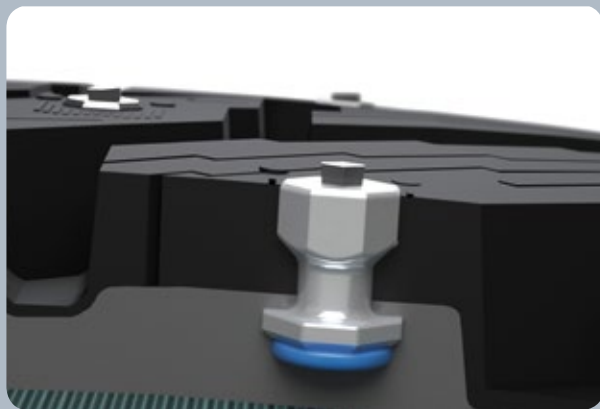
Rolling resistance affects the environment throughout the tyre's lifetime. Lighter rolling results in lower fuel consumption and carbon dioxide emissions. Rolling resistance accounts for about 20% of a vehicle's fuel consumption.





## Nokian Eco Stud 8 Concept

Excellent winter safety and lower impact on the road. Better winter grip, driving comfort and wear resistance. Developed for the Nokian Hakkapeliitta 8, the Eco Stud 8 concept includes an environmentally friendly new-generation anchor stud, a flange design that reduces stud impact, and the Eco Stud cushion that softens road contact. The unique stud division proceeds evenly across the entire tread surface, thanks to computerized optimization. Studs are offset and not overlapping, which ensures the best possible grip under all conditions.



## Continuous development for the environment

Nokian Tyres improves vehicles' fuel efficiency by developing tyres with lower rolling resistance. Tyre weight is a contributing factor to rolling resistance, and reducing weight also saves raw materials and process energy. Owing to persistent product development work, the company has managed to lower the rolling resistance of its tyres through, for example, new structural solutions and tread compounds – and the work continues. One of the Key Performance Indicators in Nokian Tyres is percentage of low rolling resistance tyres\* in car, van and SUV tyres portfolio. In 2012, the quota was 44%.

Tyres with low rolling resistance may save up to 0.5 litres of fuel per 100 kilometres while cutting CO<sub>2</sub> emissions by 12 g/km. Environmentally friendly products and natural materials that reduce fuel consumption and emissions also show us the way forward.

Tyre noise is another important environmental impact caused by the use of tyres. One of the goals of our product development is to make tyres quieter. Lower external tyre noise improves general well-being, while cabin noise influences the driver's alertness and thus traffic safety. Tyres developed by Nokian Tyres include several inventions to reduce noise. The new-generation stud design and the stud cushion, tread block location, new types of tread compounds and modern tread designs all have a major impact on lowering tyre noise.

According to several studies, rain is the weather phenomenon causing the most traffic accidents. A key factor is the loss of tyre grip or dangerous aquaplaning, which can quickly "turn the driver into a passenger". Nokian Tyres is constantly developing its summer tyres range to meet challenges of wet condition driving.

An example of this work is Nokian Hukka Blue, introduced in spring 2012, with new innovations and materials. High wet grip performance\*\* is also a part of the company's Key Performance Indicators. In 2012, percentage of tyres with high wet braking grip in Nokian Tyres summer tyres portfolio was 88%.

Climate change places new challenges to winter tyres. They must guarantee safe grip in snowy and icy and also in slushy and wet road conditions. As the effects of climate change became more real, the need for safe tyres and environmentally friendly products increases.

## Uncompromising testing

The wear resistance of Nokian Tyres' products is based on careful development of tyre structure and testing. Testing in a genuine environment and fully understanding the characteristics of winter and its products is natural to Nokian Tyres, the developer and manufacturer of the first winter tyre in the world. The company's Ivalo testing centre "White Hell" focuses on demanding winter testing from October to May. High-quality equipment, versatile tests and competent product development teams and test drivers ensure that all the extreme situations of winter driving are explored.

At our test centre in Nokia tyres are tested from spring until late autumn. It offers unique settings for, for example, the use of high-speed camera technology and slush planing tests, which the company was the first to introduce in 1996. In order to obtain sufficient test results tyres are also tested on tracks outside Finland. Additionally, tyres are tested indoors using testing machines to measure the tyres' structural strength and high-speed endurance. Repetitive tests are used for monitoring the flawlessness of tyres and for ensuring the high quality and

\* Tyres with a rolling resistance grading A, B or C on the EU tyre labelling scheme with the scale A – G.

\*\* Tyres with a wet braking grip grading A or B on the EU tyre labelling scheme with the scale A – G.

## Eco-friendly future technology

Nokian Tyres has launched a new summer tyre, Nokian eLine, which features top fuel efficiency and wet grip performance, i.e. class A according to the new EU tyre labelling system. Nokian eLine will be available to consumers gradually from summer 2013.

A modern car tyre boasts top technology and more than a hundred raw materials. It is a complex combination of physics, nanotechnology and advanced materials, each of which has its own precise task.

The new EU tyre labelling indicates the tyre's braking distance on wet asphalt from a speed of 80 km/h. The difference in braking distance between class A and class F tyres can be more than 18 metres, i.e. four times the length of a car.

In Nokian eLine the conventional grooves on the outer shoulder have been replaced by sipes. The shape of the tread blocks is also different from the usual norm. The tread block was made shorter longitudinally and expanded laterally. This means that the load of Nokian eLine is distributed over a larger area, creating a minimum amount of deformation, or rolling resistance, while driving. The cross-section is also straighter than in traditional tyre models, which further reduces rolling resistance.



technical reliability of the products. The development process for an entirely new passenger car tyre takes 2-4 years.

In order to ensure that the company has the best, pioneering products also in the future, it engages in long-term testing co-operation with many customers in different product groups. Our unique competence in winter tyres is valued by global car manufacturers. Close co-operation covers more than 20 quality automotive brands. Nokian Tyres has not had any major product recall in recent years, which is a proof of the company's careful testing of products, thorough quality control and high-quality raw materials. The company also has not been involved in legal proceedings connected to product liability.

## Testing success

During the years, Nokian Tyres has constantly been at the top tier in international tyre tests. The company monitors constantly its success rate with a tool called the "magazine test success indicator". Car magazine tests give the company an independent and transparent mechanism to compare its products to its competitors.

Below a list of Nokian Tyres' success in testing seasons 2010-2011 and 2011-2012.

### Season 2010-2011:

32 tests:      1st 19 times, 59,4%  
                   2nd 5 times, 15,6%  
                   3rd 1 times, 3,1%  
 At the podium total 78,1%  
 of tests participated, total of 25

### Season 2011-2012:

59 tests:      1st 31 times, 52,5%  
                   2nd 11 times, 18,6%  
                   3rd 9 times, 15,3%  
 At the podium total 86,4%  
 of tests participated, total of 51

## Cost-free Hakka Guarantee against punctures

Nokian Tyres grants a cost-free Hakka Guarantee for Nokian Hakka summer tyres and Nokian Hakkapeliitta winter tyres. If an appropriately used and correctly mounted tyre accidentally damages in normal usage, it will be replaced, free of charge, with a corresponding new tyre. The Hakka Guarantee will apply to minimum groove depth of four millimetres for one year from the purchase date. Hakka Guarantee is available in Finland, Sweden, Norway, Russia and Ukraine. In the Nordic countries the guarantee also includes a road service that saves you from trouble by changing the damaged tyre in your car or taking the vehicle to the nearest tyre dealer for service. In Canada the company offers same type of guarantee and in the United States it offers a limited warranty.

## EU tyre labelling to support consumer purchasing decisions

Nokian Tyres actively monitors trends in environmental and safety regulations in all its market areas, especially in Finland, the European Union and Russia, and anticipates the effects that pending regulations will have on its operations. An EU regulation on tyre labelling took effect in November 2012.

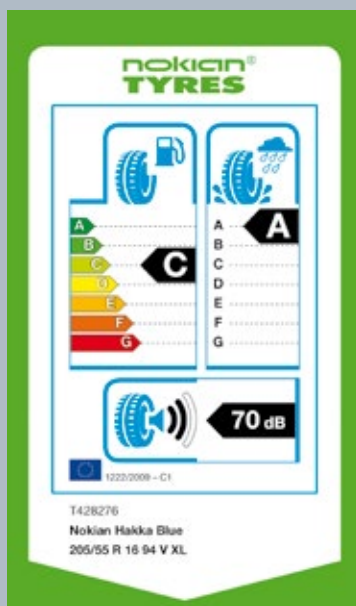
The labelling system follows the same principle as the energy labelling system for household appliances. Tyres are ranked on a scale from A to G, with the green class A being the best and the red class G the worst. The labelling provides information on the

tyre's fuel efficiency and wet grip, i.e. wet braking distance. In addition, the external rolling noise of tyres is expressed in decibels.

The new EU tyre labelling system does not take into account actual winter conditions in the Nordic countries. The labelling applies to non-studded winter tyres but not to studded tyres. The only safety-related piece of information provided by the labelling system concerns the wet grip of tyres. Focusing on wet grip is well suited to the road conditions in Central Europe, but the most important safety characteristics in the demanding and varying Nordic winter conditions are grip on ice and on snow. In this respect the tyre labelling system may be misleading

and endanger traffic safety. Although the new labelling system makes it easier to compare tyre models, it is best to consult professional tyre dealers, independent tests in magazines, and tyre manufacturers. The most important aspect in terms of safety is to buy the correct tyres for the given driving conditions.

Rolling resistance accounts for about 20% of a vehicle's fuel consumption, and has a major impact on the operating costs and carbon dioxide emissions of a car. In the EU tyre labelling system, the difference in consumption between the best (class A) and worst (class G) tyre is clear at around 0.6 l/100 km.



### Tyre Labelling Information

#### Fuel Efficiency Class

7 classes from G (least efficient) to A (most efficient). Effect may vary among vehicles and driving conditions, but the difference between a G and an A class for a complete set of tyres could reduce fuel consumption by up to 7.5 %\* and even more in the case of trucks.

#### Wet Grip Class

7 classes from G (longest braking distances) to A (shortest braking distances). Effect may vary among vehicles and driving conditions, but in the case of full braking, the difference between a G and an A class for a set of four identical tyres could be up to 30% shorter braking distance

(e.g. for a typical passenger car driving at 80 km/h speed this could mean up to 18m shorter braking distance)\*.

#### Tyre External Rolling Noise Class

In addition to the noise value in Decibel dB(A) a pictogram displays whether the tyre external rolling noise performance is above the future European mandatory limit value (3 black bars = noisier tyre), between the future limit value and 3dB below (2 black bars = average tyre) or more than 3 dB below the future limit value (1 black bar = low noise tyre).

Note: The tyre external rolling noise is not entirely correlated to vehicle interior noise.

\* When measured according to the test methods set out in Regulation

Source: European Commission's Impact Assessment SEC(2008)2860

Shifting to tyres with a better classification translates into fuel savings of around 2–3% for the average car. In all the tyre tests of 2012, Nokian Hakkapeliitta R friction tyre featured the lowest rolling resistance. Nokian Hakkapeliitta R tyres may save up to 0.5 litres of fuel per 100 kilometres while cutting CO<sub>2</sub> emissions by 12 g/km.

New Nokian Hakkapeliitta R2, the successor to the top test performer Hakkapeliitta R, is the number one choice for drivers who value unique driving comfort and greener motoring. Its extremely low rolling resistance means substantial fuel savings and lower carbon dioxide emissions. Simultaneously, the safety-improving handling characteristics on ice, snow, and wet roads, an aspect also highly valued by car drivers, have been further improved.

### With respect for fields and forests

Nokian special heavy tyres are products of long-term development work in which respect for the environment has been as a key value. The successful results are based on the combination of traditional professional know-how and state-of-the-art technology. The aim of product design is to provide customers with optimal solutions for special use, emphasising energy efficiency, reliability of use and pleasant driving properties.

The low contact pressure of heavy tyres is one of the company's key development targets. It is a particularly important feature for agricultural tyres and tyres used on soft surfaces. The high mass and contact pressure of the machines cause compaction in the cultivated layer and the underlying subsoil. Compaction deteriorates the soil's cultivation properties, decreases crop yields and increases the environmental load. Subsoil compaction can have long-term consequences. The special tyres designed

for agricultural use carry heavy loads with respect for the environment. Thanks to the wide contact area, their contact pressure against the field is significantly lower than with traditional tyres. This results in high field productivity and easy machine movement, even on soft soil. Machines working in the forest, in turn, risk damaging tree roots. In forest use, radial tyres possess better properties than the traditional cross-ply tyres.

The Nokian Forest Rider forestry tyres have a wider contact area, which results in lower contact pressure that makes the tyre easier both on the forest terrain and on the driver. In addition, this reduces vibration and thus provides excellent driving comfort. The rubber compounds, treads and structures of Nokian special tyres are designed to withstand tough use, which, from the users' point of view, translates into more operating hours and functionality in all conditions. Thorough field testing and research guarantee the achievement of the desired properties. All Nokian-branded heavy tyres have a low rolling resistance, which contributes to decreased fuel consumption and lower CO<sub>2</sub> emissions.

### Safe driving with articulated vehicles

Nokian Tyres is actively involved in the improvement of heavy vehicle safety and its environmental impact. Nokian truck tyres and Nokian Noktop retreading materials are designed for demanding professional use and changing conditions. In order to enable high-class product development, Nokian Tyres works in close, confidential co-operation with transport and hauling operators.

In winter 2013 Nokian Truck Tyres organised an event in winter conditions, in Ivalo, Finland, to test the performance of and differences between new winter tyres and new all season tyres,

typically used in Central Europe. The event was organised in co-operation with Liikenneturva, the central organisation for Finnish traffic safety work, Scania, a leading manufacturer of trucks and buses, trailer rental company PNO Trailer, the University of Oulu, and Oulu Vocational College.

The test results show that the difference between winter tyres and All Season -tyres in terms of braking distances and acceleration was more than 20% to the benefit of winter tyres. The test conditions were very wintry, with temperatures ranging from -16 to -27 degrees Celsius. As a rule of thumb, the colder the weather, the smaller the differences between tyres due to the increased friction offered by the surface. Had the conditions during the test been more slippery and demanding, with temperatures close to zero, the differences between the tyres would have likely increased to over 30%.

Due to the heavy loads, trailers account for most of the rolling resistance in full trailer trucks. The research showed that with the right choice of tyres, the rolling resistance can be kept low and the swinging of the trailer can be reduced significantly. The new research results were immediately applied to Nokian Tyres' tyre recommendations. However, minimal rolling resistance alone is not a sufficient solution for safety in Nordic conditions. The right choice of tyres and treads is the key to optimising both economies and safety.





### Many ways of combatting street dust

Nokian Tyres' operations are driven by the safe moving of people. The company has carried out persistent product development in order to reduce the road wear impact and particulates emissions of tyres, and it will continue to do so in the future. In Nordic countries road dust has been an item of discussion lately.

One view expressed in the public debate is that studded tyres are one of the biggest contributors to street dust. This claim is not, however, unequivocal, since there is a lack of sufficient studies that take into account the road wear impact of modern studded tyres. The occurrence of street dust is affected by several factors, and there are also several means by which it can be abated. Nokian Tyres continuously pays attention to the environmental properties of its tyres, aiming at minimum road wear impact and deterioration of air quality. The road wear impact of today's winter tyres is 25% of that of winter tyres during the 1980s. This has been achieved through product development, resulting in, for example, shorter and lighter studs. As there is no toxic or carcinogenic classified chemicals used in Nokian Tyres' production, it improves also the safety of dust and tyre waste etc.

The new Nordic legislation applies to studded tyres manufactured after July 2013. Studded tyres manufactured in compliance with the new regulations have a significantly lower road wear impact. Nokian Tyres considers it important to reduce the amount of street dust by any means available without compromising traffic safety.





## Natural rubber value chain

Natural rubber forms one fourth of a tyre's raw materials. As an agricultural product, it differs from the other materials by its means of production. The majority of the natural rubber used by Nokian Tyres originates from Malaysia and Indonesia. The other raw materials, such as synthetic rubber, silica, and reinforcing materials have an equally international route to the Nokian Tyres' factories in Finland and Russia. The strong growth of the Vianor chain has brought tyre distribution closer to the end user everywhere in the world. Opening the value chain from the tyre's service life to the consumers will be one of the challenges for the future. Quality and Process Development Teppo Huovila, Corporate Logistics Manager Jussi Juhola, and Vice President, Procurement Manu Salmi from Nokian Tyres gathered a round table to discuss the company's role at the centre of responsibility throughout the service life of the tyre.

- The production of natural rubber is forestry, and the farmers often operate as a family. Over 85 per cent of the world's natural rubber is farmed on family farms that are small, sometimes less than two hectares in size; their daily output may be less than ten kilogrammes of natural rubber.

Manu Salmi has recently returned from Malaysia, where he met the raw material suppliers of Nokian Tyres.

- In addition to the family farms, there are only a few large plantations that can have tens of thousands of employees. I just visited a raw material supplier that has approximately 70,000 workers at its plantations. The real volume, however, is created by the family farms.

The skill of rubber tapping passes from one generation to another in farmer families. Incorrect techniques can damage rubber trees and reduce yield. At a farm of one family, there is no room for error.

- We supervise the activities of our own raw material suppliers by auditing them and using a purchase code of conduct that our suppliers must commit to.

As an agricultural product, natural rubber differs from the other raw materials used in tyres. This means that its supply chain is also different.

The journey of natural rubber towards a tyre begins from family farms, where wholesalers purchase rubber. The wholesalers visit the farms on a daily basis, and sell the lots they have bought to processors. The processors wash the rubber and estimate its quality, purity, and dry rubber content. From the processors, the rubber passes into the international market via traders that Nokian Tyres also uses to purchase rubber. The price of rubber is determined by the raw material market in Singapore and other locations.

- Nowadays, mobile phones are used even at family farms to check the daily market value.

### Purchasing terms define responsibility

- We set our own purchasing terms from the processor level onwards, and for a few of our long-term plantation farmers. The large number of wholesalers and family farms makes it very difficult for us to control their activities. Furthermore, natural rubber from different farms is mixed at wholesalers', which makes tracing its origin practically impossible before the processing stage.

- The purchasing terms are supervised by auditing, and we are also helping the processors develop their own activities. A practical example of this are the new roofs of the processing plants. In many places roofs are made of zinc plates that get warm in tropical weather conditions. By replacing the zinc plates with aluminium, it has been possible to significantly lower the inside temperature of the processing plant and improve the working conditions.

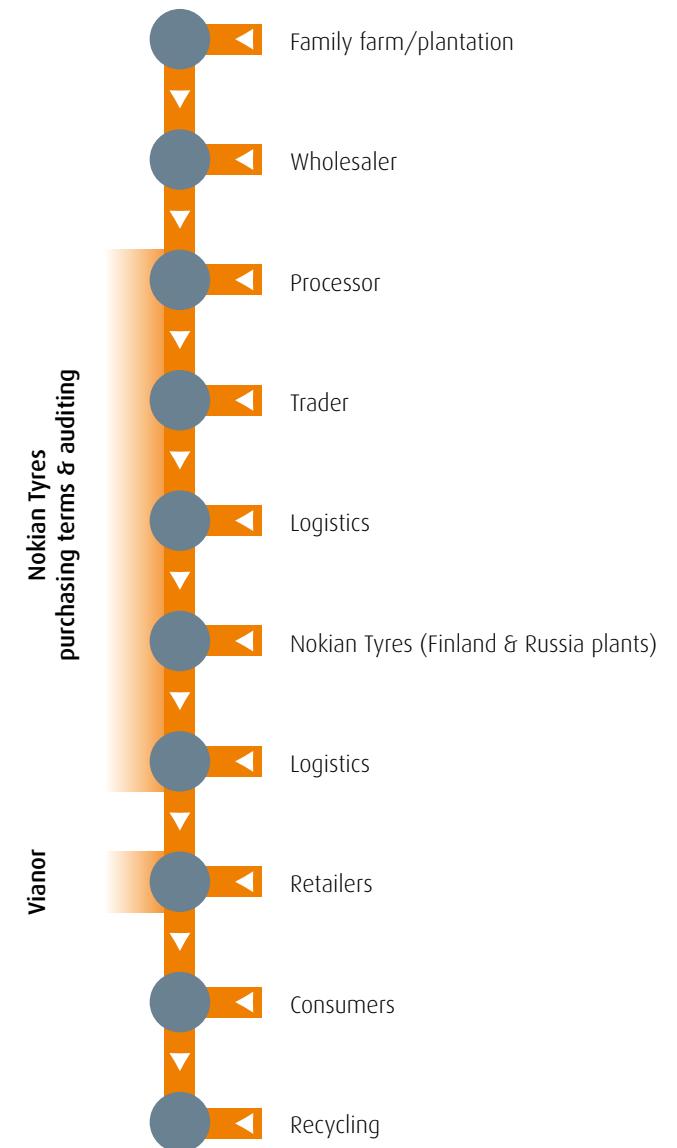
### Industrial raw materials

- For industrial raw materials, we apply the same rules as for natural rubber. Selecting the suppliers is the first step. The industrial raw materials for tyres come from all over the world, and all our suppliers are committed to our purchasing terms and allow us to audit their activities.

### Logistics chain

Most of the raw materials for tyres are transported as sea freight to the large ports in Europe, Hamburg and Rotterdam, from where they are shipped to Finland and Russia. Both our

### Natural rubber – from farmers to consumers



factories use exactly the same raw materials from the same sources, which allows us to ensure the quality of our tyres regardless of the site of manufacture: the tyres are marketed everywhere in the world and, therefore, it is only by using similar raw materials and methods of manufacture that we can ensure that the consumer can experience the same level of quality anywhere in the world.

### Nokian Tyres as a partner

The Russian operations have significantly increased production volumes for Nokian Tyres.

- This has created increasing interest towards product development within our long-term partners, says Teppo Huovila, Vice President, Quality and Process Development. The number of raw material suppliers has grown, and the increased volume has also made it possible to experiment with special materials.

- Nokian Tyres is precisely the right size. We can operate quickly: the short distance between product development and production enables effective testing and development with both raw material producers and vehicle manufacturers.

### Distribution

The expansion of the Vianor chain and new retail channels such as car dealerships have created new demands for the structure and management of the logistics chains of our tyres. Previously, we delivered tyres to large wholesalers, but nowadays, distribution is more and more divided into smaller product lots, and service is focused on several smaller, regional warehouses. As the amount

of transport increases, logistics planning is becoming increasingly important, says Jussi Juhola, Corporate Logistics Manager.

- Our relationship with the consumer has changed. Vianor has put consumers in direct contact with Nokian Tyres' value chain. We highly value the direct feedback that we receive from consumers. At this stage, consumer questions are related to product safety: this is understandable, as tyres are one of the most critical safety factors in a vehicle. Regarding questions concerning the entire lifecycle of the tyre, environmental issues are a clear area of focus. The tyre's rolling resistance affects the fuel consumption of the vehicle, and the carbon footprint of motoring itself.

- However, it is to be expected that the origin of the tyre's raw materials and ethical questions related to tyre manufacturing will be the next trend.

For years, Nokian Tyres has been working on questions related to the origin of raw materials and the purchase of crude rubber. Tyres have always been an international business.

- As we are now operating globally in terms of purchasing, production, and distribution, we want to encourage discussion on responsibility that extends the entire lifecycle of the tyre. We are in a good position in this respect, as our long-term co-operation and standardised practices allow us to openly discuss all matters related to our products.

The independent non-profit media and research center Danwatch and Finnwatch, the non-profit organisation that studies the responsibility of global business, made an investigation on rubber manufacturing which was published in Finland in 2012.

In the comments made by Finnwatch, Nokian Tyres and other tyre manufacturers were criticized for not being able to monitor the production chain beyond the processors. While speaking of problems in the primary producing, the study also successfully presented the need of rubber markets for the farmers. The most hazardous issue for the farmers is a strong fluctuation on rubber price and demand. It is seen essential by Nokian Tyres that child, forced labour or toxic chemicals are not allowed in the rubber production.





# Social responsibility





# Ethics at Nokian Tyres

The ethical principles guiding the Nokian Tyres business are defined in the group-wide document "Ethical Guidelines for Nokian Tyres Group", approved by the Board of Directors of Nokian Tyres plc. The document includes the Nokian Tyres Ethics Policy, Operating Principles on various ethical issues, and a Code of Conduct that applies to all personnel working in Nokian Tyres Group. In addition, the document addresses implementing the rules, as well as monitoring the implementation and realisation of the rules. Additional guidelines are included in other local and global documents, but the Ethical Guidelines form the strong basis that workers in a global company are required to embrace in order to ensure ethical behaviour at all levels of operations.

The Ethical Guidelines were approved in their current form in 2011. During 2011 and 2012 the documents were translated into four languages and distributed to all personnel using various internal communication tools according to the common practices of each country and unit. For example, in Russia all personnel were given a copy of the document and asked to sign a statement confirming that they understood the material. The material is available for personnel in the internal documentation handling systems, and it is included in the basic training for new workers.

## Ethics Policy

The Ethics Policy underlines three issues:

- Expectations for personnel's ethical and moral behaviour and

adherence to local and international laws

- Nokian Tyres' commitment to aim for good corporate social responsibility, sustainable development and continuous improvement
- Nokian Tyres' commitment to investigate any allegations made against it or its personnel and taking the necessary actions to correct all unclear situations

## Operating Principles

Instead of making separate statements on various ethical issues, such as equality, child labour, corruption or investor relations and communications, all key issues are presented in the Ethical Guidelines as Operating Principles that are to be followed in all of Nokian Tyres' operations. There are also group-level local guidelines that elaborate on various issues for those who handle them more frequently in their work. It is important, however, that all personnel share a common understanding of the group's approved business methods.

The Operating Principles are written in such a way that they fulfil the demands set by various international standards or programs, including the UN Global Compact. Nokian Tyres is currently making preparations to join the Compact this year.

Examples of Operating Principles include:

- Commitment to good corporate citizenship

- Aiming for profitability and sustainability, while at the same time minimising the use of common resources and the negative impacts on the social, economic and environmental surroundings
- Commitment to follow legislation and to co-operate with officials
- Commitment to local rules and IFRS in financial reporting and control
- Commitment to truthful communication internally and externally
- Commitment to good product quality and conformity to product-related rules
- Commitment to human rights as referred to in The United Nations Universal Declaration of Human Rights
- Commitment to the rights of indigenous peoples
- Commitment to the environment and sustainable development
- Commitment against all forms of corruption
- Commitment to fair and proper treatment of personnel
- Commitment to equality between all humans
- Commitment to rights of all personnel to make suggestions and comments and to get feedback on issues related to work or to these rules
- Commitment to personnel's privacy
- Commitment to freedom of association
- Commitment against child labour and forced labour
- Commitment against physical and emotional abuse
- Demand for ethical behaviour from partners and suppliers

## Key results 2010-2012

- Publishing and distributing the new Ethic Guidelines for the Nokian Tyres Group inside the whole Nokian Tyres group, and defining the basic rules of ethics in the company
- Installing a Whistle Blow practice, generating a new objective channel, through which personnel or external parties can state possible wrongdoings or suspicions, and encouraging personnel to give information in such issues
- Updating various detailed guidelines on ethical behavior
- A Competition law education given to 210 persons through a new eLearning material. Target for 2013 is to continue the education with 150 more employees.

## Code of Conduct for Personnel

Although Nokian Tyres accepts freedom of opinion and expression by its workers, all personnel are expected to follow the Nokian Tyres Code of Conduct when working at Nokian Tyres or when representing Nokian Tyres. The Code of Conduct emphasises similar issues as the Operating Principles from the point of view of a worker in a company committed to good corporate citizenship.

## Management of Ethics

In the Ethical Guidelines it is stated that it is the responsibility of each manager and employee to implement and monitor the realization of the principles in the actual operations. However, the key responsibilities of control lie with the higher-level management and specialists. While all personnel are expected to react to problems related to ethics, it is the CEO who bears ultimate responsibility for putting the ethics rules into practice. A further elaboration of this is made in the Whistleblowing guidelines, with the Internal Audit function stated as the objective investigator of any major wrongdoings and suspicions of such.

## Whistleblowing

Whistleblowing takes place when someone reports suspected internal or external misconduct within the operations of Nokian Tyres or by personnel. Whistleblowing can be carried out by the personnel of Nokian Tyres or by other parties.

All Nokian Tyres personnel are encouraged to speak out their concerns related to ethical issues or any suspicions of fraud or misconduct. The most important channels for handling these issues are the normal command channels of the company, or the specialists designated for various issues. These channels should also be open to any external parties or individuals who need to communicate with Nokian Tyres. The specialists in question include, for example, all security, safety, environment, HR and communications personnel, and the finance and legal staff. If necessary, the issue can be taken all the way to the President and CEO of the company.

If normal reporting channels cannot be used for any reason, it is possible to whistleblow through the internal auditors of some

group companies (esp. Vianor), or the CAE of Nokian Tyres plc. The CAE holds a special position in the group, working in an objective function reporting directly to the Board of Directors. If necessary, the auditors can be contacted directly, or the general e-mail address [whistleblow@nokiantyres.com](mailto:whistleblow@nokiantyres.com) can be used, and the email will be read by the CAE. All whistleblowing situations are handled with due consideration. While whistleblowing can be carried out anonymously, it is recommended, for investigational and communications reasons, that whistleblows be made with the whistleblower's name included, allowing further communication and questions.

By 2013 the number of whistleblows made to the dedicated e-mail address was 0. Other fraud examinations are not included in the report.



## Life in the Hakkapeliitta Village

*We have arranged high-quality homes for the employees of our Russian branch, only 15 minutes away from our factories. We are offering our personnel the opportunity to work and live in excellent, European conditions, and want to use it as a way of committing our key resources to long employment relationships. We also want them to utilize the career advancement opportunities that our company offers. Hakkapeliitta Village is a social project the likes of which has not been commonly seen in Russia.*

The first stage of the Hakkapeliitta Village, consisting of four buildings with 167 apartments, was completed in 2009. In the summer of 2013, new inhabitants will be able to move into the 176 apartments of the second stage. The Hakkapeliitta Village, located approximately 10 kilometres from the centre of Vsevolozhsk, has become a close-knit community where inhabitants are satisfied with the

high standard of living, the possibilities for exercise and day-care services, and the safe and modern surroundings.

In September 2011, a day-care was opened in the Hakkapeliitta Village; it has room for sleeping, playing, moving, and frolicking. Modern sleeping rooms and playrooms, high-quality sports equipment, good care, and opportunities for the children to develop have received thanks from parents and children alike.

All of the apartments in the Hakkapeliitta Village are only sold to the personnel of Nokian Tyres' Russian branch. Anyone can apply for an apartment, regardless of their job position. Participants in the housing programme receive control of the apartment after a set period of time; if they end their employment before the time has passed, the investment is returned.





# Companionship and a sense of community at our own village

*When hundreds of people work at the same plant, you can easily walk past a person working at a different department for a year without paying attention to them. But one conversation can change your entire life. This happened to Lyubov Jarilova and Dmitriy Jarilov, who are now living a family life in the Hakkapeliitta Village that Nokian Tyres built for its employees, and take their three-year-old daughter to the company's day nursery every morning.*

A short conversation brought together Lyubov Jarilova, who works as a coordinator in the Logistics department, and Dmitriy Jarilov, who is responsible for mould maintenance.

- We had both been working at Nokian Tyres, but had not noticed each other. We had a discussion at a training event that was arranged after our working day, and we noticed that we shared the same views on things, Dmitriy recalls.

Both Lyubov and Dmitriy were natives of St. Petersburg, and during their initial time together, they stayed with Dmitriy's grandmother in the city. Waking up early in the morning and sitting in the morning traffic was stressful, so moving to the Hakkapeliitta Village and reducing the commuting distance to 10 kilometres was a welcome change.

- Moving to the Hakkapeliitta Village was an easy decision: Nokian Tyres sold the apartment at cost, it was easy to apply for a loan, the amount of paperwork was minimal, and even the terms of the mortgage were reasonable. Getting a loan is usually quite difficult in Russia, Dmitriy and Lyubov says.

## Fresh air with culture nearby

The couple are very happy with their apartment, which is beautiful, well-finished, and comfortable. The Hakkapeliitta Village consists of more than simply tidy apartments, however. The area has formed a tight community where members help and support each other.

- We have a very good relationship with our neighbours. We talk outside while the children are playing, take care of each other's children, and borrow items and foodstuffs from the neighbours when necessary. The people are happy, and we have a good sense of community. This also makes it easy for us to commonly decide on how our area should be developed; where to place bus stops, crosswalks, or outdoor lighting, for example. Applications to the authorities are quick to create when working together, and this allows us to affect our living environment, the couple explains.





In addition to the good co-operation between adults, the sense of community is also visible in the lives of their children. Nokian Tyres has arranged a day nursery for the children of the inhabitants of Hakkapeliitta Village; Kira, the three-year-old daughter of Lyubov and Dmitriy also attends it.

- The day nursery is excellent, and Kira runs to hug her nurses every morning. The playing can continue on the yard after the day, as the children live nearby and go to the same nursery. The children have made a lot of friends.

The living environment is seen to be so safe that even if people forget to lock their car doors, the car is still there in the morning.

- I love the safety, the nearby nature, and all the fresh air behind the window. St. Petersburg is so dusty. The ski tracks and bicycle routes are around the corner, and the nearby store is only three kilometres away. Culture and activities, such as our dancing hobby, are available in the centre of St. Petersburg. We drive to our summer cottage once every two weeks, and for our holidays. The proximity of the factory is also good in terms of hobbies, as Dmitriy participates in most of the competitions that are arranged, from volleyball to tennis and basketball. We are there with Kira to cheer him on, Lyubov list.

As a man of sport and inspired by the housing community, Dmitriy is also considering the sense of community in terms of the entire group, and suggests the idea of ice hockey, volleyball, and swimming competitions between the different branches of the company.

- A common sports event would also improve team spirit between the different countries. Sporting events often create a great spirit of togetherness that even echoes outside of the arenas. I believe that these events could create more Hakkapeliitta Spirit, which in turn would bind the group more closely together.

### Best parts of the job

Dmitriy and Lyubov enjoy working for Nokian Tyres, as the company provides challenges and opportunities for improvement.

- I am open to new things, and learning from others and developing in my work means a lot to me. Our working community is positive, constructive, and creative. We work seriously, but not in a grave fashion. The management is easy to approach, and the hierarchy is light. The atmosphere is open and active, which adds to the comfort, Dmitriy says.

- It is stimulating to work with people who put all of their effort into their work, without holding back and without fear of failure.

Lyubov also finds a softer approach to working in Nokian Tyres.

- I have found happiness with Nokian Tyres, as I met a reliable partner and had a lovely daughter, she summarises.

Both agree that their life at the Hakkapeliitta Village will continue.

- We believe that a company building apartments for its employees is fairly rare here in Russia. At least our friends from St. Petersburg have been impressed by this area when visiting us. We were lucky! And, fortunately, Nokian Tyres is building new houses for the other Hakkapeliittas.

# Indicators related to personnel policies and working conditions

## Skilled and inventive people play a key role

Nokian Tyres Group employs more than 4,000 professionals worldwide who lend character to the company's shared corporate culture through their own values and ideas. The coherent and equal treatment of the employees is important to the company, because an equitable work community motivates the staff and thus positively influences the company's profitability and competitiveness. Employees of Nokian Tyres are given the opportunity to grow, develop and advance in their careers.

The entrepreneurial spirit, teamwork, proactiveness and initiative of the employees support the development of the Group's competence, the company's strategy and profitable growth.

Inventiveness is a very important part of Nokian Tyres' corporate culture, and the roots of the company's efforts to promote inventiveness date back to 1992.

The company's inventiveness program is a tool for supporting leadership and creating opportunities for the entire Group's personnel to exert their influence. The objective is to inspire the employees to actively participate in the company's operations and the development of their own work and work environment, while at the same time enabling them to come up with ideas on a wide scale. Ideas can be submitted by individuals or by an inventiveness group, and every idea that is implemented is rewarded.



## Inventiveness summary

	Persons	Created ideas	Created ideas/person	Realised ideas	Realised ideas/person
Nokian Tyres, Nokia	1,173	7,913	6.7	4,790	4.1
Nokian Tyres, Vsevolozhsk	1,227	921	0.8	209	0.2
Vianor	1,243	984	0.8	428	0.3
<b>In all:</b>	<b>3,643</b>	<b>9,818</b>	<b>2.7</b>	<b>5,427</b>	<b>1.5</b>

## Total workforce by employment type, employment contract and region, broken down by gender

	NORDIC	RUSSIA and CIS	CE and Eastern Europe	North America	The rest of the world	Total
<b>Total workforce on 31.12.2012</b>	2,562	1,277	95	171	10	<b>4,115</b>
Women	412	190	27	19	6	<b>654</b>
Men	2,150	1,087	68	152	4	<b>3,461</b>
<b>Total number of own employees</b>	2,556	1,277	92	171	10	<b>4,106</b>
Women	410	190	27	19	6	<b>652</b>
Men	2,146	1,087	65	152	4	<b>3,454</b>
<b>Number of supervised workers</b>	6	0	3	0	0	<b>9</b>
Women	2	0	0	0	0	<b>2</b>
Men	4	0	3	0	0	<b>7</b>
<b>Total number of season workers in Vianor during 2012</b>	1,039	10	7	19	0	<b>1,075</b>
<b>Permanent employments</b>	2,409	1,248	90	168	10	<b>3,925</b>
Full-time	97.80%	100.00%	96.67%	94.05%	90.00%	<b>98.29%</b>
Part-time	2.20%	0.00%	3.33%	5.95%	0.00%	<b>1.68%</b>
Women	15.65%	13.70%	30.00%	11.31%	60.00%	<b>15.29%</b>
Men	84.35%	86.30%	70.00%	88.69%	40.00%	<b>84.71%</b>



## Diverse competence development

Competence development at Nokian Tyres is a strategy-oriented operation that predicts future needs. It is based on a 70–20–10 approach: 70 percent of competence is developed through on-the-job-learning, 20 percent through learning from others, and 10 per cent is covered by traditional forms of training. The individual is always personally responsible for developing his/her competence, but the company helps to develop the competence of its personnel through in-house tailored training, vocational qualifications, eLearning and internal job rotation. Internal job rotation is supported by giving priority to internal recruits before open positions are announced outside the company.

One focal point of the company's HR strategy is developing supervisory work and leadership. In 2012 the Global Future Leadership training and the global 360 degree assesment pilot groups came to completion. Global Future Leadership is an internal training programme directed at middle management. Its main themes are global management practices, competence development, as well as customer and result orientation. 360 degree assesments give supervisors an understanding of their strengths and areas where they need development through an analysis of feedback from their subordinates, colleagues and supervisors. Extensive training for supervisors working in production and maintenance was also launched in 2012 in Russia and in Nokia.

Continuous training is particularly important as the company develops, as production is modernised and as automation is increased. At the Nokia plant, for example, a comprehensive supplementary training module was set up for maintenance employees, amassing more than 700 student work days between 2011 and 2013. Personnel at the Russian plant were also trained

extensively in various factory tasks. Part of the training was carried out within the framework of the company's Tyre Technical School.

Vianor Academy is a competence management concept carried out on Vianor's outlets. It covers technical competence in tyres and car maintenance, among other things. Competence management is a process that encompasses competence mapping, individual learning plans, participation in training and on-the-job learning.

A central tool for developing competence on a global level is our Hakkapeliitta eAcademy portal, the services of which are open, to the company's own personnel, distributors and co-operation partners. Hakkapeliitta eAcademy's contents are constantly updated; the offering currently contains more than 40 courses in as many as 17 different languages. Personnel are not just offered product modules on passenger car tyres and heavy tyres, but also training modules that support the company's corporate culture, operating methods, development discussions, and occupational safety and orientation, as well as modules that increase their understanding of the company's strategy and competition laws. New employees receive general orientation and on-the-job orientation, in addition to online orientation. The objective of this comprehensive orientation is to create a foundation that gives personnel a safe, healthy and productive approach to carrying out their work.



## Development discussions as part of the strategy work

Development discussions are an important tool for planning the development of professional skills and competence, and for defining strategy-based personal goals. The discussions help to support competence development. At the end of 2012, an electronic tool was introduced to support development discussion reporting. The tool will make future documenting and reporting easier.

The development discussion is held between the supervisor and the employee. Discussions are always agreed upon in advance and both participants prepare for them carefully. Discussions are organised on a regular basis, at least once a year with blue collar employees and twice a year with white collar employees.

Vianor's development discussions, however, are organised at least once a year with both white and blue collar employees. Vianor Holding has the same rules as Nokian Tyres Group.

## Development discussions (realisation/target, %)

### Nokian Tyres Group

	White collars	Blue collars
Nokia	93%	77%
Vsevolozhsk	50%	100%
Sales Offices	33%	

### Vianor Group

	White & Blue collars
Vianor Holding Oy	100%
Vianor Oy (Finland)	68%
Vianor AB (Sweden)	37%
Vianor AS (Norway)	57%
Vianor AG (Switzerland)	79%
Vianor Inc. (USA)	65%
<b>Total</b>	<b>56%</b>

## Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation

At the Nokia plant, every employee has the same benefits, but in proportion to working time/theoretical regular working time, except for participation in the options programme.

At the company's Vsevolozhsk plant, every employee has the same benefits, with the exception of participation in the Housing programme and options programme.

At the Vianor retail chain in Finland, Sweden and Norway, permanent part-time employees have the same benefits, but in proportion to working time/theoretical regular working time, except for participation in the options program. Fixed-term part time workforce is used only seasonally, for 2-4 week periods at a

time. Benefits are limited to wage, insurance and employee health care. Work-related equipment such as protective equipment (PPE) are not seen as a benefit at Nokian Tyres, but as a gear provided for all blue-collar regardless the type of employment.

## Percentage of employees covered by collective bargaining agreements

### The employee share of the collective agreement

Nokia: 100%

Vsevolozhsk: 0%

Vianor Finland: 100%

Vianor Sweden: 100%

Vianor Norway: Mechanics 100%, salesmen and outlet managers 0%

## Minimum notice period regarding significant operational changes, including notice periods specified in collective agreements

### Minimum notice period regarding significant operational changes

Nokia: 5 weeks

Vsevolozhsk: 2 months

Vianor Finland: 5 weeks

Vianor Sweden: 4 weeks

Vianor Norway: 2 weeks (In Norway, the short notice period relates to notices given due to natural disasters)

## Absenteeism by company and by gender

	Nokian Tyres (FI)	Nokian Heavy Tyres	Vianor Holding Oy	Vianor Oy *)	Vianor AB	Vianor AS	Vianor AG	000 Nokian Shina	000 Nokian Tyres	000 Vianor SPb
<b>Sick absences %</b>										
Total	4.04%	5.87%	0.49%	4.20%	3.82%	6.94%	1.10%	2.41%	3.75%	0.67%
Women	5.12%	6.34%	0.00%		2.55%	10.40%	16.70%	3.22%	3.33%	0.00%
Men	3.65%	5.81%	0.63%		3.99%	6.58%	0.70%	1.65%	3.79%	0.77%

\*) Information of absenteeism by gender not available

### Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region

Nokian Tyres regularly monitors absences due to illness. Repeated or extended absences are addressed as early as possible in order to assess possible problems related to work ability. Some of the problems are generally related to the heavy strain or other health hazards caused by the work, and they might require the work and the work environment to be evaluated or developed. Simply focussing actions at individuals is not enough to achieve a final resolution of work ability problems, if the same strain continues after returning to work. When developing the work, solutions that benefit everyone are sought in such a way that the problem is prevented from reoccurring also in the case of other employees.

### New employee survey provides overall picture of the organisation's internal situation

Annual employee surveys have been made in the company since 1991. The employee survey underwent a complete overhaul in 2012, when the traditional well-being at work survey was brought up to date. The employee survey that will be carried out in autumn 2013 will determine in greater depth how the Group's personnel perceive their own work, their immediate work communities and leadership, as well as the effectiveness of the organisation as a whole. The survey will provide an overall picture of the organisation's internal situation and its ability to respond to internal and external challenges. The employee survey that is carried out every two years allows time for effective implementation of measures in the units and departments.

The previous employee survey was carried out in autumn 2011 as a "well-being at work" survey. The response rate for Nokian Tyres was 70 percent and for Vianor 72 percent. The total score for Nokian Tyres was 4.75 (scale 1–6), which represents a significant increase (+0.25) from the previous survey. The result had developed very positively in all areas and the overall positive development of the Nokian Tyres result came mostly from Finland. Blue collar employees gave a lower evaluation than white collar employees. However, the result of the blue collars had developed more positively than the result of the white collars. The total score for Vianor was 4.66, which was roughly the same as in the previous year.



The work itself, work motivation and team spirit were important strengths both at Nokian Tyres and at Vianor. The respondents felt that they manage their work well and that their skills match their tasks and the goals, and that their roles and responsibilities are clear. Distribution of workload in both companies was, however, an issue that demanded more attention according to the personnel. The management and leadership at Nokian Tyres were on a good level and the development had been positive. Both at Nokian Tyres and at Vianor there was room for improvement when it came to giving feedback or finding enough time for the problems of individual employees.

### Well-being

The well-being of the employees is holistically supported with regard to individuals, the work community, the work environment and competence. Following the sudden economic recession that hit at the end of 2008, Nokian Tyres was, along with many other companies, faced with a new situation, as measures to achieve cost savings had to be implemented quickly. 2009 turned out to be a very unusual and challenging year for Nokian Tyres, and particularly for the Nokia plant because of lay-offs. The changes in weekend shifts and the temporary lay-offs have naturally affected the total earnings of employees. In terms of workplace atmosphere, confidence that the work will continue is considered important at Nokian Tyres, as is developing multiple skills, well-being at work and supervisory work. Along with developing the work community, the goal is to boost productivity further by developing the technology and production techniques.

The employees' physical well-being is supported by, for example, periodic health examinations, various physical fitness activities and

events, and through diverse club activities. Co-operation is carried out with occupational health-care services to develop physical fitness and well-being services and to support those with long-term illness. The employees' ability to cope emotionally is fostered by individual and group-work coaching, training, various working-time arrangements and employee events. The general well-being is monitored with the help of the Group's employee survey.

### Fairness and equality are the starting point

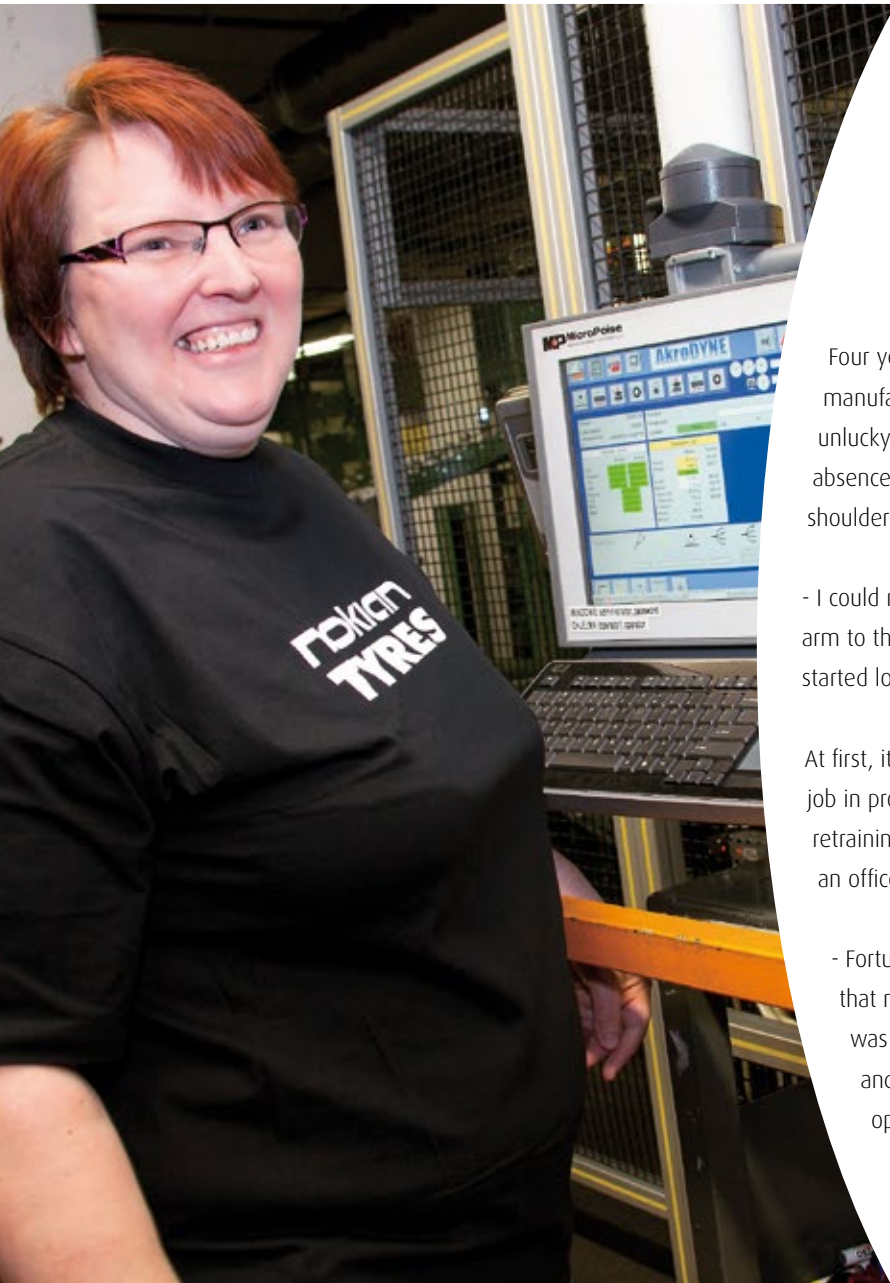
Nokian Tyres' equality policy takes into account fairness regarding age, education, status, skin colour, religious beliefs, political views, appearance, etc., in addition to equality between the sexes. The same principle of equality applies to all business locations and is included in Nokian Tyres' Ethical Guidelines.

Equality is an integral part of leadership at Nokian Tyres. An equal work community motivates the employees and thus positively influences the company's profitability and competitiveness. Supervisors hold a key role in implementing the HR policy and developing the work community, work atmosphere and influencing attitudes. Participative leadership promotes equal opportunities for personnel to participate in the planning, preparations and decision-making of the company's operations. The right of every employee to make suggestions and to directly contact those responsible for making decisions is highlighted in the company.

The company's equality indicators are also presented in this report. The gender distribution of the company's personnel reflects a stronger interest towards the industry among males, but the company's recruitment procedures always take a gender-neutral approach. Labour protection legislation may, however,

affect the choices in some production work, mostly in Russia. Nevertheless, the same wages are paid for the same work even in production, regardless of gender or other factors. The company supports periods of family leave, for example paternity leave.





## Positive thinker Sirpa Veirto: work try-out resulted in a meaningful job!

Four years ago, Sirpa Veirto was working in component manufacturing for passenger car tyres at the Nokia factory. An unlucky bicycle accident in May 2009 caused two years of work absence on account of her physicians working hard to treat her shoulder that broke in four places.

- I could not return to my old work, as I could no longer lift my arm to the required height. With our occupational healthcare, we started looking at the options.

At first, it seemed that Sirpa would be unable to find a suitable job in production, so one of the options considered was retraining her in business and administration and moving her to an office position.

- Fortunately, the finishing department received an ETP machine that measures tyre characteristics. Learning the new work was very interesting, as the machine was new for everyone and so no previous experience was available. I had the opportunity to learn everything from the beginning.

In Sirpa's case, the work try-out quickly became a full-time position once a suitable slot was found in production.

- I first started by working four hours a day for one month. Then, I worked for six hours a day for another month, and a full eight hours a day for a third month. At that point, we determined that I could do this work, and I'm now on the normal day shift. I am very happy that this worked out, and I like my new job a lot. You learn to value work in a new way once you spend two years away from working life. The work is nice and varied, as there are different tyres and profiles and the machine has several instruction sets. For me, the work try-out was successful.

### The Finnish way: What is a work try-out?

A work try-out is on-site worker rehabilitation in cooperation with employee, employer, occupational healthcare and pension insurance company. It allows a pension insurance company to support resuming work after a long sick leave; the work try-out can be a soft entry back to work. A work try-out can also be used to test the suitability of a new task, if the employee's health does not allow him/her to return to their old position.

## Composition of governance bodies and breakdown of employees per employee category according to gender and age group

	NORDIC	RUSSIA and CIS	CE and Eastern Europe	North America	The rest of the world	Total
<b>Number of white collars</b>						
Number of women	967	324	76	71	8	<b>1,446</b>
Number of men	206	145	27	18	6	<b>402</b>
Percentage of women	761	179	49	53	2	<b>1,044</b>
Percentage of men	21%	45%	36%	25%	75%	<b>28%</b>
Number of under 30 years old	79%	55%	64%	75%	25%	<b>72%</b>
Number of 30-50 years old	85	179	13	4	6	<b>287</b>
Number of over 50 years old	668	141	47	41	2	<b>899</b>
Percentage of under 30 years old	214	4	16	26	0	<b>260</b>
Percentage of 30-50 years old	9%	55%	17%	6%	75%	<b>20%</b>
Percentage of over 50 years old	69%	44%	62%	58%	25%	<b>62%</b>
	22%	1%	21%	37%	0%	<b>18%</b>
<b>Number of blue collars</b>						
Number of women	1,570	950	11	97	0	<b>2,628</b>
Number of men	202	45	0	1	0	<b>248</b>
Percentage of women	1,368	905	11	96	0	<b>2,380</b>
Percentage of men	13%	5%	0%	1%		<b>9%</b>
Number of under 30 years old	87%	95%	100%	99%		<b>91%</b>
Number of 30-50 years old	344	593	6	37	0	<b>980</b>
Number of over 50 years old	946	349	5	43	0	<b>1,343</b>
Percentage of under 30 years old	280	8	0	17	0	<b>305</b>
Percentage of 30-50 years old	22%	62%	55%	38%		<b>37%</b>
Percentage of over 50 years old	60%	37%	45%	44%		<b>51%</b>
	18%	1%	0%	18%		<b>12%</b>



## Composition of governance bodies and breakdown of employees per employee category according to gender and age group

	NORDIC	RUSSIA and CIS	CE and Eastern Europe	North America	The rest of the world	Total
<b>Number of individuals within the top management</b>	19	3	5	3	2	<b>32</b>
Number of women	2	0	0	0	0	<b>2</b>
Number of men	17	3	5	3	2	<b>30</b>
Percentage of women	11%	0%	0%	0%	0%	<b>6%</b>
Percentage of men	89%	100%	100%	100%	100%	<b>94%</b>
Number of under 30 years old	0	1	0	0	0	<b>1</b>
Number of 30-50 years old	11	2	1	2	1	<b>17</b>
Number of over 50 years old	8	0	4	1	1	<b>14</b>
Percentage of under 30 years old	0%	33%	0%	0%	0%	<b>3%</b>
Percentage of 30-50 years old	58%	67%	20%	67%	50%	<b>53%</b>
Percentage of over 50 years old	42%	0%	80%	33%	50%	<b>44%</b>

### Composition of the Board **7**

Number of women	<b>1</b>
Number of men	<b>6</b>
Percentage of women	<b>14%</b>
Percentage of men	<b>86%</b>
Number of under 30 years old	<b>0</b>
Number of 30-50 years old	<b>2</b>
Number of over 50 years old	<b>5</b>
Percentage of under 30 years old	<b>0%</b>
Percentage of 30-50 years old	<b>29%</b>
Percentage of over 50 years old	<b>71%</b>

## Total number and rate of new employee hires and employee turnover by age group, gender and region

	NORDIC	RUSSIA and CIS	CE and Eastern Europe	North America	The rest of the world	Total
<b>Total number of new employees</b>	310	400	23	33	2	<b>768</b>
Number of women	49	56	5	2	1	<b>113</b>
Number of men	261	344	18	31	1	<b>655</b>
Number of under 30 years old	157	316	8	19	2	<b>502</b>
Number of 30-50 years old	125	83	13	13	0	<b>234</b>
Number of over 50 years old	28	1	2	1	0	<b>32</b>
New employee hires rate (Total)	12.13%	31.32%	25.00%	19.30%	20.00%	<b>18.70%</b>
Percentage of women	1.92%	4.39%	5.43%	1.17%	10.00%	<b>2.75%</b>
Percentage of men	10.21%	26.94%	19.57%	18.13%	10.00%	<b>15.95%</b>
Percentage of under 30 years old	6.14%	24.75%	8.70%	11.11%	20.00%	<b>12.23%</b>
Percentage of 30-50 years old	4.89%	6.50%	14.13%	7.60%	0.00%	<b>5.70%</b>
Percentage of over 50 years old	1.10%	0.08%	2.17%	0.58%	0.00%	<b>0.78%</b>
<b>Total number of terminated employees (fixed terms not included)</b>	230	202	8	41	0	<b>481</b>
Number of women	28	31	1	4	0	<b>64</b>
Number of men	202	171	7	37	0	<b>417</b>
Number of under 30 years old	69	150	3	11	0	<b>233</b>
Number of 30-50 years old	116	52	5	21	0	<b>194</b>
Number of over 50 years old	45	0	0	9	0	<b>54</b>
Turnover rate (Total)	9.00%	15.82%	8.70%	23.98%	0.00%	<b>11.71%</b>
Percentage of women	1.10%	2.43%	1.09%	2.34%	0.00%	<b>1.56%</b>
Percentage of men	7.90%	13.39%	7.61%	21.64%	0.00%	<b>10.16%</b>
Percentage of under 30 years old	2.70%	11.75%	3.26%	6.43%	0.00%	<b>5.67%</b>
Percentage of 30-50 years old	4.54%	4.07%	5.43%	12.28%	0.00%	<b>4.72%</b>
Percentage of over 50 years old	1.76%	0.00%	0.00%	5.26%	0.00%	<b>1.32%</b>

# Working for welfare and safety



Despite a continuous focus on occupational safety, the amount of occupational accidents is considered too high in the company, especially at the Nokia factory. Therefore we started a Safety Culture Development project that will continue until 2015. According to EHS Manager Sirkka Leppänen, there is no single cause for the increased number of accidents.

- The project that we have started will individually review each occupational accident. In Nokia, for example, we have established separate occupational safety committees for each passenger car tyre manufacturing department in addition to the legally required committee; they are responsible for researching each occupational accident that occurs at the department. As a practical tool, we have set up safety billboards at each department or unit that indicate the present occupational safety situation. This additional focus on occupational safety has been well received by the personnel, and they also know how to request help and training related to the issue.

Most industrial accidents in the company are related to ergonomics, awkward working positions, and heavy labour. In terms of developing productivity, improving and automating the heaviest work tasks and consequently increasing occupational safety are important tasks.

Nokian Tyres and Vianor were in a key position when the industry-specific occupational safety card training was developed together with the Centre for Occupational Safety. The same material and ways of working have been distributed across the Vianor chain, even to customers. The safety training has put a special focus on the risks in pressurising heavy tyres and the appropriate handling of tyres.

- Despite the differences in country-specific requirements, occupational safety is developed within the entire group by using similar work methods and by utilising risk management and employee participation. Long experience from the development of safety at the Nokia factory has reaped substantial benefits in the design and improvement of the factory in Russia. Group-wide procedures and ways of working are also essential to the safety management at Vianor, Leppänen summarises.

In addition to risk management tools, we are utilising location-specific safety audits that evaluate the safety level of the location at the shop floor level, while paying attention to the cleanliness and order of the working environment, the condition of the tools and machines, and working methods.

- The work done to promote the welfare of personnel and occupational safety at Nokian Tyres aims at work safety, worker welfare, and risk management in our production and functions. The interconnection between safety and environmental issues is especially obvious in issues related to work hygiene and the use of chemicals.



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# Environmental responsibility



# Environmental indicators

## EHSQ management

### Organisation

Nokian Tyres merged its environmental, health and safety (EHS) management operations with the quality assurance department in autumn 2011. Teppo Huovila, Vice President, Quality and Process Development, is now also in charge of the global co-ordination of environmental, health and safety matters. The goals of EHS management include damage prevention in all areas of operations, faultless production processes as well as good corporate citizenship.

### Management systems

Nokian Tyres aims at managing the environmental impacts of its products over their entire life cycle and addressing the safety and quality aspects of the operations in a comprehensive and systematic manner. The operational system encompassing the environmental, safety as well as quality issues serves as a key tool for this purpose. The operations manual complies with the ISO 14001 standard in terms of environmental matters, and with the ISO 9001 standard as regards quality. The plant in Russia and the Swedish sales company Nokian Däck are also covered by the joint EHS and quality (EHSQ) system, and are included in the ISO 14001 and ISO 9001 certificates. The management system furthermore covers the safety management system referred to in the Finnish Government's decree 855/2012 (industrial handling

Goal	Measures
Complying with statutory requirements	<ul style="list-style-type: none"> <li>- Complying with permit requirements, applying for the necessary permits and complying with local legislation</li> <li>- Complying with the EU's VOC directive terms and conditions at the Nokia plant</li> <li>- Complying globally with the REACH directive in production and procurement</li> </ul>
Minimising environmental risks	<ul style="list-style-type: none"> <li>- Updating of the environmental risk assessments and implementing the required measures</li> <li>- Joint practices for the environmental impact assessments of various projects and mergers &amp; acquisitions</li> <li>- Analysing the management of extinguishing water at the Nokia plant</li> </ul>
Environmental friendliness and safety of products	<ul style="list-style-type: none"> <li>- Supporting sales efforts through environmental considerations</li> <li>- Using ever-safer chemicals in production as a forerunner in the tyre industry</li> <li>- Promoting environmental aspects in tyre tests</li> <li>- Participating in tyre recycling projects in the EU and Russia</li> <li>- Monitoring future legislation and environmental requirements and anticipating their impacts</li> </ul>
Open communications, responsible corporate citizenship	<ul style="list-style-type: none"> <li>- Environmental report in 2010, corporate sustainability report in 2013</li> <li>- Recognising and promoting environmental aspects in outsourced production</li> <li>- Measuring the company's environmental performance and setting targets</li> </ul>

and storage of hazardous chemicals, SEVESO II). In late 2012 preparations were started to receive the automotive industry's ISO/TS 16949 approval for all of our production plants.

The EHSQ targets are laid down in Nokian Tyres' quality and process development strategy, which is drawn up for a period of five years at a time and updated annually. The production plants' environmental programme annually sets detailed targets, means, schedules and persons responsible to achieve the goals specified in the strategy. Each unit additionally has its own projects to develop operations and processes.

The development of EHSQ matters is reviewed each month at the management meetings. The senior management provides direct feedback to the EHS team as required. The quarterly EHS Global video conferences are intended for discussing the plants' current safety, chemical and environmental matters.

### Authorities and permits

Nokian Tyres' environmental and safety operations are supervised by several authorities, the most important in Nokia being the Pirkanmaa Centre for Economic Development, Transport and the Environment (ELY), the Finnish Safety and Chemicals Agency (TUKES) and various offices of the Town of Nokia, such as the environmental protection and construction supervision units, and Tampere Regional Emergency Services. The body in charge of occupational safety is the Pirkanmaa ELY Centre. The most important authorities supervising the Vsevolozhsk plant's operations are The Ministry of Natural Resources and Ecology of the Russian Federation, The Committee on Natural Resources, Environmental Protection and Ecological Safety of the Leningrad

Region and The Federal Service for Control in the Sphere of Protection Consumers' Rights and Well-Being of Humans. The operations of other Nokian Tyres units are supervised by national authorities. Nokian Tyres maintains continuous dialogue with

various authorities in order to take any official requirements and requests into account in a timely manner. Any disruptions, accidents or deviations from permit terms and conditions are immediately communicated to the authorities.

Object	Target in 2013
Statutory requirements	Implementation according to Nokian Tyres' environmental programme and legislation
Environmental permit	Compliance with the permit conditions
VOC emissions	Progress in compliance with Nokian Heavy Tyres' project plan
Greenhouse gas emissions	Creating a plan to decrease emissions
Energy	Updating the energy saving plan and implementing the first measures
Waste management	Updating the waste management plan and implementing waste management projects according to the environmental programme
Chemicals safety	Official audit by TUKES
Safety audits and monitoring of chemicals use	2 audits/department
Materials development	Ensuring that no Substances of Very High Concern referred to in REACH are contained in the products
Increasing personnel's environmental awareness	According to the plants' environmental programmes



Nokian Tyres sees official permits as minimum requirements and regards environmental friendliness as much more than simply complying with the permit limits. The company is committed to being a part of genuinely sustainable development. Nokian Tyres actively monitors trends in environmental and safety regulations in Finland, the EU and Russia, and anticipates the effects of pending regulation on its operations.

The Nokia unit has a valid environmental permit granted by the Pirkanmaa Regional Environment Centre in 2007. In addition to the chemicals permits from TUKES, the Nokia unit has been granted permission by the Water Court to take cooling water from the river Nokianvirta. The numerous permits required by the Russian plant were obtained already during its construction and have since been maintained in compliance with local legislation.

### Chemical control operations

The chemical control operations of Nokian Tyres were started in the early 1960s. The company complies with all the requirements of EU chemicals legislation aimed at safeguarding the safest possible use of chemicals for the employees, environment as well as end users. To improve the level of chemical safety and to comply with the REACH directive, we continuously co-operate with component and chemicals suppliers and producers.

Nokian Tyres does not use in its own production any chemicals classified as Toxic (T) or very Toxic (T+), or carcinogenic chemicals according to the EU classification. The contract manufacturers do not use any SVHC chemicals (according to the EU REACH directive) in their products. All products fulfill the PAH related requirements set in the EU REACH directive. Nokian Tyres also aims to verify

that no goods sold at this time or in the future in the Vianor units would include any such chemicals. The company requires all chemicals suppliers to provide Nokian Tyres with a safety data sheet (MSDS) in compliance with valid legislation prior to the procurement of chemicals. The MSDSs of the chemicals in use are registered in a database available to personnel.

Nokian Tyres produces and sells in Finland adhesives and paints used by the rubber industry and imports specific raw materials used in rubber compounds. The company creates MSDSs for these chemicals and submits them to TUKES for verification and registration.

No chemical is taken into use at the Nokia plant before the chemical control team has issued a department-specific usage permit for the substance in question. The team includes the EHS Manager, an environmental engineer, a chemist from the R&D laboratory and an occupational physician. The purpose of this policy is to streamline the use of chemicals throughout the company and, whenever possible, to replace hazardous chemicals with safer ones.

New raw materials to be used in rubber compounds are tested for quality assurance and applicability in production both in laboratory and production conditions. The raw materials approved for rubber compounds are documented in a list of approved raw materials. The procurement staff are only allowed to purchase raw materials included in the list of approved raw materials. The raw materials used by the Russian plant are also tested and approved in Finland.

### Audits

Regular audits are an important part of the environmental, safety

and quality operations. Their purpose is to guarantee environmental friendliness in production as well as a safe working environment meeting high standards. The audits aim to verify if the operation under scrutiny complies with the legislation, EHSQ and the instructions provided in the operational system.

Internal environmental and quality audits are carried out according to an annual plan so that each area of activity specified in the operational system is audited at least once every three years. The annual plans are drawn up on the basis of a five-year schedule, taking into account the findings of the previous audits.

An internal safety audit includes an environmental audit and an occupational safety audit. The safety audit looks into machine guarding, fire safety, cleanliness and order, proper handling and storage of chemicals, occupational hygiene, working conditions, and waste management. The audit team also monitors the development of the departments' safety index.

The audits are documented in reports, which are commented on by the personnel in charge of the department, and corrective measures are taken to rectify any deviations. The audits carried out are reported to the management, enabling decisions regarding any new development measures deemed necessary.

Also audits carried out by customers and co-operation partners, such as the automotive industry, are considered internal audits. The internal audits furthermore include the audit to be carried out in conjunction with the weekly management review.

An external auditor performs an audit once a year to assess compliance with the relevant standards. Legal and regulatory

compliance is supervised annually or as required by the authorities and insurance companies.

## Environmental impact of tyre plants

The environmental impacts caused by the production of vehicle tyres include odour, solvent and dust emissions, noise, waste and consumption of energy. The most significant of these impacts are waste and, locally, odour. Solvent emissions (i.e. VOC emissions) are also a significant impact of the Nokia plant. In compliance with the company's EHSQ policy, Nokian Tyres strives for zero tolerance in terms of faults in all areas of EHSQ.

The environmental impacts of the tyre plants are documented in annual records and reported to the authorities as required in each country. The Nokia plant has a separate register for environment-related feedback received from the inhabitants of the neighbourhood and the plant personnel. The goal is to handle environmental matters so effectively that people have no cause for complaints or comments. This goal has been achieved for several years. In the Vsevolozhsk plant there is no need for neighbourhood feedback register, because the plant is situated far away from habitation. Even still, we use the same standards as we do in Nokia.

## Emissions into air

### Volatile Organic Compounds, VOC

Solvents or volatile organic compounds (VOC) constitute the most significant emissions into air. The solvents are used in the production of heavy tyres and treads to improve adhesion. Since 2012, no solvents are used in the production of passenger car tyres. The VOCs from tread production are collected and conveyed

to a catalytic incineration plant. In 2012 the solvent emissions amounted to 96.4 tonnes, equalling 1.5 kg/tonne of products. The environmental permit of the Nokia plant allows for 68 tonnes of emissions; in other words, the permit limit was exceeded.

The company aims at compliance with the total emission limit according to the EU's VOC directive, i.e. 25% of the solvents used. However, in 2012 the emissions were in excess of the directive's emission limit, at 53%.

### EHSQ policy

Nokian Tyres' EHSQ policy covers the environmental, health, safety and quality aspects of the company's operations, lays down the goals set for them and highlights their urgency for the company. Uncompromising respect for and awareness of the environment and safety is an inherent part of Nokian Tyres' operations.

As a company and as individuals, we take responsibility for the safety, health, and emotional and physical well-being of our environment, working communities, co-operation partners as well as customers. Our operations are customer-oriented and profitable. Our actions and attitudes show respect for individual personalities and differing opinions.

Environmental protection and occupational safety are our incontrovertible guidelines when producing, developing and marketing tyres, treading materials and related processes and services – we aim at the highest level of safety, continuous improvement and sustainable development.

In the development of our operations, we are mindful of the entire lifecycle of the product and aim for zero accidents in all areas of safety.

### EHSQ policy in practice:

- We manage safety-related matters in co-operation with the personnel, occupational health services, occupational safety committee, the authorities and experts in the field.
- We provide our personnel with guidance and training and encourage constant attention to the safety and environmental aspects of one's work.
- We make sure that our contract partners comply with these policies.
- We comply with the legislation, regulations and guidelines relevant to the operations and set function-specific targets to monitor their implementation.
- We carry out risk analyses, internal reviews and audits on a regular basis to assess the implementation of the set targets and legislation.
- We proactively prevent harmful environmental and safety impacts by using high-quality, modern technology and procedures.
- We develop continuously safer and environmentally friendlier products.
- We analyse in advance the environmental and safety- and health-related impacts of new projects.
- We regularly communicate about the development of the safety and environmental aspects of our operations and maintain open, confidential relations with all stakeholders.

A project manager was hired in 2012 at the Nokia plant, in the Heavy Tyres business unit, and charged with an emissions reduction project. The main challenges in collecting and processing VOC emissions include the wide areal spread of the emissions from separate machines in the plant building, and the cyclical nature of the emissions. Due to the structure of the production machinery, it is difficult to collect emissions for processing. Collectors were taken into use to be tested at two machines in 2013. The company aims at introducing a new type of radial tyre machine by the end of the year. Solvent would not be needed when using this kind of new technology.

### Odour

According to surveys commissioned by Nokian Tyres, odour emissions are momentary. The mastication process for softening natural rubber causes discharges of compounds generated during the precipitation and dehydration phases of rubber milk, which results in an unpleasant odour in the neighbourhood. Droplet separators are used to reduce the odours from mastication. A reduction of odours has also been achieved thanks to a decreased amount of separate mastication processes. Some odours are generated during the tyre curing process. The quantity of the curing fumes released during the process is directly proportional to the quantity of cured rubber. The concentrations of individual substances in the fumes are extremely small. Currently there is no cost-efficient system available for collecting and processing curing fumes.

The zero tolerance objective also applies to odour-related complaints. The Nokia plant received no complaints or inquiries concerning odours in 2012.

### Particle emissions (dust)

Particle emissions are caused by the processing of powdery chemicals in the compound mixing department. Dust filters have been replaced, and state-of-the-art dust reduction technology was selected for the expansion of the mixing plant. The mixing equipment is fitted with efficient ventilation and dust collection devices. The best separating rates achieved by water cleaners exceed 99%. Particle emissions are monitored by means of particle concentration and differential pressure gauges. In addition, external experts carry out concentration measurements on a regular basis. The measured particle concentrations have complied with the permit limits at both production plants. The dust that passes through the filter system mainly causes an aesthetic inconvenience and poses no harm to the environment or health.

### Noise

The Nokia plant's environmental permit requires that the noise level in the yard areas of residential buildings remain below the equivalent continuous level of 55 decibels ( $L_{\text{aeq}}$ ) during the day time. At night the limit is 50 dB ( $L_{\text{aeq}}$ ). The figures refer to  $L_{\text{aeq}}$  decibels, in other words the mean noise level as detected by the human ear. According to the newest noise survey carried out by an external expert in the summer of 2010, the 50 dB noise zone barely extends to the old residential area on the southeastern, eastern and northeastern sides of the plant. No complaints were received due to noise in 2012. The permit limit for the Vsevolozhsk plant is 50 dB at a distance of 300 metres from the plant. In the latest measurements, the noise level was 45 dB.

### Waste

Waste is generated both in the actual production and support functions. Department-specific files are kept to monitor the generation of production waste. The generated waste is sorted at the plant according to separate waste management instructions. Most of the production waste is taken directly to specific locations for utilisation, without any intermediate storage. Hazardous waste is stored separately in collection points in containers marked with warning labels. The waste generated can roughly be divided into three categories: landfill waste, i.e. non-recycled waste, recycled waste and hazardous waste.

### Recycled waste

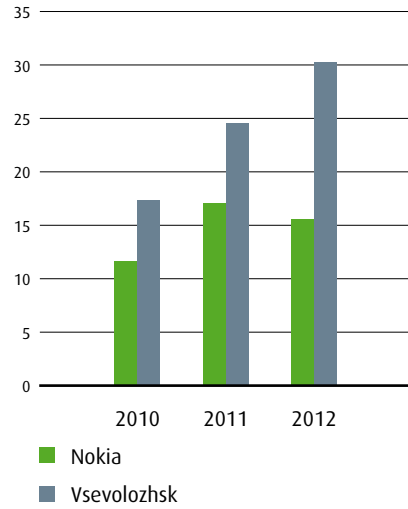
Waste suitable for utilisation or recycling is sorted at the point of origin and collected in separate, labelled containers. The recycling volumes are growing rapidly in the Russian plant: in 2011, the recycling rate was 64% of the generated waste, while in 2012 it was as high as 72%. At the Nokia plant, the recycling rate is approx. 94%.

Scrap tyres – i.e. tyres that do not meet high standards of quality – are routed for utilisation directly from production. In Finland this is handled by Finnish Tyre Recycling Ltd. and in Russia by three co-operation partners. In 2012, the Nokia plant sent 1,468 tonnes of scrap tyres for recycling, while in Vsevolozhsk the figure was 1,653 tonnes.

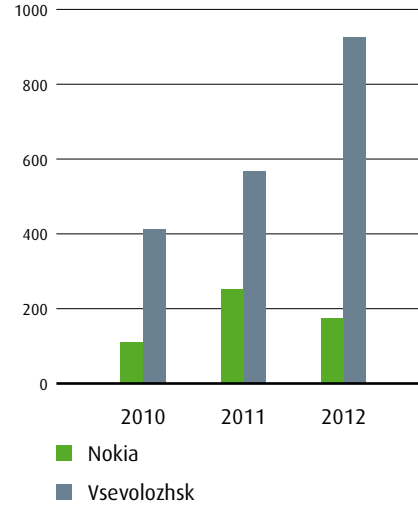
Non-vulcanised scrap rubber is generated in the production stages preceding vulcanisation, i.e. curing. The non-vulcanised scrap rubber can be divided into two categories: compound mixing waste (scrap rubber) and other non-vulcanised rubber waste. The compound mixing waste suitable for use in compounds is separately collected



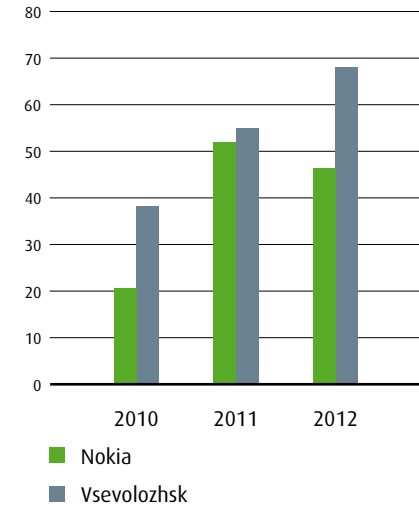
### Raw materials, kt



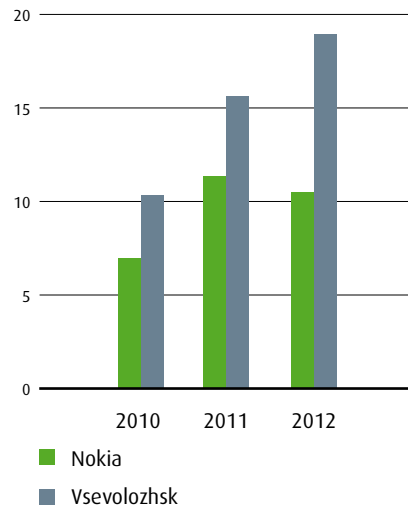
### Associated process materials, t



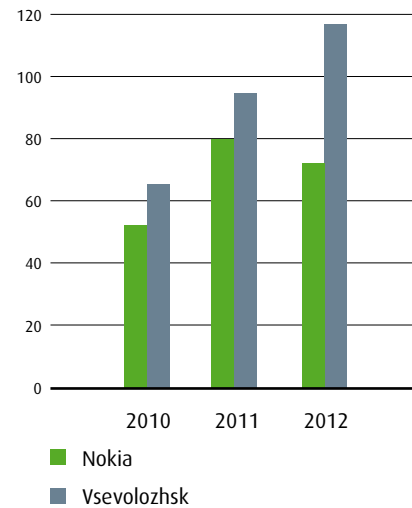
### Direct materials, kt



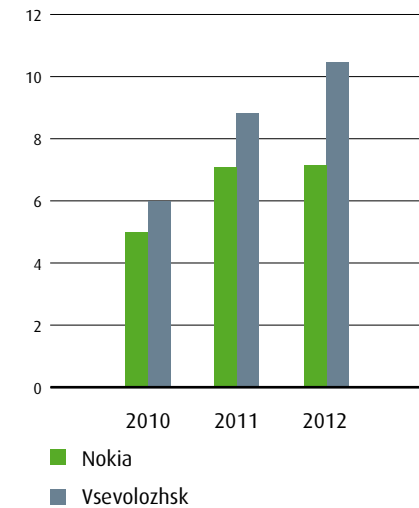
### Semi-manufactured goods, kt



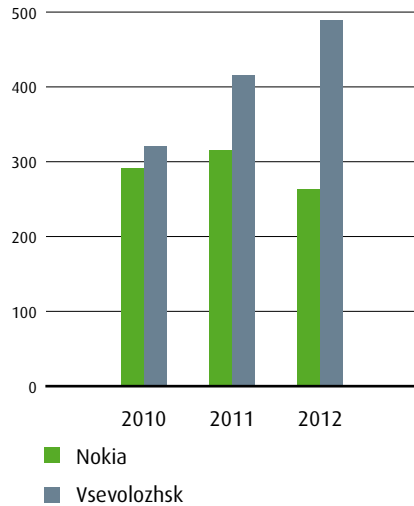
### Total weight of raw materials, kt



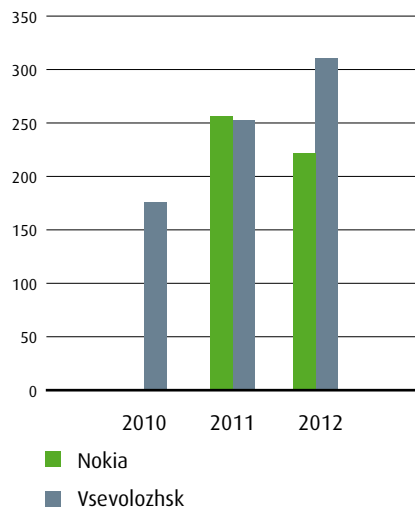
### Total weight of recycled materials, kt



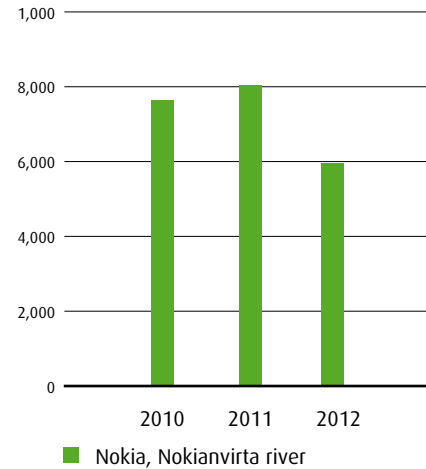
### Electricity, TJ



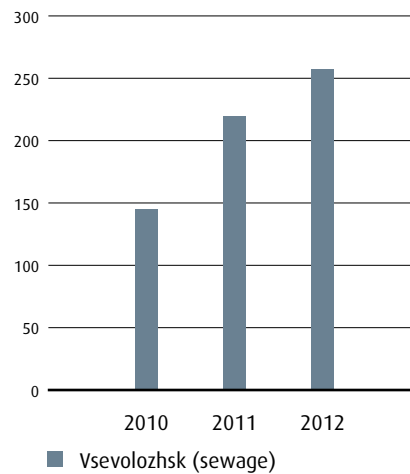
### Greenhouse gas emissions, 1,000 tonnes CO<sub>2</sub> equivalent



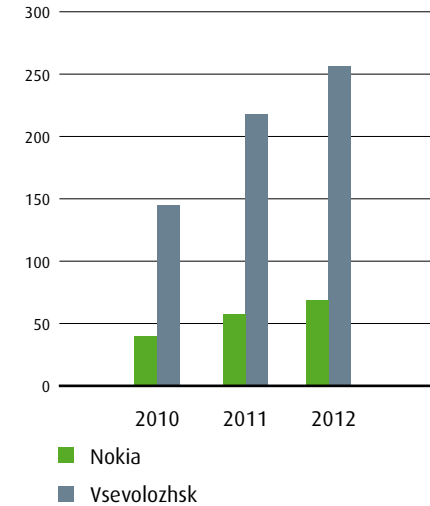
### Total water withdrawal by source: Surface water (inc. Wetlands) 1,000 m<sup>3</sup>



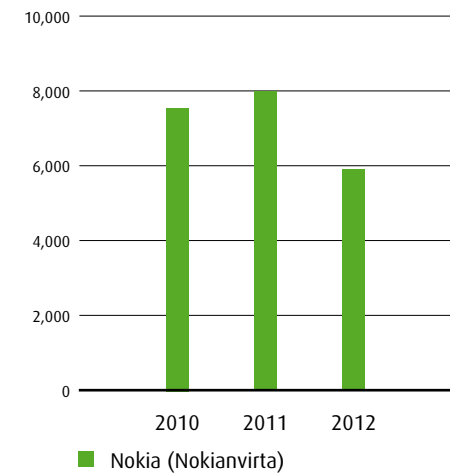
### Total water discharge by destination, 1,000 m<sup>3</sup>



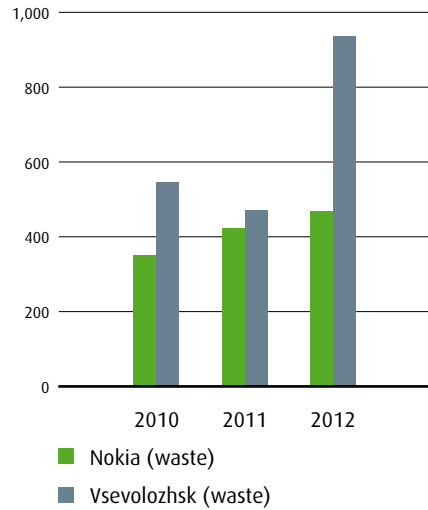
### Total water withdrawal by source: Municipal



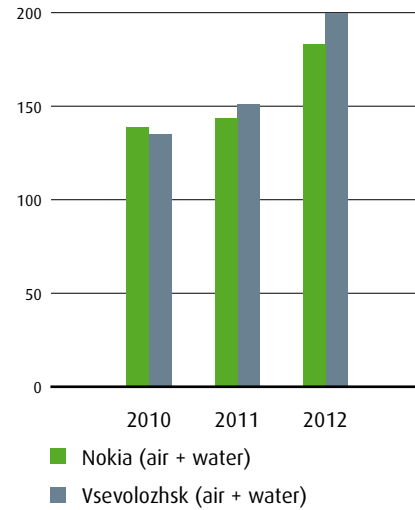
### Total water discharge by destination, 1,000 m<sup>3</sup>



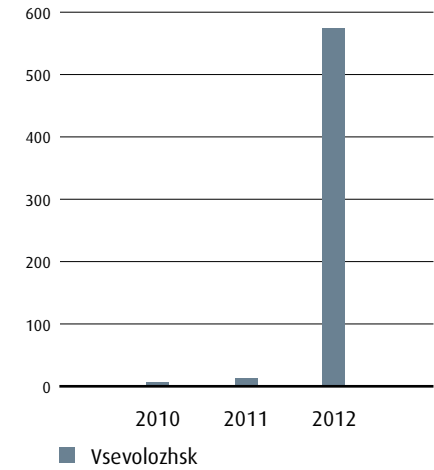
### Treatment and disposal of waste, 1,000 EUR



### Treatment of emissions, 1,000 EUR



### Extra expenditures to install cleaner technologies, 1,000 EUR





on platforms for re-use as raw material. The amount of compound mixing waste recycled internally in 2012 in the Nokia plant was 4,991 tonnes and in the Vsevolozhsk plant 5,974 tonnes. Re-use applications include rubber products with non-critical material requirements, such as impact padding and conveyor belts.

The sources of plastic waste include packaging materials and the plastic used for separating materials in the production departments. In 2012, 157 tonnes of plastic waste was recycled in Nokia and 619 tonnes in Vsevolozhsk.

### Packaging

Wooden packages and pallets (Nokia 1,785 t, Vsevolozhsk 2,475 t) are sent for re-use, energy generation or composting. The aim is to re-use pallets as long as they are in good condition. The main source of scrap wood is the raw material storage, a lot of the raw materials arrive at the plant on wooden pallets or in wooden boxes.

Scrap iron and steel mainly comes from discarded machinery and equipment at the plant. In 2012 Nokia delivered 354 tonnes of iron and steel for recycling and Vsevolozhsk 123 tonnes. Recycling also covers waste paper (Nokia 24 t, Vsevolozhsk 16 t) and cardboard (Nokia 55 t, Vsevolozhsk 82 t). Biodegradable waste (14 t at Nokia) is delivered for composting.

The Nokia plant generated a total of 278 tonnes of waste usable in energy production and Vsevolozhsk 884 tonnes.

### Landfill waste

Mixed waste that cannot be utilised or recycled is taken to a

landfill. The Nokia plant generated 195 tonnes of landfill waste and Vsevolozhsk 2,411 tonnes.

### Hazardous waste

All hazardous waste is delivered to an authorised processing plant. In 2012, the Nokia plant generated 278 tonnes of hazardous waste and Vsevolozhsk 1,148 tonnes. Roughly half of this is blade seal oil from compound mixing machines (so-called box grease). The consumption of these oils is directly dependent on the manufactured rubber volumes. Other types of waste classified as hazardous include oily waste, waste chemicals, waste oil, fluorescent tubes and batteries.

### Waste water and cooling water

Large amounts of water are used for cooling in tyre manufacturing processes. The Vsevolozhsk plant uses municipal water for cooling. The Nokia plant takes cooling water from the nearby river Nokianvirta and discharges it back into the river after use. The cooling water has no contact with chemicals at any stage and is therefore not contaminated when it returns to the river. The consumption of cooling water depends on the temperature of the river water, which makes it impossible to set any numeric target for it. Waste water from the plant is conveyed to the municipal treatment plant of the town of Nokia. The amounts of cooling water released to the river and waste water discharged into the municipal sewerage are shown in the adjacent graph.

Samples are taken annually from the cooling water discharged into Nokianvirta and from the waste water conveyed to the

municipal treatment plant to verify the water quality. The quality of the water pumped into the town of Nokia's sewerage system is fairly typical sanitation water. The water from all of the cooling water drains has been practically clean. No analysable amounts of oil or solvents or any other indications of effluent load were detected in 2012. The Vsevolozhsk plant also regularly analyses the waste water it releases to sewerage.

### Continuous improvement

There are several on-going waste reduction projects in various production departments. In recent years the focus has shifted from one-off waste projects to continuous improvement efforts. Production waste (non-vulcanised scrap rubber) is weighed separately for each category, and the data is entered into a database using a bar code scanner. The database is used for monitoring the generated daily amount of waste per each category, which enables immediate measures if any deviations are detected. Thanks to online reporting, the total amount of waste and the six most significant sources of waste are now reported each morning in the production staff meeting, instead of the previous monthly reports. The amount of waste is one of the key indicators monitored daily by management, and appropriate improvement measures are expected of production supervisors to lower the volume of waste.

### Key measures in 2012

A summary of the most significant targets of Nokian Tyres' environmental programme 2012 and their implementation is presented in the table next page.

## Key measures in 2012

Object	Programme 2011	Realisation 2012	Explanation/outcome
Implementation of the REACH and CLP directives	According to the project plan	Completed according to plan	
Annual emission measurements	VOC, cooling water and sewage measurements	Completed according to plan	
VOC emissions	< 25% of the purchased solvents volume, progress in compliance with Nokian Heavy Tyres' project plan	53% of the purchased solvents volume	The project for reducing solvent use proceeded. The project continues as planned by Nokian Heavy Tyres, in co-operation with the authorities.
Emissions into air	Securing the operation of particle filters	Implemented	Developing pressure difference monitoring in particle filters
Waste management	Total amount of waste < 100 kg/product tonne, utilisation rate >95%	114 kg/product tonne, utilisation rate 93.8%	Repeated start-ups and shut-downs of production due to the 3/5 shift system, cleaning up due to 5S projects
Waste legislation reform	Ensuring compliance with new legislation at Nokian Tyres	Implemented	
Chemicals control	Quarterly audit rounds (storage and use of chemicals)	Implemented according to plan	
Chemicals safety	Official audit by TUKES	Not implemented	Called off by the authorities
Safety audits	2 audits/department	2 audits/department	

Materials development	Ensuring that no Substances of Very High Concern referred to in REACH are contained in the products	Implemented	
Product development (rolling resistance and noise)	According to the Directive	Implemented	
Increasing personnel's environmental awareness	According to the environmental programme	Implemented	

### Other units

The units of Vianor operate in compliance with the regulations in force in each country. Waste is sorted and delivered for re-use or recycling whenever technologically and economically feasible. The most significant environmental impacts of Vianor units are waste and energy consumption. The sales companies additionally account for the efficiency of product transportation.

### Development efforts to optimise transportation

Nokian-branded tyres are sold in more than 50 countries by our in-house sales organisation and thousands of our clients. The clientele includes tyre chains, car dealerships, tyre wholesalers and retailers, independent importers, machine and equipment manufacturers, port and logistics companies as well as haulage companies. The Vianor tyre chain has an increasingly important role in the sales

and seasonal management of Nokian Tyres. A big part of the Group's sales is currently made through the Vianor outlets.

Nokian Tyres and Vianor have for a long time co-operated to improve and streamline logistics. The Group aims to avoid all unnecessary transportation and thus reduce environmental impacts. To minimise the transportation distance and the consequent environmental impact, tyres are delivered from the production plants to the customers as directly as possible, in fully loaded trucks.

Transportation is specifically one of Vianor's most significant environmental impacts, and the chain strives to maximise the number of tyres in each delivery from import storage and to minimise transportation between outlets. The chain monitors the weight of the deliveries from import storage. The tyre trucks are loaded as full as possible, for example by stacking the tyres efficiently in a 'laced' formation.

Intermodal transportation, where trailers are loaded on-board a train, is used for a significant proportion of Nokian Tyres' shipments in Central Europe. Rail transportation is commonplace and marine transportation is used whenever possible. The largest possible container sizes (45' HC and 40' HC) are preferred. If at all possible, Nokian Tyres utilises round-trip transportation to avoid return legs with empty trucks.

When selecting hauling companies for tyre deliveries, one of Nokian Tyres' main criteria is the operator's environmental performance and valid environmental certifications.

# Where do tyres end up after use?

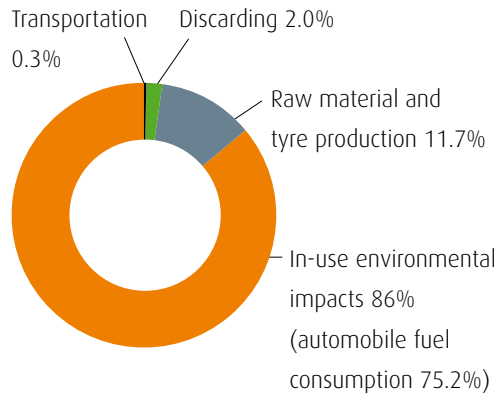
*Approximately 3.5 million tonnes of used tyres are discarded each year in Europe. The upside for the environment is that they are not worthless and can serve various re-use or recycling applications. They can be used to build noise barriers on motorways or to form a component in the sub-course of a horse-back riding arena to increase its elasticity.*

If tyres are not appropriately recycled they will end up in nature or pile up in people's garages. The recycling rate of tyres in Finland, close to 100%, is quite high compared with many other countries. For all of Europe, for example, the figure is only 60% and non-recycled tyres are taken to landfills. However during the last years, there has been a positive development: material recycling, using a variety of treatments and technologies, has grown to more than 36% of post-consumer tyres in the EU. In Russia the recycling rate of tyres is generally low in all areas, Nokian Tyres is involved in various discussions to develop the recycling in Russia.

Most of the recycled tyres are utilised for their material; they are crushed or granulated to replace rock materials in various highway construction and civil engineering applications. One of the best ways to recycle tyres is to retread them. If the carcass of a tyre is undamaged, it can be retreaded – bus and truck tyres up to two or even four times. Another way to utilise recycled tyres is

to combust them for energy, as the thermal value of tyres is close to that of oil. New ways to recycle and utilise tyres are constantly being sought.

## Distribution of environmental impacts over a tyre's lifecycle





# GRI Content comparison

Nokian Tyres plc reports material information from the point of view of its own operations. Report materiality is based on the materiality assessment according to GRI reporting conducted in the winter of 2012. According to its own assessment, Nokian Tyres has applied the GRI reporting guidelines according to level B. The report has not been validated by an external auditor.

■ Included    ■ Not included

Indicator	Explanation	Page	Additional information
1.	Strategy and analysis	5	
1.1	■ President & CEO's review	5	
1.2	■ Key impacts of the organisation, risks and possibilities	6	
2	Background description of the organisation		
2.1	■ Name of the organisation	3	
2.2	■ Most important trademarks, products and services	3	
2.3	■ Operational structure of the organisation	3	
2.4	■ Location of the organisation's head office	3	
2.5	■ Area of operations	3	
2.6	■ Ownership structure and form of company	3	
2.7	■ Market areas	3	
2.8	■ Size of the reporting organisation	39	
2.9	■ Significant changes to the size, structure, or ownership structure of the organisation		No significant changes during the reporting period
2.10	■ Awards received during the reporting period		No awards during the reporting period
3	Report variables		
	Description of the report		
3.1	■ Reporting period	9	
3.1	■ Time of publication of the previous report	9	
3.3	■ Report publication frequency	9	

Indicator	Explanation	Page	Additional information
3.4	■ Contact information Scope of the report and delimitations	69	
3.5	■ Definition of the content of the report	8, 9	
3.6	■ Delimitation of the report	8, 9	
3.7	■ Special restrictions on the scope of the report or its delimitation	8, 9	
3.8	Reporting criteria		
3.9	■ Information measurement techniques and calculation criteria	8	
3.10	■ Causes for and impact of information deviating from previous reports	8	
3.11	■ Most important changes to the scope of the report, its delimitations or measurement methods	8	
3.12	■ GRI content comparison	63-68	
3.13	■ Validation		
4	Corporate governance, commitments and cooperation Corporate governance		
4.1	■ Governance structure of the organisation	15	
4.2	■ Position of the chairman of the Board of Directors	16	
4.3	■ Independence of members of the Board of Directors	16	
4.4	■ Possibilities of owners and personnel to affect Board activities	15	
4.5	■ Impact of the financial performance of the organisation on the salaries and remuneration of top management	17	
4.6	■ Procedures for avoiding conflicts of interest on the Board of Directors	15	
4.7	■ Practices for determining the expertise and competence of members of the Board of Directors	15	
4.8	■ The organisation's mission, values and operating principles	7	
4.9	■ The Board's ways of governing operations, risks and possibilities, and operations according to international practices	15-18	
4.10	■ Process of assessing the Board of Directors' operations External commitments	17-18	
4.11	■ Compliance with the prudence principle		
4.12	■ Commitment to external corporate sustainability initiatives	13	
4.13	■ Memberships in organisations	13	

Indicator	Explanation	Page	Additional information
4.14	■ Stakeholders of the organisation	9	
4.15	■ Definition and selection criteria for stakeholders	9	
4.16	■ Principles of stakeholder activities	10-12	
4.17	■ Themes brought up by stakeholders	10-12	
5	Governance and operational indicators		
	Description of governance		
	Financial operating indicators		
	Financial operations		
EC1	■ Produced and distributed direct financial added value	20-22	
EC2	■ Financial consequences of climate change		
EC3	■ Comprehensiveness of pension cover		
EC4	■ Government subsidies		
EC6	■ Purchases from local suppliers		
EC7	■ Local recruitment		
EC8	■ Non-profit services offered		
EC9	■ Key indirect financial impacts and their scope		
	Environmental indicators		
	Materials		
EN1	■ Materials used according to volume and weight	56	
EN2	■ Relative share of recycled material of material used	56	
	Energy		
EN3	■ Direct energy consumption	57	
EN4	■ Indirect energy consumption		
	Water		
EN8	■ Water consumption	57	
	Biodiversity		
EN11	■ Location and size of owned, leased or possessed land in protected areas or in their vicinity		
EN12	■ Key impacts of the organisation's operations, products and services on areas	54-55, 59	
	Emissions to air, waste water and waste		
EN16	■ Direct and indirect total greenhouse gas emissions	57	

Indicator	Explanation	Page	Additional information
EN17	Other significant indirect greenhouse gas emissions		
EN18	Measures to reduce greenhouse gas emissions		
EN19	Emissions of substances causing ozone depletion		
EN20	Nitrogen and sulphur dioxide emissions and other significant emissions	54	
EN21	Total emissions to water	57	
EN22	Total weight of waste	55, 59	
EN23	Number and total volume of significant leaks Products and services		No significant leaks during the reporting period
EN26	Measures to reduce the environmental impact of products and services	24-29, 60-62	
EN27	Relative share of recycled products and packaging materials Compliance	56, 59	
EN28	Sanctions imposed for non-compliance with environmental acts and regulations Indicators related to personnel practices and working conditions		No significant sanctions
LA1	Description of personnel	39-40	
LA2	Personnel turnover		
LA3	Employee benefits Relationships between personnel and management	42	
LA4	Share of employees within the scope of a collective agreement	42	
LA5	Minimum period of notice in change situations and is the period included in collective agreements Occupational health and safety	42	
LA7	Number of accidents and occupational diseases, lost working days and absences	43	
LA8	Measures and programmes directed at the organisation in case of serious illnesses Training	43	
LA10	Annual average of training hours per employee		
LA11	Personnel expertise development programmes and learning action programmes	41	
LA12	Development discussions Diversity and equal opportunities	42	
LA13	Composition of governing bodies	47	
LA14	Relationship between women's and men's basic salaries		



Indicator	Explanation	Page	Additional information
	Human rights indicators		
	Investment and acquisition practices		
HR1	■ Taking human rights into account in investment decisions	34-35	
HR2	■ Human rights assessment concerning subcontractors	34-35	
HR4	■ Number of discrimination cases and related measures		
HR5	■ Freedom of association and statutory cooperation negotiations	34-35	
HR6	■ Functions related to a risk of using child labour and measures to prevent it		
HR7	■ Functions related to a risk of forced labour		
	Operating indicators related to society		
	Communities		
S01	■ Practices that affect local communities	36-38	
S009	■ Potential or real negative impact on local communities		
S010	■ Processes for preventing negative impacts		
	Bribery		
S02	■ Risk of bribery	35	
S03	■ Anti-bribery training	35	
S04	■ Measures related to bribery cases	35	
	Public administration		
S05	■ Participation in the development of public administration and lobbying	13	
S06	■ Financial support to political parties, politicians and other comparable institutions	13	
	Compliance		
S08	■ Fines and other consequences imposed for non-compliance with acts and regulations		
	Product liability indicators		
	Health and safety of customers		
PR1	■ Health and safety impact assessment and development measures taken at phases of the life cycle of products and services	24-29	
	Product and service information		
PR3	■ Claims related to product and service information and their share	26	
PR5	■ Practices related to customer satisfaction	26	
	Marketing communications		

Indicator	Explanation	Page	Additional information
PR6	■ Compliance with acts, norms and voluntary rules related to marketing communications Protection of customers' privacy Compliance		
PR9	■ Value of significant fines and amount of other punishments imposed for non-compliance with acts and regulations related to delivery and use of products and services	26	

