



**CORPORATE
SUSTAINABILITY
REPORT
2017**

**nokian[®]
TYRES**

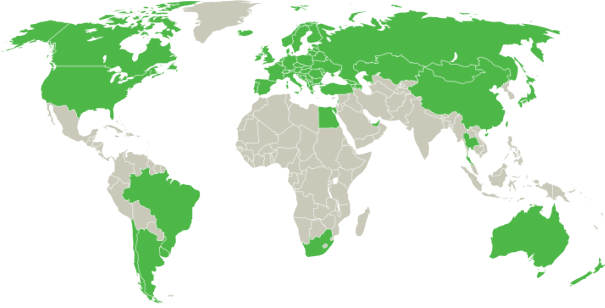
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CORPORATE SUSTAINABILITY REPORT 2017



OUR GROUP IN A NUTSHELL

We work for safer and eco-friendlier transportation. We care deeply about safety and well-being on the road as well as at work.



GREETINGS FROM THE PRESIDENT & CEO

“We received recognition for our determined work to improve sustainability when Nokian Tyres was selected for Dow Jones’ DJSI World sustainability index in 2017.”



HAKKAPELIITTA WAY GUIDES OUR OPERATIONS

Sustainability is an essential part of our daily work and leadership. Learn more about our sustainability management, materiality assessment, stakeholder engagement and value chain.



WORLD ON WHEELS

Our mission is to develop and manufacture safe, high-quality, and eco-friendly tyres. Read more about sustainability in terms of our products and our management of product liability.



PEOPLE

Good management and supervisor work support the development of the competence, well-being and equal treatment of our motivated and professional staff.



PLANET

We minimise the harmful impacts of everything we do. We do not harm the environment or people but rather promote well-being.



ECONOMY

Sustainability improves our competitiveness and supports our goal of profitable growth. Business success, in turn, benefits our surroundings and stakeholders.



INDEPENDENT ASSURANCE REPORT

The online and PDF versions of our Corporate Sustainability Report for 2017 are assured by KPMG. Learn more about the assurance statement.



GRI CONTENT INDEX

Our sustainability report complies with the CORE requirements of the GRI G4 guidelines. Learn more about the comparison table.

NOKIAN TYRES IN A NUTSHELL

NOKIAN TYRES BRINGS PEACE OF MIND AND ROAD SAFETY

Nokian Tyres is the world's northernmost tyre manufacturer that promotes and facilitates safe transport under demanding conditions, while respecting environmental values. In freezing blizzards or heavy summer rain, our tyres offer reliability, performance and peace of mind.

We design and produce our tyres for a range of 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 the warmer climate in Southern Europe, for example. Our innovative high-quality tyres for passenger cars, trucks and heavy machinery are developed with the aim of sustainable safety and eco-friendliness throughout the product life cycle.

For more than 80 years, Nokian Hakkapeliitta has been the leading winter tyre brand in the Nordic countries and Russia. In these regions our position as the market and price leader is established by our key competitive advantages: a quality image that is based on innovations, state-of-the-art technology and decades of user experience as well as our strong distribution network and competence in logistics.

The group also includes Nokian Heavy Tyres, which focuses on special tyres for the heavy industry, and the Vianor tyre chain, which conducts wholesale and retail sales in Nokian Tyres' key markets.

In 2017, the company's turnover was nearly € 1.6 billion and it employed more than 4,600 people. Nokian Tyres is listed on Nasdaq Helsinki. Read more about the company's ownership structure [here](#).

EXCELLENT PRODUCTION AND EFFICIENT DISTRIBUTION

Between 2007 and 2017, we invested approximately one billion euros in our own factories in Finland and Russia, which deliver first-class productivity and quality. Our new factory is under construction in the United States and will be completed in 2020. We have our own sales companies in Finland, Sweden, Norway, Russia, Ukraine, Kazakhstan, Germany, Switzerland, the Czech Republic, Belarus, Canada, the United States and China. We have obtained quality and environmental certifications for our production facilities in Nokia and Vsevolozhsk as well as for the Swedish sales company.

We mainly sell passenger car tyres in the replacement market. Our key markets are the Nordic countries and Russia, where Nokian Tyres is the market leader in premium tyres. Central Europe and North America are other important markets for the company in terms of profitable growth.

We sell heavy special tyres whose unique solutions support the business of our end users on both the replacement and original equipment markets.

VIANOR: RESPONSIBLE TYRE SALES AND COMPREHENSIVE SERVICE CLOSE TO THE CUSTOMERS



Vianor is a chain specialising in car maintenance and tyre services that comprises a network of 1,466 service centers in 26 countries. Vianor's strength is its expertise in challenging driving conditions, which stems from our Nordic roots. Most of our service centers are located in the Nordic countries, Russia and Eastern Continental Europe. We also have service centers in Central Europe and the East Coast of the United States.

The retail store chain and online stores serve both consumers and corporate customers. For corporate customers, Vianor has also developed digital services for fleet and tyre management which allow customers to boost their business.

The tyre selection covers all sorts of tyres for passenger cars, vans and trucks as well as heavy specialist machinery. Vianor represents and sells many other tyre brands as well as Nokian Tyres' products. In addition to tyres and tyre-related services, Vianor offers car maintenance services to all of its customer groups; these form an increasingly important part of Vianor's services. All of the services related to driving are conveniently available under the same roof.

Safety is part of the everyday work

Vianor's operation is guided by the company's management system, Vianor Way, which is built around understanding the customers and helping them drive as safely as possible. The sustainability management system complies with the ISO 9001, ISO 14001 and OHSAS 18001 standards. In addition, Vianor's processes have become even safer over the years, and the company's trained personnel always conduct their work with the appropriate equipment.

Responsibility is visible in the everyday work at Vianor: it is important to properly guide the customer to choose the safest tyres in the price category that the customer has selected. Enabling customers to drive safely is becoming an even more comprehensive process than before because Vianor's car maintenance services offer customers an easier and better way to take care of the entire car in just one location. The extensive network provides service everywhere.

Our tyre storage service is part of improving safety: we clean and inspect the tyres that we store and, if they are at the end of their service life, we notify the customer and help them purchase a set of new, safe tyres.

An important element of responsible service is the inspection card that each customer receives after a tyre change or car maintenance. The card contains safety observations made during the work, from tyre inflation pressure to technical defects.

Vianor is a service company that differentiates itself by offering a wide range of products and services for consumers and corporate customers and by continuously developing

innovative digital services and an extensive service network. Vianor aims to be a partner that enables all of its customers to drive safely and effortlessly – and enjoy the most comfortable service.



FULL SPEED AHEAD IN VARIOUS SUSTAINABILITY AREAS

The past year was a success in terms of corporate sustainability and our business. In 2017, we made good progress in many areas of sustainability and remained on schedule with our corporate sustainability goals.

We received recognition for our determined work to improve sustainability when Nokian Tyres was selected for Dow Jones' DJSI World sustainability index in 2017. With a total sustainability score nearly twice as high as the industry average, we significantly improved our results. We were the highest-ranking company in the tyre industry and were only one point behind the world's highest score in the Auto Components sector.

INTERNATIONAL COMMITMENTS GUIDE OUR CORPORATE SUSTAINABILITY EFFORTS

Sustainability is a natural part of our everyday work and leadership and an essential part of our business and strategy. Committing to international sustainable development goals guides our corporate sustainability work and supports sustainable development globally.

The past fiscal period was our company's second full year as a member in the United Nations Global Compact (UNGC) initiative. In 2017, we continued integrating the UNGC principles in our business: we focused on the identified development needs and started a human rights

impact assessment across the group, which continues in 2018. Furthermore, in spring 2017, we updated our group's Ethics Guidelines and the procedure guiding sustainability in procurement.

The use of international indicators also supports our goal of improving sustainability in the entire tyre industry. We are committed to improving sustainability in the industry based on the Global Compact initiative's principles and hope that increasingly more tyre companies would adopt the principles. This way, we can drive transparency in the industry and ensure even better that our stakeholders have access to information that helps them evaluate our activities.

We are also committed to the UN's Sustainable Development Goals (SDGs). In 2017, we started a process for determining the SDGs important for our company. Our work for implementing the goals in our business continues in 2018. The purpose is to create a framework for our company that would help us support sustainable development even better with our activities.

RESULT-ORIENTED WORK ON SUSTAINABILITY ON SCHEDULE

Our everyday improvement of sustainability is guided by the group's sustainability goals and the road map plan that we updated in 2017. The projects included in the road map cover seven aspects related to the climate, environment, people, supply chain, economy, stakeholder engagement and products & services. The target time for the road map projects and the group's sustainability goals is 2020. In 2018, we will, however, update the sustainability goals that we reached already in 2017.

One goal for 2020 that we reached ahead of target was reducing the rolling resistance of our product range by 7% compared to the 2013 baseline, thereby creating a decrease of 500

million kg in CO2 emissions from traffic. Reaching this target early demonstrates our determined work for improving the eco-friendliness of our products without compromising on safety.

As part of our efforts for improving supply chain sustainability, we have set a goal to audit all of Nokian Tyres' major rubber processor partners by 2020, comprising at least 80% of our natural rubber purchasing volume. In 2017, we audited four natural rubber processors together with an external auditor. For our company, the audits guarantee that our requirements are followed in the best possible way, and they provide an opportunity for the audited companies to improve their activities and occupational safety.

A higher rate of waste is utilised in our production facilities: In Nokia, we reached 100% utilisation and, in Russia, the number was nearly 90%. Moreover, we developed our company's safety culture further and managed to improve the injury frequency rate by 33% year over year. We aimed for 1% improvement in customer satisfaction, which was already on a good level, and reached an improvement of 2.6%. You can see our targets and progress on sustainability in more detail under Sustainability management.

BOLDLY TOWARDS THE FUTURE WITH SUSTAINABILITY IN THE CORE

In 2018, we will be working towards improvements in terms of our company culture, way of working and various aspects of corporate sustainability. In many ways, we are facing an interesting year of progress. One important site for our sustainability work will be our upcoming factory in Dayton, Tennessee. We want the factory to also be a pioneer in corporate sustainability. Our brand stands for Scandinavian values and Nordic expertise. Sustainability can be easily connected with our renewed brand values.

The importance of sustainability will continue to grow, based on both the needs of stakeholders as well as companies' own desire to improve their activities and products. We have long term commitment for corporate sustainability

regarding our own products and operations as well as the entire tyre industry. We want to set an example for the tyre industry and create added value for people, the economy and environment.

Hille Korhonen

HAKKAPELIITTA WAY GUIDES OUR OPERATIONS



SUSTAINABILITY MANAGEMENT

Systematic management of sustainability improves our operations and company culture, and our sustainability goals provide clear guidance.



VALUE CHAIN

A tyre is a truly global product whose value chain extends worldwide. We present our value chain diagram aligned with the ten UN Global Compact (UNGC) principles.



MATERIALITY ASSESSMENT

The prioritisation of special topics enables us to further develop our business, improve stakeholder communication and define the focus areas for sustainability reporting.



STAKEHOLDER ENGAGEMENT

Stakeholder engagement is part of our business. We aim to address the expectations of all stakeholders, in particular concerning sustainability.



SUSTAINABILITY IN PROCUREMENT

Responsible purchasing supports sustainable development and has no negative environmental or human rights impacts.



COP REPORT AND SDG WORK

The Communication on Progress report communicates how the Global Compact principles have been joined with our group's business. We have also started the work on determining which SDGs are important for Nokian Tyres.

SUSTAINABILITY MANAGEMENT

WE DIVIDE SUSTAINABILITY MANAGEMENT INTO FIVE COMPONENTS

Sustainability is a natural part of our business: it means sustainable product development, safe and eco-friendly products as well as high standards of quality in everything we do. We ensure that our activities do not harm the environment or people. Our tyres are easy on the environment and, even under difficult conditions, they will help you reach your destination. Our business must be profitable so that we are able to offer security, work and well-being for our personnel, while also considering investors, customers and other stakeholders. Sustainability is an essential part of our daily work and leadership, which is mainly guided by the group strategy.

Sustainability management covers the following material topics:

- **Transparent and comprehensive reporting**
- **Business ethics and compliance with the laws and regulations**
- **Responsible purchasing of raw materials, goods and services**
- **Good corporate citizenship**
- **Active stakeholder engagement**

For more information about the content of the material topics, [click here](#).

The figure below presents our areas of sustainability as well as the essential principles, commitments and guidelines that guide our business.

SUSTAINABILITY MANAGEMENT

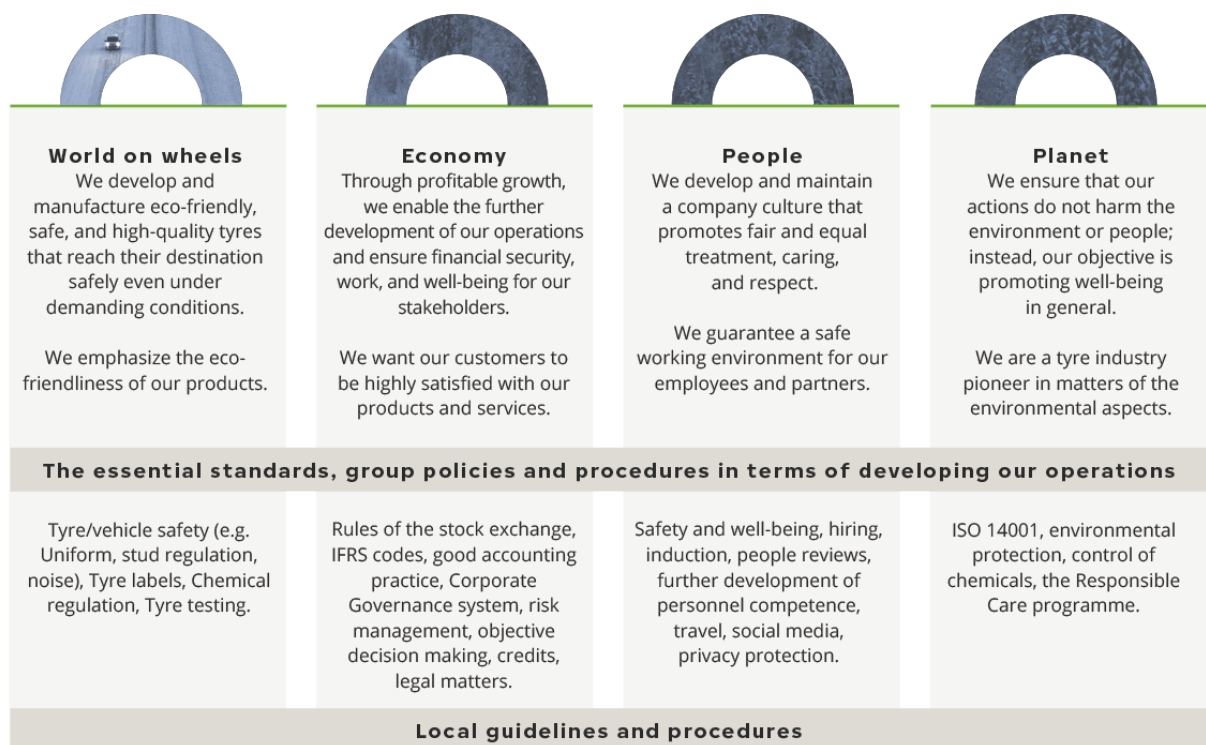
VALUES, STRATEGY, AND GOALS

Sustainability is part of our company’s culture, strategy, and goals. We manage our sustainability in five areas.

HAKKAPELIITTA WAY
The principles that guide our operations throughout the group

- Transparent and comprehensive reporting
- Conducting business ethically, in compliance with laws and regulations
- Sustainable purchasing from raw materials to services
- Good corporate citizenship
- Active partnership with stakeholders
- ➔ Our group’s business is guided by our Ethical Guidelines, whistleblowing policy; Environment, Safety, and Quality policy; purchasing and communication policy, GRI reporting, and the UN Global Compact initiative.

AREAS OF OPERATIONAL SUSTAINABILITY MANAGEMENT



OUR GROUP STRATEGY IN A NUTSHELL

Our values, strategy and goals provide us with a clear framework for building sustainable success and continuously improving our operations together.

OUR VALUES GUIDE US TO SUCCEED

Our company culture, the Hakkapeliitta Spirit, lays a solid foundation for improving our company and for building success. In 2018, we will be starting value discussions with our personnel with the aim of creating an even more harmonised company culture and establishing closer international cooperation.

The basic elements of the Hakkapeliitta Spirit are our values, which guide and support the implementation of our strategy.

- **Inventiveness:** We develop and create things and boldly question the existing practices!
- **Entrepreneurship:** We want to be the best and most sustainable tyre company!
- **Team spirit:** We respect and support each other!

OUR STRATEGY AND GOALS PROVIDE THE GUIDELINES FOR OUR BUSINESS

Our strategy helps us differentiate, supports profitable growth, guides us in the changing business environment and directs our future development. Our mission statement – “Nokian Tyres is a life driven company. Our mission is to give you peace of mind in all conditions.” – guides the choices that we make.

We develop and manufacture safe, high-quality and eco-friendly tyres for the premium segment. We are a market leader in the winter tyre market and focus on the replacement tyre market. Our pioneering position and strong expertise on challenging conditions also enable us to produce very safe summer tyres and all season tyres.

In the development and manufacture of heavy special tyres, we focus on carefully selected segments, such as tyres designed for forestry, agriculture and material handling. Our premium tyres feature innovative solutions that support the business of our end users.

One of our group companies is Vianor, a chain specialising in car maintenance and tyre services that offers first-class service for consumers and

corporate customers. Our own retail chain helps in the development of concepts for driving our customers’ sales and provides deeper insight into our customers’ business and consumer needs.

The strategy lays the foundation for our business goals that will keep us on track to profitable growth:

- Market leadership in select segments in the Nordic countries and Russia.
- Growing our sales by 50% in Central Europe over five years.
- Doubling our sales in North America over five years.
- Raising the fully owned subsidiary Vianor’s results (EBITDA) to a level of +3%.
- Growing the sales of heavy tyres by 50% over four years.
- Operating in all major winter tyre markets in the long term.

We have a desire to be a technology and sustainability pioneer and to maintain our profitability. We intend to offer a stable dividend policy for shareholders and an excellent and inspiring work community for our personnel. We want to be the top consumer choice and our customers’ number one partner.

See also our Environmental, Safety and Quality Policy for our valued quality and sustainability promises as well as the measures for meeting them.

SUSTAINABILITY GOALS GUIDE OUR OPERATIONS

Our everyday improvement of sustainability is guided by the group's sustainability goals and the road map plan that we updated in 2017. The target time for the road map projects and the group's sustainability goals is 2020.

GROUP'S SUSTAINABILITY GOALS

The following table shows Nokian Tyres' sustainability goals for 2020 and their progress.

Area of sustainability	Goal	Progress in 2017
Hakkapeliitta Way General sustainability of our business	<ul style="list-style-type: none"> • We will improve our Dow Jones Sustainability Index assessment by two points each year from 2015 to 2020. • All of our raw material suppliers will have conducted a sustainability self-assessment in 2017. • We will have audited all of our major rubber processor partners (at least 80% of our natural rubber purchasing volume) by 2020. • At least two thirds of our raw material suppliers will have ISO 14001 certification in 2020. 	<ul style="list-style-type: none"> • We were selected for Dow Jones' DJSI World sustainability index and improved our score by 6 points compared to 2016. • We sent out a self-assessment survey to all material suppliers in 2017. 85% of the suppliers responded, and this work will continue in 2018. • The audits have progressed according to plan, and we audited four processors in 2017. • In 2017, 71% of our raw material suppliers had the ISO 14001 certification, which means that we are heading in the right direction.

<p>World on wheels Safe and eco-friendly products</p>	<ul style="list-style-type: none"> • Reducing the rolling resistance of the product range by 7% from 2013 to 2020, thereby creating a decrease of 500 million kg in CO2 emissions from traffic. • Each new product generation will have a lower rolling resistance compared to the previous one. 	<ul style="list-style-type: none"> • We reached the goal already in 2017. We will set a new goal in 2018. • We have launched new products with a lower rolling resistance than the previous products.
<p>Economy High customer satisfaction and profitable growth</p>	<ul style="list-style-type: none"> • We will continuously improve customer satisfaction – by one percentage point, at a minimum, in the annual customer satisfaction index. 	<ul style="list-style-type: none"> • Customer satisfaction was already on a good level and improved by 2.6% in 2017.
<p>People Safe working environment and sustainable company culture</p>	<ul style="list-style-type: none"> • Occupational health and safety: A 70% improvement in the LT1F injury frequency rate tracking from 2015 to 2020. • Everyone gets to go home healthy every day. • Everyone in our group will have completed the online course on sustainability in 2017. 	<ul style="list-style-type: none"> • We made good progress with occupational safety and improved the injury frequency rate by 33% year over year. • No severe accidents occurred in the group during the year. • 55% of all personnel completed the online course on sustainability.

<p>Planet Being a pioneer in sustainability</p>	<ul style="list-style-type: none"> • Energy efficient production: decreasing energy consumption annually by 1% from 2016 to 2020. • A 20% reduction in CO2 emissions from production (kg CO2/kg product) from 2013 to 2020 (scope 1 and scope 2). • Reducing the use of municipal water by 25% compared to the 2013 baseline. • Utilising 100% of production waste and taking no production waste to landfills; Nokia 2016, Vsevolozhsk 2020. • Zero environmental accidents. 	<ul style="list-style-type: none"> • The reduction of energy consumption in production was approximately 8% from the previous year, which means that the target was met and exceeded. • The actual reduction of CO2 emissions from production was 36% in 2017, which means that we are heading in the right direction. • In 2017, the consumption of municipal water was approximately 40% lower than in 2013, which means that the target was met and exceeded. • In Nokia, 100% of production waste was recycled and the recycling rate was 88.7% in Vsevolozhsk, which means we are heading in the right direction. • No environmental accidents occurred in 2017.
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SUSTAINABILITY ROAD MAP

In 2017, we made the Nokian Tyres Sustainability Road Map to guide our work on sustainability. The road map defines seven areas of sustainability and their related projects. The projects are led by the Corporate Sustainability

working group, which is headed by the Environmental and Responsibility Manager. The progress with the road map processes is tracked on a monthly basis. The following graph presents the areas of the road map and the related special projects.



SYSTEMATIC LEADERSHIP OF SUSTAINABILITY IMPROVES THE OPERATIONS AND COMPANY CULTURE

Our strategy also guides our choices in terms of sustainability. We work hard together for improving the sustainability of our company, functions and products.

We take into account the entire product life cycle and all of our business functions and we strive to go beyond the minimums required by the law and applicable standards. We emphasise the management of sustainability in all of our functions and our supply chains. We want to be the most responsible and ethical tyre company and an industry pioneer.

The company's sustainability functions are led by a member of the group's management team who is ultimately responsible for meeting the goals of corporate sustainability. All supervisors' duties include day-to-day leadership of sustainability. Larger topics and guidelines are discussed by the management team and, if necessary, by the Board of Directors.

Nokian Tyres' dedicated Corporate Sustainability working group comprises finance, purchasing,

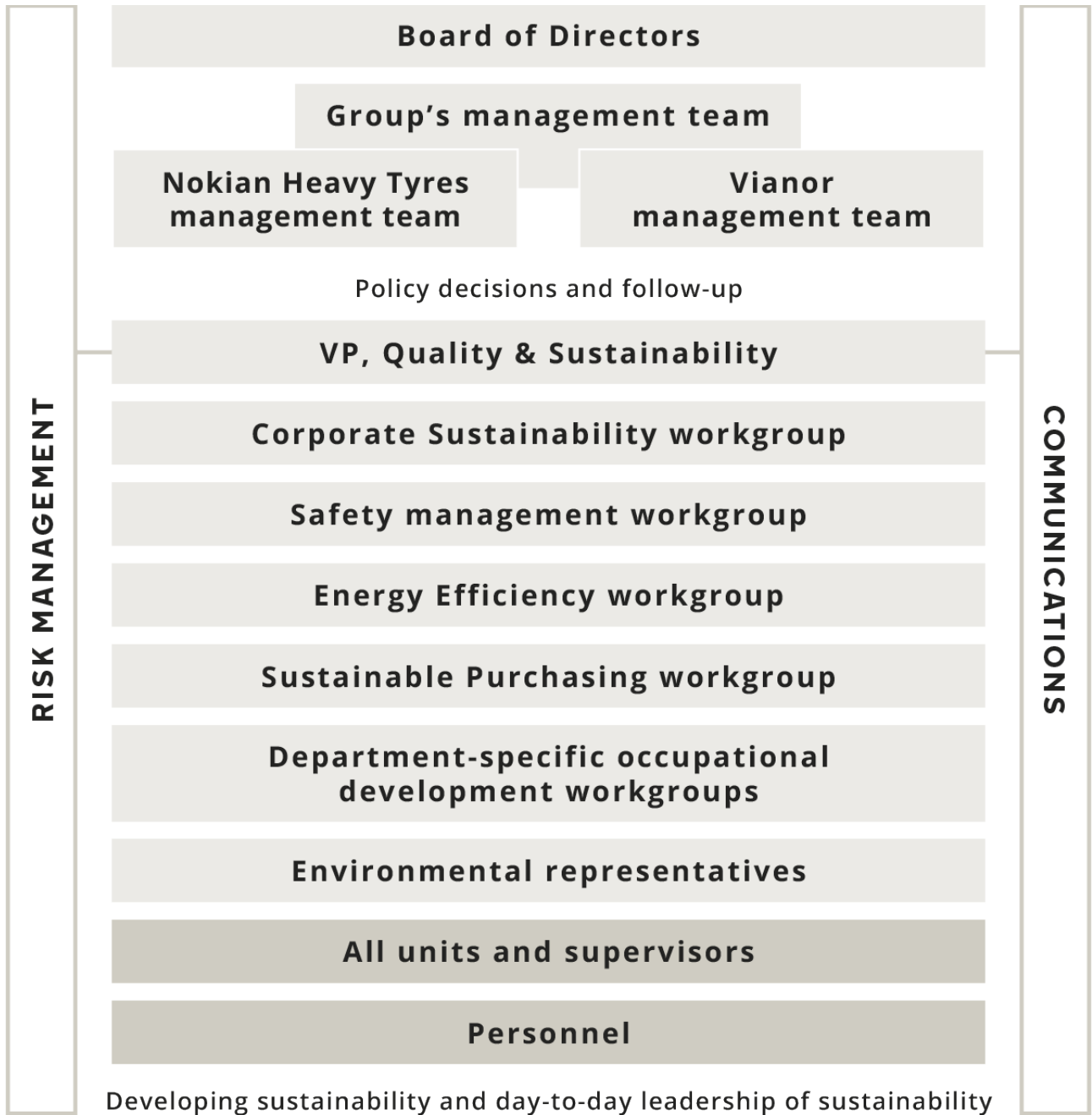
communication, environment, quality, consumer, customer service and HR experts. The working group's main task is to design and promote measures for improving sustainability. Then, each unit's management team is responsible for implementing the measures according to their unit strategy.

The Safety Management group, which comprises safety experts and management representatives, works on and tracks the safety aspects. Supply chain sustainability is being developed and guided by the Sustainable Purchasing working group. The Energy Efficiency working group promotes the means for improving energy efficiency throughout the group. Product Development creates safer and eco-friendlier products by reducing rolling resistance, for example.

Department-specific occupational health and safety groups, environmental representatives and other local working groups focus on improving the practical work in terms of eco-friendliness, safety and well-being. Each Nokian Tyres' employee is responsible for working and acting ethically.

Furthermore, HR, Communication and the Risk Management working group support the work for improving the safety culture and implementing changes in the group.

The following graph describes the leadership of sustainability at Nokian Tyres.



MATERIALITY ASSESSMENT AT NOKIAN TYRES

MATERIAL SUSTAINABILITY TOPICS

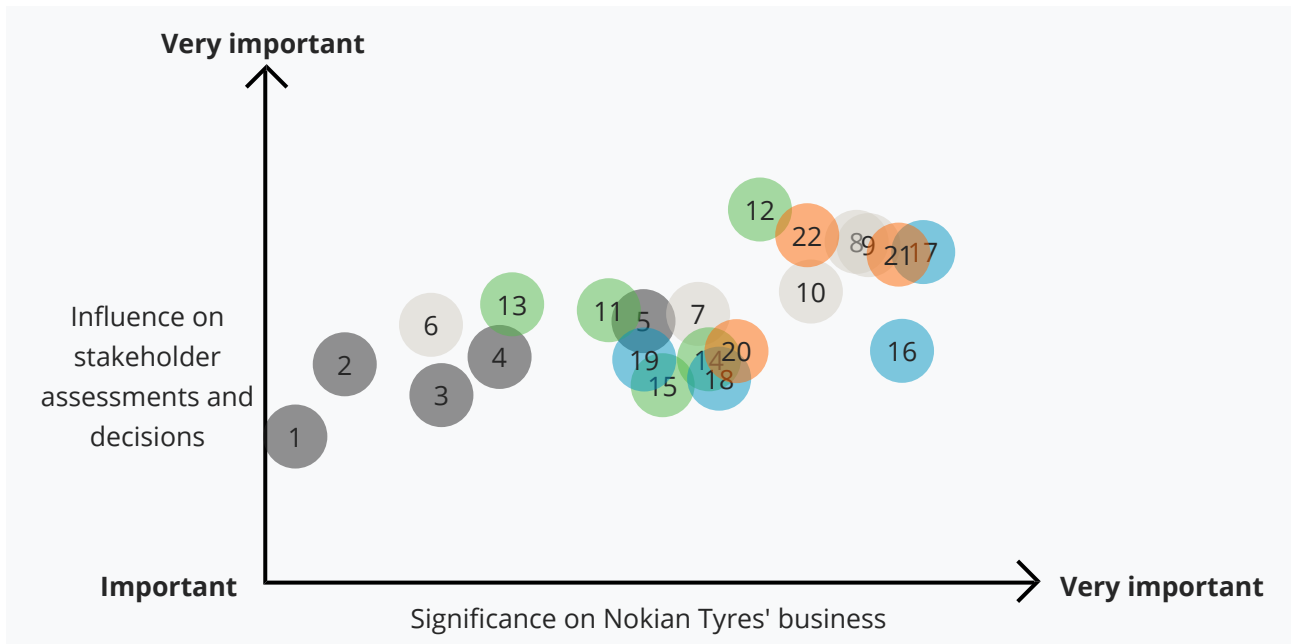
In order to specify our company's material sustainability topics, we used a materiality analysis in the reporting period. The analysis is based on the 2015 sustainability survey and comments by business unit leaders. We did not modify the 22 special sustainability topics that were determined by the analysis or their priorities.

As the materiality analysis is based on the GRI G4 reporting framework, we kept its tabular presentation and descriptions intact. In the current Standard reporting model, the concept of "impact" changes the way the material topics are presented. Based on this concept, a material topic is assessed such that one axis in the table indicates the company's impact on the surrounding community. We will go through this

process in 2018. In this report, the impacts of each material topic are described briefly when discussing the topic. For more information on how Nokian Tyres' impacts are positioned in our value chain, see here.

The prioritisation of material topics enables us to further develop our business, define the focus areas for sustainability reporting and improve our communication on sustainability to stakeholders. The identified material topics are presented in the table below. The horizontal axis indicates the significance of a topic to Nokian Tyres and the vertical axis indicates its significance to stakeholders. Different stakeholder groups may have diverse and conflicting requests and demands and, likewise, their expectations for the company operations may vary. Instead of looking for synergies, the table separates stakeholders' expectations from those of the company. This avoids prioritising topics that are only important for both parties.

SIGNIFICANCE OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS OF NOKIAN TYRES



PLANET	PEOPLE	HAKKAPELIITTA WAY	ECONOMY	WORLD ON WHEELS
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- 1. Reducing the use of water in tyre production
- 2. Preserving and improving biodiversity at the production sites
- 3. Eco-friendliness, energy efficiency and emissions in production
- 4. Reducing greenhouse gas emissions in transport and production
- 5. Reducing waste volumes in tyre production

- 6. Human rights in Nokian Tyres' business operations
- 7. Promoting equal treatment of people
- 8. High level of occupational health and safety in all operations
- 9. Ensuring employee satisfaction and motivation
- 10. Professional development of employees

- 11. Transparent and comprehensive reporting
- 12. Business ethics and compliance with the laws and regulations
- 13. Responsible purchasing of raw materials, goods and services
- 14. Good corporate citizenship (social support and work with organisations and communities)
- 15. Active stakeholder engagement in corporate sustainability

- 16. Ensuring profitable growth and maintaining a good profit level
- 17. Customer satisfaction
- 18. Sustainability as a competitive factor
- 19. Systematic business risk management, including sustainability

- 20. Rolling resistance of tyres
- 21. Developing innovative and eco-friendlier products
- 22. Giving the highest priority to product safety

The senior management of the company has approved the list of the special sustainability topics as well as the GRI-compliant management system descriptions, topics and indicators that are based on the special topics.

SCOPE AND MEASUREMENT METHODS OF THE REPORT

We publish our Corporate Sustainability Report annually on our website, and it is also available as an automatically generated PDF copy. This report has been prepared in accordance with the GRI Standards: Core option. The easiest way to review the online report is to use the GRI comparison table.

As the indicators for our group's environmental responsibility are compiled and calculated by the same methods as in our earlier reports, this year's results are comparable to previous years.

In the social responsibility indicators, the figures for the Nokian Tyres' equity-owned Vianor chain are combined to cover all the companies in the chain, but the indicators are calculated by the same principles as in the previous reports. The reporting covers all the functions of Nokian Tyres plc, excluding the environmental responsibility indicators of Vianor service centers. The indicators for economic responsibility are based on our company's financial statement, which is prepared and presented in accordance with the IFRS standards. The indicators for environmental responsibility are divided between our locations in Nokia and Vsevolozhsk. The EMAS reporting that was previously employed in Nokia has generated the current systems for calculation and data collection.

Some of the special sustainability topics that we identified go beyond our company's calculation limits. Such topics include "Business ethics and compliance with the laws and regulations" and human rights questions, whose significance is

emphasised early on in the rubber purchasing chain. We do not currently employ any methods for forming clear indicators in order to track our progress with these special topics. However, through international organisations as well as our voluntary commitments and conduct, we aim to promote sustainability across the functions in our company's value chain.

REPORTING PERIOD, PUBLICATION FREQUENCY AND EXTERNAL ASSURANCE

The contents of the Corporate Sustainability Report for the 2017 reporting period have been verified by the independent third party KPMG Oy Ab. Furthermore, the assurance confirms that the English sustainability report matches the Finnish original. KPMG's conclusions, findings and recommendations are presented here. The assurance was commissioned by the executive management of Nokian Tyres plc.

MATERIAL TOPICS: FIVE MAIN AREAS

HAKKAPELIITTA WAY – OUR WAY OF DOING BUSINESS

The Hakkapeliitta Way category comprises five sustainability principles that are seen throughout our operations and connected to our company's strategic goals and vision.

TRANSPARENT AND COMPREHENSIVE REPORTING

Impact: more open interaction with stakeholders

As a public company, Nokian Tyres is bound by the statutory requirements and the rules of the stock exchange on the publicity of information which is relevant to the company's business. In

order to meet our stakeholders' expectations, we follow the requirements of the Global Reporting Initiative framework. Based on these requirements, we aim at meeting all of the reasonable requirements that our stakeholders have on corporate sustainability. In this respect, Nokian Tyres' communication on sustainability exceeds the minimum communication requirements for public companies.

BUSINESS ETHICS AND COMPLIANCE WITH THE LAWS AND REGULATIONS

Impact: ethically sustainable business

Nokian Tyres' business across the group is guided by the ethical principles presented in the board-approved Ethics Guidelines for Nokian Tyres Group. The document has been published in several languages, and it specifies the ethical principles for Nokian Tyres' business, instructions for various ethical issues and a procedure for all group personnel. Furthermore, the document discusses the enforcement and supervision of the rules. While local and international documents provide additional instructions, the Ethics Guidelines establish a strong foundation and we expect all employees to follow them. This ensures conducting ethical business at all levels of our operations.

We follow the law in letter and spirit in every country of operation. Our Ethics Guidelines provide every employee with instructions on what to do in case they see something in our operation that may conflict with the applicable legislation.

RESPONSIBLE PURCHASING OF RAW MATERIALS, GOODS AND SERVICES

Impact: products that support sustainable development, fair conduct in developing economies

As a participant in the UN Global Compact initiative, we follow the UNGC's ethical principles as well as our own, which also address the issues of responsibility in the supply chain.

Furthermore, we require all of our raw material suppliers to adhere to our Supplier Code of Conduct. All raw material suppliers must, at a minimum, have an ISO 9001-certified quality management system in place. We also prefer suppliers with an ISO 14001-certified environmental management system.

One of the basic raw materials of tyres is natural rubber. As an agricultural product, it is the livelihood of many families living in countries where the local legislation and working conditions have not been fully developed. We only purchase natural rubber from processors that we have approved. We supervise their activities through audits, among other things.

In recent years, Nokian Tyres has participated in the Sustainable Natural Rubber Initiative (SNR-i, IRSG), which promotes sustainable development throughout the supply chain of natural rubber and commits everyone in the supply chain to mutual goals. Despite the good principles behind the initiative, the development has not fully met our company's expectations. We will, however, continue to support the initiative in the coming fiscal period.

Read more about sustainability in our procurement [here](#)

GOOD CORPORATE CITIZENSHIP

Impact: interaction and better communication with society and the local community

We are a member of various industrial and employer organisations. Our participation in such organisations depends on the current topics and our opportunities to offer our expertise. We are also a member of various

communities and organisations that participate in the development of the legislation and political decision-making. Nokian Tyres is not involved in political activities, fundraising or political contributions as per our Ethics Guidelines.

In addition to trade associations, Nokian Tyres participates in the activities of various non-profits and charities. We also offer expert services for communities free of charge. In Finland, for example, we provide the police with technical assistance in investigations of accidents that may have been caused due to the poor condition of tyres and we produce various training materials on occupational safety for the rubber and tyre industry together with the Centre for Occupational Safety.

As an internationally expanding company, our impact on our surroundings is increasing and we continue to be a significant job creator and developer of local infrastructure. We support the development of local communities and the improvement of working conditions early on in our value chain, when possible.

ACTIVE STAKEHOLDER ENGAGEMENT IN CORPORATE SUSTAINABILITY

Impact: insight on the impact of our business and interacting with stakeholders

Active stakeholder engagement helps us to better understand our stakeholders' expectations. Different stakeholders may have conflicting expectations towards sustainability in our operations. This poses a communication challenge in stakeholder engagement.

WORLD ON WHEELS

PRODUCT SAFETY

Impact: safer transport

Product safety is the most important special area of sustainability with regard to our company as well as our customers and end users. The development and functional testing of tyres' safety characteristics requires constant effort. Extreme weather phenomena that are caused by climate change and varying road conditions increase the importance of safe tyres and drive the demand for All-Season and All-Weather tyres. As a leading manufacturer of studded and non-studded winter tyres, we have a special responsibility for making transportation better and safer. We are responding to the changing needs by developing a more comprehensive range of non-studded winter tyres and All-Season tyres.

ROLLING RESISTANCE OF TYRES

Impact: reduced environmental impact from traffic

The most significant environmental impacts during the use of a tyre are caused by the vehicle's fuel consumption. Lower fuel consumption reduces the quantities of greenhouse gases released into the air. Tyres with low rolling resistance can save fuel, thereby reducing CO2 emissions. Through determined product development efforts, we have managed to reduce the rolling resistance of our tyres, and our current product line includes several products with the EU tyre label's best class A rolling resistance rating. We are continuing our work on further reducing our tyres' rolling resistance.

DEVELOPING INNOVATIVE AND ECO-FRIENDLIER PRODUCTS

Impact: reduced environmental impact from traffic

In line with the product life cycle approach, our company pays attention to the environmental aspects in addition to safety already when buying raw materials and designing our

products. We work continuously towards reducing tyre noise as well as rolling resistance. Natural materials and safe, eco-friendly products that reduce fuel consumption, harmful emissions and rolling noise will also pave the way for us in the future.

ECONOMY

PROFITABLE GROWTH AND A GOOD PROFIT LEVEL

Impact: investment opportunities, employee well-being and providing added financial values for shareholders

In industrial operations, the positive development of productivity is a prerequisite for a company's success. In tyre manufacture, capacity utilisation is crucial in terms of productivity: the higher the capacity utilisation is, the better the productivity becomes. Automation of machinery and process improvements also contribute to better productivity. Our indicator for measuring production efficiency is kg/effort-hour.

Furthermore, we focus our production on core products with a good margin and invest in measures for continuously improving quality, productivity and logistics. Profitable growth requires that we continuously expand our capacity, and we invest in new production capacity according to our growth targets and the development of the market. Better productivity supports profitability which, in turn, enables higher salaries or dividends for our stakeholders, for example.

CUSTOMER SATISFACTION

Impact: developing our own operations, improving business and service quality

Customer satisfaction covers Nokian Tyres' direct customers as well as the end users of our products. We aim for the continuous

improvement of customer satisfaction through innovative new products, flexible and smooth logistics, regular product testing, safe and high-quality products and excellent service. Among other things, we measure our success with customer satisfaction surveys and use their results for developing our operations further.

SUSTAINABILITY IMPROVING OUR COMPETITIVENESS

Impact: driving sustainable business thinking, reaching consumers who value sustainable business and products

As a manufacturer of high-quality, innovative premium tyres, we also want to be an industry pioneer in terms of sustainability. We invest in eco-friendly products and processes. We have developed tyres with the EU tyre label's best class A rolling resistance and use eco-friendly raw materials in their production. The more often our brand is associated with sustainability in addition to safety and high quality, the more we can reach sustainability-conscious customers and consumers. Improved competitiveness, including in terms of sustainability, supports our goal of profitable growth.

BUSINESS RISK MANAGEMENT, INCLUDING SUSTAINABILITY

Impact: driving profitable business

The basic functions of every sustainable company include risk management, which involves identifying and prioritising the applicable risk factors and preparing for the main risks. At Nokian Tyres, Corporate Risk Management (CRM) also includes sustainability aspects.

PEOPLE

HUMAN RIGHTS IN NOKIAN TYRES' BUSINESS OPERATIONS

Impact: developing an open and ethically sustainable working environment

Wherever we conduct business, we follow the local laws and regulations as well as good Western business practices and the local customs. In addition to the law, our operations must follow the group's internal rules and guidelines. We respect the privacy of our personnel, and we handle personal data in line with this principle. Employment in our group is based on employment contracts in accordance with the local legislation and any collective agreements. Nokian Tyres' wages are always equal to or above the local statutory minimum wage. We respect our employees' right to organise and we cooperate with the appointed representatives of trade unions.

PROMOTING EQUAL TREATMENT OF PEOPLE

Impact: developing an open and ethically sustainable working environment, promoting equal treatment

Through our commitment to our Ethics Guidelines, local legislation and external social responsibilities, we ensure equal opportunities for all of our employees and promote fair and equal treatment at each of our locations.

HIGH LEVEL OF OCCUPATIONAL HEALTH AND SAFETY IN ALL FUNCTIONS

Impact: arranging a safe working environment

The health, safety and well-being of our employees and partners are important for everyone at Nokian Tyres. We are committed to

arranging a safe working environment for our employees and partners and ensuring that they get to go home healthy every day. Every accident can be prevented and we are working towards a workplace with zero accidents. Through better working conditions and providing training for our personnel and partners, we are continuously improving workplace safety.

EMPLOYEE SATISFACTION AND MOTIVATION

Impact: motivating and inspiring working environment, joy from work and colleagues

Our company develops and maintains a company culture that promotes fair and equal treatment and respect. Everyone contributes to our profitable growth and success regardless of his or her position. All of our employees have the opportunity and means to influence their own work and the working environment. Our inventiveness programme is one way to support leadership and the active participation of our personnel in line with our company culture.

PROFESSIONAL DEVELOPMENT OF EMPLOYEES

Impact: higher product quality, motivating working environment

Producing safe and high-quality products requires a high level of professional competence. With the automation of the industrial environment, the work is becoming even more demanding. This emphasises the need for professional development of employees. In addition, development opportunities improve job satisfaction. We develop competence in a strategic and proactive manner that anticipates future needs.

PLANET

REDUCING WATER CONSUMPTION IN TYRE PRODUCTION

Impact: conserving natural resources

With the global water shortage, we also want to reduce water consumption in our production. Tyre production uses large quantities of cooling water: Our factory in Nokia takes the cooling water from the nearby river and our factories in Vsevolozhsk use a closed recirculating cooling water system that minimises water consumption.

PRESERVING AND PROMOTING BIODIVERSITY AT THE PRODUCTION SITES

Impact: natural diversity

Like many other manufacturing industries, we also greatly care about biodiversity, as all the raw materials for our products come from nature. Harm to biodiversity can result in the shortage of some raw materials. We also care about maintaining the biodiversity of our local environments and preserving endangered species, including the asp, freshwater pearl mussel and red-throated loon.

ECO-FRIENDLINESS, ENERGY EFFICIENCY AND EMISSIONS IN PRODUCTION

Impact: improving air quality in local environments, improving energy-efficiency

We see the regulations established by the authorities as minimum requirements. Therefore, we actively follow the development of environmental and safety regulations in Finland, the EU and Russia for anticipating the effects of pending legislation.

We are committed to reducing GHG emissions from our operations in order to combat climate

change. Furthermore, an EC directive requires corporations to carry out energy audits and other energy-efficiency measures. By increasing the proportion of renewable energy sources, we can cut down our GHG emissions from energy consumption. Improved energy efficiency will also result in cost savings.

REDUCING GREENHOUSE GAS EMISSIONS IN TRANSPORT AND PRODUCTION

Impact: participating in climate change mitigation

Climate change is accelerated by greenhouse gas emissions, which are an essential issue for companies around the world. We are committed to reducing GHG emissions from our operations. We annually calculate the GHG emissions from our operations, including emissions from the transport of raw materials to us, and aim to reduce them systematically as planned. The biomass boiler plant commissioned in 2016 will significantly reduce our GHG emissions in Nokia.

REDUCING PRODUCTION WASTE VOLUMES

Impact: promoting circular economy, reducing our ecological footprint

Quantitatively, waste accounts for our highest environmental impact. Our factory in Nokia utilises all of the generated waste. The local infrastructure in Russia is not yet on par with our facilities in Nokia. We are, therefore, working towards improving the safety of waste management in our Russian factory. Our goal is that all waste is utilised also in our Russian factory by 2020.

COMMITMENT TO EXTERNAL CORPORATE SOCIAL RESPONSIBILITY INITIATIVES AND ORGANISATIONS

In September 2017, Nokian Tyre was selected for Dow Jones' DJSI World sustainability index. With a total sustainability score nearly twice as high as the industry average, we significantly improved our results in the 2017 assessment. Our score of 78 points was only one point behind the world's highest score in the Auto Components sector. Dow Jones Sustainability Index (DJSI) is an annual sustainability assessment for large publicly traded companies, performed by the Swiss RobecoSAM.

Nokian Tyres has been included in the OMX GES Sustainability Finland Index since 2012. The index offers objective and reliable information for making responsible investments. The index comprises the 40 leading companies listed on Nasdaq Helsinki in terms of sustainability, and the index criteria are based on the international guidelines for environmental, social and governance (ESG) aspects.

This report is also Nokian Tyres' Communication On Progress (COP) report, which complies with

the UN Global Compact (UNGC) requirements. The principles are combined with the materiality analysis and the company's value chain. For more information about the COP report, click [here](#).

We also participate in various industrial and personnel organisations whose purpose is improving work throughout the industry. Our activity in the organisations depends on the topics that they address and our opportunities to offer our expertise.

For us, the most important organisations are:

- Chemical Industry Federation of Finland
- Rubber Manufacturers' Association of Finland
- National automotive and tyre industry associations in various countries
- ETRMA/European Tyre and Rubber Manufacturers' Association
- ETRTO/European Tyre and Rim Technical Organisation
- STRO/Scandinavian Tire and Rim Organization
- Finnish-Russian Chamber of Commerce
- International Chamber of Commerce
- Russian Tyre Manufacturers Association
- AEB (Association of European Businesses)
- AmCham (American Chamber of Commerce in Russia)
- Tampere Business Campus
- Corporate Responsibility Network FIBS.

NOKIAN TYRES' VALUE CHAIN

FROM RAW MATERIALS TO TYRES AND ALL THE WAY TO RECYCLING: THE LIFE CYCLE IMPACTS

A tyre is a truly global product whose value chain extends throughout the world: the rubber sourced from Indonesian and Malaysian rainforests is merged with industrial

components in our factories, and finished tyres are then shipped internationally. Extending a tyre's service life by retreading is one example of the circular economy and how the product life cycle does not end with the first user.

In the following diagram, we have combined our material sustainability topics with our value chain. The diagram also shows how the ten UN Global Compact (UNGC) principles align with our value chain. The principles are numbered in the diagram. The items marked with * are the topics of special significance in the Nokian Tyres' materiality analysis. The impacts from the activities of Nokian Tyres and its value chain members are presented under the diagram.

NOKIAN TYRES' VALUE CHAIN

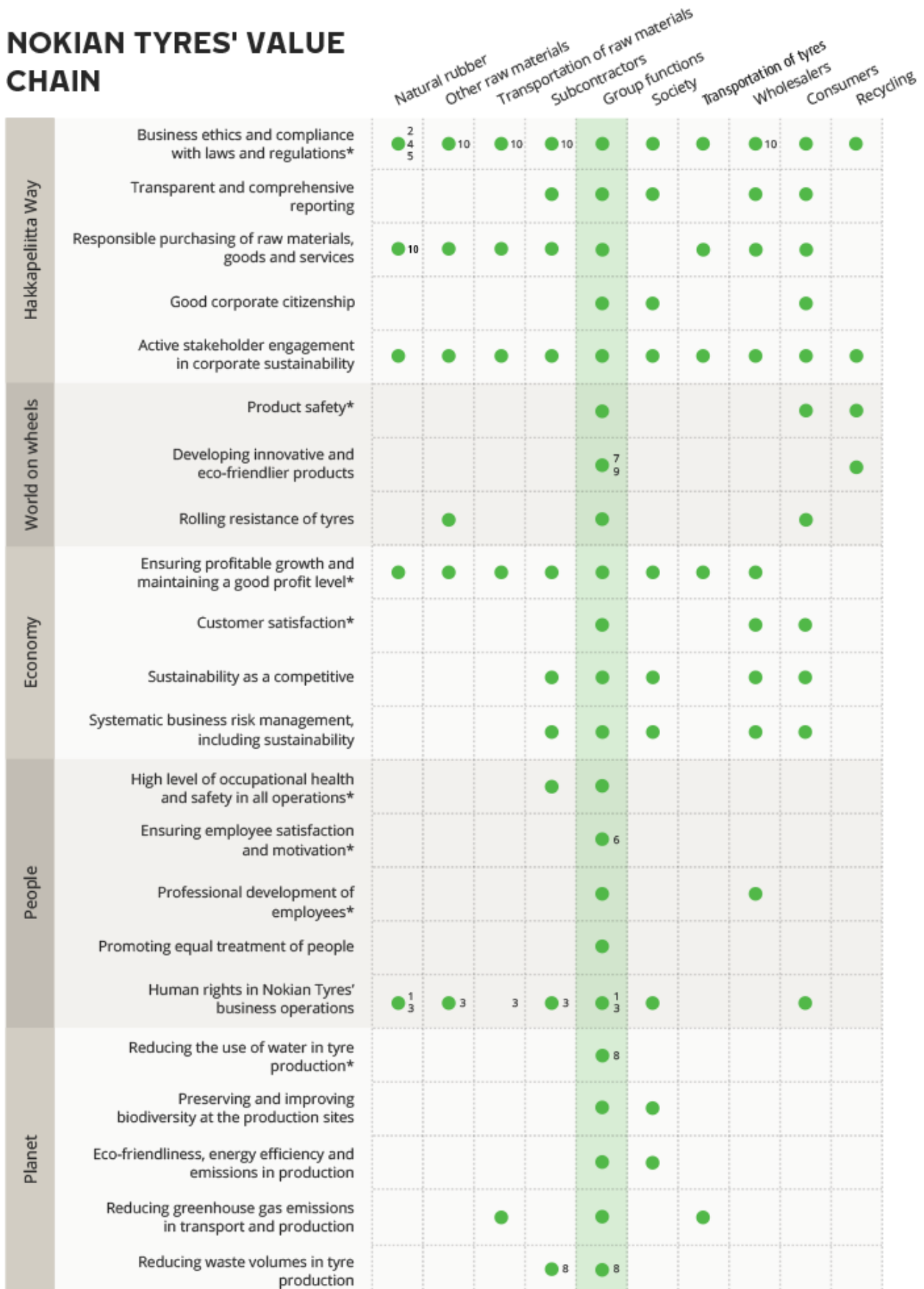


Chart: Nokian Tyres' value chain

1. RAW MATERIALS (UNGC PRINCIPLES 1, 2, 3, 4, 5, 7, 10)

The main raw material groups in tyre manufacturing are synthetic rubber, fillers, chemicals, reinforcing materials and natural rubber, which makes up for approximately one fourth of a tyre's raw materials. We use more than a hundred different raw material suppliers that all follow the same rules. The raw materials for tyres come from all over the world, and all of our suppliers are committed to our Supplier Code of Conduct, which requires compliance with international human rights, labour rights and anti-corruption measures. All raw material suppliers must, at a minimum, have an ISO 9001-certified quality management system in place. We also prefer suppliers with an ISO 14001-certified environmental management system.

In order to improve supply chain sustainability, we started a partnership with an external auditor in 2016. Our separate sustainability auditing process has been developed together with an expert company and it is based, among other things, on Nokian Tyres' Supplier Code of Conduct and principles that comply with the UN Global Compact goals.

We have set a goal to audit all of our major natural rubber processor partners by 2020, comprising at least 80% of our natural rubber purchasing volume. Audits support and facilitate the improvement of occupational safety and the development of activities. In addition to the audits by external parties, we track the sustainability of our raw material suppliers in connection with quality audits by our in-house personnel and raw material suppliers' self-assessments.

The cultivation of natural rubber, which mostly takes place on small farms, and its complex path to becoming a raw material for tyres have a significant role in terms of the producing countries' social structure. Here is an example of the natural rubber value chain.

1.1. RUBBER PRODUCTION

Natural rubber forms one fourth of a tyre's raw materials. As an agricultural product, its production differs from the other raw materials. Most of the natural rubber that we use comes from Malaysia and Indonesia. Natural rubber is cultivated in forests, often on small farms. More than 85% of the world's natural rubber is produced on farms smaller than two hectares in size whose daily output may be just a couple of kilogrammes of crude rubber. The crude rubber that Nokian Tyres purchases from traders comes from family farms and some larger plantations.

1.2. WHOLESALERS

Family farms sell crude rubber to local wholesalers. Rubber is produced on a day-to-day basis: wholesalers go around small farms to buy their daily production. To get an idea of the number of these small streams, consider that natural rubber production in Indonesia exceeded 3 million tonnes in 2016*. Wholesalers, in turn, sell the crude rubber to processors. (* Source: Association of Natural Rubber Producing Countries <http://www.anrpc.org>)

1.3. PROCESSORS

Processing plants purify the natural rubber, process it as specified and pack it for further use.

1.4. TRADERS

From the processors, the rubber is taken to the international market via traders from who companies, including Nokian Tyres, purchase the

rubber. The price of rubber is determined, among others, by the Singapore Commodity Exchange. Nowadays, even family farms are using their mobile phones to check the daily market rate.

Read more about sustainability in procurement [here](#).

2. TRANSPORTATION (UNGC 10)

Most of the raw materials for tyres are transported by sea to large ports in Europe – Hamburg and Rotterdam – from where they are shipped to Finland and Russia. Both of our factories use similar raw materials that come from the same sources. This allows us to ensure the quality of our tyres regardless of the site of manufacture: we market our tyres everywhere in the world, and we can only guarantee the same high level of quality to consumers anywhere in the world through consistency in terms of the raw materials and manufacturing methods.

3. SUBCONTRACTORS (UNGC 1, 3, 8, 10)

We work globally with several subcontractors in various fields, such as construction, security, cleaning, data administration, maintenance and logistics. Especially our factories in Nokia and Vsevolozhsk are frequented by dozens of subcontractors. All of our subcontractors agree to comply with our sustainability policy and ethical principles. Furthermore, before subcontractors' employees are allowed to start working in our factories, they must pass induction training on safe working practices. We compare and select our subcontractors carefully. Close partnership with our subcontractors ensures strong relationships that benefit everyone.

4. GROUP FUNCTIONS (UNGC 1, 3, 6, 7, 8, 9)

We produce tyres in two locations: Nokia, Finland and Vsevolozhsk, Russia. In addition, we have sales companies in our key markets, such as the Nordic countries, Central Europe and North America. Every day, our more than 4,600 employees contribute to our continuous development efforts with their competence and ideas according to the Hakkapeliitta Way, our way of doing business.

5. SOCIETY

Our impact is directly seen in our factory locations of Nokia and Vsevolozhsk. There, we are locally a significant job creator and a permanent part of the surrounding community: in Nokia, we offer work practice and thesis opportunities, and the Hakkapeliitta Village is a concrete example of our impact in Vsevolozhsk. The financial stream in the report illustrates Nokian Tyres' economic impact. Our purchases, salaries and taxes as well as the dividends to shareholders contribute to well-being throughout the world.

6. TRANSPORTATION

The requirements of the car market and expansion of the Vianor chain have led us to change our tyre logistics and consumer insight. We used to deliver tyres to large wholesalers but, nowadays, distribution is divided more so into smaller product lots and smaller warehouses. As the number of individual transport operations grows, logistics planning becomes increasingly important.

7. DEALERS (UNGC 10)

Nokian Tyres' products are sold globally via our branded distribution network as well as through car dealerships and tyre stores. Our branded distribution network covers the Vianor and

Vianor Partner chains, Nokian Tyres Authorized Dealers (NAD) network and the N-Tyre network. By the end of 2017, the Vianor network included a total of 1,466 service centers, with 194 of them owned by Nokian Tyres and 1,272 operated by Partners. The Vianor chains operate in 26 countries. Vianor is building a foundation for the permanent market share of the group's products and it spearheads the group's growth along with our Nokian Tyres Authorized Dealers (NAD) partner network. The business model drives entrepreneurship and affects society in all areas.

8. CONSUMERS

Consumers – the users of our tyres – are the most important link in our value chain. The purpose of the safety, premium quality and unique innovations of our tyres is to ensure consumers trouble-free and safe trips under all conditions. More than 85% of a tyre's carbon footprint is generated during its use, which means that our product development efforts for improving the tyres' safety and reducing their environmental impacts are measured during their use by consumers.

9. RECYCLING

A part of recycled tyres is utilised for their material; they are shredded or granulated to replace rock materials in various road construction and civil engineering applications. Rubber chips are light, insulate moisture and maintain their form. They support the road surface and make asphalt quieter. The flexible properties of rubber are put to use once more when it is reused as a base material for sports venues, including horse riding arenas.

Retreading is one of the best recycling methods. If the carcass of a tyre is undamaged, it can be retreaded – bus and truck tyres can be retreaded up to two or even four times.

Another way to utilise recycled tyres is to combust them for energy, as the heating value of tyres is close to that of oil. The use of recycled tyres as an energy source has been growing for years and, today, approximately half of the tyres recycled in Europe are used in waste-to-energy applications. We are constantly looking for new ways to recycle and utilise tyres.

GOOD INTERACTION WITH STAKEHOLDERS

Today, with sustainability still developing in civil society and social media enabling immediate feedback and public discussion, stakeholder engagement is more important than ever. Stakeholder engagement is part of our business, and it is guided by our internal instructions on stakeholder engagement as well as our ethical guidelines. Business unit managers, Communication department and, ultimately, the President and CEO are responsible for managing stakeholder engagement.

Our stakeholder engagement follows the principle of openness and the special requirements for public companies. We aim to address the expectations of all stakeholders, in particular concerning sustainability. We do understand, however, that different stakeholder groups may have conflicting requests, especially for corporate social responsibility.

During the reporting period, we used the stakeholder study carried out by key persons in 2015 and the stakeholder survey about the material aspects. The table below shows the survey results with the topics prioritised by stakeholder group. We have used the results for improving our sustainability efforts and defining our material sustainability topics. Read more about the materiality analysis here.

Better reporting on the results of stakeholder engagement is part of our sustainability topic “Transparent and comprehensive reporting”, with the objective of even more open and comprehensive interaction with our stakeholders.

Stakeholder group	Stakeholder expectations in the order of importance	Company measures
Customers	<ul style="list-style-type: none"> • Customer satisfaction • Product safety • Developing innovative and eco-friendlier products • Professional development of employees, employee satisfaction and motivation 	<ul style="list-style-type: none"> • We constantly develop new, safe, state-of-the-art products • We provide personal service and communicate openly • Our products offer good value for money • Our experienced points of contact provide excellent service

Consumers	<ul style="list-style-type: none"> • Customer satisfaction • Product safety • Business ethics and compliance with the laws and regulations • Developing innovative and eco-friendlier products • High level of occupational health and safety in all operations 	<ul style="list-style-type: none"> • We constantly develop new, safe, state-of-the-art products • We provide excellent service and communicate openly • Our products offer good value for money • We continuously offer new services and programmes, such as the Hakka Guarantee and Aramid Guarantee
Shareholders, investors and financing	<ul style="list-style-type: none"> • Profitable growth and a good profit level • Transparent and comprehensive reporting • Business ethics and compliance with the laws and regulations • Systematic business risk management, including sustainability • Product safety 	<ul style="list-style-type: none"> • We pay out a minimum of 35% of our net profit as dividends • We serve investors according to our promises • We manage our risks and follow our procedures • We conduct business in a reliable and sustainable way
Personnel	<ul style="list-style-type: none"> • Customer satisfaction • Employee satisfaction and motivation • High level of occupational health and safety in all operations • Product safety • Business ethics and compliance with the laws and regulations 	<ul style="list-style-type: none"> • We promote the well-being of our personnel by providing a safe working environment that motivates them • We commit our personnel to operational planning • We develop the personal competence of our personnel • We respect the cultures and values of individuals and groups and promote equal treatment • We regularly develop our leadership and supervisor work

Subcontractors and suppliers	<ul style="list-style-type: none"> • Business ethics and compliance with the laws and regulations • Customer satisfaction • High level of occupational health and safety in all operations • Employee satisfaction and motivation • Responsible purchasing of raw materials, goods and services 	<ul style="list-style-type: none"> • We offer strong, long-term partnerships • We conduct business in a reliable and sustainable way • We contribute to ensuring a safe working environment for subcontractors in our units
Authorities	<ul style="list-style-type: none"> • Business ethics and compliance with the laws and regulations • High level of occupational health and safety in all operations • Product safety • Responsible purchasing of raw materials, goods and services • Reducing greenhouse gas emissions in transport and production 	<ul style="list-style-type: none"> • We comply with the laws and regulations • We maintain active, regular and open communication and reporting • We support decision making
Non-governmental organisations	<ul style="list-style-type: none"> • Business ethics and compliance with the laws and regulations • High level of occupational health and safety in all operations • Responsible purchasing of raw materials, goods and services • Reducing greenhouse gas emissions in transport and production • Product safety 	<ul style="list-style-type: none"> • We communicate openly and actively • We provide up-to-date information on corporate social responsibility on our website

Universities and research institutes	<ul style="list-style-type: none"> • High level of occupational health and safety in all operations • Business ethics and compliance with the laws and regulations • Product safety • Preserving and promoting biodiversity at the production sites • Reducing waste volumes in tyre production 	<ul style="list-style-type: none"> • We offer strong, long-term partnerships • We offer students trainee positions, thesis collaboration and expert knowledge
Media	<ul style="list-style-type: none"> • Product safety • Developing innovative and eco-friendlier products • Business ethics and compliance with the laws and regulations • Customer satisfaction • Employee satisfaction and motivation 	<ul style="list-style-type: none"> • We communicate openly and actively • Our experts are available for comments on road safety and our products
Neighbours	<ul style="list-style-type: none"> • Business ethics and compliance with the laws and regulations • Transparent and comprehensive reporting • Reducing waste volumes in tyre production • Human rights in Nokian Tyres' business operations • Responsible purchasing of raw materials, goods and services 	<ul style="list-style-type: none"> • We are a good employer and neighbour • We communicate openly and actively • We support local communities • We follow our procedures and ensure good risk management

SUSTAINABILITY IN PROCUREMENT

FROM RAW MATERIALS TO PREMIUM TYRES

The long and complex journey from raw materials to finished premium tyres involves the effort and quality assurance of thousands of professionals. It is, therefore, justified to say that all of our personnel are linked to product responsibility.

The work of Nokian Tyres' own procurement unit is guided by the internal purchasing policy, which establishes the general principles of sustainable procurement. As a participant in the UN Global Compact initiative, we follow the UNGC's ethical principles as well as our own, which also address the issues of responsibility in the supply chain.

Furthermore, we require all of our raw material suppliers to adhere to our Supplier Code of Conduct. In May 2017, we updated the Supplier Code of Conduct to include environmental aspects and revised the existing content. Our new Ethics Guidelines have been submitted to our raw material suppliers for approval, and the process will continue in 2018.

All raw material suppliers must, at a minimum, have an ISO 9001-certified quality management system in place. We also prefer suppliers with an ISO 14001-certified environmental management system. In 2017, 71% of our raw material suppliers had the ISO 14001 certification.

EXTERNAL AUDITS HELP PARTNERS IMPROVE THEIR SUSTAINABILITY

One of the basic raw materials of tyres is natural rubber. As an agricultural product, it is the livelihood of many families living in countries where the local legislation and working conditions have not been fully developed. We only purchase natural rubber from processors approved by Nokian Tyres. We supervise their activities through audits, among other things.

In recent years, Nokian Tyres has participated in the Sustainable Natural Rubber Initiative (SNR-i, IRSG), which promotes sustainable development throughout the supply chain of natural rubber and commits everyone in the supply chain to mutual goals. Despite the good principles behind the initiative, the development has not fully met our company's expectations. We will, however, continue to support the initiative in the coming fiscal period.

In order to improve supply chain sustainability, we started a partnership with an external auditor in 2016. Our separate sustainability auditing process has been developed together with a consulting company and it is based, among other things, on Nokian Tyres' Supplier Code of Conduct and principles that comply with the UN Global Compact goals.

We have set a goal to audit all of our major rubber processor partners by 2020, comprising at least 80% of our natural rubber purchasing volume. The audits enable the processor companies to improve their occupational safety and develop their operations further. In 2017, we audited four locations and initiated corrective

programmes to address the shortcomings identified in the process. Among other things, the programmes include providing first aid training and revising employment contracts as well as the repair and cleaning of accommodation facilities. We will review the implementation of the corrective actions in 2018.

We intend to conduct at least four new audits in 2018.

SELF-ASSESSMENTS AND QUALITY AUDITS FOCUS THE ATTENTION ON OCCUPATIONAL SAFETY, QUALITY AND HUMAN RIGHTS

In addition to the audits by external parties, we track the sustainability of our raw material suppliers in connection with quality audits by our in-house personnel and raw material suppliers' self-assessments. During the quality

audits, we review the supplier's production and evaluate the company's quality management system. The audits specifically focus on the quality of the activities and raw materials. Our goal is to have quality audits performed at 15 suppliers per year, at a minimum. Furthermore, our purchasing personnel conduct smaller-scale supplier visits that include an assessment of the working conditions, among other things.

We sent out a self-assessment survey to all material suppliers in 2017. 85% of the suppliers responded. The supplier self-assessments discuss sustainability topics important to Nokian Tyres, including human rights and occupational safety. The assessments also seek to determine whether the supplier has set targets for developing their operations, the progress of the goals is tracked and they are supervising their own suppliers' activities. This work will continue in 2018.

THE PRINCIPLES AND GOALS OF SUSTAINABLE DEVELOPMENT FACILITATE THE WORK ON CORPORATE SUSTAINABILITY

In late 2015, we joined the United Nations Global Compact (UNGC) initiative as a supporting member. The initiative's principles on human and labour rights, environmental protection and anti-corruption measures help us further improve the sustainability of our business and evaluate our activities annually.

In 2017, we also determined which of the UN's sustainable development goals (SDGs) are important for our company. The SDGs enable us to examine sustainable business in the long term and on the international scale.

Our company's commitment to international sustainable development goals helps us improve our corporate sustainability and support sustainable development globally.

COMMUNICATION ON PROGRESS REPORT FOR 2017

With the Communication on Progress (COP) report, we communicate how the Global Compact principles have been joined with the group's business. We have integrated the COP report in the annual Corporate Sustainability Report in line with the GRI and UNGC instructions*. We estimate that this COP report meets the requirements of the "GC Active" level.

In the message from the President & CEO, you can read more about the importance of the UNGC principles and our commitment to their continuous development and integration with our business.

Based on a materiality analysis, we have specified our company's special sustainability aspects. These aspects determine the sustainability management descriptions that are presented in the report. Two of them, descriptions of the management systems for the personnel and environment, cover the Labour and Environment themes of the GC principles. Our company does not have management descriptions that specifically focus on human rights and anti-corruption activities. Rather, these topics are included in Nokian Tyres' Ethics Guidelines, which state that our company does not approve of any type of corruption, such as giving or receiving bribes, blackmail or abuse of a public office. Here you can learn more about our Ethics Guidelines and the management systems that guide them.

KEY CHANGES IN 2017 TO THE MANAGEMENT SYSTEMS THAT GUIDE THE GLOBAL COMPACT PRINCIPLES

As our most important management improvement in 2017, we started our work on a human rights impact assessment across our

group, which continues in 2018. We updated the Ethics Guidelines for Nokian Tyres Group in spring 2017. This year, we also revised our environmental policy and renamed it the Environmental, Safety and Quality Policy.

In order to improve supply chain sustainability, we started a partnership with an external auditor in 2016. Our separate sustainability auditing process has been developed together with an expert company and it is based, among other things, on Nokian Tyres' Supplier Code of Conduct and principles that comply with the UN Global Compact goals.

We have set a goal to audit all of our major rubber processor partners by 2020, comprising at least 80% of our natural rubber purchasing volume. Audits support and facilitate the companies' improvement of occupational safety and the development of activities. In 2017, we audited four areas and initiated corrective programmes to address the shortcomings identified in the process. This includes first aid training and the revision of employment contracts as well as the repair and cleaning of accommodation facilities. We will review the implementation of the corrective actions in 2018.

We intend to conduct at least four new audits in 2018.

In Russia, we have actively participated in discussions for improving tyre recycling. Together with some other major tyre manufacturers, we established the Eco tyre association that manages tyre recycling for actors in the tyre industry. The association started its activities in 2017.

COP AND NOKIAN TYRES' GRI REPORTING

In the report, the GC principles are combined with our materiality analysis and value chain. This enables using the GRI Standards reporting

indicators for tracking the completion of the GC principles and highlighting the areas in our business where the principles have the largest impact. The GRI Standards table presents the indicators that also track our progress with the GC principles. You can read more about the materiality analysis here and about our value chain here.

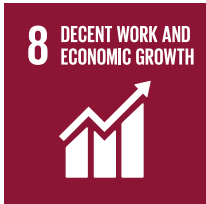
* Making the Connection: Using the GRI G4 Guidelines to Communicate Progress on the UN Global Compact Principles. When preparing this report, no procedures combining the GRI Standards framework with COP reporting were available. Therefore, this report utilises the previous year's GRI G4/COP instructions.

SUSTAINABLE DEVELOPMENT GOALS PROVIDE A LONG-TERM PERSPECTIVE

In 2016, the United Nations published 17 Sustainable Development Goals (SDGs) for 2030. The goals provide an opportunity to examine sustainable business in the long term.

In 2017, we started a process for determining which SDGs are important for Nokian Tyres. The purpose of this work is to identify future sustainable business opportunities and improve the dialogue with stakeholders by offering a common language based on which our corporate sustainability can be evaluated on the international scale.

Our own process is just beginning, but we have so far selected seven SDGs whose completion we believe we can facilitate through our own activities. We can influence the first five goals on the list the most and are still in the process of evaluating our impact on the remaining two goals.

3 Good health and well-being**5 Gender equality****8 Decent work and economic growth****12 Responsible consumption****13 Climate action****9 Sustainable industry, innovation and infrastructure****11 Sustainable cities and communities**

We have not yet linked the goals to individual GRI Standards disclosures in this report. However, the main disclosures that the selected SDGs are related to are marked with the UN SDG logos and included in the GRI comparison table. The work for implementing the goals in Nokian Tyres' business continues in 2018.

For more information about the UN Sustainable Development Goals and their implementation in business activities, please visit <https://sdgcompass.org/>.

WORLD ON WHEELS



MANAGEMENT OF PRODUCT ADVANCEMENTS, PRODUCT SAFETY AND PRODUCT LIABILITY

As a tyre manufacturer, we are responsible for the safety of our products. Product safety and liability, therefore, comprises a significant part of our corporate social responsibility.



INNOVATION IMPROVES SAFETY AND ECO-FRIENDLINESS

We design tyres for challenging conditions where drivers demand safety, durability and comfort at all times.



YOUR TYRE CHOICE MATTERS

We participate in improving road safety, eco-friendliness and other aspects related to tyres and educating people.

MANAGEMENT OF PRODUCT ADVANCEMENTS, PRODUCT SAFETY AND PRODUCT LIABILITY



As a tyre manufacturer, we must ensure that the tyres that we develop, produce and market are verifiably safe to use and that they meet the quality requirements as well as the expectations of our customers and end users. Our product development is guided by the principle of sustainable safety: the safe characteristics of a tyre must remain virtually unchanged throughout the tyre's life cycle.

We are committed to continuous improvement: our goal is to develop and manufacture the safest, highest-quality and most eco-friendly tyres in the world. In practice, this means that the new products that we launch always have better properties than the previous models, and we have developed advanced solutions for our products, for instance in terms of rolling resistance (fuel consumption, CO2 emissions) or soil compaction in agriculture and forestry.

We ensure the technical quality of our products by testing and studying each raw material used in tyre manufacture and by continuously improving our rubber compounds. Moreover, we are actively looking for and testing renewable raw materials.

Product responsibility is connected with everything that we do, including product safety, quality and compliance. Responsibility covers our processes from research and product

development to testing, production and procurement & purchasing as well as all the stages and functions of our supply chain. Our product responsibility also includes product marketing and communication to consumers.

Management of product advancements, product safety and product liability covers the following material topics:

- Product safety
- Rolling resistance of tyres
- Developing innovative and eco-friendlier products

For more information about the effects of the topics on the Nokian Tyres value chain and their scope, see the materiality analysis.

Management of product advancements, product safety and product liability is guided by the following principles, operating models and policies:

- Our leadership and product development are guided by our ethical guidelines, the Environmental, Safety and Quality Policy and testing policies. We also comply with several requirements concerning noise, studs, chemicals, testing and tyre markings, among other things. Learn more about this topic under Sustainability management.

- *The basic principles of quality in our supply chain are following best practices based on the UNECE and EU regulations, efficiency and functionality of processes, safety and consistency of products as well as delivery reliability. Our research and development functions comply with the legislation that guides our industry, regulations and instructions by the authorities and the principles described in our ethical guidelines. Our activities are supervised by the authorities in various countries. Everything that we do is guided by the legal and regulatory requirements whose primary purpose is to ensure road safety.*
- *Our activities in various functions are directed by work instructions and operating models, which apply to processes and work stages as well as individual tasks. Individual employees, supervisors, unit managers and top management are all responsible for our activities. We revise our instructions, as necessary.*
- *Product responsibility is connected to unit-specific and personal performance targets. Unit-specific targets are tracked in real time, whereas personal targets are discussed annually during People Reviews.*

Our product development is also guided by the following policies, procedures and regulations:

Tyre/vehicle safety (e.g. Uniform, the Stud Decree and noise)

- *UN/ECE E regulations 30, 54, 106, 109 and 117*
- *EC/661/2009; General Safety Regulation*
- *TP TC 018/2011; Technical regulation on the safety of wheeled vehicles*
- *Decree 408/2003 as amended by Decree 466/2009; Stud Decree*
- *U.S. DOT NHTSA Standards 571.119, 571.139, 575.104*
- *CCC Chinese Compulsory Certification*
- *GSO Standards 50, 51, 52, 1783, 1784*

Tyre labels

- *EC/1222/2009; European Tyre Labelling Regulation*
- *GSO Tyre Labelling Regulation*
- *SASO 2857-2015; Tyre Labelling*

Chemicals Decree

- *EC/1907/2006; REACH Directive*

Product testing

- *ISO 17025 accreditation*
- *Agreement on production consistency with EU Directive 2007/46/EC and the UN/ECE 1958 Agreement*

PRODUCT DEVELOPMENT ORGANISATION

As of the beginning of 2018, we moved the product management and product development functions under the new Products and Technologies unit, whose aim is to drive growth by offering competitive products in all of our key markets. The unit facilitates closer collaboration between the functions and brings the innovations and product development closer to consumers. In the future, our tyre product development will be able to respond to specific local requirements even better. Our aim is to ensure our position as an innovation leader in terms of both products and solutions. The head of the unit is a member of the company's management team and reports directly to the President & CEO.

The product development organisation comprises three key functions and their support departments:

- Materials development focuses on tyres and retreading materials. New raw materials and innovations are developed through research projects, often in collaboration with raw material suppliers.
- Structural design focuses on the different tyre components that affect, among others, handling, tyre noise and rolling resistance. Reducing rolling resistance is one of our key goals in product development.
- Tread model design creates the tread models for new tyres. The tread model affects the tyre's aquaplaning properties, grip and handling, for example.

These three functions are supported by the testing department and tyre technology department, among others.

- The testing department first tests the high-speed durability, wear durability and rolling resistance of tyres in laboratory conditions. Only the best tyres pass through to track testing under actual conditions. Our test drivers test the selected tyres several times over in order to gain as much information as possible about their performance.
- The tyre technology department tests new ideas for tyres, provides feedback to the product development departments and takes new products to production.

The work related to product responsibility is also carried out by cross-organisational working groups, which enable us to ensure extensive competence at the development of a tyre as well as during commercial production.

KEY MEASURES IN 2017

Our product range reflects renewed characteristics and advancements. Every product that we launched in 2017 has some innovation that improves safety. We set the targets for safety features, such as wet and ice grip, already at the concept stage.

In 2017, we introduced the Nokian Hakkapeliitta 9 and Nokian Hakkapeliitta 9 SUV winter tyres with new double stud design. According to tests, the tyres' all ice grip and winter grip properties have improved compared to our previous products. For the summer season, we released the Nokian Hakka Blue 2 and Hakka Black 2 SUV summer tyres, which complement the comprehensive Hakka summer tyre range. The new tyres deliver a balanced and precise road contact thanks to their new generation tread pattern, multi-layered structure and rubber compound that ensures grip under varying conditions.

We also published our plans to support the local university's pilot project in connection with our upcoming Spanish testing centre. The project is among the first in Europe to study growing guayule, which is intended as a replacement for natural rubber.

GOAL-ORIENTED WORK

We improve the safety of our products through continuous product development and testing. We invest in our innovation process because we not only want to improve road safety but also maintain our position as a manufacturer of premium tyres and technical pioneer under all conditions.

We also work tirelessly for better eco-friendliness through lowering our tyres' rolling resistance. Our goal is that each new product generation will have a lower rolling resistance compared to the previous one.

In 2015, we set a goal for 2020 to reduce the rolling resistance of our product range by 7% compared to the 2013 baseline, thereby creating a decrease of 500 million kg in CO2 emissions from traffic. We reached this goal clearly ahead

of schedule. The proportion of tyres that reduce fuel consumption through ultra-low rolling resistance was nearly 90% in 2017 (87% in 2016), which translates to an annual decrease of approximately 100 million kg in CO2 emissions.

We have a continuous strategic goal that product models launched no earlier than two years ago account for approximately 30% of our yearly tyre sales. By refreshing our product ranges regularly, we ensure that we offer tyres that meet the individual needs of each market.

PROCEDURE IN CASE OF A FAULT

We employ a quality management system for tracking our products over their entire life cycle and ensuring that all tyre lots that are cleared for sale comply with the applicable decrees and regulations. We systematically track product quality and our quality assurance results and swiftly take the necessary measures for ensuring safety.

Our group has not had any major product recalls in more than 17 years. Furthermore, Nokian Tyres has not been involved in any legal proceedings regarding product liability.

Our systems enable us to initiate a tyre recall process and communicate quickly and accurately. The procedure for taking tyres off the market is specified in our quality instructions and internal instructions, which cover both customer complaints and dangers caused to customers. The essential instructions apply to handling customer complaints, limitation of sale and recalling a sales batch. We have the capability to recall the products from the wholesale and retail level or, in addition, from end consumers and to immediately report all such events to the authorities in all countries where the affected tyres are being sold. Our

instructions also cover country-specific guidelines, such as the reporting required by the NHTSA in the United States. All group personnel are instructed to report any quality deviations that they become aware of.

We follow the EU product safety database, which records recall events in the industry. The data helps us anticipate the likelihood of similar risks in our own processes.

TRACKING RESPONSIBILITY – FROM RAW MATERIALS TO PREMIUM TYRES

The long and complex journey from raw materials to finished premium tyres involves the effort and quality assurance of thousands of professionals. It is, therefore, justified to say that all of our personnel are linked to product responsibility, which starts from raw material purchasing.

The work of our procurement department is guided by the internal purchasing policy, which provides an overview of sustainable procurement. Based on our ethical guidelines, we have prepared the Supplier Code of Conduct. Among other things, the document addresses working conditions, human rights and environmental protection. Suppliers of natural rubber are a special target group of our procurement. Read more about our procurement.

All raw materials that we use in production go through an approval process. We also use process controls during production for ensuring the quality of tyres. Each finished tyre passes through the production quality control, which includes the tyre's force variation, out-of-round and run-on measurement as well as visual

inspection. When we release a new product for dispatch, we use our internal quality requirements that are in some ways stricter than the authorities' requirements, for ensuring compliance.

Safety is connected to understanding and managing the risks related to tyres. We track the safety of our tyres throughout the product life cycle. During product development, our tyres go through wear and performance testing, for example. We wear tyres completely out in order to understand their wear and any changes in characteristics.

The assessments and measures are carried out by specialised and trained experts. Our activities are based on our procedures in line with our quality management system and the requirements by the authorities. We agree with the authorities on any measures that we take.

Our product responsibility continues until the tyres are recycled for material. If tyres are not appropriately recycled, they will end up in the environment or pile up in garages.

In Europe, tyre manufacturers have arranged for tyre recycling as a joint effort. In Finland, nearly 100% of all tyres are recycled, whereas in Europe the figure is approximately 95%. In Russia, the recycling rate of tyres has been quite low. We have actively participated in the discussions for driving recycling. The discussions led to the completion of relevant legislation in 2015: The target for 2016 was to recycle at least 15% of the sales volume in Russia and, in 2017, 20% of the sales volume. Together with other large manufacturers, Nokian Tyres has established a recycling association in Russia for tyre companies. In 2017, a tyre recycling system was put to use for the collection and utilisation of end-of-life tyres. One future challenge is the lack of tyre recycling stations in Russia.

AUDITS ENSURE THE QUALITY OF OPERATIONS

Our company's operations are annually audited by our customers, car manufacturers and the parties behind various standards. In connection with the permit procedure, regulatory authorities have verified that we have the necessary prerequisites for conducting business and that the tyres we put on the market meet the applicable requirements.

The national regulatory authorities on tyres and authorities regulating methods and equipment carry out periodic inspections in order to supervise and evaluate Nokian Tyres' research and work on ensuring the quality and safety of our tyres. Furthermore, we use internal controls for ensuring the high quality and compliance of our operations. We systematically conduct internal audits and management reviews and continuously improve our procedures.

Our ability to comply with the regulations and take care of our contractual obligations is also evaluated each year by our customers and partners. Their own audits verify whether our tyre manufacturing processes and R&D functions are appropriate.

In 2017, FINAS (Finnish Accreditation Service) conducted accreditation audits to Nokian Tyres' test laboratories. The annual audit ensures that we can conduct part of the regulatory testing based on which the relevant national authority issues type approvals. Part of regulatory testing is ordered from external, accredited laboratories. In the past year, we also carried out audits at our factories, for instance in connection with our quality and environmental management system and the Chinese export permit.

Our internal audits focused on product safety. This was done in preparation for the new version of the automotive industry's IATF 16 949 quality

management system, which includes product safety. The internal audits reviewed the entire manufacturing process and identified the risks and the required measures. The possibility of materials mixing up was identified as the most significant risk to product quality. To address this, we implemented a system that prevents the possibility of human error in choices of materials. We also created a new product safety procedure that covers manufacturing in both of our factories. In the future, our factories will have appointed people responsible for product safety.

In addition to our own activities, we supervise the quality of operations and compliance concerning our subcontractors, suppliers and partners. Besides to assessments based on written surveys, we also carry out our own audit visits in order to ensure that the other parties involved in the production and the development

of tyre components also meet the prerequisites and the obligations set in partner agreements. We follow up on and supervise the implementation of any necessary corrective actions.

CUSTOMER SATISFACTION DRIVES OUR DEVELOPMENT

We track customer satisfaction through customer surveys, market insight and sales statistics. Their trends provide us with information on customer satisfaction in relation to the competitive situation. We also utilise industry reports by independent research organisations. Our customer and market segment surveys provide guidelines for setting strategic goals and developing our operations. Read more about the development of customer satisfaction.

ENVIRONMENTAL AND SAFETY GOALS GUIDE OUR INNOVATIONS

Our tyres are designed for drivers who demand safety, durability and comfort under all conditions. The principle of sustainable safety in our product development includes a promise of developing eco-friendly products and production technologies. The development process of a new tyre takes 2 to 4 years.

Consumers' tyre choice should be based on the tyre's suitability for their use scenario and driving style. For example, a contractor who operates heavy machinery requires a different type of tyre than someone who drives a passenger car. In line with our global product policy, we offer tailored products and precision innovations for various circumstances and markets.

Key measures in 2017:

- In 2017, Nordic winter tyres that deliver high ice grip amounted to 53% of our entire winter tyre range (73% in 2016).
- The proportion of tyres that reduce fuel consumption through ultra-low rolling resistance was 90% (compared to 87% in 2016).
- Of our summer tyre products, 100% were in the very high wet grip category. (99.5% in 2016).
- Our premium tyres with low rolling resistance and high wet grip correspond to categories A, B and C of the EU tyre label. The share of ABC tyres was 68%.
- We reduced rolling resistance by 7% from 2013 to 2017.

RIGOROUS STANDARDS GUIDE OUR DEVELOPMENT EFFORTS

Before tyres are delivered from our production to customers, they undergo several tests depending on the market, which examine the tyre's behaviour in a range of conditions as well as its durability and eco-friendliness. On average, a winter tyre goes through 20 approval tests conducted by the authorities or their appointed accredited research laboratories.

Communities, regions (such as the EU) and organisations (such as the UN) have all specified standards that a tyre must meet before entering the market. Our large markets – the Nordic countries, Central Europe, Russia and the United States – use a total of 28 tyre tests that examine the properties of finished products and their behaviour under various conditions. In addition to this, some regions subject tyres to their own additional tests, mostly concerning safety.

Each testing organisation uses its own testing practices. Most tests must be carried out by an accredited testing laboratory. The EU and UN tests, for example, may only be performed by a research laboratory which is audited and appointed by the national approval authority and which has received international accreditation in compliance with ISO 17025.

The high quality and compliance of tyres are tracked and monitored through testing. There are up to 300 different laboratory and driving tests that can be performed on a tyre at the

product development stage. Before a new product can enter the market, it has to comply with several national and international standards and pass tests by independent parties.

As has happened several times before, the requirements concerning the eco-friendliness and safety of tyres were tightened in 2017. New developments occur at a different pace in different regions and, as a result, we are constantly subject to new requirements and changes.

In the past year, for example, we prepared for the 2018 wet grip requirement in the European market, which applies to all van and light truck tyres on the market. We also anticipated the stricter rolling resistance limits for passenger car, van and light truck tyres, which will become effective in 2018. The upcoming change applies to all tyres on the market.

In the Nordic countries, Norway harmonised its studded tyre legislation in 2017 to match the Finnish and Swedish legislation. Therefore, the Nordic countries now have consistent requirements for studded tyres.

RAW MATERIALS ENTER PRODUCTION THROUGH THE LABORATORY

In addition to rubber compounds, we use steel, textiles and other reinforcing materials in tyre production. Rubber compounds contain natural rubber, synthetic rubber, oils and fillers, such as carbon black and silica as well as sulfur and various chemicals. A tyre typically contains 50% polymers, 30% fillers and 20% reinforcing materials, softeners and chemicals.

In our production, we only use raw materials that have been approved by our laboratory. Before raw material batches can be used in rubber compounds, they must wait until our laboratory clears them for production. Read more about our raw material procurement.

NEW STEPS TOWARDS RENEWABLE RAW MATERIALS AND MATERIAL EFFICIENCY

The principle of sustainable safety in our product development includes a promise of developing eco-friendly products and production technologies. In line with our strategy, we actively look for and test renewable raw materials. Our aim is to find bio-based raw materials for various raw material groups, create eco-friendlier tyres and replace fossil raw materials. We will also reduce the use of harmful substances, thereby improving occupational safety in production. Renewable raw materials are also used for improving tyres' properties and performance.

We have carried out extensive work on renewable raw materials because the use of new raw materials requires a great deal of product development efforts and testing in order to find the best combination of properties for a tyre. In materials development, the outset is that the introduction of renewable materials must not alter a tyre's product or safety characteristics.

We have made the furthest progress in the use of renewable raw materials with bio-based oils. They are used in order to replace synthetic oils that are based on crude oil. The new winter tyres that we launched in 2017 use a rubber compound with a bio-based softener that improves the tyres' safety characteristics. A similar bio-based softener is also used in the new products for 2018.

For 2018's new products, we have also developed new kinds of grip particles, whose

raw material comes from a secondary flow in bioindustry. In addition to delivering better safety characteristics for tyres, the grip particles improve material circulation in society. We conduct forward-looking research in order to investigate the use of recycled rubber sourced from used tyres as a replacement for fossil carbon black.

The use of renewable raw materials has not required us to change our production processes or had any significant effects on the energy consumption in production. However, renewable raw materials often increase the raw material costs of tyres.

GUAYULE PROJECT NEAR OUR TESTING AND TECHNOLOGY CENTRE TO EMPLOY FARMERS AND FIND A REPLACEMENT FOR NATURAL RUBBER



We are constructing a new testing and technology centre in Santa Cruz de la Zarza, Spain, which is located south of Madrid. In particular, the centre will be used for testing summer tyres with a high speed rating as well as winter tyres. The research and development initiatives in the area will explore the use of the guayule plant as a replacement for natural rubber.

The EU has included natural rubber on the list of critical raw materials and encourages member states to secure its production. We participate in this effort by sponsoring a project by local farmers in Santa Cruz de la Zarza that tests growing guayule. Guayule can replace natural rubber in tyre manufacture.

Guayule is an opportunity not only for Nokian Tyres but also for the local agriculture and industry.

27 different species of guayule that can withstand drought, cold and heat are cultivated in a half-hectare area. For the local farmers, the new crop, which can survive in harsh conditions, is a suitable alternative for the unprofitable cereal farming. The cultivation of guayule will also develop local seedling production and the use of biomass by industry, improve logistics and create parallel industries.

The technology centre is scheduled to be complete by 2020. The centre employs 200 people at the construction stage and some 40 employees after it is finished. Furthermore, it has a significant indirect employment impact in the transportation, service and logistics industries. The potential environmental impacts at the construction stage are minimised, among other things, by taking the nesting of birds into consideration, planting trees and landscaping the area.

THE LOWER THE ROLLING RESISTANCE, THE LOWER THE FUEL CONSUMPTION

Rolling resistance means the energy consumed by the deformation during the road contact of the tyre. Rolling resistance may vary greatly between different tyres: tyres with low rolling resistance may save more than 0.6 litres of fuel per 100 kilometres and reduce CO₂ emissions by 14 g/km.

The tyre's deformation and the amount of energy it requires can be influenced with structural and material choices in tyre design. Examples of factors that affect energy consumption include the temperature of the tyre, inflation pressure, wheel load and tyre wear as well as drag and turbulence due to the driving speed.

Improving the fuel economy of tyres is one of our most significant product development targets in the near future. Through determined and long-term product development, we have managed to reduce the rolling resistance of our new tyres even further. We have achieved this by improving the tread patterns and tread compounds, among other things.

Rolling resistance is expressed with a rolling resistance coefficient: the greater the coefficient, the heavier the tyre rolls. At the moment, class C is the most common fuel economy rating for Nokian Tyres' passenger car tyres according to the EU tyre label. Class B is the second most common class. The EU tyre label reports fuel efficiency on a scale from A to G. A difference of approximately 40% in rolling resistance results, on average, in a difference of 5–6% in fuel consumption. Such a difference may occur, for example, between tyres with a class A and class F fuel efficiency rating, respectively. A wise choice of tyres and a careful driving style significantly reduce the CO₂ emissions from driving.

THE MOST SIGNIFICANT PRODUCT INNOVATIONS IN 2017

In product development, our goal is that the new tyres that we bring to the market always have better properties than the previous models. The tyres that we launched and developed in 2017 deliver better safety, eco-friendliness and precise handling. Innovations in material and tread pattern development improve safety. For better eco-friendliness, we have lowered the rolling resistance, thereby reducing fuel consumption. We also pay constant attention to ensuring that our studded winter tyres have minimal road wear.

We introduced new stud technology on the market



In early 2017, we launched the Nokian Hakkapeliitta 9 and Nokian Hakkapeliitta 9 SUV winter tyres that feature a new kind of stud technology. As a result of extensive product development, different types of studs in different parts of the tyre provide additional safety in various driving scenarios. This patented functional studding solution is unique on the market and it ensures both great longitudinal grip and unparalleled lateral grip when cornering under winter conditions. It also provides stable and comfortable bare-road handling.

We also launched the Nokian Nordman 7 and Nokian Nordman 7 SUV winter tyres that supplemented our winter tyre range aimed at different consumer groups.

The key markets for both product families are the Nordic countries, Russia and North America.

Nokian Hakka Black 2 and Hakka Black 2 SUV completed the Hakka summer tyre range



Our new summer tyres emphasise safety under varying Northern conditions.

The tyres feature a new generation rubber compound that improves wet grip and reduces the loss factor, thereby lowering the temperature. This reduces the rolling resistance and, in turn, fuel consumption. The tyres' surface structure enhances traction and braking grip. Product development also emphasised tyre durability and longer service life: the fibre used in the sidewalls is more resistant to impacts and cuts, and stone ejectors prevent the tyre tread from picking up sharp stones that could damage the carcass.

The key markets for the Nokian Hakka summer tyres are the Nordic countries and Russia.

Nokian Hakkapeliitta R3 and Nokian Hakkapeliitta R3 SUV



We launched the Nokian Hakkapeliitta R3 and R3 SUV non-studded winter tyres for passenger cars and SUVs in spring 2018. The key goal of product development has been improving the summer and winter characteristics of non-studded winter tyres.

The Nokian Hakkapeliitta R3 tyres feature innovations that significantly improve the safety characteristics compared to our previous products and similar competing tyres. For example, we have improved the properties by using a bio-based softener in the tread compound, which helps keep the compound elastic even in low temperatures. Bio-based grip particles work together with the rubber compound to improve the grip properties.

YOUR TYRE CHOICE MATTERS

Being a pioneer requires having expertise and sharing information. As a manufacturer of tyres that provide excellent safety and high quality, we must also carry our responsibility for improving road safety and eco-friendliness and educating people.

The use of fossil fuels, including gasoline and diesel fuel, accounts for the most of human carbon emissions. Carbon dioxide is the most significant greenhouse gas that is generated by traffic. When a tyre rolls against the road surface, the generated friction is called the rolling resistance. The higher the rolling resistance is, the higher the fuel consumption will be. The tyre, therefore, has a direct effect on fuel consumption and emissions from traffic. Fuel consumption during driving is the single most significant environmental impact over a tyre's service life.

A difference of approximately 40% in rolling resistance results, on average, in a difference of 5–6% in fuel consumption. Such a difference may occur, for example, between tyres with a class A and class F fuel efficiency rating, respectively. With the current fuel prices, a tyre with a more economical rolling resistance can save approximately €300 over its service life, i.e. a driving distance of 40,000 kilometres.

Everyone can influence our surroundings and the world by seemingly minor choices. Each year, we communicate about the appropriate driving style to the media and consumers in the Nordic countries and Central Europe. A wise choice of tyres and a careful driving style significantly reduce the CO₂ emissions from driving – and

save money. We also educate consumers to check their inflation pressure, which also contributes to fuel consumption. This is also something where safety goes hand in hand with eco-friendliness.

INFLUENCING THE INDUSTRY AND RAISING DISCUSSION

Nokian Tyres has been involved in furthering the tyre industry by participating in the work of relevant organisations and discussions in the industry.

For example, we have promoted the demand for an ice grip label in public discussion. In northern conditions, ice grip is the most important property for winter tyres. Currently, consumers in the market for new winter tyres do not have any means for comparing tyres in terms of ice grip, as the current markings only include a wet grip rating. Nokian Tyres has called for a mandatory ice grip label for winter tyres. The growth of online tyre sales, used car imports, increase in low-cost products and emergence of new tyre categories (All-Season and All-Weather tyres) make it more difficult for consumers to know what kind of ice grip their winter tyres provide. International tyre manufacturers have developed a test together for measuring the ice grip of winter tyres. The test is currently being standardised by the International Organization for Standardization (ISO).

In 2016, Nokian Tyres proposed consistent rules for magazine testing practices to ETRMA, the European Tyre & Rubber Manufacturers' association. We hoped that consistent rules

would make magazine testing practices more transparent. In 2017, the industry decided not to establish consistent rules for reasons independent of Nokian Tyres. We published our own Test Tyre Policy on our website.

LINKING THE WINTER TYRE REQUIREMENT TO ROAD CONDITIONS CAN COMPROMISE ROAD SAFETY



In 2017, the Technical Forum of the Finnish tyre industry commented on the draft Government proposal for the Road Traffic Act and some related acts. The Government proposal aims to change winter tyre regulations such that winter tyres are required depending on the road conditions rather than mandating their use in December, January and February. The Technical Forum has a critical opinion of the draft Government proposal due to road safety concerns.

In its statement, the Technical Forum found it positive that the draft Government proposal would make winter tyre requirements stricter in November and March if warranted by the road or weather conditions. However, the Forum suggested that the draft proposal be reconsidered where the winter tyre requirement is dependent on the road conditions in the winter period from December to the end of February.

Tyres are the major risk factor in terms of the driving properties of passenger cars and vans, and their significance is emphasised by demanding and rapidly changing road

conditions. Summer and winter tyres are designed to work in different temperature ranges, and they use different rubber compounds and tread patterns. Summer tyres perform the best in warm weather, whereas winter tyres perform the best in cold weather. According to various studies, the braking distance on ice with summer tyres may be more than double that of winter tyres.

Summer tyres do not perform properly in temperatures below approximately +5 °C. In such cold temperatures, the rubber compound of the summer tyre tread loses its elasticity, thereby degrading its grip properties on all surfaces. The colder the temperature is, the poorer the summer tyres' grip properties become. When the temperature gets close to zero, the tyre could be considered dangerous.

Linking the requirement to use winter tyres in December, January and February to road conditions may compromise road safety and traffic efficiency. The Forum found that, in this respect, the draft proposal has room for interpretation and includes several risk factors. There is a risk of an increasing number of people driving on summer tyres under winter conditions and taking irresponsible risks with summer tyres. While most drivers would likely act responsibly under winter conditions, the change may increase the number of risky drivers on summer tyres in the winter period. These risky drivers endanger the safety of others in addition to themselves.

THE AURORA INTELLIGENT ROAD PROJECT PAVES THE WAY FOR FUTURE ROAD SAFETY



Since late 2017, Nokian Tyres has participated in the Aurora programme, which is administered by the Finnish Transport Safety Agency. The multinational research project focuses on intelligent traffic: The intelligent road – a section of Main Road 21 in Muonio, Finland fitted with intelligent instrumentation – comprehensively serves the development of autonomous driving and transport, in

particular by utilising arctic conditions. The ultimate purpose of the Aurora project is to further the automation of road traffic and find new, intelligent solutions for the needs of future transportation.

Nokian Tyres is an expert in arctic conditions as well as tyre technologies. By participating in the Aurora project, we want to ensure that the resulting products and services are safe and meet the changing needs of transport and customers also in the future.

One of Nokian Tyres' research topics within Aurora is connectivity – how the vehicle, tyres and future roads communicate with each other. While AI is, in many respects, revolutionising transportation and driving, the tyres remain a vehicle's main point of contact with the road even in autonomous driving.

SNAPSKAN DRIVES ROAD SAFETY



The tread depth of a car's tyres is a safety factor that affects other road users in addition to the car's driver. The SnapSkan service, which we first launched in December 2016 and piloted more broadly in Finland during 2017, is a quick, easy and efficient way to check the tread depth. We also designed SnapSkan to notify the driver when it is time to replace the tyres.

The free SnapSkan service is used by driving the car over a 3D scanner, which can be located in a car park, for example. The system automatically creates a three-dimensional

model of the tread surface and calculates the tread depth of each tyre. The results are linked to the car's registration number. After the scan, the results can be sent to the driver by email or SMS.

As a leading expert, we want to be a pioneer in all developments concerning tyres, including the digitalisation of the tyre industry. We, therefore, want to continue creating new services relating to tyres and their safety – often together with our partners. The technology and software companies Futurice and Affecto as well as the British Sigmavision, which specialises in 3D scanning, participated in the technical development of the SnapSkan service concept.

SnapSkan targets a global user group: its purpose is to educate millions of people on tyres, improve road safety and offer peace of mind for drivers everywhere in the world.

PEOPLE



HR MANAGEMENT

Leadership in our company aims at top results based on our strong Hakkapeliitta culture, which is built around entrepreneurship, working together and inventiveness.

SATISFIED AND MOTIVATED PERSONNEL

Good management supports the competence, well-being and equal treatment of our committed, motivated and professional staff.



GETTING TO GO HOME HEALTHY

Our systematic improvement of practices aims for an even safer working environment that addresses the well-being of our personnel comprehensively.

HR MANAGEMENT AND IMPROVEMENTS



Goal-oriented leadership develops an effective work community where the personnel feel good and are committed to their own work as well as building the company's success. At Nokian Tyres, we achieve this by treating our employees fairly, developing their competence further and ensuring equality and occupational well-being at all levels of our operations.

Our principles in all operations are fairness and respecting human rights, whether we are dealing with our personnel or other stakeholders. The principle of equal treatment and inclusion is an essential part of our operations. Our diversity management grows out of the idea of fair treatment and equal working conditions. Diversity is important for the company's international success because people with various backgrounds and skill sets play an essential role in developing the company and new innovative solutions.

In our internationally growing company, leadership that aims at top results and strategy implementation are founded on a strong company culture – the Hakkapeliitta Spirit – that is built around our values of entrepreneurship, inventiveness and team spirit.

Our goal is to be a globally attractive employer that is known for its sustainability and a truly multicultural working community with diverse teams around the world. We also want to set an example in occupational safety as a tyre industry pioneer.

Leadership of people covers the following material topics:

- human rights in the company's functions
- diversity management
- high level of occupational health and safety in all operations
- employee satisfaction and motivation
- professional development of employees

Leadership of people is guided by the following principles and operating models:

Our leadership is guided by the strategy, which is the President & CEO's responsibility, as well as our values and leadership principles. Leadership is also guided by the Group's Ethical Guidelines, Human Rights Principles as well as international and local legislation. For the leadership of people, we have defined guidelines, e.g. for safety and well-being, recruitment, onboarding, People Reviews and People development. The guidelines apply across the entire organisation, and they are reviewed and revised as necessary.

KEY MEASURES IN 2017

In 2017, our key focus areas were supervisor work and improving leadership, strengthening our safety culture and taking steps toward global leadership practices.

- We improved the injury frequency rate by 33% year over year through training on safety and occupational well-being.
- Several training events focused on better supervisor work and leadership by discussing team development and the People Reviews, among other things. Trainings influence the leadership culture, occupational well-being and safety as well as engagement and harmonised leadership practices.
- 91.3% of our global personnel responded to our Drive! personnel survey (in 2016, the response rate was 88.7%). We implemented supervisor training to ensure that the survey results were reviewed in the entire organisation. In addition, we arranged workshops on the Drive! results to engage teams in planning improvements.
- We made sustainability a more integral part of our company culture. 55% of our personnel completed an online course on sustainability in 2017.
- In 2017, we started our work on a human rights impact assessment across our group, which continues in 2018. Moreover, we updated the group's ethical guidelines in spring 2017.

GOALS FOR 2018

With internationalisation and our new operational model, we will continue investing strongly in the leadership of people, supervisor work and developing global operating models. Our goals for 2018:

- **We will use new operating models for ensuring harmonised practices, closer collaboration, equal treatment and respecting human rights.**

With regard to our new operational model, we are continuing our investments in the development of leadership and global processes and practices in terms of recruitment, onboarding, performance management and compensation, among other things.

- **We will reduce injuries by 30% compared to 2017.**

We will focus our investments on developing the competence of our personnel, supervisor work and various corrective

- **Our employees will make more than 10,000 safety observations in 2018.**

We encourage our personnel to make safety observations, with the goal that, on average, each employee makes two safety observations. Driving safety observations helps everyone review their own work and their colleagues' performance every day.

- **We will implement a global HR information system.**

The new HR information system – Workday – supports the development of harmonised, equal and transparent leadership practices and their implementation across our group.

- **We will create and implement global framework for defining and evaluating jobs.**

We will develop our rewarding system based on this framework

HUMAN RIGHTS AND DIVERSITY MANAGEMENT

As a Nordic company, our principles in all operations are fair treatment and respecting human rights when dealing with our personnel or other stakeholders. Our diversity management grows out of the idea of fair treatment and equal working conditions.

In 2017, we started our work on a human rights impact assessment and identified its focus areas. We will assess human rights impacts from the perspectives of the supply chain and its management, our personnel and our customers. The first stage assessment was conducted by Nokian Tyres' Corporate Sustainability working group.

From an HR perspective, occupational safety and personal data protection were identified as the key impact areas in terms of human rights. Both of these risks are something we can influence, and we have already initiated some related actions.

From a customer perspective, our key human rights impacts are related to the safety impact for end users of tyres and our customers' personal data protection.

In 2017, we initiated a personal data protection project in order to create operating models for

the safe processing of the personal data of our employees and customers. In 2018, we will implement a global HR information system, which will strengthen our employees' personal data protection even further.

From the perspective of supply chain and its management, we carried out an internal assessment together with Procurement. We identified several key impacts, including the right to a family life, occupational safety and personal data protection. The assessments will continue in 2018.

ORGANISATION AND GOVERNANCE

At Nokian Tyres, our need to develop leadership processes and practices always arises from a business perspective, and their implementation is based on our strategy and company culture. Our aim is establishing consistent and truly international HR operations. This guarantees equal, transparent and clear, need-based human resource management and it also enables us to ensure the well-being and commitment of our personnel and the success of our business.

In addition to effective decision making, project management and information sharing, HR management aims at ensuring that our leadership and activities are business oriented and follow an international perspective. The graph below briefly describes Nokian Tyres' HR management organisation and governance.

HR MANAGEMENT TEAM

Guides the global HR organisation and ensures that all activities are business oriented and in line with the strategy.

Vice president of Human Resources and the persons in charge of international HR functions



COUNTRY/BUSINESS HR TEAM

Finland, Russia
Vianor, sales companies

INTERNATIONAL HR FUNCTIONS AND PROJECTS

Competence development, OHS, HRIS, remuneration and international mobility



OPERATIONAL HR ACTIVITIES AND SUPERVISOR SUPPORT IN INDIVIDUAL COUNTRIES

HANDLING ISSUES AND COMPLAINTS

We handle any issues and complaints locally within our company. Our aim is to maintain a leadership culture that makes it very easy to raise concerns.

The primary channel for raising issues goes from supervisors and experts up to the top management, as necessary. Any questions and

observations are handled as appropriate in accordance with the law and our company's guidelines. All reports are investigated and each case is handled based on the results of the investigation.

As part of our ethical guidelines, we have issued a reporting procedure that instructs all of our employees to report any identified or suspected internal or external misuse or violation. It also describes the communication channels established for this purpose. The purpose of the instructions is to encourage our personnel to

report any potential violations of ethical guidelines and laws that they encounter, so that we can investigate and handle each case. It is also possible to make an anonymous report e.g. through the Whistleblow channel. The same channel is available to external stakeholders, e.g. at whistleblow@nokiantyres.com.

We also employ protocols, e.g. for bullying and harassment. There are subject-specific instructions that specify who to contact and how to deal with the situation with appropriate sensitivity. We also ask about potential issues, including bullying and discrimination, in our annual Drive! personnel survey.

We encourage everyone to make safety observations that they can direct to whoever they want inside the organisation. After the root cause is identified, the matter is communicated to the relevant responsible persons. The entire process is documented in order to ensure that it follows the protocol.

All of our employees have the opportunity to raise issues or give feedback about important matters through our company intranet. We will respond in a transparent matter through the same channel, and everyone in the organisation can see the dialogue.

TRACKING SOCIAL RESPONSIBILITY

We use the following indicators for tracking leadership and HR development:

- 102-8 Total number of employees by employment type and employment contract, with a breakdown by region and gender
- 102-41 Percentage of total employees covered by collective bargaining agreements
- 102-10 Significant changes to the organisation's size, structure, supply chain or ownership
- 401-1 Total number and rate of new employee hires and employee turnover, with a breakdown by age group, gender and region
- 403-2 Number of lost days, absentees, injuries and types of injury, occupational disease rate, lost days and work-related fatalities, with a breakdown by region and gender
- 404-2 Programs for upgrading employee skills and transition assistance programs
- 404-3 Performance reviews
- 405-1 Percentage of individuals within the organisation's governance bodies and percentage of employees per employee category, with a breakdown by gender, age group, minority group and other diversity categories

A COMMON SAFETY CULTURE YIELDS RESULTS

A safe and comfortable working environment is integral for our operations. We promote occupational safety through risk management, continuous improvement of processes and new investments. Nokian Tyres’ occupational safety is on a good level in its field. We are making our operations even safer and aim for zero injuries. The goal is to ensure that everyone gets to go home healthy at the end of their workday.

Committed, competent personnel and a safe working environment enable our business to grow internationally, including in the future. We

have set a target for 2015–2020 to reduce occupational injuries by 70%. Our positive development in reducing the number of injuries continued in 2017. With the LT1F indicator (injuries that result in one or more lost days) our injury frequency rate was 7.5. In 2016, we tracked the injury frequency rate with the LT3F indicator (injuries that result in three or more lost days) and the figure was 7.4. Compared to 2015, we have managed to prevent every other injury.

ABSENTEEISM BY COMPANY

	Nokian Tyres Finland			Nokian Tyres Russia		Vianor Nordic				
	Nokian Tyres (FI)	Nokian Heavy Tyres	NT Tyre Machinery*	OOO Nokian Shina	OOO Nokian Tyres	Nordic Wheels	Vianor Holding Oy	Vianor Oy	Vianor AB	Vianor AS
Sick absences % (total)	2.73%	4.77%	11.0%	1.42%	3.16%	0.38%	0.25%	4.30%	4.09%	7.30%

Information of absenteeism by gender is not available

*NT Tyre Machinery sick absences % available only for 10-12/2017 .

ACCIDENT RATE (MORE THAN 1 DAY ABSENCE / MILLION WORKING HOURS)

	2015	2016	2017
Nokian Tyres Finland	22.3	20.2	8.6
Nokian Tyres Russia	3.0	3.0	3.2
Vianor	23.9	15.2	12.6
The ratio of all companies	13.9	11.2	7.5

**The information in the charts has been compiled from local HR systems.*

COMPREHENSIVE SUPPORT FOR OCCUPATIONAL WELL-BEING

Close cooperation with occupational health care and coordinated improvement activities allow for preventive management of employees' working ability. The management of working ability is a part of everyday supervisor work. Our positive development in reducing sickness absences continued in 2017. We support the well-being of our employees through various sports and club activities and personnel events. Our work with occupational health care focuses on prevention. For example, in our factories and at our test track, occupational well-being coordinators work every day in close collaboration with supervisors.

In 2017, we invested in the development of the personnel and technology in order to improve safety. Among other things, our trainings focused on leadership models and the

immediate supervisors' role in their teams' safety trainings. This is for supporting the implementation of safety practices in the everyday work of units and teams. Over the year, we also created new rules and operating models for occupational safety. For example, now it is mandatory to wear safety glasses throughout the production area of the Nokia factory. In the future, reporting tools will provide us global benchmark figures on safety in real time.

LEARNING BY INSIGHT

We have been improving our safety culture in the long term. We emphasise that professionalism extends from smooth, fast and flawless results to the way they are achieved. The model applies equally to our own employees as well as the subcontractors working in our areas.

Each employee must identify the risks involved in their work and be able to act on their observations. We encourage everyone in the company to make safety observations. This includes both negative and positive safety

observations, safety walks that aim at improving the level of safety and safety culture, near miss reporting and corrective actions. We have a dedicated reporting system for tracking safety observations, which is open to all employees.

In 2017, we introduced in the entire organisation the gamified Hakkapeliitta Go training platform, which strengthens interactive learning. In the course of the year, we created 29 live games on the platform, which were played in Finland and Russia as well as at Vianor locations by various

teams in more than 200 sessions. Nearly 570 individual players took part in the game sessions. All of the games included sections related to occupational well-being and safety. The games emphasise the shared development of insights, discussions and the supervisor's role as the game leader. The system provides statistical data that helps us track the level of competence and identify new areas for improvement.

HEAVY TYRES MADE SIGNIFICANT IMPROVEMENTS IN TERMS OF OCCUPATIONAL SAFETY



From a safety perspective, the Nokian Heavy Tyres unit is one of our most challenging environments: it involves a considerable amount of manual labour and lifting heavy objects. The unit identified safety and reduction of injuries as a shared theme for everyone.

The unit started the work on improving safety by creating new practices that improve trust and transparency. For example, supervisors' morning and weekly meetings were moved from the office to production, so that all the employees would have similar opportunities to listen to their discussions.

Furthermore, supervisors received training on speaking up, which they then communicated to their teams. The unit directed everyone's attention on good and poor safety practices by encouraging employees to make safety observations. As a result, a bit over 1,000 observations were reported by the end of the year. This is more than eight observations per production employee.

By the occupational safety numbers, the unit used to be among the worst performing ones, but when everyone understood the importance of safety and sought for safe ways to work, it rose to the top of the company. Nokian Heavy Tyres managed to avoid eight injuries out of ten, and late in the year the component department reached 1,000 days without accidents.

– It feels good to be able to trust that I and my colleagues will stay safe at work and get to go home healthy and wind down, says Tiina Tommila from the component department, who has been with the company for ten years.

SATISFIED AND MOTIVATED PERSONNEL AIM FOR TOP RESULTS

High standards of People management ensure the competence, well-being and equal treatment of our committed, motivated, and professional personnel. Supervisors implement our consistent company and leadership culture into our everyday work in a natural and consistent way.

We support our employees' development with internal job rotation, on-the-job learning and training solutions. People Reviews play a key role in developing our personnel. The People Reviews focus on performance management, targets and competence development

Further development of supervisor work and leadership is essential. Among other things, we use 360 degree assessments, coaching and various internal and external trainings for improving supervisor work. We have linked our mutually agreed leadership principles to supervisors' 360 degree assessments and the Hakkapeliitta Leader simulation game.

We introduced the gamified HakkapeliittaGo training platform throughout the entire company in 2017, which is an innovative way to enable learning in teams. In 2017, we also renewed our Hakkapeliitta eAcademy training portal that is used for flexible e-learning across the group.

As we revised our organisational structure late in the year, we offered supervisors support with change management and communication through global Skype training sessions, among others.

As necessary, we also tailored trainings based on individual units' development needs, the business strategy and business goals. In 2017, we developed our sales and sales management with the global Sales Academy training programme, which strengthened the skills of supervisors and salespersons. For sales supervisors, we organised international Sales Coaching trainings with the aim to harmonise the leadership culture in sales and help salespersons reach even better results. We arranged local Sales Skills Trainings for sales teams based on a sales process defined together with the salespersons. In particular, the training focused on identifying customer needs and improving sales skills. In addition to improving our sales and customer service performance, we used training to support our growth ambitions in Central Europe and North America.

Overall, the development of competence mainly comes from on-the-job learning in various projects, problem solving, job rotation and new tasks.

LEADERSHIP PRINCIPLES GROW OUT OF OUR VALUES

Our leadership principles are a practical tool for supervisors throughout the group and they establish a basis for improving and tracking leadership. This way, all supervisors know how we are assessing supervisor work, how they should improve as supervisors and how they should develop their own team. Creating a

consistent company and leadership culture starts with ensuring consistent leadership and supervisor work that meets our company's needs. Ultimately, however, it is everyone's business.

- **Lead by example.** Be a role model who promotes the Hakkapeliitta culture!
- **Develop your team.** Seek and offer your team opportunities to develop!
- **Show the way forward.** Set engaging goals and support your team's ambition!
- **Encourage continuous improvement.** Contribute to an innovative and open atmosphere!
- **Take responsibility for quality and results.** Inspire your team toward an entrepreneurial mindset!

THE DRIVE! PERSONNEL SURVEY IS A CHANCE TO MAKE A DIFFERENCE

Our annual Drive! personnel survey is an important tool for developing our organisation and company. It enables our personnel to actively and comprehensively give feedback on matters that have improved their job satisfaction or that need improvement.

Of all group personnel, 91.3% responded to the 2017 survey (88.7% in 2016). The overall score – the People Power index that measures employee engagement and prerequisites for engagement – grew on the group level. The trend has been positive in the past three years, which means that employee engagement has improved. All in all, we improved our

performance in all the indices in 2017: leadership, commitment, performance and engagement were all higher than the international norm, with engagement clearly exceeding the international norm.

Our personnel responded that the quality of our products and services is excellent and that our values are clear and worth pursuing. We also received praise for the freedom to express opinions, appreciation of work and the clarity of goals. Out of all the respondents, 92% considered that our company takes care of corporate social responsibility well. 85% of all respondents and 77% of production workers thought that their working environment is safe. Both of these scores improved compared to the previous year.

The identified development needs were particularly focused on supervisor work, inclusion and information flow. We also organised a virtual workshop where the employees could actively present ideas for our company's future success and share their competence.

The importance of working together and developing shared processes, operating models and a shared working environment were evident from both surveys' results. In Nokia, for example, the results will be used for reviewing workspaces in order to improve the working culture.

Supervisors communicated the Drive! survey results to the entire organisation. They received special Drive! coaching on reviewing the results with their teams, identifying improvement needs and implementing the action plan with their teams. In addition, HR and occupational well-being coordinators have actively participated in the review sessions. Review sessions were arranged for all production shifts, for example, and the process included identifying teams that need special support.

RESULT OF DRIVE! PERSONNEL SURVEY (OVERALL RESULT MEASURED WITH PEOPLE POWER INDEX)

	2013	2015/2016	2017
Nokian Tyres Finland	63.9	61.5	67.3
Nokian Tyres Russia and Kazakhstan	69.0	73.8	74.9
Sales companies	72.7	72.8	70.4
Vianor	76.3	75.4	76.4
Nokian Tyres Group	69.7	70.8	71.8

PEOPLE REVIEWS

Our performance appraisals, the People Reviews, shape our direction in the near future and set concrete targets for the daily work based on the business strategy. These discussions are also an important part of supervisor work, and they are essential for competence development.

The People Reviews assess how well the set targets have been reached and look at the overall performance in line with our values. They also go through the targets for the coming year, discuss the prerequisites for success and review competence development needs in terms of the targets and the future needs. The People Reviews are recorded in an electronic tool and reported to the management.

In early 2017, the all managers received training on the importance of the People Reviews, performance management and the process itself. According to our People Review process,

which was established in 2015, our group's office employees have two reviews and production workers one review each year. The People Reviews include all of our personnel regardless of gender or employee group.

In 2017, a total of 83.4% of our personnel had a People Review session (86% in 2016). Year over year, the numbers were higher in our sales companies. In Vianor, on the other hand, the challenging year and ongoing profitability improvement programme resulted in decline in the conducted People Reviews. In 2018, we will pay special attention to making the People Review process a more integral part of leadership also in Vianor. We will also continue offering global supervisor training and particularly focus on improving performance assessment and conducting assessments fairly.

The Drive! survey results indicate that the People Reviews are considered to be beneficial, and they demonstrate a positive connection to employee satisfaction in each survey topic, regardless of the employee group.

PEOPLE REVIEWS' IMPLEMENTATION (REALISATION, %)

	2015	2016	2017
Nokian Tyres Finland	79.4%	97.4%	99.7%
Nokian Tyres Russia	100.0%	100.0%	100.0%
Vianor	37.6%	75.1%	87.0%
Sales companies	79.7%	69.8%	56.3%
Nokian Tyres Group	82.8%	86.0%	83.4%

WORKDAY BRINGS PEOPLE PROCESSES TO THE DIGITAL ERA

The implementation of the new HR information system, Workday, advanced in 2017 according to plan. It will be introduced across the group in early 2018. The significant HR processes will be integrated into the HR information system within the next two years. Harmonising practices is one of the first steps towards our shared vision: one company – one team.

The new system helps us harmonise our people processes, and it will support business decision-making with real-time data and analytics. This way, we can support the formation of global teams and international rotation as well as business management. After its implementation, Workday will promote equal treatment and transparency in our company. Workday compiles all employee data into a single location, which simplifies data management and speeds up the flow of information. Each employee can check and update their information in the system.

SMALL INITIATIVES BRING LOTS OF JOY TO LOCAL COMMUNITIES



We influence society in many ways: In Nokia, we are one of the major employers. In Russia, we built housing for our personnel. We pay taxes that support the well-being of people in several countries. We are also actively involved in making road traffic safer. We believe that even small actions matter and, in 2017, we carried out many initiatives with our personnel.

In Nokia, we helped children in need in the Tampere Region through our collaboration with the Tampereen Hope ry association. Nokian Tyres donated business gifts for Hope to sell, and our employees had the opportunity to buy products. In a 2017 initiative, we raised nearly EUR 5,500 for the association to buy, among other things, food vouchers for Christmas for families in need. Our employees have also spread joy by raising money for new school bags and supplies at the start of the school term and donating Christmas presents to children through the Hope association.

In Russia, our employees made a difference by purchasing gifts that a charity organisation delivered to lonely, elderly people in need. We have also started to organise a clothes collection drive twice per year. Some of the clothes are sold through Kiitos charity shops and some are delivered directly to people in need. Worn out clothes are sent for recycling. In the 2017 campaign, our employees collected some 200 kg of clothes. They were donated to Kiitos charity shops, and the money went to helping homeless people in St. Petersburg. Unsold clothes were donated to the residents of the Borisova Griva village.

We also participated in making the roads in Nokia safer for children together with a local association that organised a children's safety event. Nokian Tyres supplied Pirkanmaan Karting ry with three junior karts within the Flying Finn 100 youth sport campaign. Before the karting club juniors started training with the new vehicles, our employees' children got the opportunity to take them for a test drive.

Our units around the world organise various initiatives and take both small and large actions for a safer, more equal and better tomorrow.

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
Total workforce on 31.12.2017	2,602	1,532	170	195	14	4,513
Women	388	233	64	18	8	711
Men	2,214	1,299	106	177	6	3,802
Total number of own employees	2,558	1,532	169	195	14	4,468
Women	378	233	63	18	8	700
Men	2,180	1,299	106	177	6	3,768
Number of supervised workers	44	0	1	0	0	45
Women	10	0	1	0	0	11
Men	34	0	0	0	0	34
Total number of seasonal employments in Vianor during 2017	1,375	0	0	5	0	1,380
Permanent	2,453	1,458	168	195	0	4,274
Full-time	98.3%	100.0%	95.2%	97.4%	100.0%	98.7%
Part-time	1.7%	0.0%	4.8%	2.6%	0.0%	1.3%
Women	14.2%	12.3%	36.9%	9.2%	58.3%	14.2%
Men	85.8%	87.7%	63.1%	90.8%	41.7%	85.8%

TOTAL NUMBER AND RATE OF NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER BY GENDER, AGE GROUP, AND REGION

	Nordic	Russia and CIS	CE and Eastern Europe	North America	The rest of the world	Total
Total number of new employees	466	304	127	36	1	934
Number of women	85	68	53	5	0	211
Number of men	381	236	74	31	1	723
Number of under 30 years old	218	177	16	19	0	430
Number of 30-50 years old	207	127	98	12	1	445
Number of over 50 years old	41	0	13	5	0	59
New employee hires rate (Total)	18.2%	19.8%	75.1%	18.5%	7.1%	20.9%
Percentage of women	3.3%	4.4%	31.4%	2.6%	0.0%	4.7%
Percentage of men	14.9%	15.4%	43.8%	15.9%	7.1%	16.2%
Percentage of under 30 years old	8.5%	11.6%	9.5%	9.7%	0.0%	9.6%
Percentage of 30-50 years old	8.1%	8.3%	58.0%	6.2%	7.1%	10.0%
Percentage of over 50 years old	1.6%	0.0%	7.7%	2.6%	0.0%	1.3%
	Nordic	Russia and CIS	CE and Eastern Europe	North America	The rest of the world	Total
Total number of terminated employees (fixed terms not included)	327	132	19	41	2	521
Number of women	30	39	8	8	0	85
Number of men	297	93	11	33	2	436
Number of under 30 years old	77	55	3	28	1	164
Number of 30-50 years old	173	76	15	8	1	273

Number of over 50 years old	68	1	1	5	0	75
Turnover rate (Total)	12.8%	8.6%	11.2%	21.0%	14.3%	11.7%
Percentage of women	1.2%	2.5%	4.7%	4.1%	0.0%	1.9%
Percentage of men	11.6%	6.1%	6.5%	16.9%	14.3%	9.8%
Percentage of under 30 years old	3.0%	3.6%	1.8%	14.4%	7.1%	3.7%
Percentage of 30-50 years old	6.8%	5.0%	8.9%	4.1%	7.1%	6.1%
Percentage of over 50 years old	2.7%	0.1%	0.6%	2.6%	0.0%	1.7%

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
Number of individuals within the top management	18	2	4	2	1	27
Number of women	5	0	0	0	0	5
Number of men	13	2	4	2	1	22
Percentage of women	27.8%	0.0%	0.0%	0.0%	0.0%	18.5%
Percentage of men	72.2%	100.0%	100.0%	100.0%	100.0%	81.5%
Number of under 30 years old	0	0	0	0	0	0
Number of 30-50 years old	8	2	3	2	1	16
Number of over 50 years old	10	0	1	0	0	11
Percentage of under 30 years old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of 30-50 years old	44.4%	100.0%	75.0%	100.0%	100.0%	59.3%
Percentage of over 50 years old	55.6%	0.0%	25.0%	0.0%	0.0%	40.7%

Number of white collars	1,105	385	165	95	13	1,763
Number of women	264	175	63	18	8	528
Number of men	841	210	102	77	5	1,235
Percentage of women	23.9%	45.5%	38.2%	18.9%	61.5%	29.9%
Percentage of men	76.1%	54.5%	61.8%	81.1%	38.5%	70.1%
Number of under 30 years old	79	109	19	17	1	225
Number of 30-50 years old	714	260	118	43	12	1,147
Number of over 50 years old	312	16	28	35	0	391
Percentage of under 30 years old	7.1%	28.3%	11.5%	17.9%	7.7%	12.8%
Percentage of 30-50 years old	64.6%	67.5%	71.5%	45.3%	92.3%	65.1%
Percentage of over 50 years old	28.2%	4.2%	17.0%	36.8%	0	22.2%
Number of blue collars	1,435	1,145	0	98	0	2,678
Number of women	109	58	0	0	0	167
Number of men	1,326	1,087	0	98	0	2,511
Percentage of women	7.6%	5.1%	0.0%	0.0%	0.0%	6.2%
Percentage of men	92.4%	94.9%	0.0%	100.0%	0.0%	93.8%
Number of under 30 years old	321	344	0	17	0	682
Number of 30-50 years old	800	766	0	63	0	1,629
Number of over 50 years old	314	35	0	18	0	367
Percentage of under 30 years old	22.4%	30.0%	0.0%	17.3%	0.0%	25.5%
Percentage of 30-50 years old	55.7%	66.9%	0.0%	64.3%	0.0%	60.8%
Percentage of over 50 years old	21.9%	3.1%	0.0%	18.4%	0.0%	13.7%
Composition of the Board	6					
Number of women	2					
Number of men	4					

Percentage of women	33.3%
Percentage of men	66.7%
Number of under 30 years old	0
Number of 30-50 years old	2
Number of over 50 years old	4
Percentage of under 30 years old	0.0%
Percentage of 30-50 years old	33.3%
Percentage of over 50 years old	66.7%

**The information in all charts above has been compiled from local HR systems.*

ECONOMY



FINANCIAL MANAGEMENT

Good financial management supports systematic and foreseeable operations. Financial success and our ability to create value for our stakeholders lay the foundation for our financial responsibility.



PROFITABLE GROWTH BENEFITS EVERYONE

Our profitable business enables us to offer work and well-being for our personnel and also consider investors, customers and stakeholders.



CUSTOMER RELATIONS AND DELIVERY RELIABILITY ARE ESSENTIAL

Long customer relationships based on trust create opportunities for improvement and success. Delivery reliability is one of the prerequisites of our success.

FINANCIAL MANAGEMENT



Our financial responsibility is based on our company's financial success and ability to create value for stakeholders. Nokian Tyres conducts active and result-oriented financial management. Our Finance function collects extensive information on the operating environment as well as the different stages and results of our company's business processes. Good financial management enables planned activities and forecasting. In 2017, Nokian Tyres performed well in all of its key business areas and is now back on track to growth.

Our business must be profitable so that we are able to offer security, work and well-being for our personnel, while also considering the investors, customers and other stakeholders. Our strategic goal is to grow faster than the market and be the world's most profitable tyre company.

FOCUS AREAS OF FINANCIAL MANAGEMENT FOR 2017–2018

The goals of our Finance function in the coming years include enabling new projects and investments by ensuring sufficient cash and credit limits. In 2017, the Finance function was closely involved in the preparations of our factory investment in Dayton, Tennessee. In addition, Finance is closely involved in the implementation of our company's potential structural changes, including the assessment and management of the related risks and opportunities, while adapting our financial reporting according to the business needs.

Product and customer profitability guide our operations, which we develop in a cross-organisational way, together with the business units. Following our internationalisation, our Finance function is actively involved in developing global processes and systems that enable the best possible service for Nokian Tyres' customers. Our goal is to ensure that the systems grow in a controlled manner along with the company and that our operating models continue to be reasonable and flexible locally. In relation to these efforts, one of our most significant projects in 2017 was renewing the ERP system of our Russian factory.

The head of financial administration is Vice President of Finance, who reports to the company's President & CEO. Together, they are also in charge of investor relations. Major investments are discussed by the regularly convening Investment Board.

Financial management covers the following material topics:

- Profitable growth and a good profit level
- Customer satisfaction
- Sustainability improving our competitiveness
- Business risk management, including sustainability

For more information about the effects of the special topics on the Nokian Tyres value chain and their scope, see the materiality analysis.

CORPORATE GOVERNANCE IN A NUTSHELL

Our corporate governance is based on the annual general meeting, Board of Directors, President & CEO, group's management team, Finnish Limited Liability Companies Act and applicable regulations as well as the group's

policies, procedures and practices. The Board of Directors has approved the corporate governance statement and the company's auditors verify that the statement and its related descriptions of the internal reporting controls and risk management correspond to the financial reporting process.

- **The annual general meeting** holds the highest decision-making power. Among other things, the annual general meeting decides on the confirmation of the company's annual accounts, profit distribution and releasing the Board of Directors and the President & CEO from liability. Moreover, the annual general meeting elects the members of the Board of Directors and the auditor and determines their remuneration. In addition, the annual general meeting can make decisions concerning amendments to the articles of association, share issues, granting warrants and the acquisition of the company's own shares, for example.
- **Shareholders** have the legal right to propose matters for consideration by the annual general meeting by submitting a written request to the Board of Directors in time for including the matter in the invitation to the meeting.
- **The Board of Directors** is responsible for corporate governance and the appropriate conduct of ordinary activities. The Board holds the general authority in matters concerning the company, unless other company bodies have the authority under the applicable legislation or 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 rules of procedure. The key tasks include consolidated financial statements, interim and half-year reports, proposals to the annual general meeting, appointing and dismissing the President & CEO and organising financial control.
- **The President & CEO** manages 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 & CEO may, considering the extent and nature of company's operations, only undertake unusual or far-reaching actions with the Board's authorisation. The President & CEO is responsible for ensuring the legal compliance of the company's accounting and for arranging reliable asset management.
- **The group's management team** assists the President & CEO in the management of the company's operations. In accordance with the group's meeting policy, the Management Workshop convenes once per month and it is attended by the President & CEO along with the business Vice Presidents, service Vice Presidents, Vice President for Russian operations and chief audit executive (CAE).

- **The group's internal control** mechanisms are in place in order to ensure that the financial reports released by the company contain material and accurate information on the group's financial standing. The group has defined the group-level instructions and policies for the key operational units specified below in order to ensure efficient and profitable company operations.

See our full corporate governance statement here. Read more about our report of salaries and remuneration here.

RISK MANAGEMENT AT NOKIAN TYRES

The basic functions of every sustainable company include risk management, which involves identifying and prioritising the applicable risk factors and preparing for the main risks. At Nokian Tyres, Corporate Risk Management (CRM) also includes the sustainability aspects.

The group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures business continuity. Our group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of goals in the changing operating environment.

The risks are classified as strategic, operational, financial and hazard risks. Strategic risks are related to customer relationships, competitors' actions, political risks, country risks, brand, product development and investments. Operational risks arise as a consequence of defects or failures in the company's internal processes, personnel's actions or systems or due to external events, such as legislative changes, unpredictable rulings by judicial systems or authorities or changes in raw material prices.

Financial risks are related to fluctuations in the interest rate and currency markets, refinancing as well as counterparty and receivables risks. Hazard risks may lead to injuries, property damage, production outages, environmental impacts or liabilities to third parties.

The most significant risks related to Nokian Tyres' business are the country risks related to the Russian business environment, reputation risks, tax risks (especially in Finland), product and R&D risks, production outage risks, currency and receivables risks as well as the governance, information security and data administration risks. Due to the company's product strategy, interruption risks that are related to marketing and logistics may also have a significant impact, especially on peak season sales.

In 2016, we conducted in-depth assessments of sustainability risks in accordance with our road map and included detailed evaluations of sustainability risks. The risk analysis conducted at that time focused special attention on corporate social responsibility risks, the most significant of which are related to the company's reputation and product quality. In 2017, we continued our work on the risk maps related to risk management and expanded our views to include the sustainability, human rights and data security aspects.

The risk management process aims to identify and evaluate the risks and to plan and implement the appropriate practical measures for each risk. Among others, such measures may include avoiding the risk, reducing it in different ways or transferring the risk through insurance policies or agreements. Control functions and measures refer to verification or back-up procedures that are applied in order to reduce the risks and ensure the completion of the risk management measures.

There is no dedicated organisation established for risk management. Risk management is

considered as the company's internal activity. The related responsibilities follow the general division of responsibility adopted elsewhere in the organisation and its business, which is followed by each person individually. We take into account our corporate social responsibility and the related aspects in all of our functions and at all levels. In 2017, we continued developing the group-level risk management responsibilities and roles. The changes will become effective at the beginning of 2018. The new assignment of roles includes a Vice President responsible for group-level risk management and the related implementation measures. Our company's Board of Directors discusses the most significant risks and their related measures annually in connection with the strategic process.

COMPLAINT PROCEDURE IN FINANCIAL COMMUNICATION

Our policy regarding investor relations guides our continuous interaction with our investors. In line with the policy, we provide all of our investors with the same transparent and timely information on our activities at all conditions. All investors are equally included in the scope of our general and public disclosures. One of our ways of disclosing information is our investor website.

Investors can contact us personally or at a common email address intended for investors. We address the questions and raised issues in accordance with our policy on investor relations. We also offer our investors an opportunity to have one-on-one discussions or group discussions. We regularly meet with our major investors and arrange factory visits for them in Finland and Russia.

Our group's communication is based on the Nokian Tyres' communication policy.

Read more about our principles of investor relations.

SUSTAINABILITY IMPROVING OUR COMPETITIVENESS

In addition to pioneering products and excellent service, we also want to be an industry pioneer in terms of sustainability. The more often our brand and products are associated with sustainability in addition to safety and high quality, the more we can attract sustainability-conscious customers. Corporate sustainability also improves our competitiveness, thereby supporting our goal of profitable growth. Business success, in turn, benefits our surroundings and stakeholders.

In addition to our corporate sustainability goals and road maps, our externally assured GRI Standards-compliant Corporate Sustainability Report guides the development of sustainability in our company. For us, profitable growth, good HR management and environmental aspects, along with product safety and quality, are important for the development of sustainable business operations.

Our selection for Dow Jones' DJSI World sustainability index in 2017 may be considered as a result of our long-term efforts. With a total sustainability score nearly twice as high as the industry average, our company significantly improved its results in the 2017 assessment. Our score of 78 points was only one point behind the world's highest score in the Auto Components sector. We were the highest-ranking tyre manufacturer. The Dow Jones Sustainability Index (DJSI) is an annual sustainability assessment for large publicly traded companies, performed by the Swiss RobecoSAM.

We are included in the OMX GES Sustainability Finland GI index, which provides transparent, objective and reliable information for making responsible investments. The companies are

selected for the index based on their compliance with the requirements that focus on the management of environmental, social and corporate governance (ESG). We are also included in the STOXX Global ESG Leaders and FTSE4Good indices.

We track financial management with the following indicators:

- 102-18 Governance structure of the organisation
- 201-1 Direct economic value generated and distributed
- 203-2 Significant indirect economic impacts
- 102-43 Approach to stakeholder engagement

PROFITABLE GROWTH BENEFITS EVERYONE

We seek growth and strong profitability for our business. Our strategic goal is to grow faster than the market. Through financial success and profitability, we are able to offer security, work and well-being for our personnel, while also considering the investors, customers and other stakeholders.

We reached our goals for 2017: we are back on track to growth and increased our turnover in terms of Passenger Car Tyres, Heavy Tyres and the Vianor chain. Furthermore, we saw a positive trend for the third consecutive year in our Drive! personnel survey. We experienced no permanent or temporary layoffs in our production during 2017. However, due to the challenging year, temporary layoffs were required at Vianor.

Our goals for 2018 include maintaining the industry's best operating profit level (22% at a minimum), aiming for organisational efficiency and growing sales faster than our overhead costs. The goals are set until the end of 2018, and we will review their progress during the year 2018.

Profitable business not only benefits our stakeholders in various ways, it also enables us to further develop our business. Moreover, financial success makes our own business even more interesting and varied overall.

CONTINUOUS IMPROVEMENT IN ALL AREAS

For us, it is important to improve our products and maintain our position as a leading manufacturer of premium tyres. We focus our production on core products with good margins and make consistent investments in improving quality, productivity and logistics. Our strong expertise in the northern conditions has enabled us to grow our product range and extend our sales to new areas. Consumer recommendations strengthen our company's reputation and drive our sales.

In addition to product development, we prioritise the continuous improvement of our business models and processes. The management and functionality of the distribution chain are basic requirements for growing our sales and for receiving a good return on investment. Profitable growth requires that we continuously increase our capacity. We, therefore, invest in new production capacity according to our growth targets while following the market developments.

THE NEW FACTORY SUPPORTS OUR GOAL OF DOUBLING OUR NORTH AMERICAN SALES WITHIN FIVE YEARS



In May 2017, we announced that we are building a factory in Dayton, Tennessee, which will be our third factory. This important investment decision follows our growth strategy. North America is one of our key growth areas in addition to Central Europe. Our investment will support our sales in North America and Canada, enable us to serve our customers better and yield savings, among others, with customs duties and logistics costs.

We are currently making between 600 and 700 different products for the North American market. Moving the production of these tyres to the upcoming Dayton, TN factory will boost our factories' productivity and efficiency and simplify our production, thereby enabling us to grow our production capacity.

This will be our first North American production facility, with a production capacity of 4 million tyres per year. It will be possible to expand the factory at a later time. We will also build a logistics centre in the area with a storage capacity of 600,000 tyres. The construction is scheduled to start in early 2018, and we expect tyre production to start in 2020.

The new factory in a nutshell

KEY FIGURES, IFRS

EUR million	2017	2016	change %
Net sales	1,572.5	1,391.2	13.0
Operating profit	365.4	310.5	17.7
% net sales	23.2	22.3	
Profit before tax	332.4	298.7	11.3
% of net sales	21.1	21.5	
Return on capital employed (ROI), %	22.4	19.9	
Return on equity (ROE), %	15.1	18.7	
Interest bearing net debt	-208.3	-287.4	27.5
% of net sales	-13.2	-20.7	
Net cash flow from operating activities	234.1	364.4	-35.6
Gross investments	134.9	105.6	27.8
% of net sales	8.6	7.6	1.0
Earnings/share, EUR	1.63	1.87	-13.0
Shareholders equity per share, EUR	10.74	10.75	-0.1
Equity ratio, %	78.2	73.8	
Taxes, EUR	111.0	46.9	
Wages, fees, social security contributions	215.2	197.6	
Personnel, average during the year	4,630	4,433	

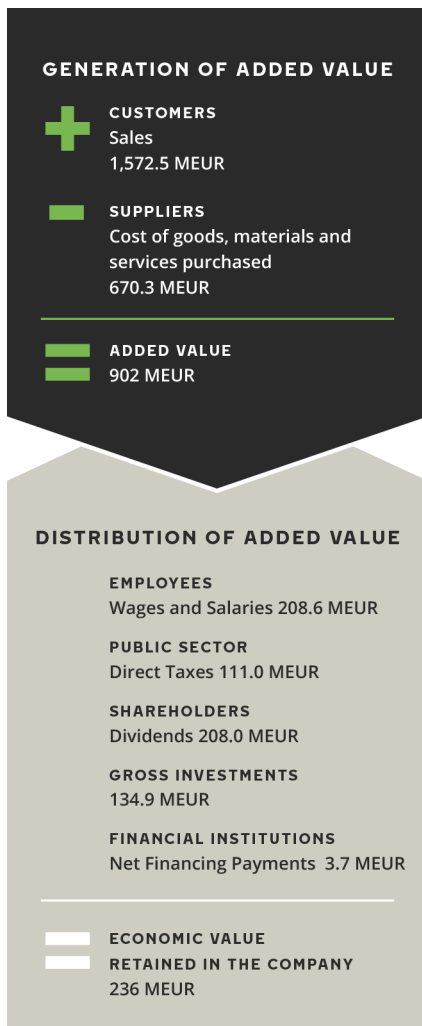
IMPACT ON SOCIETY AND COMMUNITIES

Nokian Tyres contributes to society and communities through the payment of salaries and taxes. We directly employ more than 4,600 people around the world. When we also consider all of our subcontractors, our role as a job

creator becomes even more significant. Our tyre factories are significant employers. The salaries and taxes that we pay support the structures of society and improve the quality of life for thousands of people.

NOKIAN TYRES AND THE CASH FLOW BETWEEN STAKEHOLDERS

A good financial result has extensive effects on our stakeholders. The following graph shows Nokian Tyres' economic footprint in terms of its stakeholders.



PARTNERSHIPS AND SPONSORING

We locally assist and support organisations and events that suit our company culture and brand. We continuously work with various organisations in places where we employ people.

We are one of the major employers in Nokia and have built housing for our personnel in Russia. The taxes that we pay support the well-being of people in several countries, and we are actively involved in making road traffic safer. Many small actions – from our dialogue with our neighbourhood and work with educational institutions to minor contributions for local sports clubs – have an effect on individuals and communities.

In 2017, we continued our long-term partnership with the International Orienteering Federation. Our agreement with the International Orienteering Federation provides us with high visibility during the annual World Orienteering Championships and World Cup events.

In 2017, we became the main partner and title sponsor for the first IRONMAN triathlon race to take place in Finland. The first Nokian Tyres IRONMAN 70.3 Finland event will be organised in Lahti, Finland on 30 June 2018. The high-energy sport matches our values that promote mobility and an active lifestyle while supporting the company's brand visibility in Finland as well as internationally.

Succeeding under exceptionally demanding conditions through cleverness and relentlessness is also something found in the Swamp Soccer World Championships, which take place in Hyrynsalmi, Finland annually. We have been the main sponsor of the championships for more than 10 years. Furthermore, we have been one of the main sponsors of the youth road safety campaign "Turvassa tiellä".

As a registered participant in the UN Global Compact Initiative, we annually support the initiative and its efforts to promote corporate sustainability. Learn more about the topic.

CUSTOMER RELATIONS AND DELIVERY RELIABILITY ARE ESSENTIAL

We want the dealers and users of our products to be the most satisfied customers in the tyre industry. Delivery reliability is one of the prerequisites for success in this industry, which is heavily affected by the peak seasons.

We want to be our customers' first choice. Accordingly, customer satisfaction and good partnership are specified in our strategy as development needs. Long customer relationships based on trust provide mutual opportunities for improvement and success. We support our customers' success through commercial collaboration and our pricing policy, among other things.

We aim at continuously improving customer satisfaction in the annual customer satisfaction index by one percentage point, at a minimum. Our customer satisfaction survey was conducted over the phone in 14 markets and 264 customers responded. The survey comprised 13 sections, with a new section on availability in general and during the peak seasons.

In 2017, overall customer satisfaction was up by 2.6%, being 8.3 on a scale of 0 to 10 (8.1 in 2016). 77% of the respondents gave us an overall score of 8, 9 or 10. The Net Promoter Score (NPS), which tracks customer loyalty, grew to 40 from 31 in 2016. This was the result of more good scores and fewer poor scores. For instance, this year, 31% of the respondents gave us a 10 (compared to 19% in 2016). Similarly, we received a 6 from 3% (5% in 2016) and a 3 from just 1% of the respondents (2% in 2016). We will improve our operations further based on the feedback.

Along with our annual customer satisfaction survey, we have introduced an online survey that focuses on our supply chain, logistics and customer service performance. The purpose of this survey is to track customer satisfaction with our service, wherein delivery reliability is one essential component. We will continue developing our operations further based on the results. Going forward, we will conduct the survey two times per year, after each peak season.

DELIVERY RELIABILITY IS CRITICAL FOR SUCCESS

Nokian Tyres' products are sold in 59 countries by thousands of customer companies as well as our own sales organisation. By delivery reliability, we mean delivering the right products according to contract in terms of the product quality, method of transport, delivery location, delivery time and price.

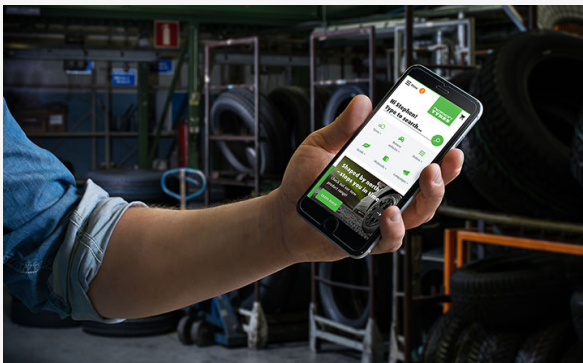
One special characteristic of our core market is that the sales of passenger car tyres are heavily built around two peak seasons. Succeeding during the peak seasons is essential for our business. We sell most of our summer tyres to consumers a few weeks before and after Easter. Consumer sales of winter tyres peak between September and November depending on the weather conditions, and we sell about 20% of our winter tyres in the first 10 days after the first snowfall.

Our key success factors include our extensive distribution network and flexible and efficient logistics. Nokian Tyres and Vianor have worked

for a long time towards improving and streamlining their logistics. In many cases, forecasting delivery volumes to partners is the only way to ensure sufficient capacity during the peak seasons. Tyre transports are planned 1 to 6 months in advance, and inventory forecasts are made up to two years ahead.

By maintaining an extensive network and building long-term partnerships, we can ensure good readiness to respond to changes, for instance by using alternative delivery routes or delivery partners.

DIGITAL SERVICES BRING US CLOSER TO THE CUSTOMER



For our business, it is essential that our customers know our company and the products we produce. Establishing strong product and company knowledge and earning mutual trust in all aspects make it easier for the customer to sell our products and conduct profitable business operations.

In 2017, we launched a new digital service for our customers where they can order products, download marketing materials, complete training courses and contact our customer service. We started rolling out the service in the Central European market last spring and in North America at the end of the year. We intend to introduce the service in the Nordic countries in 2018.

The online concept was developed based on a need identified in our customer satisfaction surveys. Our major goals with the service include increasing interaction and reaching all of our customers digitally. The service enables us to offer our customers relevant content and support their business. This is also a way to improve our customer relationship management model.

The service responds to digitalisation that changes customer behaviour and the way the markets function. Tyre manufacturers must be able to quickly provide customers with information on product pricing, availability and technical details, among other things.

The cost-efficient online service improves the availability of information and reduces the need to travel. It also enables everyone to access the same information and makes it easy to implement changes and updates.

PLANET



MANAGEMENT OF ENVIRONMENTAL RESPONSIBILITY

We consider the entire product life cycle and all of our company's functions in terms of environmental responsibility. We want to go beyond the minimum legal requirements.



ENVIRONMENTAL IMPACTS OF PRODUCTION

We aim at managing the environmental impacts of our products over their entire life cycle and addressing the environmental aspects of our operations in a comprehensive and systematic manner.



A TYRE'S LIFE CYCLE AND RECYCLING

The life cycle of a tyre spans the manufacture of raw materials and products, storage and several rounds of transportation. Most of a tyre's environmental impacts are generated during use.

MANAGEMENT OF ENVIRONMENTAL RESPONSIBILITY AND IMPROVEMENTS



The outset of our operations includes uncompromising respect for the environmental and safety aspects as well as ensuring high quality and a good customer experience. They are an integral part of the Scandinavian way of doing business and our company culture, and they apply globally throughout our group.

We want to be an international industry leader also in terms of environmental matters. The awards and excellent reviews that our company and products have received demonstrate that environmental aspects, quality and safety are important for our customers and stakeholders. Our successful development projects, therefore, guide improvements across the industry.

When developing the functions that affect our environmental responsibility, we want to go beyond the minimum requirements of the legislation and applicable standards. Our activities aim for continuous improvement and

are based on the corporate social responsibility that we recognise as well as our strategic business goals. We also consider the entire product life cycle and all of our functions in terms of environmental responsibility.

Environmental management covers the following material topics:

1. Reducing the use of water in tyre production
2. Preserving and promoting biodiversity at the production sites
3. Energy-efficient production and the use of renewable energy
4. Reducing greenhouse gas emissions in transport and production
5. Reducing waste volumes in tyre production

For more information about the effects of material topics on our value chain and their scope, click [here](#).

Environmental management is guided by the following policies:

The Environmental, Safety and Quality Policy guides environmental aspects in our group. The policy has been approved by the President & CEO, and it was revised the last time in spring 2017. Environmental aspects are also discussed in our ethical guidelines that we updated in 2017.

Our activity management system is based on the ISO 9001, IATF 16949, ISO 14001, OHSAS 18001 and ISO 17025 standards and meets the applicable regulations and customer demands. We are also committed to following the UN Global Compact principles.

MANAGEMENT SYSTEMS

Our goal is to manage the environmental impacts of our products over their entire life cycle and address the safety and quality aspects of our operations in a comprehensive and systematic manner. The activity management system that covers the environmental aspects, safety and quality serves as a key tool for this purpose. Our operations manual is ISO 14001 compliant in terms of the environmental aspects and ISO 9001 compliant as regards quality. The key document that guides our environmental protection efforts is the Environmental Protection procedure. Our production facilities and Swedish sales company Nokian Däck are also covered by the joint environmental and quality system and included in our ISO 14001 and ISO 9001 certifications.

Our environmental and quality targets are specified in the company's quality and sustainability strategy, which is drawn up for a period of five years and updated annually. Vice President, Quality & Sustainability is involved in drawing up the strategy along with the Environmental and Responsibility Manager, who reports to the vice president. Working together with environmental experts, the Environmental and Responsibility Manager prepares an annual environmental programme for the factories. The programme specifies the detailed targets, actions, schedules and responsible persons for the goals presented in the strategy. This leadership covers all the aspects of the environmental management system. In addition, individual units have their own projects for developing the operations and processes.

The development of environmental aspects and quality is reviewed each quarter at the management meetings. The senior management provides direct feedback to the responsible persons, as needed.

AUTHORITIES AND PERMITS

Our production facilities have valid environmental permits as well as chemical handling and storage permits. These permits and other environmental and safety activities are supervised by several authorities according to the local laws. We maintain a continuous dialogue with various authorities in order to take any official requirements and requests into account in a timely manner. We immediately notify the authorities of any disruptions, accidents and deviations from permit requirements.

We see official permits as minimum requirements and consider eco-friendliness to be much more than simply complying with the permit limits. We are committed to being a part of genuinely sustainable development. We actively monitor the trends in environmental and safety regulations in Finland and the EU, and anticipate the effects of pending regulations on our operations.

CONTROL OF CHEMICALS

Control of chemicals aims at ensuring the safest possible use of chemicals for our employees, the environment and end users. Our company meets all the requirements of European (the REACH and CLP regulations) and local chemicals legislation.

In our production, we never use carcinogenic chemicals or SVHC chemicals (Substances of Very High Concern) as per the EU's REACH regulation. Our products do not contain any so-called "conflict minerals".

Moreover, all of our products meet the EU REACH requirements concerning PAHs. We also intend to ensure that no products sold in Vianor stores now or in the future contain any such chemicals.

New raw materials for rubber compounds are tested in Nokia for quality assurance and suitability for production both in laboratory and production conditions. We maintain a list of raw materials that are approved for the manufacture of rubber compounds, and our procurement personnel are only allowed to purchase these raw materials for our production plants.

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

We require all of our chemicals suppliers to provide us with chemical safety data sheets (SDS) in compliance with valid legislation prior to the purchasing of chemicals. The SDSs of the chemicals that we use are registered in a database that all personnel can access. We also organise regular trainings on chemicals for our employees.

AUDITS

Regular audits are an important part of our environmental, safety and quality efforts. Their

purpose is to ensure eco-friendliness in production and a safe working environment that meets high standards of quality. The audits aim to verify if our operation complies with the legislation, Environment, Safety and Quality policy and the instructions in the activity management system.

We carry out internal environmental and quality audits according to an annual plan such that each area of the activity management system is audited at least once every three years. We draw up the annual plan on the basis of a five-year plan, taking into account the findings of the previous audits. In production, we audit the environmental aspects and chemical safety through regular Safety Walks at individual departments and every six months through inspection rounds by chemicals experts.

Internal audits also include the audits carried out by our customers and partners, such as automotive industry representatives. The audit conducted in connection with the weekly management review is also considered an internal audit.

An external auditor performs an audit once a year in order to assess our activities' compliance with the relevant standards. Legal and regulatory compliance is supervised by the authorities and insurance companies annually or as required.

ORGANISATION FOR ENVIRONMENTAL MANAGEMENT

Our group's sustainability efforts are coordinated by the Environmental and Responsibility Manager. Environmental and chemical safety and sustainability aspects belong to the Quality and Sustainability unit, and the overall efforts are coordinated globally by Vice

President, Quality & Sustainability. The goals of quality and sustainability management are accident prevention, uninterrupted production, ensuring high quality and good corporate citizenship in all areas of operation.

Environmental engineers take care of practical environmental coordination and training, for instance regarding chemicals, emissions and waste. Furthermore, in Nokia, the environmental representatives and supervisors of individual departments address environmental responsibility alongside their other duties. The environmental representatives act as their

departments' environmental experts and points of contact in the interaction between departments. They also coordinate the appropriate handling of chemicals and waste in their departments.

KEY MEASURES IN 2017 AND GOALS FOR 2018

A summary of the essential goals of Nokian Tyres' 2017 environmental programme, their completion and our goals for 2018 is presented in the following tables.

Item	Target in 2017	Progress in 2017
Statutory requirements	Implementation according to the Nokian Tyres' environmental permits and legislation	Implemented.
VOC emissions	Reaching the emission limit of the VOC Directive, improving the collection of solvent emissions from the production of heavy tyres	Incineration plant has worked as intended. Improvements in the collection implemented in the production of heavy tyres; last improvements carried out during the summer outage. The total emission limit of the VOC Directive (25%) has not yet been reached, with the current emissions at 38%.
Energy	Implementation of measures to save energy	The implementation of department-specific measures has progressed according to plan.
Wastewater	Reducing the pollutant load in wastewater (Vsevolozhsk)	Measures implemented; the set limit values have been met since June.

Chemical safety	Preparing a safety report in accordance with the Seveso-III Directive for the Nokia factory	Implemented.
Safety audits and monitoring the use of chemicals	2 times/factory	Implemented.
Materials development	Verifying that the products do not contain any SVHC chemicals as specified by REACH	Implemented. No SVHC chemicals are being used.
Increasing environmental awareness among the personnel	In accordance with each factory's environmental programme	Implemented.

Item	Target in 2018
Statutory requirements	Implementation according to Nokian Tyres' environmental permits and legislation at the production facilities.
VOC emissions	Reaching the emission limit of the VOC Directive at the Nokia factory. New solutions are being sought in order to reach the target.
Energy	Implementation of measures to save energy. Annual reduction of energy consumption by 1% at the production facilities.
Odour	Looking into possibilities to reduce odour emissions from the factories, including a study on the composition of the rubber compounds that generate odour and the possibility to replace constituents.
Chemical safety	Two chemical safety audits at the production facilities.
Material efficiency	Initiating material audit activities at the Nokia factory.
Materials development	Verifying that the products do not contain any SVHC chemicals as specified by REACH.

Increasing environmental awareness among the personnel

Regular trainings and communication about environmental matters.

Building projects

Permit procedures and ensuring chemical and environmental safety concerning the factory in Dayton, TN and the test track in Spain.

ENVIRONMENTAL COSTS

In addition to personnel and technology, we allocate financial resources to environmental responsibility. In the fiscal period, our environmental management costs amounted to approximately EUR 300,000. This figure includes the expenses and investments that are related to air, soil and water protection, waste management, environmental management and noise reduction. In the previous fiscal period, the investments focused on the Vsevolozhsk factory, where we invested approximately EUR 550,000 in waste management and treatment of stormwater and wastewater. In early 2017, the Vsevolozhsk factory was issued a fine of approximately EUR 56,000 for exceeding the emission limit in wastewater. By the end of the year, the revised treatment of wastewater brought the emissions below the set limits.

COMPLAINT MECHANICS IN ENVIRONMENTAL RESPONSIBILITY

We document the annual environmental impacts of our tyre factories and report them to the local authorities as required in each country. We record feedback to a register and take the necessary corrective actions. We quickly assess and respond to all complaints and address them

as appropriate. Our factories' environmental experts are responsible for these records. The purpose of this practice is to collect the feedback on the status of our environmental aspects and consider our stakeholders' related requests and opinions.

We have taken a two-tiered approach to the management of environmental complaint procedures. If the complaint is minor in the scope of Nokian Tyres' production, an environmental expert can handle it independently and/or the manager decides on the necessary course of action. In case of a larger event, the decision to escalate the matter is taken in Nokia by Vice President, Quality & Sustainability and in Vsevolozhsk by the production manager and then, if necessary, by the line management.

TRACKING ENVIRONMENTAL RESPONSIBILITY

We track our environmental responsibility with the following indicators:

- 301-1 Materials used by weight or volume
- 301-2 Recycled input materials used
- 302-1 Energy consumption within the organisation
- 302-3 Energy intensity
- 303-1 Water withdrawal
- 304-2 Significant impacts of activities, products and services on biodiversity

305-1 Direct GHG emissions
305-2 Energy indirect GHG emissions
305-4 GHG emissions intensity
305-7 Nitrogen oxides, sulfur oxides and other

significant air emissions
306-1 Water discharge by quality and destination
306-2 Waste by type and disposal method
307-1 Non-compliance with environmental laws
and regulations

ENVIRONMENTAL IMPACTS OF PRODUCTION

Our goal is to manage the environmental impacts of our products throughout their life cycle. We take a comprehensive and systematic approach to environmental aspects in our activities.

The environmental impacts from tyre production include odour, dust emissions, noise, waste, energy consumption and solvent emissions (VOC emissions). The most significant of these impacts are VOC emissions and, locally, odour. We constantly strive to reduce these impacts in the best possible ways: we improve our operations and find efficiencies, track emissions and correct identified deviations. In accordance with our Environmental, Safety and Quality Policy, we aim for zero defects in our environmental, health, safety and quality activities.



NOKIA

EMISSIONS

Solvent emissions VOC 53.3 t/a
 Particle emissions < 1,0 t/a
 CO₂ 371 Scope 1+2
 kg CO2 eq/production (t)
 Noise < 50 dB

INPUT

Energy 613 TJ
 Municipal water 62,800 m³
 River Nokianvirta 7,367,000 m³
 Raw materials 52,900 t

PRODUCTS

Tyres and materials 50,600 t

WASTE

Landfill 0 t
 Utilized 4,400 t
 Hazardous 211 t
 Water into the sewage 159,000 m³
 Water into the Nokianvirta river 7,271,000 m³



VSEVOLOZHSK

EMISSIONS

Solvent emissions VOC 63 t/a
 Particle emissions 9 t
 CO₂ 547 Scope 1+2
 kg CO2 eq/production (t)
 Noise < 50 dB

INPUT

Energy 1,563 TJ
 Municipal water 276,500 m³
 Raw materials 163,300 t

PRODUCTS

Tyres 153,200 t

WASTE

Landfill 1,200 t
 Utilized 9,300 t
 Hazardous 1,200 t
 Water into the sewage 242,700 m³
 Storm water 140,160 m³

CONSIDERING BIODIVERSITY

We have always considered biodiversity as part of our environmental efforts. We have assessed our factories, test tracks and retreading plants in terms of biodiversity.

Our company has little direct impact on biodiversity. Nevertheless, we make an effort to track and minimise the impact of our operations on our immediate surroundings. In 2017, we carried out environmental reviews for our planned factory in Dayton, Tennessee and test track in Spain in order to minimise our impact on biodiversity in the areas.

ENERGY

We purchase energy for our factory in Nokia from an external supplier. The required energy can be divided into electricity, heating and steam. Renewable energy sources account for approximately 9% of the electricity that we purchase.

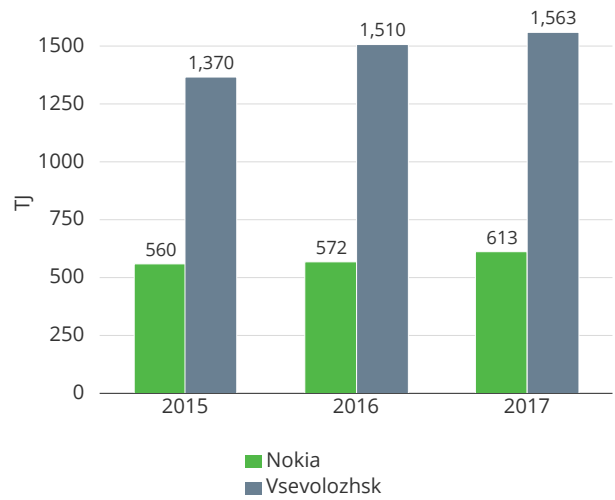
We use biomass and natural gas as the energy sources for heating and steam generation. A biomass power plant that supplies our Nokia factory started its full production in April 2016. The new plant reduces the use of fossil fuels – natural gas – in favour of local energy sources in the region.

Our Vsevolozhsk factory uses natural gas as an energy source. We buy the electricity from an external supplier, but use our own power station for the energy required for heating and steam.

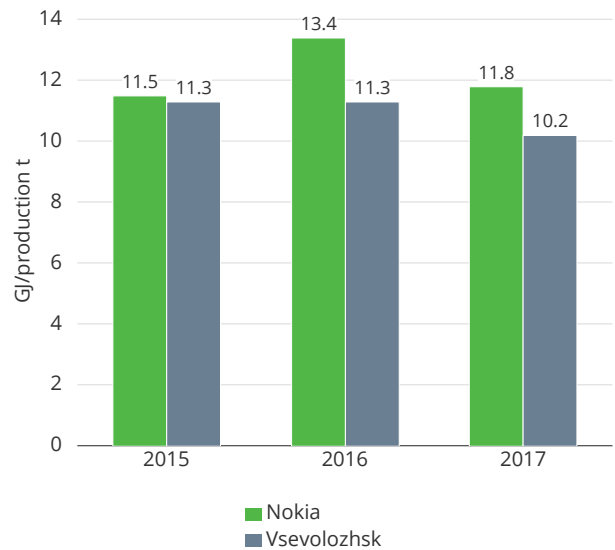
Our Energy Savings working group continued its activities in 2017. We clearly met our target of reducing our yearly energy consumption by 1% per production tonne, with an 8% reduction from the previous year.

In November, we organised a campaign for collecting ideas to save energy from our employees in Vsevolozhsk. We received a total of 75 ideas, which we will evaluate for feasibility in early 2018. We will award the people behind the best ideas in the spring of 2018.

Energy consumption within the organisation

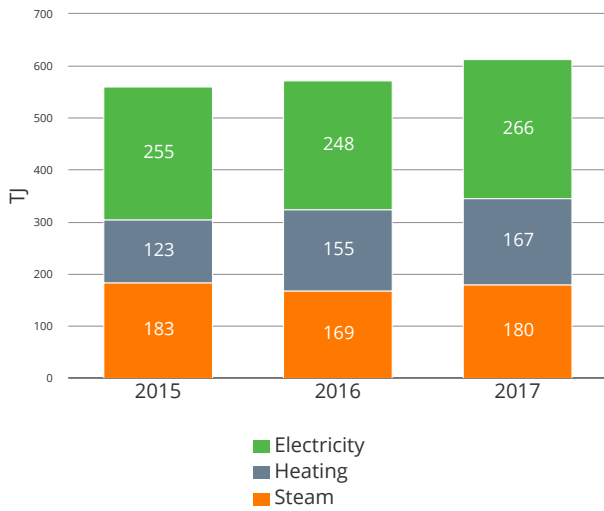


Energy intensity



Energy usage

Nokia



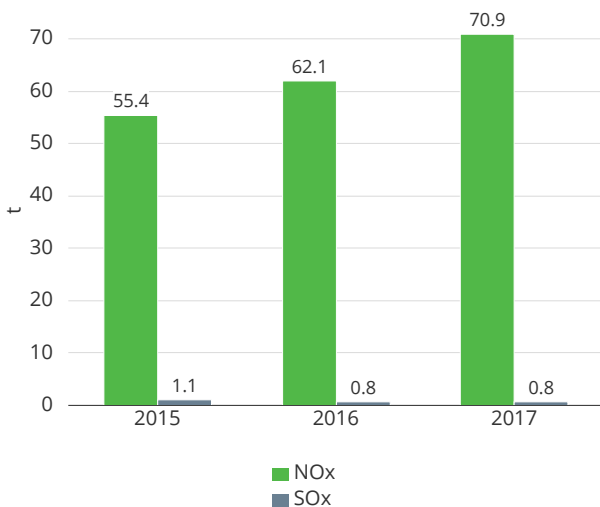
EMISSIONS

EMISSIONS FROM ENERGY PRODUCTION

An independent company annually measures the nitrogen and sulfur emissions from energy production at our factory in Vsevolozhsk. Our nitrogen and sulfur emissions are below the set emission limits.

NOx and SOx emissions

Vsevolozhsk



CARBON DIOXIDE (CO2)

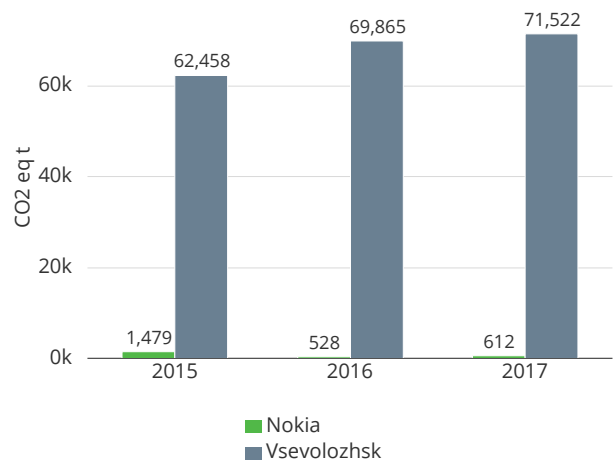
We calculate our tyre production GHG emissions from raw material purchasing to the disposal of the product in compliance with the ISO 14064 standard. Our Vsevolozhsk factory uses its own power station for generating most of the energy it needs. Therefore, the factory's direct GHG emissions exceed those of the factory in Nokia.

We are seeking a 20% reduction in CO2 emissions by 2020 and a 30% reduction by 2030. The point of reference comprises our 2013 Scope 1 and Scope 2 emissions in relation to production. The actual reduction from 2013 was 36% in 2017, which means that we met and clearly exceeded the target. In 2017, our market-based Scope 2 emissions were approximately 33,500 tonnes CO2 eq. The emission calculations are based on Finland's residual mix of electricity production, the emission data provided for us by Nokianvirran Energia and location based emission factor of Russian factory's energy consumption. We could not access market-based (source and/or supplier-specific) emission factors related to our Russian factory.

For our detailed sustainability goals, see the section on sustainability management.

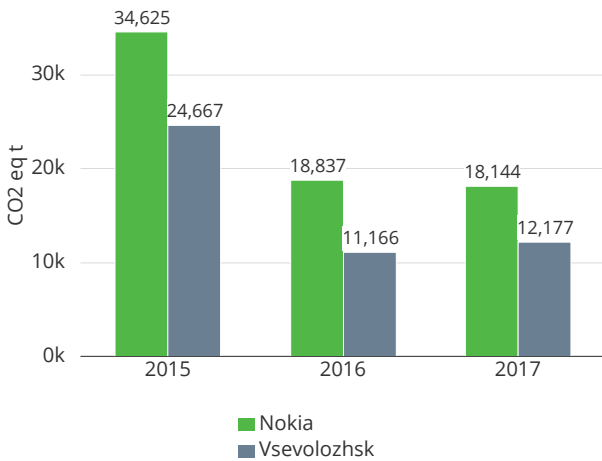
Direct green-house gas emissions

Scope 1



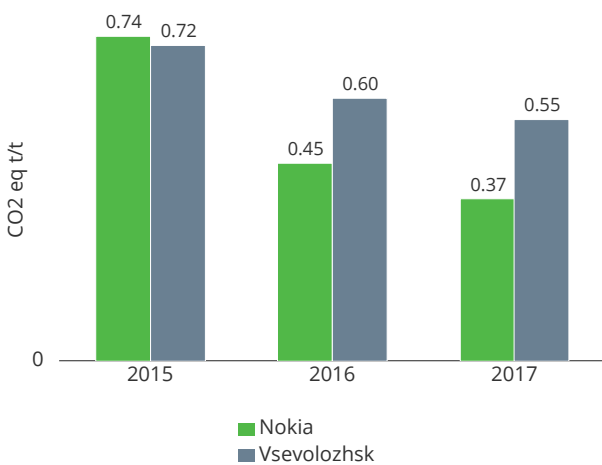
Indirect green-house gas emissions

Scope 2



Greenhouse gas emissions intensity ratio

Scope 1 + Scope 2/production tonne



VOLATILE ORGANIC COMPOUNDS, VOCs

Solvents, or volatile organic compounds (VOCs), form our most significant emissions into air. As the legislation concerning VOC emissions is country-specific, our calculation and reporting of VOC emissions varies by country.

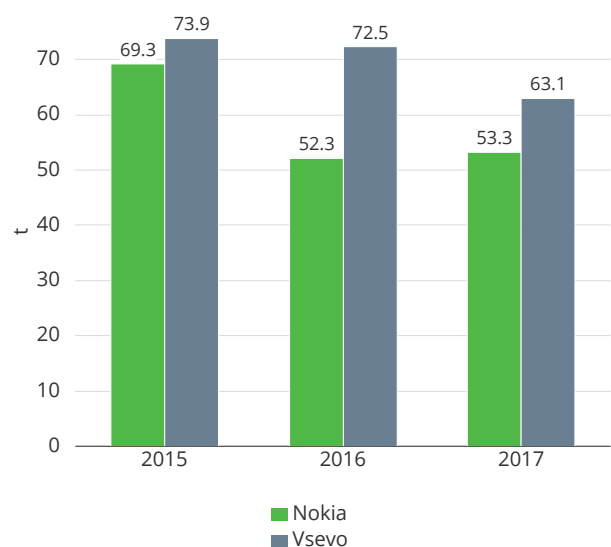
In Nokia, we follow the European VOC Directive, which stipulates that emissions are calculated based on the used solvents. We use solvents in

our factory only in the production of heavy tyres and retreading material for improving adhesion. The VOCs from retreading material production and the assembly of heavy tyres are collected and conveyed to a catalytic incineration plant. Collecting solvent emissions from the production of heavy tyres poses a challenge. In the production of heavy tyres, it is not possible to seal the emission sources such that all emissions could be collected and conveyed for incineration.

In Nokia, we aim to comply with the total emission limit of the European VOC Directive, which is 25% of the solvents used. In 2017, we improved the collection of solvents in the assembly of heavy tyres, nearly doubling our collection rate. This reduced our total solvent emissions from 45% in 2016 to 38% of used solvents.

No solvents are used in tyre manufacture at Vsevolozhsk. According to the local legislation, emissions are calculated based on emission measurements. VOC emissions are generated due to the raw materials used in the processes.

VOC emissions



PARTICLE EMISSIONS (DUST)

Particle emissions are caused by the processing of powdery chemicals in our compound mixing department. The mixing equipment is fitted with effective ventilation and dust collection devices, and the best separation rates achieved by water cleaners exceed 99%. We measure particle emissions with particle concentration and differential pressure gauges. In addition, outside experts carry out regular concentration measurements. The measured particle concentrations have complied with the permit limits at both of our factories. The dust that passes through the filter system mainly causes an aesthetic inconvenience and poses no harm to the environment or health.

ODOUR

According to surveys that we have commissioned, odour emissions are momentary. The mastication process for softening natural rubber causes discharges of compounds during the precipitation and dehydration phases of rubber milk, which results in an unpleasant odour in the near surroundings. We use droplet separators for reducing the odours from mastication. We have also managed to lower the number of separate mastication processes, thereby reducing the related odours. Some odours are generated during the tyre curing process. The quantity of the curing fumes released in the process is directly proportional to the amount of cured rubber. The concentrations of individual substances in the fumes are very small.

In the past two years, our factories have introduced new odour control equipment that represents the best available technology (BAT). In Vsevolozhsk, the technology covers all the mixing lines, whereas in Nokia the technology is being implemented gradually.

In 2017, we were contacted three times concerning odour emissions. In Nokia, we inspected the odour control equipment as a result of these comments. We will decide on corrective actions in the spring of 2018. At the Vsevolozhsk factory, we established an "Odour Panel", which reports to an environmental expert on any exceptional odours. The purpose is to determine which process stages generate odour and plan ways to improve the situation. The monitoring period continues until spring 2018.

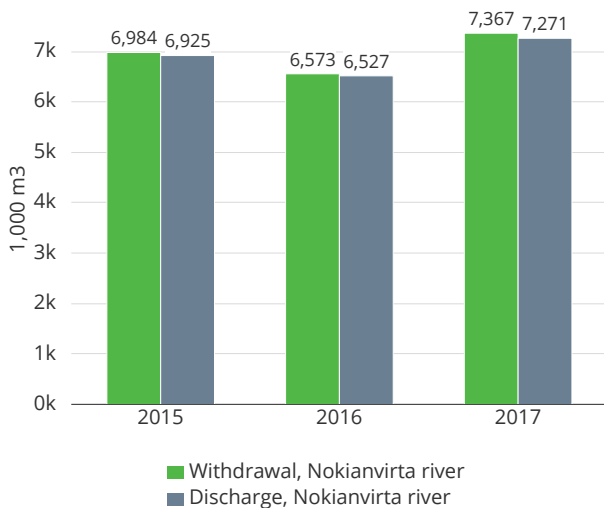
NOISE

Our production facilities have noise limits subject to their environmental permits. We regularly track and measure noise emissions. According to the measurements, we are below the noise limits.

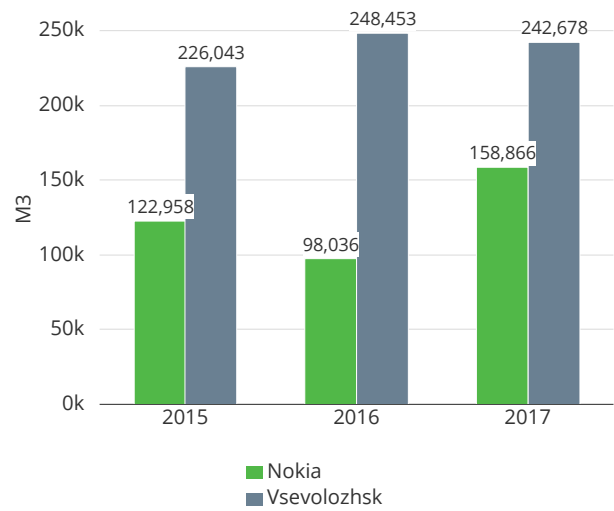
WATER AND WASTEWATER

Our tyre manufacturing processes use large quantities of cooling water. In Nokia, we take cooling water from the nearby Nokianvirta river and discharge it back into the river after use. The Vsevolozhsk factory uses municipal tap water for cooling and then conveys it to a wastewater treatment plant. The cooling water has no contact with production chemicals at any stage and, therefore, does not become contaminated. The wastewater in Vsevolozhsk is conveyed to a treatment plant.

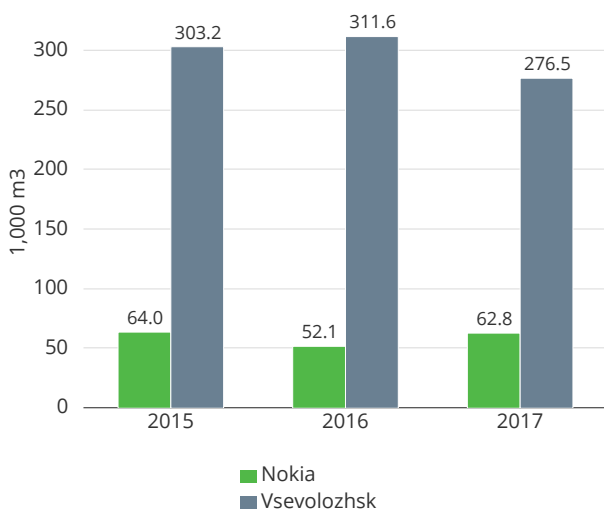
Cooling water Nokia



Water discharge Sewage



Total water withdrawal Municipal water



In Nokia, we take annual samples from the cooling water discharged into the river and from the wastewater conveyed to the municipal treatment plant in order to verify the water quality. The wastewater conveyed into the municipal sewage system and the cooling water discharged into the Nokianvirta river have been practically clean.

The pollutant load of wastewater from the Vsevolozhsk factory has previously exceeded the set limits. We took corrective actions already in 2016 and, in May 2017, we introduced automated wastewater aeration in balancing reservoirs. As a result, the pollutant load has remained below the agreed limits.

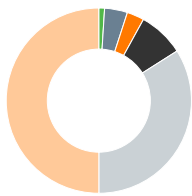
We aim to reduce the consumption of municipal water by 25% by 2020 compared to the 2013 baseline. In 2017, our consumption of municipal water (m³/tonne of products) was approximately 40% lower than in 2013.

MATERIALS

Our production uses excellent raw materials that contribute to the safety and high quality of our tyres. We are continuously exploring the

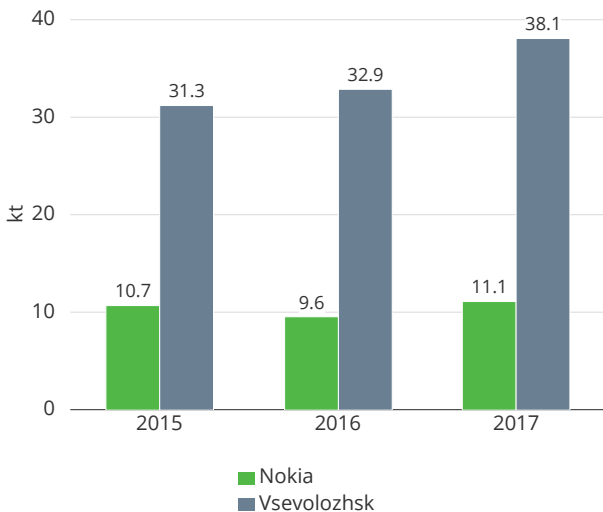
utilisation of recycled materials but, in general, recycled materials contain impurities that would degrade our products' safety characteristics. This is why we primarily use virgin raw materials in our production.

Raw material composition of rubber compound of passenger car tyre

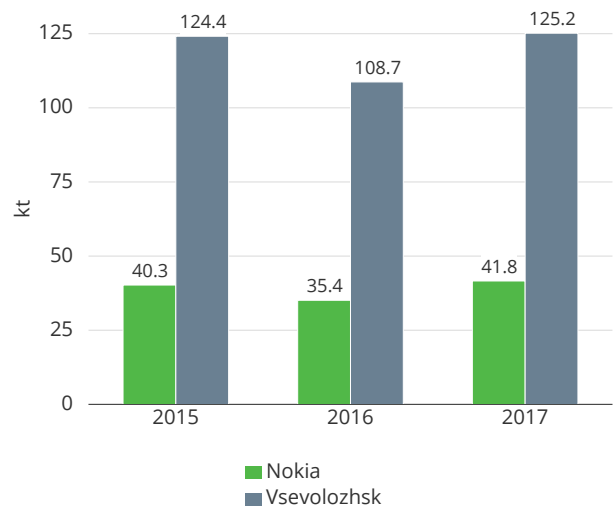


- Protective agents 1%
- Booster chemicals 4%
- Vulcanising agents 3%
- Plasticiser 8%
- Filler substances 34%
- Rubber 50%

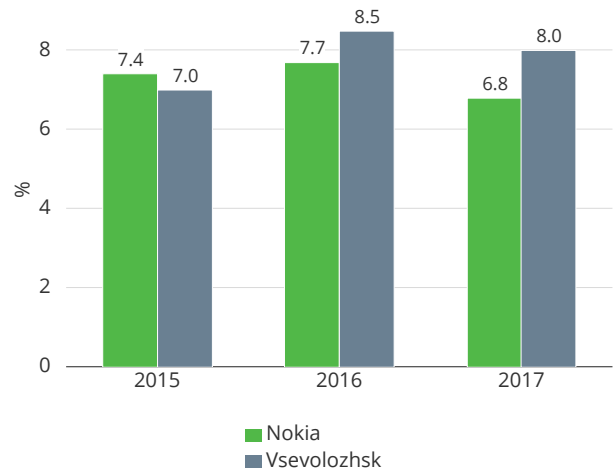
Raw materials Renewable raw materials



Raw materials Non-renewable raw materials



Raw materials Percentage of materials used that are recycled input materials



WASTE

Waste is generated both in our actual production and support functions. The generated waste can be roughly divided into three categories: landfill waste or non-recyclable waste, recyclable waste and hazardous waste.

We weigh all production waste and record the department-specific volumes on a monthly basis. For other types of waste, we prepare

reports annually. The waste volumes are determined in weighing by waste management companies. We sort the generated waste at our factories in accordance with separate waste management instructions. Most of the production waste is taken directly to be utilised. We store hazardous waste separately at the collection points in containers that carry warning labels.

RECYCLABLE WASTE

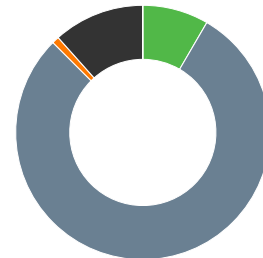
The utilisation rate of our production waste has been growing for years.

Scrap tyres, or tyres that do not meet our high standards of quality, are taken to recycling directly from production. Non-vulcanised scrap rubber is generated in the production stages preceding vulcanisation, or curing. This material’s reuse applications include impact padding, conveyor belts and other rubber products that do not have as critical material requirements as tyres. Other generated recyclable waste categories include combustible waste, plastics, scrap iron and steel, wood, paper, biodegradable waste, cardboard, glass and electrical and electronic equipment.

LANDFILL WASTE

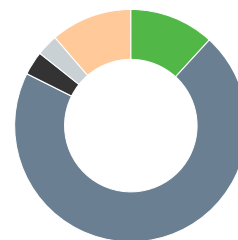
Mixed waste that cannot be utilised or recycled is taken to a landfill. We aim to further reduce the amount of landfill waste by sending the waste that we generate to recycling and utilisation. Our goal for 2020 is that no waste generated in production is taken to a landfill. In 2017, 100% of factory waste in Nokia and 88.7% in Vsevolozhsk was sent to utilisation, so we are heading in the right direction.

Wastes by disposal method
Nokia



- Reuse **8.4%**
- Recycling **79.1%**
- Composting **0.9%**
- Recovery as energy **11.6%**
- Landfill **0%**

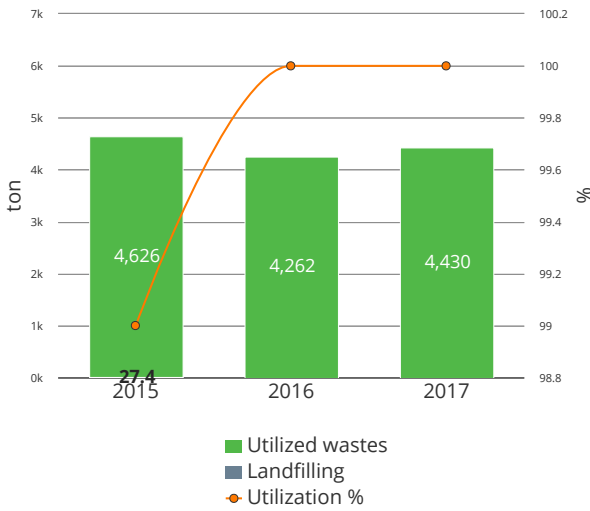
Wastes by disposal method
Vsevolozhsk



- Reuse **11.8%**
- Recycling **70.5%**
- Composting **0%**
- Recovery as energy **3.3%**
- Incineration (mass burn) **3%**
- Landfill **11.3%**

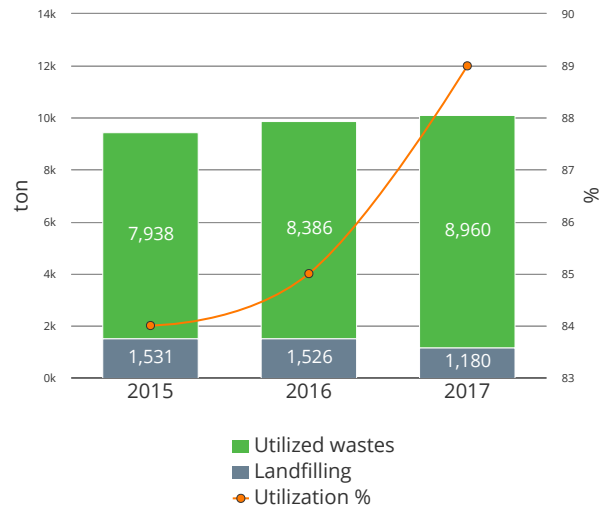
Amount of wastes

Nokia



Amount of wastes

Vsevolozhsk



Total waste by disposal method

Nokia + Vsevolozhsk

Disposal methods

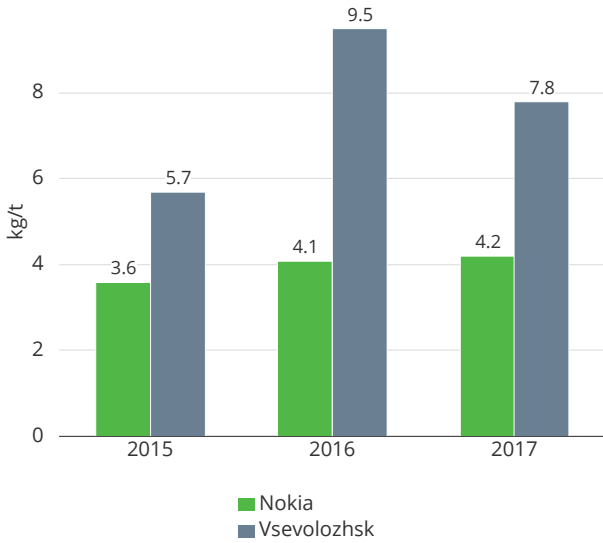
- Reuse
- Recycling
- Composting
- Recovery as energy
- Incineration (mass burn)
- Landfill

2015		2016		2017	
t	%	t	%	t	%
1,495	11.7	1,736	12.2	1,611	10.8
9,691	75.7	10,056	70.9	10,884	73.1
20	0.2	26	0.2	42	0.3
677	5.3	830	5.9	862	5.8
0	0.0	128	0.9	317	2.1
921	7.2	1,398	9.9	1,180	7.9

HAZARDOUS WASTE

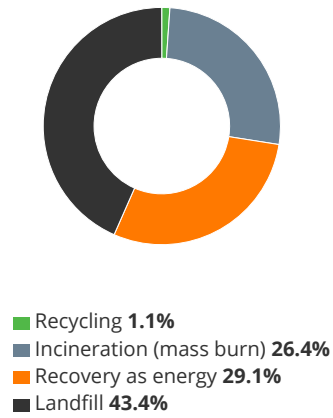
We take all hazardous waste to an authorised processing plant. Roughly a quarter of this waste is seal oil from compound mixing machines, whose consumption is directly proportional to the manufactured rubber compound volumes. All hazardous waste generated in our Nokia factory is utilised for energy or as materials.

Hazardous wastes



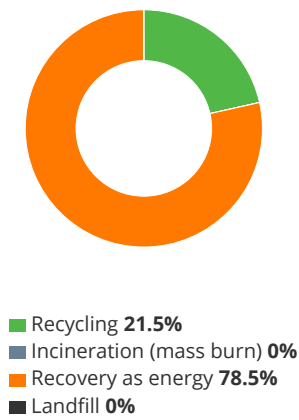
Hazardous wastes by disposal method

Vsevolozhsk



Hazardous wastes by disposal method

Nokia



OTHER LOCATIONS

Our sales companies and Vianor stores always comply with the local regulations. We sort the waste and deliver it for reuse whenever technologically and economically feasible. The most significant environmental impacts of our locations come from waste and energy consumption. In connection with our group’s energy-efficiency audits, we are launching focused assessments in two Vianor service centers in 2018. Furthermore, our sales companies and Vianor service centers pay attention to the efficiency of product transports.

A TYRE'S LIFE CYCLE AND RECYCLING

We use "life cycle" to refer to the different stages that a product undergoes from manufacture to use and, ultimately, recycling. The life cycle of a tyre begins with a rubber tree in the southern hemisphere, for example in Indonesia or Thailand. Then, the following stages of life cycle include the manufacture of raw materials and products, storage and several rounds of transportation. The tyre's actual life cycle ends, for instance, when the tyre is crushed and used as a construction material.

The life cycle can be roughly divided into four parts:

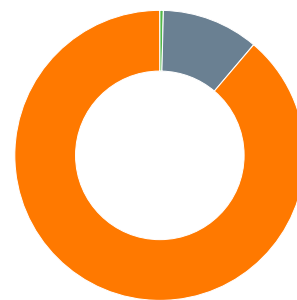
1. Purchasing and manufacture of production inputs, such as raw materials and energy.
2. Tyre manufacture.
3. Use of tyre.
4. Utilisation of used tyres.

The outset of our environmental protection is the life cycle approach. This means that we take responsibility for the environmental impacts of our activities and products throughout their life cycle. In accordance with our purchasing policy, our product procurement process includes determining our suppliers' commitment to the environmental aspects. In 2017, 71% of our raw material suppliers had the ISO 14001 certification. We require all of our contract partners, including suppliers and contractors, to commit to our principles.

Most of the environmental impacts during a tyre's life cycle are generated during its use. The single most important factor is the vehicle's fuel consumption. Fuel consumption can be decreased by reducing the tyre's weight and rolling resistance, thereby cutting the exhaust gas emissions and the formation of greenhouse gases. However, the most significant factor affecting the level of exhaust gas emissions is the driving style. Economic driving can lower fuel consumption by 10–20%.

Since the most significant environmental impact over a tyre's life cycle comes from fuel consumption during use, the following diagram presents a tyre's environmental impacts as the carbon footprint.

Carbon footprint over a tyre's lifecycle



■ Transportation **0.4%**
 ■ Raw materials and tyre production **10.8%**
 ■ In-use phase (including end of life tyres) **88.8%**

INPUT	PRODUCTION	USE	END OF LIFE
Raw materials ●●●	VOC ●●	Fuel consumption ●●●	Impacts on scenery ●
Energy ●●	Particles ●	Tyre noise ●	Tyre incineration ●
Water ●	Odour ●●	Impacts on terrain ●	Utilisation of used tyres ●
	Noise ●	Road erosion ●	Retreading ●
	CO ₂ ●	Tyre particles ●	
	Utilized waste ●		
	Hazardous waste ●		
	Landfill waste ●		
	Cooling water ●		

● Low
●● Moderate
●●● Substantial
■ Global
■ Regional
□ Local

WE PARTICIPATE IN THE RESEARCH ON THE POTENTIALLY HARMFUL EFFECTS OF MICRO POLYMERS



Motor vehicles have been brought up as one of the sources of microplastics that are ending up in seas and other bodies of water. In the context of tyres, the term “microplastics” is somewhat misleading because tyres contain rubber rather than plastic. However, plastic and rubber are both polymers.

Many publications include the dust created during tyres' contact with the road – i.e. wear particles from the tyre and road surface – under micro polymers or microplastics. Out of the particles that are generated, roughly one half comes from the tyre and the other half from the road surface. As the particles are quite heavy, most of them settle along roads, a small fraction of them remains airborne and some are swept into bodies of water by rainwater.

As a tyre manufacturer, we are responsible for the safety of our products. Friction between the tyre and the road is a significant safety factor and it is required for a tyre to grip properly. Friction also causes tyre and road wear, resulting in wear particles. In tyre

design, we aim for the best combination of wear durability on the one hand and grip and safety characteristics on the other in order to optimise the tyre in terms of road safety and eco-friendliness.

Additional research is required

The current research has noted that, in fresh water areas, particles in sediments may pose a low risk to some aquatic organisms. However, additional research is required in order to determine whether the particles that enter bodies of water pose harm to the ecosystem or human health.

One important aspect of reducing the harmful impacts of driving is how we can prevent particle emissions from traffic or control them in an eco-friendlier way from the infrastructure perspective. Such areas for improvement could include sewer systems, ditch embankments or water purification.

We are actively following the studies on this topic and participate in external studies ordered by ETRMA and other organisations. The latest ETRMA Cardno study will be published in early 2018. The ongoing research on the tyre and road wear particles and on microplastics in general is more comprehensive than before. Reliable field and laboratory tests for understanding the nature, harmful impacts and routes of entry of the particles are required because many of the current estimates are based on mathematical models and calculations.

We are committed to continuous improvement and are developing our products

and functions to be even more eco-friendly. We take human safety and health very seriously. If future research indicates that micro polymers are harmful, we will react accordingly and look for new solutions.

RETREADING OFFERS ECO-FRIENDLY DRIVING

The Nokian Noktop retreading complements our service range and brings cost savings and eco-friendlier kilometres to professional driving. Tyre retreading allows the operator to save money, resources and the environment. A good tyre carcass can easily be retreaded two times, which cuts tyre costs by approximately 30%.

CO₂ emissions are generated during tyre production as well as driving. Retreading has a significant impact on the carbon footprint of tyres: manufacturing a new tyre results in approximately 220 kg of CO₂ emissions, whereas the figure for retreading is only approximately 40 kg. Furthermore, each retreading operation saves 40 kg of rubber and 70 litres of oil per tyre compared to new tyres. Our new Nokian E-tread product family provides even higher raw material and energy savings. As a result of our product development efforts, we are able to recycle our tyres' excellent tread rubber compound even more efficiently without compromising on quality.

Our winter tyres for trucks and buses and our Noktop retreading materials use a Cap/Base structure which is optimised for the seasons in the north. Its tread is composed of two layers. When a tyre is fitted in the autumn, the softer top layer (Cap) provides winter grip. The top layer will wear out by the spring, revealing the harder rubber compound (Base), which ensures that the tyre delivers sturdy performance in the following summer.

WHERE DO TYRES END UP AFTER USE?

Approximately 3.2 million tonnes of used tyres are discarded each year in Europe. Luckily for the environment, discarded tyres are not worthless and can serve various reuse or recycling applications. Among other things, the tyres can be used in noise barriers along motorways or as an elastic base material in horse riding arenas.

If tyres are not appropriately recycled, they will end up in the environment or pile up in garages. The recycling rate of tyres in Finland is high compared to many other countries. In 1995, Nokian Tyres and other companies in the tyre industry established the Finnish Tyre Recycling Ltd in order to promote the centralised collection and utilisation of tyres nationally. In Finland, nearly 100% of tyres are recycled. In all of Europe, for example, the figure is 95%. The rest of the tyres are taken to landfills. In Russia, the tyre recycling rate is low. According to local legislation, in 2017, our tyre recycling had to be equivalent to 20% of our total sales in Russia, and we met that target.

Part of recycled tyres is utilised for material; they are shredded or granulated to replace rock materials in various road construction and civil engineering applications. Rubber chips are light, insulate moisture and maintain their form. They support the road surface and make asphalt quieter. The flexible properties of rubber are put to use once more when it is reused as a base material for sports venues.

Retreading is one of the best recycling methods. If the carcass of a tyre is undamaged, it can be retreaded. Bus and truck tyres, for example, can be retreaded up to 2–4 times.

Another way to utilise recycled tyres is to combust them for energy, as the heating value

of tyres is close to that of oil. The use of recycled tyres as an energy source has been growing for years and, today, approximately half of the tyres recycled in Europe are used in waste-to-energy applications. We are constantly looking for new ways to recycle and utilise tyres.

INDEPENDENT ASSURANCE REPORT

This document is a translation of the Finnish report

TO THE MANAGEMENT OF NOKIAN TYRES PLC

We have been engaged by the Management of Nokian Tyres plc (hereafter Nokian Tyres) to provide limited assurance on corporate sustainability information from the reporting period 1. January – 31. December 2017, which has been presented on Nokian Tyres' website on specifically indicated web pages as well as in a PDF-format report "Corporate Sustainability Report 2017" (hereafter the Corporate Sustainability Information).

GRI Sustainability Reporting Standards were used as the assurance criteria (hereafter GRI Standards).

INHERENT LIMITATIONS ON THE ENGAGEMENT

The inherent limitations on accuracy and completeness in data related to the Corporate Sustainability Information are to be taken into account when reading our assurance report. The presented Corporate Sustainability Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by Nokian Tyres.

The Management of Nokian Tyres is responsible for the measuring, preparation and presentation of the Corporate Sustainability Information in accordance with the GRI Standards.

Our responsibility is to express an independent conclusion on the Corporate Sustainability Information. We have conducted the engagement in accordance with ISAE 3000 (Revised). To the fullest extent permitted by law, we accept no responsibility to any party other than Nokian Tyres for our work, for this assurance report, or for the conclusions we have reached.

We are independent from the company according to the ethical requirements in Finland and we have complied with other ethical requirements, which apply to the engagement conducted. We apply the International Standard on Quality Control 1 (ISQC 1) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SUMMARY OF THE WORK PERFORMED

A limited assurance engagement consists primarily of making inquiries of persons responsible for the preparation of the Corporate Sustainability Information presented, and applying analytical and other evidence gathering procedures, as appropriate. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower.

In our engagement we have performed the following procedures:

Interviews with members of Nokian Tyres senior management;

An assessment of conformity with the reporting principles of GRI Standards in the presentation of the Corporate Sustainability Information;

An assessment of the definition of the reporting boundaries for Corporate Sustainability Information in the context of Nokian Tyres's business operations and sector;

An assessment of data management processes, information systems and working methods used to gather and consolidate the Corporate Sustainability Information;

A review of the presented Corporate Sustainability Information with an assessment of information quality and reporting boundary definitions;

Assessment of data accuracy and completeness through a review of the original documents and systems on a sample basis and;

A site visit conducted to one of Nokian Tyres' sites.

CONCLUSIONS

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared in accordance with the GRI Standards in all material respects.

Helsinki, 9 March 2018

KPMG OY AB

Lasse Holopainen, Authorised Public Accountant, KHT

Tomas Otterström, Partner

GRI CONTENT INDEX

GRI standards: disclosure	Content	Where to find?	UNGC comparison	SDG comparison
2016 version				
Strategy and analysis				
102-14	Managing director's review	Greetings from the President & CEO		
Organizational profile				
102-1	Name of the organisation	Our group in a nutshell		
102-2	Most important trademarks, products and services	Our group in a nutshell		
102-3	Location of the organisation's head office	Our group in a nutshell		
102-4	Area of operations	Our group in a nutshell		
102-5	Operational structure of the organisation	Our group in a nutshell		
102-6	Market areas	Our group in a nutshell		
102-7	Size of the reporting organisation	Our group in a nutshell		
102-8*	Total number of employees by employment contract and gender	Satisfied and motivated personnel	UNGC 6	8
102-41*	Percentage of total employees covered by collective bargaining agreement	Data is not cathered yet in corporate level.	UNGC 3	8

102-9*	Organization's supply chain	<u>Value chain</u>	UNGC 1, 2, 3, 4, 5	
102-10	Significant changes to the size, structure, or ownership structure of the organisation	No significant changes during the accounting period.		
102-11*	Precautionary approach or principle addressed by the company	<u>Sustainability management</u>	UNGC 7	
102-12	Commitment to external corporate social responsibility initiatives	<u>Materiality assessment</u>		
102-13	Memberships in organisations	<u>Materiality assessment</u>		
	Identified material aspects and boundaries			
102-45	Ownership structure and form of company	<u>Financial Statement Bulletin 2017</u>		
102-46	Defining the report content and aspect boundaries	<u>Materiality assessment</u>		
102-47	Material aspects	<u>Materiality assessment</u>		
103-1	Aspect boundary within the organization	<u>Materiality assessment</u>		
103-1	Aspect boundary within the organization	<u>Value chain</u>		
103-1	Aspect boundary outside the organization	The report does not include an external accounting of the organization.		
103-1	Aspect boundary outside the organization	<u>Value chain</u>		

102-48	Causes for and impact of information deviating from previous reports	<u>Materiality assessment</u>		
102-49	Most important changes to the scope of the report, its delimitations or measurement methods	<u>Materiality assessment</u>		
Stakeholder engagement				
102-40	Stakeholders of the organisation	<u>Stakeholder engagement</u>		
102-42	Definition and selection criteria for stakeholders	<u>Stakeholder engagement</u>		
102-43	Principles of stakeholder activities	<u>Stakeholder engagement</u>		
102-44	Topics brought up by stakeholders	<u>Stakeholder engagement</u>		
Report profile				
102-50	Reporting period	<u>Materiality assessment</u>		
102-51	Time of publication of the previous report	03/17/17		
102-52	Report publication frequency	<u>Materiality assessment</u>		
102-53	Contact information	<u>Our group in a nutshell</u>		
102-54	Claims of reporting in accordance with the GRI Standards	<u>Materiality assessment</u>		
102-55	GRI content index	This engagement		
102-56	External assurance	<u>Materiality assessment</u>		
102-56	External assurance	<u>Independent Assurance Report</u>		

	Governance			
102-18	Governance structure of the organisation	<u>Financial management</u>		
102-32	Highest governance body approving organization's sustainability report	Top management approves sustainability report annually.		
	Ethics and integrity			
102-16*	Organization's values, principles and standards	<u>Sustainability management</u>	UNGC 10	
	Economic			
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>Financial management</u>		5, 8
201-1	Produced and distributed direct financial added value	<u>Profitable growth benefits everyone</u>		8, 9
	Indirect financial impacts			
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>Financial management</u>		
203-2	Key indirect financial impacts and their scope	<u>Profitable growth benefits everyone</u>		8
	Materials			
103-1, 103-2, 103-3*	Disclosure of the Management approach	<u>Sustainability in procurement</u>	UNGC 1, 2, 3, 4, 5	
103-1, 103-2, 103-3*	Disclosure of the Management approach	<u>Management of environmental responsibility</u>	UNGC 7,8,9	

301-1*	Materials used by weight or volume	<u>Environmental impacts of production</u>	UNGC 7,8	8, 12
301-2*	Percentage of materials used that are recycled input materials	<u>Environmental impacts of production</u>	UNGC 8	8, 12
Energy				
103-2, 103-3	Disclosure of the Management approach	<u>Sustainability management</u>		
103-1	Disclosure of the Management approach	<u>Materiality assessment</u>		
302-1*	Energy consumption within the organization	<u>Environmental impacts of production</u>	UNGC 7	8, 12, 13
302-3*	Energy intensity	<u>Environmental impacts of production</u>	UNGC 8	8,12
Water				
103-2, 103-3	Disclosure of the Management approach	<u>Sustainability management</u>		
103-1	Disclosure of the Management approach	<u>Materiality assessment</u>		
303-1*	Total withdrawal by source	<u>Environmental impacts of production</u>	UNGC 7,8	
Biodiversity				
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>Sustainability management</u>		
304-2*	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	<u>Environmental impacts of production</u>	UNGC 8	

	Emissions			11, 13
103-2, 103-3	Disclosure of the Management approach	<u>Sustainability management</u>		
103-1	Disclosure of the Management approach	<u>Materiality assessment</u>		
305-1*	Direct greenhouse gas emissions	<u>Environmental impacts of production</u>	UNGC 7,8	3, 12
305-2*	Indirect greenhouse gas emissions	<u>Environmental impacts of production</u>	UNGC 7,8	3, 12
305-4*	Greenhouse gas (GHG) emissions intensity	<u>Environmental impacts of production</u>	UNGC 8	
305-7*	Nitrogen and sulphur dioxide emissions and other significant emissions	<u>Environmental impacts of production</u>	UNGC 7,8	3, 12
Effluents and waste				
103-2, 103-3	Disclosure of the Management approach	<u>Sustainability management</u>		
103-1	Disclosure of the Management approach	<u>Materiality assessment</u>		
306-1*	Total water discharge by quality and destination	<u>Environmental impacts of production</u>	UNGC 8	3,12
306-2*	Total weight of waste by type and disposal method	<u>Environmental impacts of production</u>	UNGC 8	3
Products and services				
103-1	Disclosure of the Management approach	<u>Materiality assessment</u>		9

103-2, 103-3	Disclosure of the Management approach	<u>Management of product advancements, product safety and product liability</u>		
NA*	Extent of impact mitigation of environmental impacts of products and services. No standard exists, but this is a material topic for the company.	<u>Your tyre choice matters</u>	UNGC 7	13
NA*	Extent of impact mitigation of environmental impacts of products and services. No standard exists, but this is a material topic for the company.	<u>Innovation improves safety and eco-friendliness</u>	UNGC 8, 9	13
Compliance				
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>Sustainability management</u>		
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>Environmental impacts of production</u>		
307-1*	Monetary value of fines for non-compliance with environmental laws and regulations	<u>Management of environmental responsibility</u>	UNGC 8	
Overall				
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>Management of environmental responsibility</u>		

NA*	Total environmental protection expenditures and investments by type. No standard exists, but this is a material topic for the company.	<u>Management of environmental responsibility</u>	UNGC 7, 8, 9	
	Environmental Grievance Mechanisms			
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>Management of environmental responsibility</u>		
103-2*	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	<u>Management of environmental responsibility</u>	UNGC 8	
	Social labour practises and decent work			
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>HR management</u>		
401-1*	Total number and rates of new employee hires and employee turnover by age group, gender and region	<u>Satisfied and motivated personnel</u>	UNGC 6	8
	Occupational health and safety			
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>HR management</u>		
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>Sustainability management</u>		
403-2	Number of accidents and occupational diseases, lost working days and absences	<u>Getting to go home healthy</u>		

403-2	Number of accidents	<u>Getting to go home healthy</u>		
403-2	Type of injury, occupational diseases and total number of work-related fatalities, by region and by gender	Data not yet cathered in corporate level.		8
Training and education				
103-1, 103-2, 103-3	Disclousure of the Management approach	<u>HR management</u>		
404-2	Personnel expertise development programmes and learning action programmes	<u>Satisfied and motivated personnel</u>		3, 8, 13
404-3*	Development discussions	<u>Satisfied and motivated personnel</u>	UNGC 6	3, 5, 8
Diversity and equal opportunity				
103-1, 103-2, 103-3*	Disclousure of the Management approach	<u>HR management</u>	UNGC 6	
103-1, 103-2, 103-3*	Disclousure of the Management approach	<u>Ethical quidelines</u>	UNGC 6	
405-1*	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	<u>Satisfied and motivated personnel</u>	UNGC 6	5, 8
Society				
103-1, 103-2, 103-3	Disclousure of the Management approach	<u>Profitable growth benefits everyone</u>		

413-1*	Operations with implemented local community engagement and development programs	It is not possible to calculate this indicator from our operations.	UNGC 1	
	Public policy			
103-1	Disclosure of the Management approach	<u>Materiality assessment</u>		
103-2, 103-3	Disclosure of the Management approach	<u>Ethical guidelines</u>		
415-1*	Political contributions	<u>Materiality assessment</u>	UNGC 10	
	Customer health and safety			
103-1, 103-2, 103-3*	Disclosure of the Management approach	<u>Management of product advancements, product safety and product liability</u>	UNGC 7	
416-1*	Product and service categories for which health and safety impacts are assessed for improvement	<u>Innovation improves safety and eco-friendliness</u>	UNGC 7	
	Product and service labelling			
103-1, 103-2, 103-3	Disclosure of the Management approach	<u>Customer relations and delivery reliability are key</u>		
102-43	Results of surveys measuring customer satisfaction	<u>Customer relations and delivery reliability are key</u>		

*indicators that also measure company's progress on the GC principles

