



CORPORATE SUSTAINABILITY REPORT 2020



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NOKIAN TYRES IN A NUTSHELL

Nokian Tyres develops and manufactures premium tires for people who value safety, sustainability, and innovative products. We offer peace of mind in all conditions and instill our Scandinavian heritage in every tire that we make.

Our company designs tires for passenger cars, trucks, and heavy machinery and our Vianor chain provides tire and car services. In 2020, the company's net sales were EUR 1.3 billion and it employed some 4,600 people. Nokian Tyres is listed on Nasdaq Helsinki. You can read about the company's ownership structure [here](#).

A global company

In 2020, Nokian Tyres' products were sold in 69 countries. Our primary brand is Nokian Hakkapeliitta. Our growth is supported by the branded distribution network, which includes the Vianor and Vianor Partner chains, Nokian Tyres Authorized Dealers (NAD) network, and the N-Tyre network.

At the end of 2020, the Vianor network included a total of 1,117 service centers in 17 countries. The NAD network operated in 24 countries with 2,282 stores. The N-Tyre network covered 124 stores in Russia, Kazakhstan, and Belarus.

Nokian Tyres has three factories: one in Finland, one in Russia, and one in the US. Nokian Tyres has its own sales companies in Finland, Sweden, Norway, Russia, Ukraine, Kazakhstan, Germany, Switzerland, the Czech Republic, Poland, Belarus, Canada, the US, and China. We have obtained quality and environmental certifications for our production facilities in Finland and Russia as well as for the Swedish sales company.





“ There are challenges, but we are committed to being part of the solution.

AN UNPRECEDENTED YEAR PROVED THE IMPORTANCE OF SUSTAINABILITY

We have lived through an exceptional year. As many others, our industry was heavily hit by COVID-19, and we focused on safeguarding the health and safety of our employees and ensuring the continuity of our business.

The experience has proved the importance of sustainability and we are integrating it even more heavily into our business strategy. We promise to improve the eco-friendliness of our tires without compromising on safety.

Our new sustainability strategy for the next five years includes new innovations that improve the sustainability and safety of our products. This is why we are working on a concept tire made entirely of materials that are renewable or recycled. We plan to publish the concept tire by 2025.

We are proud to show leadership in sustainability. In 2020, we were the first tire company to have its ambitious CO₂ emissions reduction targets approved by the Science Based Targets initiative. We have already cut down our CO₂ emissions from production by 33% since 2013, but actions are needed in other areas as well: logistics, supply chain as well as in the user phase.

In 2020, we also made major advances in occupational safety. Our LTIF figure decreased from 4.3 to record low level of 3.7, and the work to reduce these figures continues.

There are challenges, but we are committed to being part of the solution. In 2020, we started drafting a Policy for Sustainable Natural Rubber Procurement, which will be finalized and implemented in 2021. We are committed to the UN Global Compact, and improving working conditions and human rights along the supply chain is an issue we are working on together with our stakeholders.

After an unprecedented year, we entered into 2021 with some of the changes to our living environment turned into the “new normal”. Our commitment to sustainability has not changed – it stays at the core of what we do.

Jukka Moisio
President & CEO

THIS IS WHAT WE ARE PROUD OF

LEADER IN SUSTAINABILITY
We were included in the DJSI World index for the fourth consecutive year, and received Bronze Class distinction in the Sustainability Yearbook 2021.

LESS EMISSIONS

We were the first tire company to have our ambitious Science Based Targets for reducing CO₂ emissions approved.

LESS FUEL

We have lowered the rolling resistance of our tires by 8.5% on average since 2013.

BETTER SAFETY

Our injury frequency rate LTIF has dropped 73% from 2015.

RECYCLING

100% of all waste was recycled in Finland, and 99% in Russia and in the US.

GREEN BUILDING

Our US factory's production building earned LEED v4 Silver certification.

RENEWABLE ENERGY

86% of the energy used in our Finnish factory was renewable. The share has doubled compared to 2019.

FUNDAMENTALS

Management of sustainability at Nokian Tyres is based on our values of entrepreneurship, inventiveness and team spirit.

MANAGING SUSTAINABILITY

For Nokian Tyres, sustainability means sustainable product development, safe and eco-friendly products, and high standards of quality in everything that we do.

Management of sustainability at Nokian Tyres is based on our values of entrepreneurship, inventiveness, and team spirit.

Sustainability is an essential part of our daily work and leadership. Through sustainable business practices, we can offer safety and security to all our stakeholders, e.g. employees, customers, local communities, investors, the environment, our suppliers, and local governments.

Read more about [our stakeholders](#)

Nokian Tyres' business is guided by the ethical principles presented in the board-approved Code of Conduct. The document describes the operating culture at Nokian Tyres, generally accepted courses of action, and our commitment to working in accordance with the legislation and regulations. The purpose of the Code of Conduct is to assist people in making the ethically right decisions in their daily work throughout the Nokian Tyres organization. Our Code of Conduct and the related policies and instructions were updated, and they entered into force in December 2018.

Every employee needs to adhere to the Code, and Nokian Tyres has an online training for all the personnel. Majority of employees conducted the training in 2019 (93%) and

the completion rate was followed by the management team. In 2020 training has been included in the induction for new employees.

Read more: [Managing sustainability at Nokian Tyres](#)

The graph "Sustainability management at Nokian Tyres" describes the most important standards and policies that guide our work in sustainability ([page 11](#)).

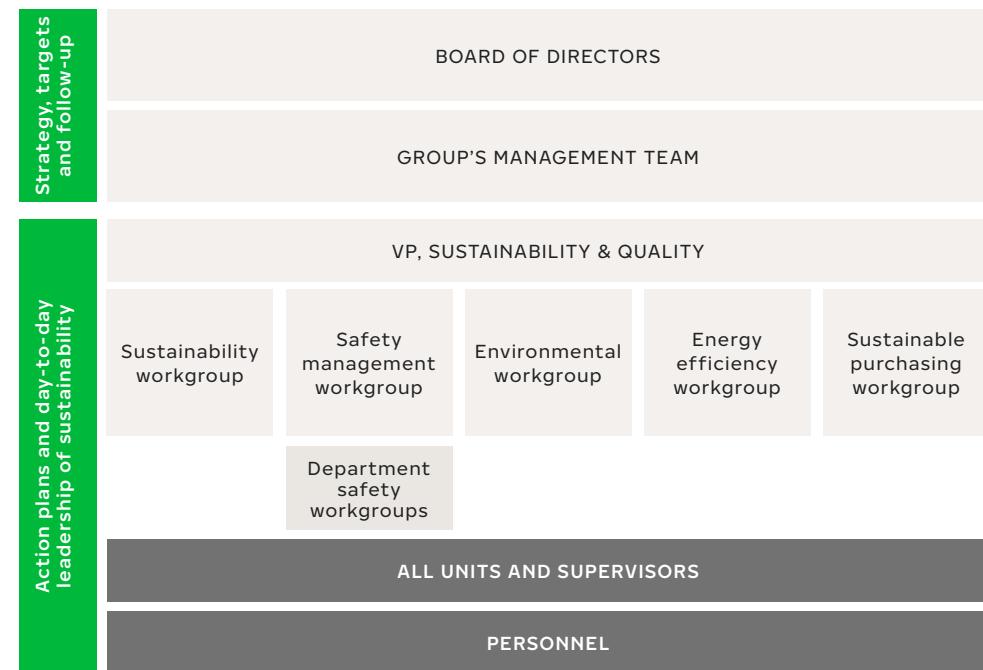
The UN's 17 Sustainable Development Goals (SDGs) are created to promote prosperity while protecting the environment. In 2018, we determined seven SDG's, which are important for Nokian Tyres. These goals provide a tool to examine sustainable business in the long term. We have integrated these SDG's into the chart "Nokian Tyres' new sustainability goals" ([page 9](#)).

Nokian Tyres' sustainability goals

In 2015, we determined our sustainability goals for 2020. Most of these goals were achieved and some even exceeded before 2020. You can see the goals and their status in 2020 from the chart on page 8.

During 2020, we determined new sustainability goals for 2025 aligned with our Sustainability Roadmap. The goals are also aligned with the CO₂ emissions reduction targets approved by the Science-Based Targets initiative. The new goals are presented in the chart on the [page 9](#).

LEADERSHIP OF NOKIAN TYRES' CORPORATE SUSTAINABILITY



NOKIAN TYRES' SUSTAINABILITY GOALS FOR 2020 AND THEIR PROGRESS

AREA OF SUSTAINABILITY	GOAL	STATUS
MANAGING SUSTAINABILITY 	<ul style="list-style-type: none"> We will improve our Dow Jones Sustainability Index assessment. 	<ul style="list-style-type: none"> Achieved. Improved our total score by 8 points compared to 2016. Nokian Tyres is included in the DJSI World index as well as in the more strictly defined DJSI Europe index.
PRODUCTS  	<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"> Achieved. We reached the goal already in 2017. In 2020, the rolling resistance was reduced by 8.5% in average compared to 2013.
PEOPLE  	<ul style="list-style-type: none"> Occupational health and safety: A 70% improvement in the LTIF injury frequency rate tracking from 2015 to 2020. Everyone gets to go home healthy every day. 	<ul style="list-style-type: none"> Achieved. In 2020, the LTIF injury frequency improved and was 3.7 (13.9 in 2015). This is a an improvement of 73%.
ENVIRONMENT    	<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 per kg product) from 2013 to 2020 (scope 1 and scope 2). Reducing the use of municipal water by 25% compared to the 2013 baseline (m³/ ton of product). Utilizing 100% of production waste and taking no production waste to landfills; Finland 2016, Russia 2020. 0 environmental accidents. 	<ul style="list-style-type: none"> Energy: Not achieved. The total reduction was 10.4% between 2016 and 2019, but in 2020 the consumption increased mainly due to the lower production levels during the pandemic. CO₂ emissions: Achieved. The actual reduction from production was 33% in 2013–2020. Water: Achieved. In 2020, the consumption of municipal water was approximately 30% lower than in 2013. Waste: Achieved in Finland, where 100% of production waste was recycled. Nearly achieved in Russia and the US where 99% of production waste was recycled in 2020. Environmental accidents: Achieved. No environmental accidents occurred in 2015–2020.
ECONOMY	<ul style="list-style-type: none"> Our financial target is to earn good returns for our shareholders: dividend above 50% of net earnings. 	<ul style="list-style-type: none"> Partly achieved. In 2020, we paid a dividend of 1.14 EUR per share, which was 40% of our net earnings. In 2019, our dividend was 74% of our net earnings. The decline was due to the effects of COVID-19.
SUPPLY CHAIN 	<ul style="list-style-type: none"> 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"> Self-assessments: Not achieved. In 2019, 89.6% of our raw material suppliers had responded to the sustainability self-assessment survey. In 2020, development was no longer tracked. Audits: Achieved. By 2020, we had audited 90% of our major rubber processor partners. ISO 14001: Achieved. In 2019, 73.3% of our raw material suppliers had ISO 14001 certification. In 2020, development was no longer tracked.

NOKIAN TYRES' NEW SUSTAINABILITY GOALS

AREA	GOAL FOR 2025	GOAL BEYOND 2025
CLIMATE ACTIONS 	<ul style="list-style-type: none"> Energy efficiency: 10% relative improvement (kWh / kg) (base year 2015). 	<ul style="list-style-type: none"> Scope 1 & 2 GHG emissions: 52% relative reduction 2015–2030 (t CO₂ / product t). Scope 3 GHG emissions from raw materials production: 25% relative reduction 2018–2030. Scope 3 GHG emissions from logistics: 25% relative reduction 2018–2030. Scope 3 GHG emissions from product use: 25% relative reduction 2018–2030. Carbon neutrality in 2045 (common goal for Finnish chemical industry).
OTHER ENVIRONMENTAL ACTIONS 	<ul style="list-style-type: none"> Zero waste to landfill from all three factories. Regulated emissions to air: Fulfil all local authority requirements. Avoiding environmental accidents: 0 accidents per year. 	
PEOPLE 	<ul style="list-style-type: none"> Developing Human Rights policies. Accident frequency LTIF: Decrease from 8.3 in 2018 to 1.5. Safety participation level: safety actions from 100% of personnel. 	
SUPPLY CHAIN 	<ul style="list-style-type: none"> Creating and implementing a Policy for Sustainable Natural Rubber Procurement. Sustainability – Critical active suppliers' sustainability auditing: 100% audited. Sustainability – Critical/Medium criticality Suppliers self-assessments: <ul style="list-style-type: none"> 2022: 100% of suppliers filled out self-assessment. 2025: 100% approved responses. 	
PRODUCTS AND SERVICES 	<ul style="list-style-type: none"> 3 new environmental and safety product innovations. No SVHC (substances of very high concern) substances in raw materials. 	
FINANCE, CORPORATE GOVERNANCE 	<ul style="list-style-type: none"> TFCD reporting of climate risks: Regular evaluation & update. 	
COMMUNICATION & STAKEHOLDER ENGAGEMENT 	<ul style="list-style-type: none"> Wide stakeholder expectations mapping/study every 3 years. 	

Handling issues

Most disputes and suspicious situations are handled by the line organizations and the various co-operation and specialist functions in their normal operative work. In addition, Nokian Tyres has a Whistleblowing channel available since 2011. The same channel is available to external stakeholders by email at whistleblow@nokiantyres.com.

The Whistleblowing process was last updated in 2018 and is reviewed annually. Nokian Tyres' Whistleblowing committee was formed in 2019. The committee consists of persons responsible for internal audit, legal affairs, and HR matters within the Nokian Tyres group. The Chief Audit Executive (CAE) coordinates the Whistleblowing process as well as handling of any compliance breaches found during the investigations or in other related processes at the Group level. All material findings and general statistics are reported to the Audit committee of the Board of Directors.

In 2020, altogether four suspected misconducts were reported on the official channel or raised to the awareness of the CAE via other channels. One of the cases resulted in internal disciplinary actions and/or required clarifying the local practices. In the other cases, no misconduct has been identified.

Materiality assessment

In 2018, we conducted a sustainability assessment together with our most important internal and external stakeholders. They defined their individual material topics, risks, and opportunities pertaining to Nokian Tyres' sustainability efforts. After analyzing the results of the assessment with our sustainability experts, nine topics were selected as material. Our aim is to conduct a materiality assessment every three years.

Read more about our [nine material topics](#)

In the 2020 report, these topics have been identified to represent three current themes:

- The effects of COVID-19
- Climate change: reducing greenhouse gas emissions
- Road safety

The effects of COVID-19

As the COVID-19 developed into a global pandemic, it affected not just Nokian Tyres' business, but also the way our people worked and how their safety was ensured. The company quickly developed ways of working to keep its people safe and to prevent the virus from spreading. During the year, most of the white-collar workers were working

remotely. New, innovative ways of serving our customers were invented, like "Honk the horn" – a way of getting your tires changed without any contact at Vianors service centers. As the pandemic decreased the global demand for tires, we adjusted our business to meet the demand.

Read more: [Nokian Tyres as part of the society & People & Supply chain](#)

Climate change: reducing greenhouse gas emissions

In 2020, Nokian Tyres became the first company in the tire industry to receive Science Based Targets initiative's approval for its CO₂ emission reduction targets. The approval and the four ambitious targets were published in May 2020.

Nokian Tyres calculates the greenhouse gas (GHG) emissions from its operations annually and reduces them systematically as planned. An EU directive requires corporations to carry out energy audits and other energy efficiency measures. By increasing the proportion of renewable energy sources, we can reduce our CO₂ emissions from energy consumption. We have reduced our CO₂ emissions from production by 33% since 2013.

Read more: [Ambitious targets for reducing CO₂ emissions](#)

The most significant environmental impacts during the use of a tire are caused by the vehicle's fuel consumption. Lower fuel consumption reduces the greenhouse gases released into the air. Tires 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 tires by 8.5% on average compared to the levels of 2013.

Read more: [Lower rolling resistance – less CO₂ emissions](#)

Most greenhouse gas emissions connected to tires, however, are in part outside of our direct influence. Approximately 89% of tires' CO₂ emissions are created during its use when tires are used on a conventional vehicle with an internal combustion engine. Secondly, production of tire raw materials causes roughly four times more CO₂ emissions than the production of tires. Our aim is to start encouraging our raw material suppliers to lower their CO₂ emissions, too. This would lower CO₂ emissions across the entire supply chain and help us achieve our ambitious climate goals.

Road safety

Product safety is the most important special area of sustainability with regard to our company as well as our customers and end users. Extreme weather phenomena caused by climate change and varying road conditions drive the demand for tires that are safe even in the most demanding weather conditions.

As a leading manufacturer of studded and non-studded winter tires, Nokian Tyres has called for a mandatory ice grip marking for winter tires. In northern conditions, ice grip is the most important property for winter tires. Previously, the markings only included a wet grip rating. As a result of years of work, the ice grip marking is now being included into the EU Tyre Label. The new label will enter into force in May 2021.

Read more: [Improving road safety is a priority](#)

SUSTAINABILITY MANAGEMENT AT NOKIAN TYRES

Sustainability is a part of our company's culture, strategy and goals. The management of sustainability is based on our values of entrepreneurship, inventiveness and team spirit.

Our Sustainability Management is guided by Nokian Tyres Code of Conduct, Whistleblowing, Know Your Counterparty Guidelines and policies such as Environment, Safety and Quality Policy, Group Treasury Policy, Group Credit Policy, Risk Management Policy, Procurement Policy, Disclosure Policy, and IT Security Policy.

AREAS OF SUSTAINABILITY MANAGEMENT



Products / R&D

We develop and manufacture ecofriendly, safe and high-quality tires that reach their destination safely even under demanding conditions.

People

We are committed to acting in the manner required by the UN's Guiding Principles for Business and Human Rights, and to following the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. We respect human rights and treat all individuals equally.

Economy

Through profitable growth, we enable the further development of our operations and ensure financial security, work and well-being for our stakeholders.

Environment

We are committed to act in a way that does not harm the environment or people.

Procurement

We are committed to sustainable procurement and further developing sustainability in our supply chain.

ESSENTIAL STANDARDS, GROUP POLICIES AND PROCEDURES RELATED TO SUSTAINABILITY

Tire/vehicle safety regulations, such as United Nations tyre regulations, various tire labelling (consumer information) regulations and standards, such as EU Tyre Labelling regulation, chemical regulation, Nokian Tyres tire testing policy, UN Global Compact.

Policies and procedures related to safety, well-being, hiring, induction, people reviews and competence development, human rights and equality. ISO 45001, Travel Policy, Data Protection Policy, UN Global Compact.

Stock exchange rules, IFRS, Corporate Governance, Insider Guidelines, risk management, UN Global Compact.

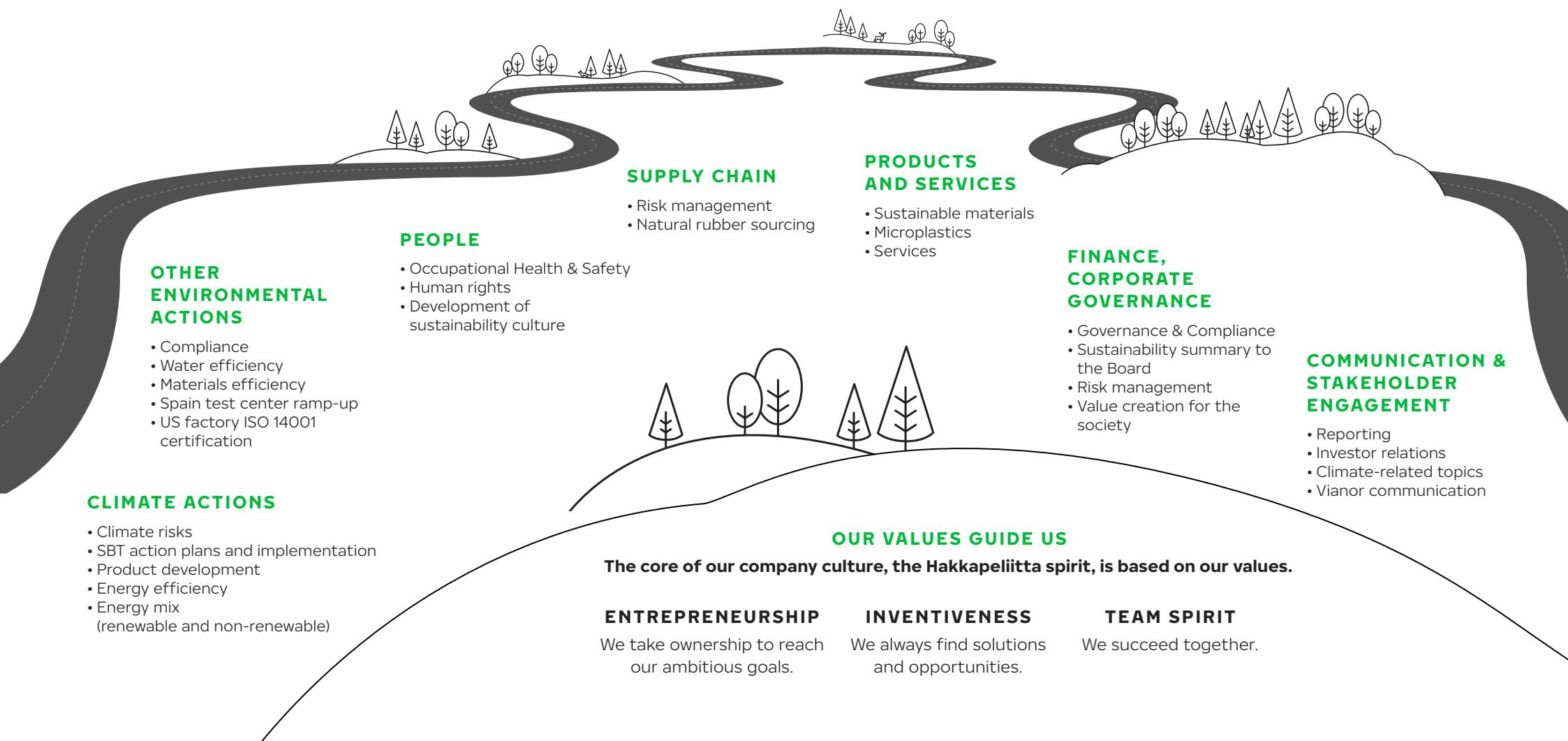
ISO 14001, IATF 16949, Environmental Management, Chemical Safety Management, Responsible Care program, Science Based Targets, UN Global Compact.

Procurement policy, Supplier Code of Conduct, ISO 9001, ISO 14001, UN Global Compact.

LOCAL GUIDELINES AND PROCEDURES

SUSTAINABILITY ROAD MAP

The Nokian Tyres Sustainability Road Map guides our work on sustainability. It defines seven areas of sustainability and there are currently around 80 projects related to them. The projects are led by the Corporate Sustainability working group, which is headed by the Environmental and Responsibility Manager.



NOKIAN TYRES' VALUE CHAIN

A tire is a global product whose value chain extends throughout the world. We have included the ten principles of the UN Global Compact initiative in the graph to show our impact along the value chain.

RECYCLING 9

End-of-life tires can be shredded or granulated to replace rock materials in road construction, for example. Bus and truck tires can be also retreaded 2-4 times. Another way is to combust used tires for energy. We are exploring the use of recycled carbon black in our products. (UNGC 8, 9)

CONSUMERS 8

The users of our tires are the most important link in our value chain. Approximately 89% of a tire's carbon footprint is generated during its use, which means that our product development efforts for reducing their environmental impacts are measured during their use by consumers. (UNGC 7, 8, 9)

WHOLESAVERS 7

Nokian Tyres' products are sold globally via our branded distribution network, Vianor and Vianor Partner chains, as well as through car dealerships and tire stores. Due to our extensive distribution network, our tires are sold in nearly 70 countries. (UNGC 10)

TRANSPORTATION OF TIRES 6

We used to deliver tires to large wholesalers, nowadays distribution is divided more into smaller product lots and smaller warehouses. (UNGC 7)

1 RAW MATERIALS

The main raw material groups in tire manufacturing are synthetic rubber, fillers, chemicals, reinforcing materials, and natural rubber. We use more than two hundred different raw material suppliers and they are all committed to our Supplier Code of Conduct. We have conducted sustainability audits in rubber procurement factories since 2016. (UNGC 1, 2, 4, 5, 10)

2 TRANSPORTATION OF RAW MATERIALS

Most of the raw materials for tires are transported by sea to large ports in Europe from where they are shipped to Finland, Russia and the US. (UNGC 10)

3 SUBCONTRACTORS

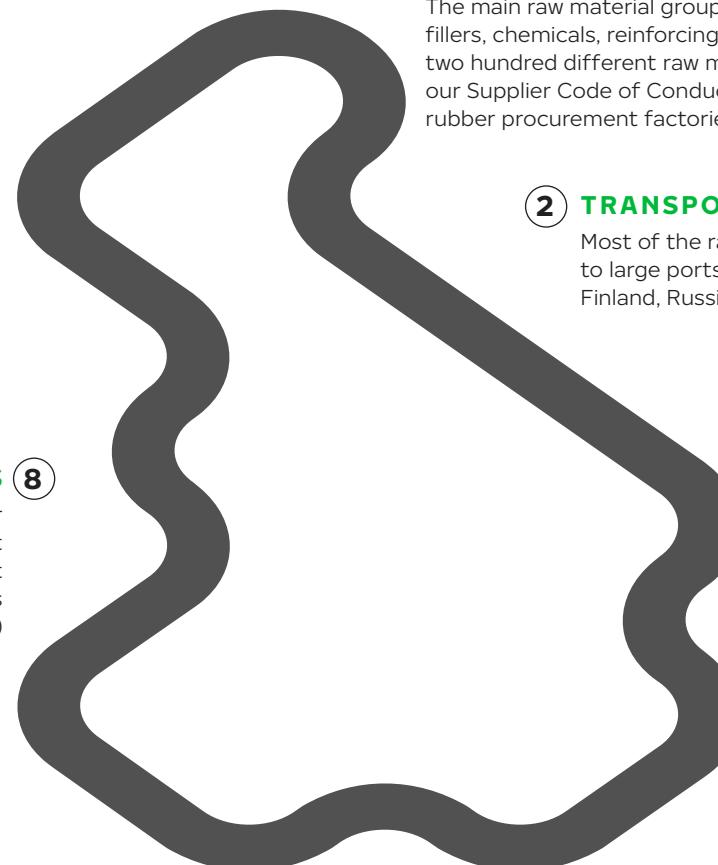
We work globally with several subcontractors in various fields, such as construction, security, cleaning, and logistics. All new subcontractors offering their services are expected to commit to our Supplier Code of Conduct. (UNGC 1, 2, 10)

4 GROUP FUNCTIONS

We produce tires in three countries: Finland, Russia and the US. In addition, we have sales companies in our key markets. (UNGC 1-10)

5 SOCIETY

Our impact is directly seen in our factory locations as a locally significant job creator and a permanent part of the surrounding community. Our purchases, salaries, and taxes as well as the dividends to shareholders contribute to wellbeing throughout the world. (UNGC 3, 6)



NOKIAN TYRES AS A PART OF SOCIETY

Nokian Tyres' objective is to create value for its various stakeholders, such as consumers, customers, our personnel, and shareholders. We want to meet the stakeholder expectations. Through sustainable business practices and financial success, we can offer security, work and well-being for our personnel and contribute to the well-being of local communities.

Read more: [Financial Review 2020](#)

Nokian Tyres contributes to society and communities as a responsible employer and through the fair payment of salaries and taxes. We directly employ some 4,600 people around the world. When we include all of our subcontractors, our role as a job creator becomes even more significant. Our tire factories are significant employers in their operating areas. The salaries and taxes that we pay support the structures of society and improve the quality of life for thousands of people.

The Group's tax rate in 2020 was 18.9% (-18.7% in 2019). In 2020, the tax rate was affected by write downs of deferred tax assets. Adjusted estimated operational tax rate (ETR) without write downs was 13.1%.

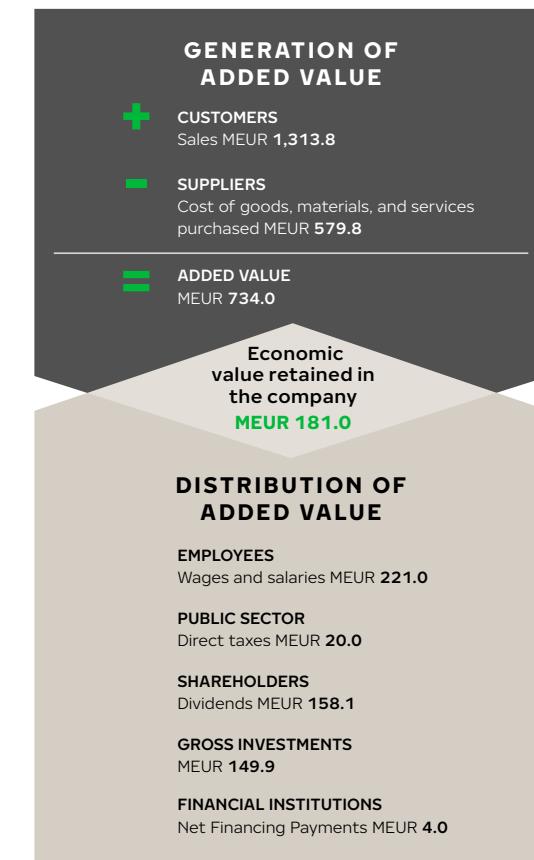
INCOME TAX EXPENSE

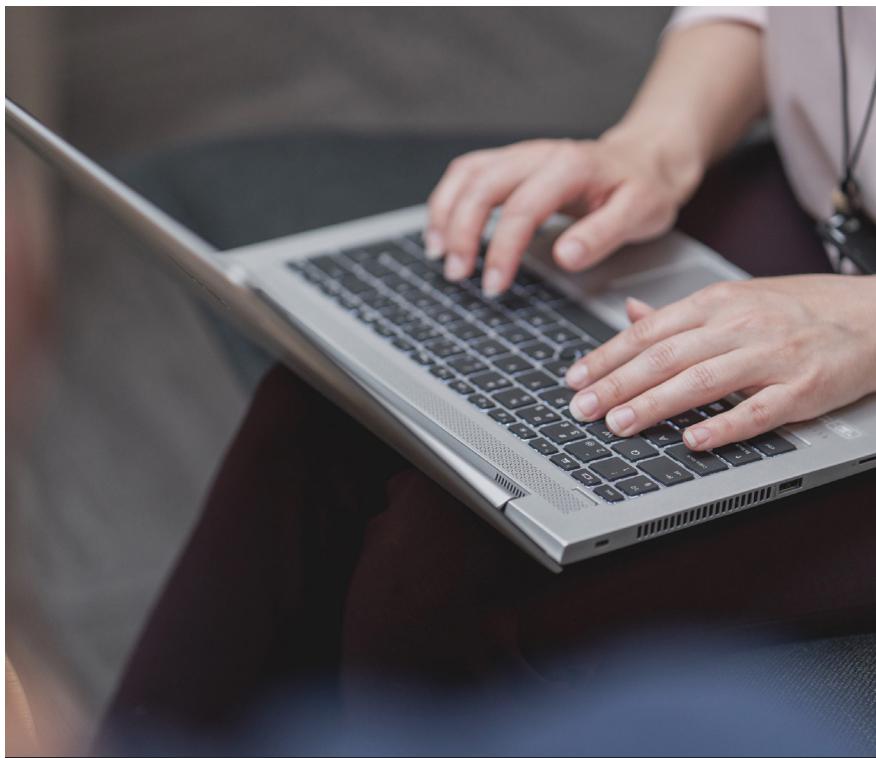
Region	M€ 2020
Nordic countries	2.6
Russia and Asia	14.2
Other Europe	4.2
North America	6.7
Other	-7.8

The tax rate is positively affected by tax incentives in Russia, which are valid until approximately 2022. The estimated operational tax rate is expected to be at the level of 19% for 2021.

In 2020, Nokian Tyres began drafting a Tax Policy. It was finalized in early 2021, and approved by the Board in February 2021.

In May 2019, Nokian Tyres U.S. Finance Oy, a former subsidiary of Nokian Tyres plc (ownership: 100% of the shares), received a negative ruling from the Hämeenlinna Administrative Court regarding the company's appeal against a reassessment of EUR 18.5 million concerning the years 2007–2013. Of this amount, EUR 11.0 million were additional taxes and EUR 7.5 million were tax increases and interest. The company has paid and recorded them in full in the financial statements and results for 2013, 2014, and 2017. The company considers the decision unfounded and has appealed against it by filing a claim with the Supreme Administrative Court in July 2019.





KNOW YOUR COUNTERPARTY

Know Your Counterparty (KYC) is a standard due diligence process in use in Nokian Tyres to identify business counterparties. Nokian Tyres complies with all applicable legislation and will take reasonable measures in order to prevent Nokian Tyres from being used to facilitate illegal activity for which Nokian Tyres has zero tolerance.

Nokian Tyres published a guideline on KYC on January 1, 2020 on the company's intranet. The guideline applies to all companies and employees of Nokian

Tyres. KYC is a mandatory process for all business counterparties, which means identifying/verifying/monitoring counterparty's business activities, beneficial owners, source of funds, and screening counterparties against sanctions lists and other published illegal activities.

The company has organized training on KYC to employees working in procurement and sales, as they are most often dealing with different business counterparties.

In its decision-making and administration, Nokian Tyres adheres to the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act and the rules issued by Nasdaq Helsinki Ltd, Nokian Tyres' Articles of Association, and the Finnish Corporate Governance Code 2020 for listed companies. Nokian Tyres complies with the code without exceptions. The code is published at www.cgfinland.fi/en/.

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). For the fourth consecutive year, we were also included in the prestigious Dow Jones Sustainability Index. We are also included in the STOXX Global ESG Leaders and FTSE4Good indices.

Nokian Tyres has a Disclosure Policy that describes the key processes related to Nokian Tyres' external communications as well as the main principles that Nokian Tyres follows when communicating with the capital markets and media. You can read about our communication principles [here](#).

Risk management

Nokian Tyres has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures the business continuity.

The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment. At Nokian Tyres, Corporate Risk Management (CRM) also includes the sustainability aspects.

Nokian Tyres has detailed the overall business risks and risk management in the 2020 Corporate Governance Statement.

For example, the following risks could potentially have an impact on Nokian Tyres' development:

- Nokian Tyres is subject to risks related to consumer confidence and macroeconomic and geopolitical conditions. Political uncertainties may cause serious disruption and additional trade barriers and affect the company's sales and credit risk. Economic downturns may increase trade customers' payment problems and Nokian Tyres may need to recognize impairment of trade receivables.

“ The industry can be subject to risks caused by climate change, such as changes in consumer tire preferences, regulatory changes or the impact of extreme weather events on natural rubber producers.

- The tire wholesale and retail landscape is evolving to meet changing consumer needs. New technologies are fueling this with increasing digitalization. Failure to adapt to the changes in the sales channel could have an adverse effect on Nokian Tyres' financial performance.
- Nokian Tyres' success is dependent on its ability to innovate and develop new products and services that appeal to its customers and consumers. Despite extensive testing of its products, product quality issues and failure to meet demands of performance and safety could harm Nokian Tyres' reputation and have an adverse effect on its financial performance.
- Nokian Tyres' production facilities are located in Finland, Russia and the US. Any unexpected production or delivery breaks at these facilities would have a negative impact on the company's business. Interruptions in logistics could have a significant impact on production and peak season sales.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers

in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. The violation of laws, regulations or standards by raw material producers, or their divergence from practices generally accepted as ethical in the European Union or the international community, could have a material adverse effect on Nokian Tyres' reputation.

• Tire industry can be subject to risks caused by climate change, such as changes in consumer tire preferences, regulatory changes or impact of extreme weather events on natural rubber producers. Nokian Tyres is committed to reducing GHG emissions from its operations in order to combat climate change. Nokian Tyres calculates the GHG emissions from its operations annually and reduces them systematically. More detailed analysis on Nokian Tyres' climate change related risks and opportunities is provided at www.nokiantyres.com/company/sustainability/environment/climate-change-related-risks-and-opportunities/.

- Foreign exchange risk consists of transaction risk and translation risk. The most significant currency risks arise from the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar. Approximately 60% of the Group's sales are generated outside of the euro-zone.
- In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences. In October 2020, the prosecutor announced the decision to press charges against a total of six persons who acted as Board members and the President & CEO of Nokian Tyres in 2015–2016. The prosecutor also requests a corporate fine of a maximum of EUR 850,000 to be imposed on the company. The prosecutor has also decided to press charges for suspected abuse of insider information against four persons who were employees of Nokian Tyres in 2015. All persons charged deny their involvement in any criminal activity.



“ Manufacturing facilities in Russia, Finland and the US were temporarily closed due to COVID-19.

- The COVID-19 pandemic represents a short-term risk to Nokian Tyres' business and operating environment, which has rapidly changed. The company has proactively taken preventive actions to minimize the impacts of the pandemic and to ensure business continuity. Despite these efforts, the uncertainty over the duration of the pandemic, the containment measures and the resulting slowdown in economic activity is expected to have a negative impact on Nokian Tyres' operations and supply chain as well as the demand and pricing for the company's products.

Nokian Tyres' risk analysis also pays special attention on corporate social responsibility risks, the most significant of which are related to the company's brand image and product quality. Analyses and projects related to information security, data protection, and customer information are continuously a special focus area.

The effects of COVID-19

The pandemic has affected every part of Nokian Tyres: our business, our people, our way of working. These are the actions we have implemented.

Employee health and safety actions:

- Continuous monitoring and communication of COVID-19 status in the organization
- Implementing health and safety guidance/orders of each country
- Travel and visitor restrictions in the early phases of the pandemic starting late February
- Remote working launched mid-March for most white-collar employees
- Protective measures in the factories and service outlets like separation of teams, active cleaning and increased hygiene

Operational response actions:

- Working capital management: continuous production capacity adjustments to manage the inventory levels and secure availability, enhanced actions to monitor customer payments
- Labor cost reduction: working together with employee representatives, implemented temporary layoffs across the company for both white collar and blue-collar employees

- Temporary closures of the manufacturing facilities in Russia, Finland and the US during March-May
- Management Team salary reduction equivalent to one month's salary
- Cost efficiencies: cutting and delaying activities in 2020, reducing discretionary spending.

Financial response actions:

- Dividend EUR 0.79/share (2019: EUR 1.58). Furthermore, the Annual General Meeting authorized the Board of Directors to decide on an additional dividend payment of a maximum of EUR 0.79/share to be distributed in one or several instalments at a later stage when Nokian Tyres is able to make a more reliable estimate on the impacts of the COVID-19 to the company's business. On October 27, 2020, the Board decided on the distribution of a second dividend instalment of EUR 0.35 per share.
- Capex reduction from approximately EUR 200 million to EUR 149.9 million for 2020.
- Actions implemented to strengthen Nokian Tyres' liquidity position, which as of December 31, 2020 amounted to EUR 709.6 million, including cash, cash equivalents and undrawn committed short- and long-term credit limits (EUR 424.3 million at the end of 2019)
- Strong balance sheet supporting in difficult times.

A global company with local impacts

Corporate philanthropy is our company's way of giving back to our community locally, regionally, nationally, and internationally. Donating our time, products, services, and money to charities and nonprofits helps us to build trust with our communities, consumers, and other companies as well as to improve our employee engagement.

Our mission is to offer peace of mind in all conditions. Our approach to philanthropy mirrors our mission, entrepreneurial and inventive company culture, and sustainable way of doing business. We do not support any governmental, political, or religious entities.

In 2020, we continued to support the Safety on the road education for local school children in Nokia, Finland, and donated books for safety education. We also continued our local support for the global FIA Action for Road Safety in Finland, where it is organized by Finnish AKK under the name of "Turvassa tiellä" ("Safe on the road").

Vianor supported Save the Children, an international advocate of children's rights and in Sweden, Nokian Tyres supported BRIS, Children's Rights in Society, which is a politically and religiously independent children's rights organization that listens to, supports, and strengthens children's and young adults' rights in society.

WE OFFER OUR RESOURCES TO PROJECTS BASED ON THE FOLLOWING THREE CATEGORIES:

ROAD SAFETY



It is our responsibility to promote safe and smooth transportation.

LOCAL COMMUNITIES



We focus on supporting special community and environment projects in the areas where we operate.

INVENTIVENESS & ENTREPRENEURSHIP



For improving the equal opportunities for youth, we support entrepreneurial and inventive projects with educational institutions of various levels, in line with our company culture, the Hakkapeliitta Spirit.

In 2020, we also continued the Eco Challenge in Russia and emptied illegal tire dumps. As a result of joint efforts by Nokian Tyres and the EcoShinSoyuz organization (EcoTyresUnion), 220 tons of used tires were transferred during the year to recycling facilities. The aim of the project is to increase public awareness of tire disposal, as the recycling rate in Russia is still low.

In Russia, Nokian Tyres also purchased and donated 500 tablet computers for children from low-income families in Vsevolozhsk region, where our factory operates. The donation helped children from less-privileged families cope with the demands of remote classes due to the pandemic.

In the US, Nokian Tyres has donations committees in Dayton, Nashville and in Colchester. In 2020, Nokian Tyres deepened its community impact in North America through philanthropic and volunteer efforts aimed at strengthening local areas that are important to the company. The company funded college scholarships for two high-achieving students in Rhea County, where its US factory is located. Both students are thriving at their universities and studying subjects that align with Nokian Tyres' core value of sustainability.

In addition to the Nokian Tyres Scholarships, the company helped Nashville charity Book'em exceed fundraising and book donation goals in its quest to strengthen elementary education in Nashville. Nokian Tyres also helped fund a Distinguished Young Woman Scholarship through the Dayton, Tennessee Chamber of Commerce.

During a pandemic-driven year, the Dayton factory's donations committee contributed to more than a dozen non-profit organizations that serve the community's health and public safety efforts, including supporting local healthcare workers through the Rhea Medical Foundation and helping Rhea Medical Center purchase PPE for frontline workers' fight against COVID-19. In Nashville, the company's donations committee helped families who are suffering financial hardship by donating to United Way's Give Thanks food drive, which helps families put food on the table for the Thanksgiving holiday.

Partnerships and sponsoring

Nokian Tyres locally assists and supports organizations and events that suit the company culture and brand. We continuously work with various organizations in places where we employ people. In 2020, majority of large outdoor events, like Nokian Tyres IRONMAN 70.6 race, were cancelled.

” In 2020, majority of large outdoor events, like Nokian Tyres IRONMAN 70.6 race, were cancelled.

Our long-term partnership with the International Orienteering Federation continued also in 2020 despite the pandemic. Nokian Tyres actively participated in the World Orienteering Day promoting the sustainable outdoor activity. Our agreement provides us with high visibility during the annual World Orienteering Championships and World Cup events, which are planned to continue in 2021.

In 2020, Nokian Tyres grew its partnership with POWDR, a ski resort company in the United States and Canada. A major part of those efforts included educating POWDR guests about the importance of safety and sustainability. Nokian Tyres participated in POWDR's safety fest in January and distributed information and video content about the importance of tire safety.

Mika Häkkinen, the two-time Formula 1 World Champion, continued in his role as Nokian Tyres brand ambassador participating in product development, product launches and promotion. Nokian Tyres also partnered with a golfer originating from Nokia, Finland, making his debut in the U.S. Open. Sami Välimäki represented his native Finland in the golf event, and Nokian Tyres helped fund his efforts in the tournament.

CLIMATE AND THE ENVIRONMENT

We are committed to
saving winters for the
future generations.

OUR GOAL IS TO MANAGE THE ENVIRONMENTAL IMPACTS

Nokian Tyres has uncompromising respect for the environmental and safety aspects, as well as for ensuring high quality and a good customer experience throughout our operations. We consider the product's entire life cycle and all of its functions in terms of environmental responsibility and follow the Precautionary Principle.

In 2020, Nokian Tyres became the first tire company to receive Science Based Targets initiative's approval for its greenhouse gas emission reduction targets. The approval was published in May 2020. You can see our targets on page 25.

Our environmental and sustainability targets are specified in the company's Sustainability strategy, which is drawn up for a period of five years. The Vice President for Quality & Sustainability is involved in drawing up the strategy along with the Environmental and Responsibility Manager.

Working together with environmental experts, the Environmental and Responsibility Manager prepares an annual environmental program for the factories. The program specifies the detailed targets, actions, schedules, and responsible persons for the goals presented in the strategy. In addition, individual units have their own projects for developing the operations and processes.

The development of environmental aspects and quality is reviewed monthly at the management meetings. You can read more about managing sustainability in Nokian Tyres from our [website](#).

KEY MEASURES IN 2020

Object	Target in 2020	Status in 2020	Target in 2021
STATUTORY REQUIREMENTS	Implementation according to the Nokian Tyres' environmental permits and legislation at the factories.	Implemented.	Implementation according to the Nokian Tyres' environmental permits and legislation at the factories.
VOC EMISSIONS	Compliance with VOC-directive at the factory in Finland, finding new solutions for achieving target level.	Not implemented. Exceeded the emission limit for VOC emissions.	Compliance with the new environmental permit of the factory in Finland.
ENERGY	Implementing energy saving actions. Decrease in energy usage by 1%/ production ton at the factories.	Not implemented, mainly because of the reduced production levels due to the pandemic.	Our target for reducing energy consumption by 10% (base year 2015) will be a part of our 2025 sustainability targets and will not be reported as a yearly goal.
CLIMATE	Approval of Science Based Targets and drawing up an implementation plan.	Implemented. SBT's approved and published in May 2020. Began drafting roadmaps.	Finalizing and implementing roadmaps for CO ₂ reduction.
CHEMICAL SAFETY	Two factory audits by chemical specialists concentrating on the use and storage of chemicals.	Implemented.	Two factory audits by chemical specialists concentrating on the use and storage of chemicals.
MATERIALS DEVELOPMENT	Ensuring that no Substances of Very High Concern as referred to in REACH are contained in the products.	Implemented.	Ensuring that no Substances of Very High Concern as referred to in REACH are contained in the products.
INCREASING ENVIRONMENTAL AWARENESS AMONG THE PERSONNEL	Regular trainings and environmental communication.	Implemented.	Regular trainings and environmental communication.
RAMP-UP OF NEW OPERATIONS	The US factory and Spain test center: assuring chemical and environmental safety in production phase.	Implemented.	The Spain test center: assuring chemical and environmental safety in ramp-up phase.

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 of the requirements of the European (the REACH and CLP regulations) and local legislation concerning chemicals.

We do not use carcinogenic chemicals or SVHC chemicals (Substances of Very High Concern) as per the EU's REACH regulation in our production. Our products do not contain any conflict minerals.

Moreover, all of our products meet the EU REACH requirements concerning PAHs (Polycyclic aromatic hydrocarbons). We also intend to ensure that no products sold in the Vianor service centers now or in the future contain any such chemicals.

No auxiliary chemicals are 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 purpose of this practice is to harmonize the use of chemicals throughout the company and, whenever possible, to replace harmful chemicals with safer ones. The same procedure will be taken into use at the Russian and US factories in 2021.

We require all of our chemicals suppliers to provide us with chemical safety data sheets (SDS) in compliance with the valid legislation prior to the purchasing of chemicals. The SDSs of the chemicals that

we use are registered in a database that all employees can access. We also organize regular trainings on chemicals for our employees.

Audits

Regular audits are an important part of our efforts related to environment, safety, and quality. 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 that 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, so 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 once every six months, through inspection rounds by chemicals experts. Audits include the audits carried out by our customers and partners, such as automotive industry representatives. 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.

Permits and complaint mechanics

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 immediately notify the authorities of any disruptions, accidents, and major deviations from permit requirements.

We actively monitor the trends in environmental and safety regulations within the EU and in all of the countries where we operate: Finland, Russia, and the US. We also anticipate the effects of pending regulations on our operations.

We document the annual environmental impacts of our tire factories and report them to the local authorities as required in each country. We record feedback into a register and take the necessary corrective actions.

In Finland, Nokian Tyres received one environmental complaint in 2020 concerning noise at the Finnish factory. The company was also contacted concerning odor and noise emissions from local residents in Sastamala, Finland, where our retreading unit is located. The complaints were investigated, and actions implemented. The company received no environmental complaints from the US or Russia.

You can read more about our complaint mechanism [here](#).

Environmental costs

In addition to personnel and technology, we allocate financial resources to environmental responsibility. During the fiscal period, our environmental management costs amounted to approximately EUR 350,000.

Other environmental costs amounted to approximately EUR 1,200,000. This figure includes the expenses and investments that are related to air, soil, and water protection and waste management.

ENERGY, EMISSIONS, WATER AND WASTE

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

All the statistics can be found also on the [Performance in figures](#) section.

OTHER LOCATIONS

Our sales companies, Vianor stores and other subsidiaries 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. Furthermore, our sales companies and Vianor service centers pay attention to the efficiency of product transports.

In 2020, we were contacted by local residents concerning odor and noise emissions from the retreading unit in Finland. The complaints were investigated, and actions implemented.

Finland	Russia	US
EMISSIONS	EMISSIONS	EMISSIONS
Solvent emissions 36 t VOCs	Solvent emissions 79 t VOCs	Solvent emissions 1.4 t VOCs
Particle emissions 1 t CO₂ 240 1+2 kg CO ₂ eq/production t Noise <50 dB	Particle emissions 9.7 t CO₂ 600 1+2 kg CO ₂ eq/production t Noise < 50 dB	Particle emissions 5.7 t CO₂ 3,000 1+2 kg CO ₂ eq/production t Noise Not measured in 2020
INPUT	INPUT	INPUT
Energy 556 TJ Municipal water 62,700 m ³ River Nokianvirta 7,087,000 m ³ Raw materials 43,700 t	Energy 1,468 TJ Municipal water 268,000 m ³ Raw materials 136,300 t	Energy 120 TJ Municipal water 8,200 m ³ Raw materials 4,000 t
PRODUCTS	PRODUCTS	PRODUCTS
Tires 40,200 t	Tires 129,800 t	Tires 1,600 t
WASTE	WASTE	WASTE
Landfill 0 t Utilized 4,100 t Hazardous 160 t Water into the sewage 98,000 m ³ Water into the Nokianvirta river 7,052,000 m ³	Landfill 61 t Utilized 9,100 t Hazardous 710 t Waste water 261,000 m ³	Landfill 11 t Utilized 1,100 t Hazardous 0 t Waste water 8,200 m ³

ENERGY

Used energy can be divided into electricity, heating and steam. We purchase energy for our factories from external suppliers. Part of electricity and steam is generated by ourselves.

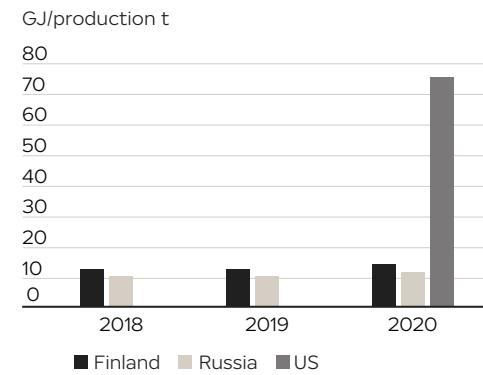
In our factories about 25% of all used energy is produced with renewable energy sources.

In 2020, only electricity generated by wind and hydropower was procured for the Finnish operations. Steam is generated in the nearby biomass power plant. In the US factory solar panels provide energy to our administration building.

Our Energy efficiency workgroup continued its activities in 2020. Unfortunately, we did not achieve our target of reducing our yearly energy consumption by 1% per production ton in 2020. This is mainly because of the reduced production levels due to the pandemic.

Starting from 2021, our target for reducing energy consumption by 10% (base year 2015) will be a part of our 2025 sustainability targets and will not be reported as a yearly goal, but as a goal that has to be reached as a whole by 2025.

ENERGY INTENSITY



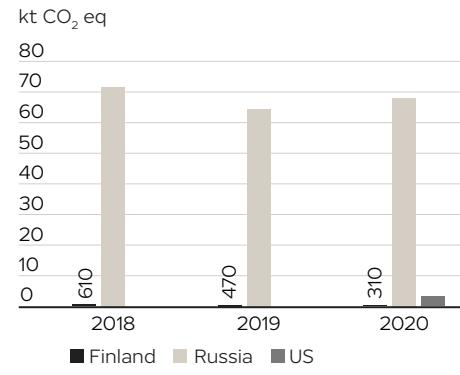
EMISSIONS

Emissions from energy production

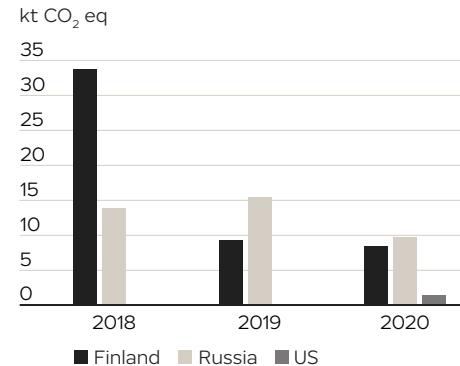
An independent company annually measures the nitrogen and sulfur emissions from energy production at our factory in Russia. Our nitrogen and sulfur emissions are below the set emission limits.

As the environmental permit for the US factory is still in process by the authorities, we operate under the air permit for construction phase. This is why the emissions are not measured at the moment.

DIRECT GREENHOUSE GAS EMISSIONS, SCOPE 1



INDIRECT GREENHOUSE GAS EMISSIONS, SCOPE 2 (MARKET BASED)



INDIRECT GREENHOUSE GAS EMISSIONS, SCOPE 3*

Category	Emissions t CO ₂ eq
Purchased good and services	396,600
Capital goods	n.a
Fuel and energy related activities	9,600
Upstream transportation and distribution	25,300
Waste generated in operations	1,300
Business Travel	400
Employee commuting	2,000
Leased Assets	540
Downstream transportation and distribution	31,700
Processing of sold products	n.a
Use of sold products	4,486,500
End-of-life treatment of sold products	9,800
Franchises	50
Investments	n.a
Total	4,963,790

n.a = not applicable

* The US included in the figures for the first time

NOKIAN TYRES' SCIENCE BASED TARGETS

TARGET	WHAT IT MEANS	EXAMPLES
REDUCE EMISSIONS FROM TIRE RAW MATERIAL PRODUCTION BY 25%	We expect our raw material producers to implement their own actions in order to reduce emissions.	Raw material producers will be transitioning to zero or low-emission energy and improving the energy efficiency of the entire production process.
REDUCE CO ₂ EMISSIONS BY 25% FROM LOGISTICS	Achieving it requires emission improvements from road, train, marine and air transportation.	Increasing the share of biofuels, improving the efficiency of engines, and optimizing routes further are key methods.
REDUCE CO ₂ EMISSIONS FROM TIRE USE BY 25%	This improvement will have the largest impact on reducing global CO ₂ emissions, as our tires are used on millions of vehicles.	The overall reduction of vehicle emissions plays a big part in improvements. Lowering the rolling resistance of a tire also reduces the fuel consumption of the vehicle.
CUT CO ₂ EMISSIONS FROM THE ENERGY THAT IS PURCHASED AND PRODUCED BY 52%	Emissions produced mainly in our own production facilities. A part of this target has already been achieved with the changes made in recent years.	Most of the energy that we purchase should be low-emission or zero-emission and produced with renewable forms of energy. Improvements in energy efficiency will also reduce emissions.

Carbon dioxide (CO₂)

We calculate our tire production's greenhouse gas (GHG) emissions from raw material purchasing to the disposal of the product in compliance with the ISO 14064 standard. Our Russian and US factories use own power stations for generating part of the energy needed. Therefore, the factories' direct GHG emissions exceed those of the factory in Finland.

We were seeking a 20% reduction in CO₂ emissions by 2020. The point of reference comprises our 2013 Scope 1 and Scope 2 emissions in relation to production. The actual reduction from 2013 was 33% in 2020, which means that we met and exceeded the target for 2020.

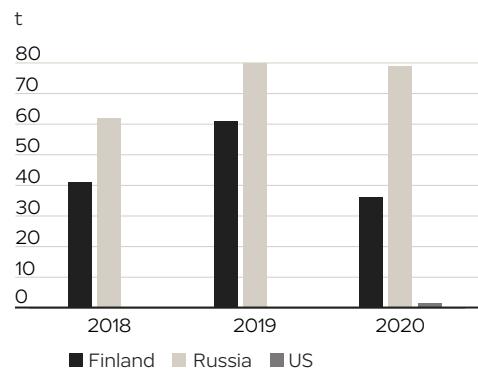
In 2020, our location-based scope 2 emissions from tire production were approximately 42,100 tons CO₂ eq. The emission calculation is based on the average emissions intensity of power grids in Finland, the US, and Russia.

Market-based scope 2 emissions were approximately 20,600 tons CO₂ eq. In Finland, the emission calculation is based on the suppliers' certificate of the actual energy sources used. In Russia and US, emission calculations are based on emission factors of purchased electricity.

Nokian Tyres wants to contribute to tackling climate change by setting ambitious science-based climate targets. In May 2018, Nokian Tyres joined the Science Based Targets initiative with the aim of setting more precise targets that are assessed and validated by an external organization.

Nokian Tyres reached its previously set targets to reduce CO₂ emissions well ahead of schedule. The new climate goals, Science Based Targets, were published in May 2020. The four targets are in line with the Paris Agreement, and base year for the first three targets is 2018 and 2015 for the fourth target. All the targets should be achieved by 2030.

VOC EMISSIONS



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 Finland, we calculate the VOC emissions according to the EU VOC directive, which is based on the used solvents. We use solvents in our factory only in the production of heavy tires (also known as industrial tires).

The VOCs from the assembly of heavy tires are collected and conveyed to a catalytic incineration plant. However, collecting solvent emissions from the production of heavy tires poses a challenge. In the production of heavy tires, it is not possible to seal the emission sources in such a way that all emissions could be collected and conveyed for incineration.

In Finland, we aim to comply with the total emission limit set in environmental permit, which is 60% of the solvents used. In 2020, the total solvent emissions were 71% of used solvents, so we exceeded the limit.

No solvents are used in tire manufacture at our Russian and US factories. According to the local legislation, emissions are calculated based on usage of raw materials. VOC emissions are generated due to the raw materials used in the processes.

Odor

According to the surveys that we have commissioned the odor emissions are momentary. The mastication process for softening natural rubber causes discharges of compounds during the precipitation and dehydration phases of rubber milk that results in an unpleasant odor in the near surroundings. We use droplet separators for reducing the odors from mastication.

Our factories have introduced new odor control equipment that represents the best available technology (BAT). In our Russian and US factories, the technology covers all the mixing lines, whereas in Finland the technology is being implemented gradually during 2021. We have also managed to lower the number of separate mastication processes, thereby reducing the related odors.

Some odors are generated during the tire 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.

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 our factories. The dust that passes through the filter system mainly causes an aesthetic inconvenience and poses no harm to the environment or health.

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 tire manufacturing processes use large quantities of cooling water. In our Finnish factory, we take surface water for cooling from the nearby Nokianvirta river (Kokemäenjoen waterway) and discharge it back into the river after use. The Russian (lake Lagoda) and US (Mississippi river basin) factory uses municipal 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.

In our factories we take regular samples from the cooling water and from the wastewater conveyed to the municipal treatment plant in order to verify the water quality. Both the wastewater conveyed into the municipal sewage system and the cooling waters has been practically clean. Our goal was to reduce the consumption of municipal water by 25% by 2020 compared to the 2013 baseline. In 2020, our consumption of municipal water (m³/metric ton of products) was approximately 30% lower than in 2013.

In 2020, water risk assessments for production sites were updated. The assessments were done using WWF's water risks filters, and they confirm that our water related risks are minor and that we don't operate in water stressed areas. We will update water risk assessment once in every three years. Water risks related to supply chain was started by assessing risks based on geographical locations.

Materials

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

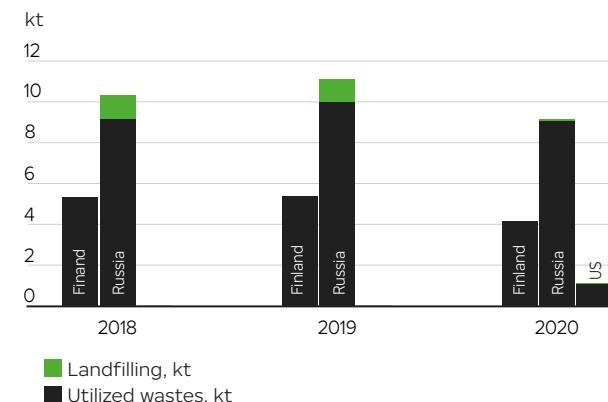
WASTE

Waste is generated both in our actual production and in the 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 daily basis. For other types of waste, we prepare reports monthly or annually. All of the production waste is taken directly to utilization.

Information on waste disposal methods and quantities is provided by the waste disposal contractors. We sort the generated waste at our factories in accordance with separate waste management instructions.

AMOUNT OF WASTES, FINLAND, RUSSIA AND THE US



Recyclable waste

The utilization rate of our production waste has been growing for years. Scrap tires, or tires that do not meet our high standards of quality, are taken to recycling directly. Non-vulcanized scrap rubber is generated in the production stages preceding vulcanization or curing.

These materials' reuse applications include impact padding, conveyor belts, and other rubber products that have less strict material requirements than tires. Other generated recyclable waste categories include combustible waste, plastics, scrap iron and steel, wood, paper, biodegradable waste, cardboard, glass, and electrical and electronic equipment.

“ Scrap tires, or tires that do not meet our high standards of quality, are taken to recycling directly from production.

Landfill waste

Mixed waste that cannot be utilized 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 reutilization. Our goal for 2020 was that no waste generated in production sites is taken to a landfill. In 2020, 100% of factory waste in Finland, 99% in Russia and 99% in the US was sent to reutilization. During 2020 we found new solutions to waste management in our Russian factory, and at the end of the year, all of the waste could be sent to utilization.

WASTE BY DISPOSAL METHOD, FINLAND



- Reuse 1.8%
- Recycling 34.7%
- Composting 1.5%
- Recovery as energy 62%
- Landfill 0%

WASTE BY DISPOSAL METHOD, RUSSIA



- Reuse 8.5%
- Recycling 75.5%
- Composting 5.2%
- Recovery as energy 10%
- Incineration (mass burn) 0.2%
- Landfill 0.7%

WASTE BY DISPOSAL METHOD, UNITED STATES



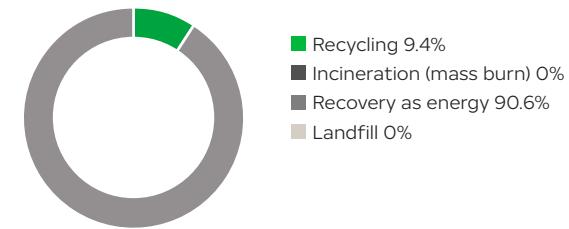
- Reuse 0%
- Recycling 80.4%
- Composting 0%
- Recovery as energy 18.6%
- Landfill 1%

Hazardous waste

We take all hazardous waste to an authorized processing plant. Roughly a third 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 Finnish factory is utilized as energy or as raw materials.

According to the US legislation, no materials that could be classified as hazardous were produced at the US factory.

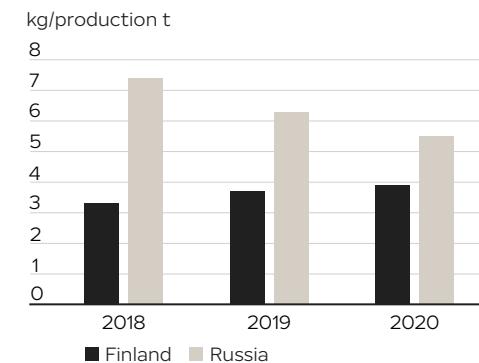
HAZARDOUS WASTE BY DISPOSAL METHOD, FINLAND, %



HAZARDOUS WASTE BY DISPOSAL METHOD, RUSSIA, %



HAZARDOUS WASTE PER PRODUCTION TONNE



MICROPLASTICS AND TIRE ROAD-WEAR PARTICLES

Plastic waste in the oceans and other bodies of water is an environmental problem that is currently being intensively researched. Tires, or particles from tire and road construction material, are often considered to be one of the largest sources of microplastics ending up in oceans and other bodies of water.

Tires use rubber rather than plastic. However, plastic and rubber are both polymers. When looking at micro-polymers instead of only plastics, wear particles from tire and road materials (often referred to as TRWP's) are one of the sources of micro-polymers ending up in the ocean.

Many publications include the dust created during tires' contact with the road – i.e. wear particles from the tire and road surface – under microplastics. Roughly one half of these particles come from the tire and the other half from the road surface.

Typically, most of these TRWP's are fairly heavy and land on the roadside, compacting into the soil instead of being carried into a body of water. Some particles, however, are flushed off the road and its surroundings into ditches, sewage systems and, further,

into bodies of water. A study sponsored by ETRMA concluded that in the vicinity of the river Seine, some 18% of particles ended up in bodies of water and a further 2% were carried into estuaries (Unice, Weeber, Abramson et al., Characterizing export of land-based microplastics to the estuary, 2018).

When discussing microplastics ending up in the oceans, there are two types of sources: primary and secondary. Primary sources release microplastic particles directly into the oceans, whereas secondary sources release them as a result of the disintegration of larger plastic pieces. According to a report compiled by the EU (European Parliament: Microplastics: sources, effects and solutions, 2018), the largest group of primary sources consists of the small particles released from the washing waters of synthetic textiles, such as fleece clothing. Wear particles from tire and road materials are the second largest primary source. Together, these primary sources form 15–31% of the microplastics in the oceans.



“ Wear particles from tire and road materials (TRWP's) are one of the sources of micropolymers ending up in the ocean.

Secondary sources include larger plastic items, such as bottles and fishing nets that are ground into microplastics over time. These are estimated to form the majority, or 69–81%, of the sources of microplastics in the oceans.

Additional research is required

Nokian Tyres is actively following the studies on this topic and participates in external international studies ordered by ETRMA and other organizations. Reliable field and laboratory tests for understanding the nature, routes of entry, and harmful impacts of the particles are required because many of the current estimates are based on mathematical models and calculations.

In December 2020, a new study was published in the [Science](#) magazine about the effects of a widely used tire rubber antioxidant 6PPD on coho salmon. This species returns from the Pacific Ocean to spawn along the West Coast of the US, but many of the coho salmon die after heavy rainfall washes along their migration routes. The study concluded that 6PPD reacts with ozone to become a different chemical, a previously unreported byproduct called 6PPD-quinone. According to the study, this byproduct is likely to cause the deaths of coho salmons in the area.

6PPD is an ingredient that is used in many different tire components as antidegradant. It helps tires resist degradation and cracking, which is vital for tire durability and safety. Nokian Tyres uses only chemical substances that are controlled by chemical regulation in Europe via REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and encourages more research into the effects of tire materials. We were the first tire company to give up the use of harmful HA oils, and in our production, we never use carcinogenic chemicals or SVHC chemicals. The whole tire industry recognizes that more research is needed on the effects of tire materials.

Another study published in August 2020 in Finland concluded that the amount of microplastics found in fish varied a great deal, both regionally and among fish species. Some species had only a very small quantity of plastics, others more frequent or abundant amounts. Most common sources of microplastics in the study were mainly plastics that are widely used in packaging materials. (Finnish Environment Institute SYKE and University of Eastern Finland, Microplastics are found in all waters, quantities in aquatic organisms and fish vary, 2020).

As a founding member of Finnish Tyre Recycling Ltd, Nokian Tyres is also involved in a research project that aims to produce information regarding possible sources of microplastics in the operating environment and locations of tire recycling facilities. The project will be executed by Apila Group Oy, and it will take place between May 1, 2019 and March 31, 2021.

Reliable field and laboratory tests for understanding the nature, routes of entry, and harmful impacts of the particles are required. In the project, sediment and water samples will be collected from the vicinity of roads and water catchment areas during different times of the year. The sampling will be performed by an independent expert. A method developed by Apila Group Oy Ab will be used for identifying and calculating microplastics originating from tires.

Nokian Tyres has a Sustainability Roadmap for Materials Development. Key focus in this research & development roadmap is replacing harmful materials with sustainable ones. You can read more from materials development [here](#).

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

” Reliable field and laboratory tests for understanding the nature, routes of entry, and harmful impacts of the particles are required.

TIRE RECYCLING

Tire retreading allows the operator to save money, resources, and the environment. A good tire carcass can easily be retreaded two times, which cuts tire costs by approximately 30%. The retreading unit offers retreading for trucks and buses as well as for heavy machinery.

CO₂ emissions are generated during tire production as well as while driving. Retreading has a significant impact on the carbon footprint of tires: manufacturing a new tire 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 liters of oil per tire when compared to new tires.

Where do tires end up after use?

Approximately 3.3 million metric tons of used tires are discarded each year in Europe. Luckily for the environment, discarded tires are not worthless and can serve various purposes when reused or recycled. Among other things, the tires can be used in noise barriers along motorways, or as an elastic base material in horseback riding arenas.

The recycling rate of tires in Finland is high compared to many other countries. In Finland, nearly 100% of tires are recycled. In all of Europe, for example, the figure is 95%. The rest of the tires are taken to landfills.

The recycling rate of our passenger car tires was 85% of our total sales in 2020 (2019: 77%).

In Russia, the tire recycling rate is low. According to the local legislation, in 2020, our tire recycling had to be equivalent to 30% of our total sales in Russia, and we met that target. In the US, the tire recycling rate of collected tires is 76%.

Another way to utilize recycled tires is to combust them for energy, as the heating value of tires is close to that of oil. The use of recycled tires as an energy source has been growing for years and, today, approximately half of the tires recycled in Europe are used in waste-to-energy applications.

Nokian Tyres is a member of the Finnish Tyre Recycling Ltd and the US Tire Manufacturers Association (USTMA) in order to promote the centralized collection and utilization of tires nationally.



OUR CAMPAIGN IN RUSSIA EMPTIES ILLEGAL TIRE LANDFILLS

In December 2018, Nokian Tyres launched a major recycling campaign in Russia: the Eco Challenge. The goal was to empty illegal tire landfills and raise awareness of recycling. The campaign is carried out together with the EcoShin-Soyuz (EcoTyresUnion). By the end of 2020, the Eco Challenge had resulted in more than 900 tons of used tires taken to recycling from the illegal landfills.

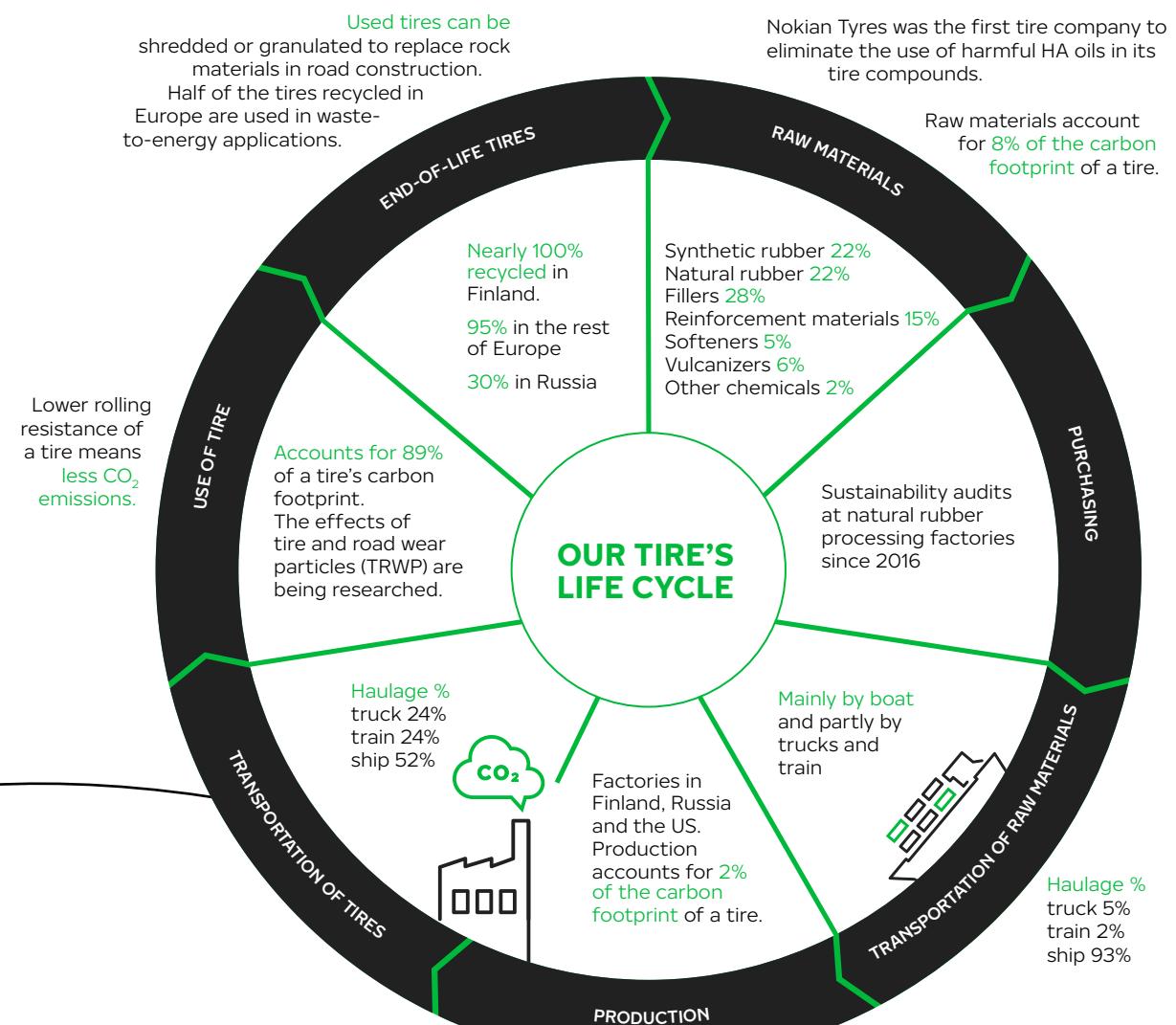
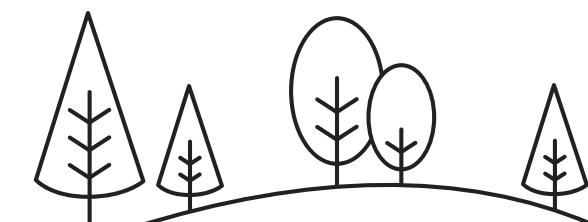
All collected tires are recycled at specialized facilities and then reused to become rubber crumb surfaces of children's playgrounds or sports fields, parts of roofing materials, or other types of products. People can report illegal tire landfills in Russia to the EcoTyresUnion in the web address etu-rf.ru/nokianecochallenge or directly to Nokian Tyres hot line.

The campaign continues in 2021.

TIRE LIFE CYCLE

NOKIAN TYRES HAS ADOPTED A LIFE CYCLE APPROACH:

We take responsibility for the environmental impacts of our activities and products from raw materials to end-of-life tires. Most of the environmental impacts during a tire's life cycle are generated during its use.



PEOPLE

We want to empower and develop our people and encourage them to actively participate and collaborate. We strive for creating high performing, engaged teams where people take responsibility for everyone's safety.

ONE GLOBAL TEAM

The year 2020 was very special. As the COVID-19 developed into a global pandemic, we quickly developed ways of working to keep our people safe and to prevent the virus from spreading. During the year, most of the white-collar workers were working remotely. Microsoft Teams had already been introduced as a tool, which enabled the quick transition to remote work. Also, the factory environment has been protected by very strict rules and guidelines.

Remote work requires new skills both from managers and employees. We have implemented several actions to support managers and employees to cope with the new working environment. The purpose has been to keep teams tight, efficient, and collaborative, and to ensure that employees have a feeling of belonging and being cared for.

We want to empower our people to actively participate and collaborate, to take both ownership of their work and responsibility for everyone's safety. This was strengthened during the pandemic: we quickly adapted to a constantly changing situation, safeguarding not just ourselves but our co-workers as well.

Employee health and safety actions due to COVID-19:

- Continuous monitoring and communication of COVID-19 status in the organization
- Implementing health and safety guidance/orders of each country
- Travel and visitor restrictions in the early phases of the pandemic starting late February
- Remote working launched mid-March for most white-collar employees
- Protective measures in the factories and service outlets like separation of teams, active cleaning and increased hygiene, providing masks
- Due to the rate of infections in Russia, four all-employee testings were organized at the factory for all personnel to trace all possible infections and to prevent the virus from spreading.

KEY MEASURES IN 2020

Organized safety measures and COVID-19 related instructions and communication in a global scale.

Improved occupational safety: reduced the number of workplace injuries by 28% compared to the 2019 level.

Re-evaluated our development and focus areas: developed global and local support for new ways of working and employee well-being, both physical and mental.

Launched a new Global Sales Incentive plan structure, aimed at direct sales roles across several locations.

TARGETS FOR 2021

Improving safety by decreasing LTIF by 20% compared to 2020.

Continuing the safety actions at the level of 3.5 / employee.

Participation percentage of safety actions more than 75% of the workforce.

Further developing talent management and leading people.

Continue strengthening the new ways of working.

Developing our Human Rights policies.

Conducting a global survey regarding equality, diversity and inclusion.

Developing ways to assess the impact of people development.

RESPECTING HUMAN RIGHTS

Fairness and respecting human rights are the principles in all our operations, whether we are dealing with our personnel or other stakeholders. We want to ensure the psychological and physical safety of our employees. We advance an inclusive and equal working culture and empower our people to be active members in our organization. Unfortunately, due to COVID-19, our plan for developing our Human Rights policies had to be postponed to 2021, as our resources were aimed at quickly adapting to the situation and developing new ways of working.

Our Code of Conduct and the related policies and instructions were updated, and they entered into force in December 2018. Every employee needs to adhere to the Code of Conduct, and Nokian Tyres has an online training for all the personnel. Majority of employees conducted the training in 2019 (93 %) and the completion rate was followed by the management team. In 2020, training on Code of Conduct has been included in the induction for new employees.

We treat our employees fairly and respectfully. We are committed to acting in the manner required by the UN's Guiding Principles for Business and Human Rights, and to following the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. We have joined the UN's Global Compact initiative as a supporting member and follow the ethical principles of the initiative.

We value diversity and do not allow any form of discrimination, harassment, or bullying at the workplace. Everyone is responsible for acting fairly and for creating an inclusive, inspiring work atmosphere. Everyone has the freedom of expression, but everyone is also responsible for not insulting others.

Active participation at different levels of the organization and respecting every employee's right of participation are parts of our working culture. Contracts of employment are drawn up in writing and in adherence with the local legislation. We also annually conduct market analysis on salaries.

Our people management system, Workday, enables us to harmonize our people processes promoting the equal treatment of employees across our organization. In 2020, we have further developed all our people processes.

Read more: [Our way of working](#)



“ Everyone is responsible for acting fairly and for creating an inclusive, inspiring work atmosphere.

SAFETY IS A CHOICE

We actively promote occupational health and our goal is to minimize the number of occupational accidents. We encourage our people to think that every accident can be avoided by the choices we make.

- On our way to accident free workplace, we set the intermediate target to have an LTIF of less than 4.5 by the end of 2020. By the end of 2020, our LTIF was 3.7, and with the figures of Levypyörä added to the figures from 2019, we exceeded our goal and reached a reduction of 29%. (LTIF in 2019 was 5.2 with Levypyörä). Without the figures of Levypyörä, the reduction was 14%.
- Over the past 5 years, our average LTIF improvement has been more than 15% per year.
- We encourage our employees to make safety observations and carry out safety actions with the goal of 3 safety actions per employee on average: this resulted in over 17,600 safety actions in 2020. This amounts to 3.5 actions per employee.

Occupational health and safety are an integral part of our daily management and operations. During 2020, we continued our safety campaign to globally communicate our slogan "Safety is a choice". This means that everyone is responsible for safety and all choices matter regarding the safety development: adhering to occupational safety guidelines, observing defects and shortcomings, and reporting and removing hazards.

In order to bring leadership in safety closer to everyday operations, we have utilized our own managers as safety trainers. This has supported our global safety messaging as it forces the teams to integrate safety as a part of their daily practices. Developing a safe working culture continues in 2021.

Nokian Tyres has a global system for reporting all safety observations, occupational hazards and accidents in the workplace. The reporting system covers Nokian Tyres' own employees, agency workers, and subcontractors.

Training on occupational health and safety is based on the local laws and in specific job descriptions in the safety training matrix. Supervisors are responsible for providing adequate trainings and qualifications required for the daily tasks. The implementation of trainings is followed in the Workday system. Internal audits and safety inspections are being performed by all the employees, the supervisors perform safety walks and the safety systems are being audited by the Nokian Tyres' safety organization professionals.

Nokian Tyres' managers and supervisors are required to carry out regular safety walks. Safety walks are meant to encourage workers to improve their occupational safety by making observations and suggesting ways of improving safety together with the supervisors. Safety walks are reported in the global safety reporting tool.

The safety inspections, audits, safety observations, the number of near misses, realization of safety walks and the implementation of the improvements based on these actions, are all being followed. These actions together form the KPI for safety actions. Every non-conformity in safety is investigated and if needed, corrective actions are taken according to the hierarchy of controls defined in the ISO 45001 standard. The current LTIF situation and corrective actions are visible to all employees on our intranet.

Each employee of the Group has the right and the duty to refuse or stop unsafe or unhealthy work. It is a right that the company strongly supports and guarantees that there will be no negative consequences for the worker. In cases where a work phase is stopped by an employee, supervisors will assess the situation, define possible corrective actions and look for an alternative way to perform the task.

Nokian Tyres is committed to processing personal data transparently and in compliance with applicable data protection laws. The data privacy work (GDPR) continued by specifying and further developing the privacy documentation and processes, for example by updating the Nokian Tyres privacy statements and further increasing the awareness within the company by organizing workshops.

Our goal is to minimize the number of occupational accidents. By the end of 2020, our LTIF was 3.7 so we exceeded our goal and reached a reduction of 29%.



“ All factory locations organize regular monitoring of working conditions, which may generate risks to the health of workers.

Occupational health

Nokian Tyres' occupational health care is based on local legislation and our Environmental, Safety, and Quality Policy. In all our factory locations in Finland, Russia and the US, occupational health is supported and managed by our local HR team. In the US, we also employ a full-time dedicated EHS Manager as well as external partners who actively engage in identification and mitigation of hazards and risks.

All factory locations organize regular monitoring of working conditions, which may generate risks to the health of workers. Especially employees who have several stress factors in their work (dust, noise, odor, handling hazardous chemicals) are being monitored very carefully.

In all factory locations, occupational health services are bought from a licensed service provider and they cover 100% of our own employees. Emergency first aid is provided for everyone, including subcontractors. In Finland and the US, some of the services are provided on site, but most of them are offered by an external health care service provider. In Russia, we have a 24/7 medical center on site. All factory locations have fitness facilities, which are open for all employees. In 2020, there were some restrictions to the use of the facilities due to the pandemic.

All employees are offered the option to enroll in voluntary non-occupational medical or healthcare programs from their date of hire. These programs include for instance annual vaccination against influenza, first aid training and programs to stop smoking, weight loss/weight management, and in the US, maternity management.

Nokian Tyres only collects the minimum of information required to deliver health services. Access to the data is limited and utilized only for the designated purpose. Compliance with privacy regulations is always our primary approach.

ACCIDENT FREQUENCY

	2015	2016	2017	2018	2019	2020
Lost Time Incident Frequency (LTIF)*						
Nokian Tyres Finland	22.3	20.2	8.6	5.3	3.7	3.4
Nokian Tyres Russia	3.0	3.0	3.2	5.0	2.0	1.0
Nokian Tyres US					1.6	1.7
Vianor	23.9	15.2	12.6	15.0	7.8	7.1
NT Group	13.9	11.2	7.5	8.3	4.3	3.7
* Number of incidents / 1,000,000 hours worked						
Recordable Accident Frequency (rec. F) *						
Nokian Tyres Finland	24.1	12.6	8.7	8.3	6.8	
Nokian Tyres Russia	3.0	3.9	5.3	4.0	2.1	
Nokian Tyres US				6.2	3.5	
Vianor	18.7	19.5	21.6	13.9	9.8	
NT Group	13.2	11.2	11.6	8.2	5.8	
* Number of incidents / 1,000,000 hours worked						
Recordable accidents						
Nokian Tyres Finland	42	24	18	18	16	
Nokian Tyres Russia	8	11	16	12	6	
Nokian Tyres US				4	2	
Vianor	59	62	72	48	33	
NT Group	109	97	106	82	57	
Occupational illness frequency OIFR*						
NT Group		1.4	1.2	0.7		

* Work-related ill health cases / 1,000,000 hours worked

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 AB	Vianor Holding Oy	Vianor Oy	Vianor AB	Vianor AS
Sick absences % (total)	2.2%	4.3%	5.3%	2.6%	8.8%	4.0%	1.5%	5.3%	4.0%	6.1%

* The table does not include the US, as sick absences are not tracked separately from total absences in the US.



We encourage our employees to make safety observations and carry out safety actions with the goal of 3 safety actions per employee on average.

OUR PEOPLE

Our goal is to be a globally attractive employer that is known for its sustainability, leadership, and international working community with teams around the world. We employ some 4,600 people with different skills and backgrounds.

At the end of 2020, we employed a total of 4,603 (-2,7%) own employees. We report the number of all employees including also those on a long leave of absence.

The external workforce is mainly used for ad hoc workforce needs. At the end of 2020, we had 69 external workers, most of them working in North America. During 2020, we employed a total of 1,076 seasonal employees at Vianor. 53.2% of our employees are covered by collective bargaining (51.4% in 2019).

In August 2019, Nokian Tyres acquired Levypyörä Oy, a Finnish manufacturer of machine tool rims. The harmonization was completed during 2020 and the figures are included in this report. When the harmonization started, safety was made a top priority, as the LTIF numbers of Levypyörä were quite high. With persistent work, Levypyörä celebrated one year with zero occupational accidents in November 2020.

In 2020, Nokian Tyres sold Vianor US to the American Gills Point S Tire. Vianor US included 10 service centers, and all the Vianor US service center employees were employed by the Gills Point S Tire & Auto Service.

Adapting our operational costs in uncertain market conditions

Nokian Tyres conducted employee cooperation negotiations in April 2020 due to the COVID-19 outbreak, which increased the uncertainty in the car and tire market. The negotiations concerned all personnel based in Finland at Nokian Tyres plc, Nokian Heavy Tyres Ltd, Vianor Holding Oy and Vianor Oy.

As a result, 1,630 employees in Finland were temporarily laid off. The duration of the temporary lay-offs varied depending on the work assignment, up to a maximum of 90 days per person during the year. The company organized info sessions about the temporary lay-offs and offered assistance in seeking unemployment allowance for the lay-off period. We supported employees with multiple local activities, and as a part of our Working Well concept every employee in Finland had for example access to an online chat with a psychologist.

Nokian Tyres' Group Management Team has contributed to the savings with a salary reduction equivalent to one month's salary in 2020.

NEW EMPLOYEE HIRES RATE



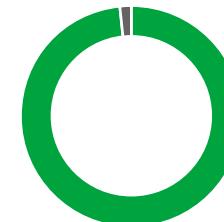
- Percentage of under 30 years old 46.2%
- Percentage of 30–50 years old 43.6%
- Percentage of over 50 years old 10.2%
- New employee hires rate (Total) 13.0%**

TURNOVER RATE



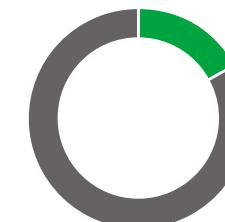
- Percentage of under 30 years old 21.4%
- Percentage of 30–50 years old 57.4%
- Percentage of over 50 years old 21.2%
- Turnover rate (Total) 11.2%**

PERMANENT WORKERS



- Full-time 98.6%
- Part-time 1.4%
- Total 4,377**

TOTAL NUMBER OF OWN EMPLOYEES



- Women 17.1%
- Men 82.9%
- Total 4,603**

OUR WAY OF WORKING

Our way of working has changed tremendously. During 2020, we leaped to the next level in digital working and we learned new skills. We will keep utilizing these learnings and further develop our working practices.

Because of the changes brought by the pandemic, we did not implement our annual Drive! survey, but implemented pulse surveys to measure real-time atmosphere and engagement in the organization. We conducted both company and team-level pulse surveys throughout the year. Team-level pulse surveys were created for team leaders to follow up the well-being and working conditions of the team as the change to remote work was very rapid and new for many of our knowledge workers.

In our company wide pulse survey, we had five questions on people's thoughts and feelings on what is working well and what could be enhanced. 86% of our employees gave positive or neutral responses when asked about the overall feeling at that moment. More than 90% of the answers to questions about getting the work done, feeling connected, collaboration and team work received a positive or neutral response. We are planning to continue pulse surveys in 2021.

The company wide pulse was part of our Working Well concept which was created to support our employees in the exceptional environment.

Working Well concept includes global and local-level activities:

- webinars and workshops for leaders to learn and share best practices
- trainings for all employees about well-being during the remote work and COVID-19 pandemic
- how to lead own work: practical tips for organizing and creating structure to working day, tools and channels to support remote work.

We started the actions to support our managers and employees at the very beginning of the pandemic. We also continued our renewed personal development discussions, the People Reviews. The People Reviews focus on managing performance and personal goals and development.

In 2020, a total of 93.0% of our personnel took part in a People Review (92.2% in 2019). Personal People Reviews have a key role in personnel development. Internal job rotation, on-the-job learning, and different training solutions continued being essential part of personnel development.

GLOBAL PULSE SURVEY

Overall feeling on a 5-step scale

	Positive / neutral responses
Nokian Tyres Group	86%
BA Russia & Asia	92%
BA Central Europe	79%
BA North America	88%
BA Nordics	86%
BU Vianor	84%
BU Heavy Tyres and PCT Production	88%
Global Functions	86%

PEOPLE REVIEWS (REALIZATION, %)

	2015	2016	2017	2018	2019	2020*
Nokian Tyres Group, %	82.8	86.0	83.4	82.2	92.2	93.0

*Not including Levypyörä Oy which was integrated to Nokian Tyres people processes in stages during 2020.

Pay for performance

A Global Total Rewards Philosophy and Guideline was created by our Management Team and Board of Directors during 2018 and communicated to all employees in 2019. The objective of the established Guideline was to align and harmonize our rewarding practices globally. The Guideline has been complied with during 2020 and further implemented in our rewarding practices.

The Guideline is designed to ensure the fair and equal treatment of our employees, as well as to allow countries and units to provide locally competitive pay, to attract, retain, and motivate the best talent. It is based on position evaluation, consistent goal setting, and benchmarking of rewarding practices in relevant markets.

Along with the Total Rewards Guideline, we renewed our short and long-term incentive plans for 2019 and onwards. As long-term incentives, we have two share plans that are intended to align the long-term goals of our shareholders and key personnel. We also have a profit-sharing plan for the employees not eligible to participate in the share plans. With these plans, all Nokian Tyres employees are covered and rewarded for the company's overall performance.

As short-term incentives, there are several different plans in use and all employees are eligible for some of them. These plans are designed to drive the

company's strategy and reward for the achievement of stretching performance goals. For year 2020, we launched a new Global Sales Incentive plan structure, intended for direct sales roles across several locations. All short-term plans are based on criteria measured on either group, business area/unit, team and/or individual performance.

An important aspect of overall rewarding includes non-monetary compensation. We are further developing this vital element with various activities, described in this section. Non-monetary rewarding has a clear positive effect on employee engagement and improved performance.

We have made significant progress during the past three years, and we have been able to sustain our re-established rewarding process. We will continue to develop and assess aspects of our rewarding structure to make sure we are complying with the prevailing market conditions and securing the best possible future performance.

Developing on the job

Our people development philosophy supports our employees' development with an internal job rotation, on-the-job learning, and various development solutions following the 70-20-10 principle: 70% of the development through learning on the job, 20% through learning from others, and 10% through training.

OUR REWARDING PHILOSOPHY

At Nokian Tyres, we want to drive, recognize and reward **high performance** and value based **behavior** to ensure successful long-term execution of our **strategy**

Strategic	Performance & value based	Competitive	Transparent & consistent
Ensure successful execution of Nokian Tyres strategy	Drive and reward group, business unit, team and individual performance and customer & value based behavior	Attract, motivate and retain talent by offering competitive total reward packages	Strive for transparency and consistency in reward program design, implementation and communication

To bring the company's strategy closer to every employee, we have created an eLearning solution known as the "Strategy Learning Journey" in 2019. In 2020, it has been used especially in the induction of new employees. It gives an overview of Nokian Tyres' strategy and the way we operate to achieve our goals. It is followed by a Team Challenge game, which helps teams discuss how to achieve our goals.

We launched our new digital collaboration hub in 2019 and continued trainings for all white-collar employees in 2020. We continued improving information and

knowledge sharing globally with the events, tools and channels we took into use in 2019. We have also started to renew our intranet to ensure easy access to information and enable employees to participate more in creating the content.

Flexible working time had been piloted already in 2019 and it received very positive feedback. This also enabled us to quickly implement remote work on a larger scale when the pandemic was imminent.

PRODUCTS

A tire needs to save fuel, be produced in an environmentally safe way, reduce road wear and noise – and look good.

IMPROVING ROAD SAFETY IS A PRIORITY

Nokian Tyres improves the safety of its products through continuous product development and testing. We have improved the eco-friendliness of our tires through lowering their rolling resistance. This reduces the fuel consumption of the car and cuts down on CO₂ emissions.

Safety is our first priority, both on the road and in production. Nokian Tyres was the first tire company to eliminate the use of harmful high-aromatic (HA) oils in its tire compounds, and the world's first tire manufacturer to have fully introduced low PAH content oils in its production.

Roughly speaking, tire development is divided into three parts:

- material and rubber compound development
- structural development
- tread pattern development.

Tires are developed by combining the best raw materials, components best suited for each purpose, durable, high-performance structural solutions, and the best tread for the conditions of use. In terms of technical characteristics, a car tire is an extremely demanding product that needs to ensure that the driver retains control of the vehicle under all conditions. At the same time, the tire needs to save fuel, be produced in an environmentally safe way, reduce road wear and noise – and look good.

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 tire markings, among other things.

You can read more about managing sustainability in product development [here](#).

KEY MEASURES IN 2020

We reduced the rolling resistance of our tires by on average 8.5% when compared to 2013 (8.3% in 2019).

In 2020, Nordic winter tires that deliver high ice grip amounted to 55% of our entire winter tire range (53% in 2019).

The proportion of tires that are in the rolling resistance category A, B, or C was 92% (92% in 2019).

Of our summer tire products, 100% were in the wet grip category A, B, or C (100% in 2019).

We continued researching the use of recycled carbon black.

Unfortunately, we were not able to increase the average bio-oil content in the rubber compounds of our tires.

Our premium tires with low rolling resistance and high wet grip correspond to categories A, B, and C of the EU tyre label. The share of ABC tires was 65.9% of all our tires with EU labeling (65.1% in 2019).

TARGETS FOR 2021

Of our summer tire products, 100% will remain in the wet grip category A, B, or C.

We aim to include recycled carbon black in a commercial product line during 2021.

By 2025, we aim to introduce a concept tire made entirely of materials that are from renewable sources or recycled.

By 2030, 50% of all raw materials in our tires are either recycled or renewable materials.

Our tires go through strict testing

As a tire manufacturer, we must ensure that the tires that we develop, produce, and market are verifiably safe to use, and that they meet the quality requirements and expectations of our customers and end users.

We ensure the technical quality of our products by testing and studying each raw material used in tire manufacturing and by continuously improving our rubber compounds. We also use process controls during production for ensuring the quality of tires. Each finished tire passes through production quality control, which includes the tire's force variation, out-of-round and run-on measurement as well as a visual inspection.

When starting to ship a new product, we use our strict quality requirements for ensuring compliance. Safety is connected to understanding and managing the risks related to tires. We track the safety of our tires throughout the product life cycle. During product development, our tires go through wear and performance testing, for example.

At Nokian Tyres' test tracks in Nokia and Ivalo, Finland, and in Santa Cruz de la Zarza, Spain, we test tire behavior on wet and dry asphalt, ice, snow and slush, uphills

and downhills as well as in corners and on straights. The tires are tested during acceleration and braking, in aquaplaning conditions, and on the handling track. The handling test is probably the most important – an experienced driver remains the best indicator of tire quality.

The testing for each product takes into account its purpose and market area. Safety is always the number one priority for Nokian Tyres. However, depending on the market area, we also need to take into account the weather conditions, the driving surface, and other factors.

Product responsibility includes product safety, quality, and compliance. It covers our processes from research and product development to testing, production, and procurement, as well as all of the stages and functions of our supply chain. Our product responsibility also includes product marketing and communication to consumers.

Our Group has not had any significant product recalls in more than 20 years. Furthermore, Nokian Tyres has not been involved in any significant legal proceeding regarding product liability. You can read more of our procedure in case of fault [here](#).



TIRE LABELING IS GOING THROUGH A CHANGE

The European Union's new labeling scheme for car and truck tires aims to increase consumer awareness on fuel savings, improve safety and decrease external noise. Until 2021, tire energy labels have provided a classification of tires' performance for rolling resistance, braking on wet surfaces and external noise.

In northern conditions, ice grip is the most important safety property for winter tires. This is why Nokian Tyres together with Nordic countries have long promoted the demand for an ice grip marking. As a result, it is now being included in the EU Tyre Label. The new label will enter into force in May 2021.

Nokian Tyres is also actively involved in developing an abrasion test method for the environmental regulation of tires. The European Commission has initiated a process of developing a test to measure tire mileage and tread abrasion. It is still in an early stage, but once a reliable testing method has been developed together with different industry stakeholders, tire abrasion and mileage will be added to the EU tire labeling.

Read more: [Microplastics and tires](#)

LOWER ROLLING RESISTANCE - LESS CO₂ EMISSIONS

The use of fossil fuels accounts for most of human-generated carbon emissions. Carbon dioxide, CO₂, is the most significant greenhouse gas generated by traffic. When a tire rolls against the road surface, energy is lost due mainly to heat build-up; this is referred to as the rolling resistance. The higher the rolling resistance is, the higher the fuel consumption and CO₂ emissions will be. Fuel consumption during driving is the single most significant environmental impact over a tire's service life.

In 2015, we set a goal for 2020 to reduce the rolling resistance of our product range by 7% on average when compared to the 2013 baseline. We reached this goal clearly ahead of schedule in 2017. In 2020, we reduced the rolling resistance further, reaching a reduction of 8.5% on average compared to 2013. Tires with low rolling resistance may save more than 0.6 liters of fuel per 100 kilometers, and thus reduce CO₂ emissions.

As the auto industry is going through a radical realignment, the design of tires is also shifting towards the demands of electric vehicles or EV's. The lower the rolling resistance, the further the EV can go without recharging the battery.

The level of lower rolling resistance tires has settled to around a 90% share of the class A, B, and C tires. The EU tyre label reports fuel efficiency on a scale from A to G. At the moment, class C is the most common fuel

economy rating for Nokian Tyres' passenger car tires according to the EU tyre label.

We aim to further develop lowering the rolling resistance of tires. In 2019, the Nokian Tyres research team started working on a concept tire which helps us better understand how to reduce the rolling resistance. The score of the best A-level tires is 6.5 in the EU tyre label system. With the new solutions in compounding and construction design, the rolling resistance of the concept tire can be lowered close to a score of 5.

However, tire development is constant balancing between the different properties: grip, durability and rolling resistance. Enhancing one property affects other properties and may lead to diminishing their effect. Developing the safety properties of a tire further affects the rolling resistance, which is why it is not likely to be reduced further. Improving the safety properties of tires may mean that reducing the rolling resistance any further will not be feasible and in the future the rolling resistance values may even slightly increase instead of decreasing.

In the end, eco-friendliness in traffic comes down to a very simple fact: the driver has all the power to make a positive impact. Approximately 89% of a tire's carbon footprint is created during its use. A wise choice of tires, the right tire pressure, and a careful driving style significantly reduce the CO₂ emissions from driving.



“ Tire development is constant balancing between the different properties: grip, durability and rolling resistance.

RENEWABLE RAW MATERIALS

Alternative raw materials can be roughly divided into recycled raw materials and renewable raw materials. The aim of both categories is to replace fossil-based raw materials and to enable more sustainable tire manufacturing.

Renewable raw materials are used for improving tires' properties and performance by modifying the compound property balance at varying temperatures. 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 tire. In materials development, the use of renewable materials must not alter a tire's safety characteristics.

The global research of bioelastomers to replace synthetic rubbers is active, but their commercial availability is still limited in tire industry and needs active engagement from raw material producers.

Fillers, mainly carbon black and silica, are one of the main raw material groups in a tire. The amount of fillers is around 28% of the tire, meaning that, in theory, it should be possible to increase the bio-based portion of the tire significantly by substituting fossil-based fillers with ones from renewable sources. There are several bio-filler research programs ongoing, for instance researching materials based on forest industry side streams.

Nokian Tyres has been actively researching the use of recycled carbon black in tires, but the quality and availability pose challenges. Our aim is to include recycled carbon black in a commercial product line during 2021.

Nokian Tyres was the first tire company to give up the use of harmful HA (high-aromatic) oils in production. They have been replaced by so called low PAH content oils. The global research of bio-oils and bio-resins to replace the low PAH content oils is active, but their commercial availability is still limited in tire industry. Nokian Tyres has an active role in this constantly evolving research and industrialization process. We are already using bio-oils such as canola oil in our rubber compounds and we continue to research them and to work on increasing the amount of bio-oil contents in our rubber compounds.

NOKIAN TYRES' TIRE MATERIALS AND THEIR ALTERNATIVES

Material	% of a tire	Sources	Replacements and alternatives
SYNTHETIC RUBBER	22	crude oil	<ul style="list-style-type: none"> • Needs active engagement from raw material producers. • Recycled rubber crumbs
NATURAL RUBBER	22	natural rubber	<ul style="list-style-type: none"> • Guayule as an alternative for natural rubber which is currently cultivated in South East Asia and some parts of Africa. • Recycled rubber crumbs
FILLERS	28	silica, carbon black	<ul style="list-style-type: none"> • Recycled carbon black in a tire family in 2021. • Active research of different biobased fillers, for instance from forest industry side stream-based materials. • Silica produced from rice husk will be used in tire production during 2021.
REINFORCEMENT MATERIALS	15	steel, textile	<ul style="list-style-type: none"> • Recycled steel is being researched. • Researching the use of biobased or recycled sources for textiles.
SOFTENERS	5	low PAH oils	<ul style="list-style-type: none"> • Increase bio-oil and bioresin content in tires. Canola oil already used, various vegetable oils researched.
VULCANIZERS	6		<ul style="list-style-type: none"> • Reduction & elimination of harmful chemicals
OTHER CHEMICALS	2		<ul style="list-style-type: none"> • Reduction & elimination of harmful chemicals



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

Guayule – promising results for the European source of natural rubber

Guayule-based natural rubber is one of the active initiatives that Nokian Tyres is working on. We are currently testing the suitability of different guayule varieties to be cultivated in central Spain, near our new test center in Santa Cruz de la Zarza.

As guayule originates from the desert, it can survive in very dry and poor soil conditions. It is a plant that does not exploit areas of any other vegetation or food production, on the contrary, it makes use of wastelands. Nokian Tyres is collaborating with local farmers, universities, research institutes, and companies in Spain. Guayule is an opportunity not only for Nokian Tyres but also for the local agriculture and industry.

Recently, studies have been continued on the *Parthenium argentatum* variety of the plant: what is the best way to maintain it, how to fertilize it and how to remove any weeds that may compete with the plant. The results have been promising, and in 2020, the researchers have developed a sustainable way of managing the plant where no synthetic biocides are needed.

Also, researchers have made promising experiments with cultivating the plants on poor soils in total absence of irrigation. Instead of planting ahead of the hottest season of the year, the planting had been carried out in the autumn of 2019 to allow the survival of the plants. To affirm the promising results, the planting was carried out again in the fall of 2020.

The researchers are also exploring the opportunities of plant waste as a part of a circular economy project, in which all the co-products of the plant are utilized.

The first results in utilizing guayule-based rubber for tire manufacturing are promising and development work is expected to continue in 2021.

Read more: [Renewable raw materials](#)



SUPPLY CHAIN

Despite COVID-19, most of the Nokian Tyres' raw material suppliers were able to operate in a normal way.

WE TRACK THE SUSTAINABILITY OF OUR SUPPLIERS

The life cycle of our tires begins in a tropical forest, probably on a small farm in Malaysia or Indonesia, filled with natural rubber trees. Natural rubber is a renewable resource and one of the main ingredients of tires. Sourcing natural rubber in a sustainable way is considered to be the most critical stage in a tire company's supply chain.

Our supply chain consists of approximately 2,000 suppliers, including more than 200 raw material suppliers.

Most of our supply chain suppliers are located around our factory areas (Nokia, Finland, Vsevolozhsk, Russia, and Dayton, US) and raw material suppliers are located globally. The monetary value of the payments made to suppliers in our supply chain is approximately MEUR 500.

The work of Nokian Tyres' procurement unit is guided by the Group's procurement 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. We require that all our raw material suppliers adhere to our Supplier Code of Conduct, which expects the suppliers to commit to human rights and prohibits discrimination and the use of child labor or forced labor, among other things.

All raw material suppliers must, at a minimum, have an ISO 9001 certified quality management system in place. In addition, we prefer suppliers with an ISO 14001 certified environmental management system.

In 2020, we changed our procurement reporting system, which in effect means that following the percentage of our raw material suppliers with ISO 14001 as well as the percentage of our raw material suppliers' sustainability self-assessments is no longer possible in a way that would be comparable to previous years' results. Therefore, we will no longer report these targets. During 2021, we will instead develop new targets to cover sustainability in the whole supply chain.

Read more: [Nokian Tyres' sustainability goals for 2020 and their progress](#)

KEY MEASURES IN 2020

Developed a new Supplier Scorecard tool to evaluate the critical suppliers' performance annually. The tool includes sustainability and environmental topics.

All procurement category managers have been trained regarding the risk classification model and all existing suppliers have been risk classified.

Planned sustainability audits had to be postponed because of COVID-19.

We drafted a Policy for Sustainable Natural Rubber Procurement.

TARGETS FOR 2021

Policy for Sustainable Natural Rubber Procurement will be finalized in 2021.

We will implement the planned sustainability audits after the COVID-19 has stabilized.

All procurement category managers will be further trained regarding risk mitigation actions related to supplier classification.

All procurement category managers will be trained regarding the Supplier Scorecard tool and all critical suppliers will be assessed with the new tool in 2021.

EFFECTS OF COVID-19 ON OUR SUPPLY CHAIN

“ Nokian Tyres tracks the sustainability of its raw material suppliers by conducting third-party sustainability audits, and by requiring a supplier sustainability self-assessment from all the new suppliers that are critical in terms of sustainability.

Our purchasing personnel conduct smaller-scale supplier visits that include an assessment of the working conditions. However, due to COVID-19, all sustainability audits planned for 2020 had to be postponed.

Despite COVID-19, most of our raw materials suppliers were able to operate in a normal way and raw material availability was secured for 2020 volumes. During the year 2020, we saw some delays in deliveries as well as in transportations.

We have taken extra risk management measures to mitigate the risk in the supply chain. They include increased safety stock of certain raw materials, volume re-allocation to suppliers in lower risk areas, and active follow up of the situation.

Pasi Kuusisto
VP, Procurement

Read more: [Nokian Tyres as a part of society & One global team](#)



Our tools for assessing suppliers

We have five tools for assessing our suppliers: a classification model for risk assessment, a Supplier Scorecard for annual performance assessment, the Know Your Counterparty process, on-site audits, and self assessments.

Read more: [Know Your Counterparty](#)

In 2019, Nokian Tyres' procurement team developed a new classification model for assessing the risks possibly attached to our suppliers globally, excluding the suppliers of sales companies and our own Vianor chain. The new model was implemented in the fall of 2019 and it included all the new suppliers. During 2020, all the suppliers were risk assessed according to the new classification model. The assessment has four different categories: quality, sustainability, business/strategic criticality and safety at work.

In 2021, we will create a risk mitigation plan for all new suppliers that are classified as critical or medium critical in any of the four categories in the classification model. The plan can include actions like sustainability on-site audits, requesting a management system certification in terms of quality, environment or safety, responding to different topics self-assessments, etc. The procurement category managers are also starting to create risk mitigation plans for the existing suppliers, where risks have been identified. The backgrounds of all new suppliers are checked according to Nokian Tyres' Know Your Counterparty process before the supplier approval.

SUSTAINABLE SOURCING OF NATURAL RUBBER

Natural rubber is one of the main ingredients for tires. It is the livelihood of hundreds of thousands of families living in countries where the local legislation and working conditions have not been fully developed.

Natural rubber is cultivated in forests, often on small farms. Most of the natural rubber that we use comes from Malaysia and Indonesia.

Traceability remains problematic as the supply chain is fragmented. There are approximately 3–6 million farmers of natural rubber who collect the milky latex or cup lumps and sell them to local dealers. They collect them from several farmers and then sell the latex forward to processing plants.

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 kilograms of latex.

Processing plants purify the natural rubber, process it as specified, pack it for further use, and sell it to the global traders or customers. Nokian Tyres exclusively purchases rubber processed in the plants our company has approved.

Nokian Tyres considers cooperation with the industry and other stakeholders to be vital in improving these conditions. The tire industry has made a joint effort to move towards sustainable natural rubber, also as concerns labor rights. Nokian Tyres is a member of the Global Platform for Sustainable Natural Rubber (GPSNR), which is a platform established by WWF, several other nonprofit organizations, rubber traders and processors, and large tire manufacturers.

Members of the platform will develop sustainable natural rubber standards, mechanisms and guidance on the implementation, monitoring, and verification of sustainable natural rubber commitments from companies.

Nokian Tyres started drafting a Policy for Sustainable Natural Rubber Procurement in 2020. The policy will be finalized in 2021.



“ Sourcing natural rubber in a sustainable way is considered the most critical stage in a tire company's supply chain.

HUMAN RIGHTS IN THE SUPPLY CHAIN

The human rights assessment has been done to all 32 human rights listed in the UN's document "Relationship between businesses and human rights", which was used as a normative document. The rights to health, right to privacy and right to family life have been defined as being exposed to the most evident risks.

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

We exceeded our goal to audit all our major rubber processor partners by 2020, our audits comprised 90% of our natural rubber purchasing volume. The audits enable the processing companies to improve their occupational safety and develop their operations further. After the audits, we always initiate corrective programs to address the shortcomings identified in the process.

The most common problem remains the same in most of the places: the recruitment of foreign workers. Foreign workers are recruited through a recruitment agency network, and the amount of recruitment costs to the employee can be significant: up to a year's salary. As the agencies are often approved by local governments, it is difficult to improve the process. However, we require our suppliers to improve also on this issue. The suppliers keep requesting support from the local officials, but the progress is slow.

Another common problem is the language and contents of the employment contracts. The contract is not necessarily available in the employees' mother tongue, or the translated content differs from the original.

After the audit results from Nokian Tyres, most suppliers have introduced several different language versions of employment contracts. This shows that many things can be improved once an external party reviews the processes and indicates improvements.

During 2020, we had planned several sustainability re-audits. Due to COVID-19, the audits had to be postponed.

NOKIAN TYRES HAS RECOGNIZED TEN HUMAN RIGHTS-RELATED RISKS IN THE SUPPLY CHAIN:

Right to privacy	Right to a family life	Right to health
Right to life	Right not to be subjected to slavery, servitude or forced labor	Right to freedom of movement
Right of protection of the family and the right to marry	Right to enjoy just and favorable conditions of work	Right to an adequate standard of living
Right to education		

REPORTING PRINCIPLES

Stakeholder inclusiveness

In order to achieve the goals outlined in Nokian Tyres' long-term business strategy and to determine our sustainability goals, we have conducted surveys among our five stakeholder groups: customers, employees, subcontractors and suppliers, authorities, and the media.

In 2018, Nokian Tyres conducted a sustainability survey, where the most important stakeholder groups defined their individual material topics and risks and opportunities in terms of Nokian Tyres' sustainability. The survey was conducted in eight countries, online and as personal interviews. The surveys are usually conducted every three years.

Sustainability context

"Leader in sustainability" is one of the six differentiators in the Nokian Tyres' strategy. When developing the functions that affect our social, economic and environmental responsibility, we want to go beyond the minimum requirements of the legislation and applicable standards.

This report has been prepared mainly in accordance with the GRI Standards 2016: Core option. For Disclosures 303 Water and effluents, and 403 Occupational Health and Safety, GRI Standards 2018 was used. For Disclosure 306 Waste, GRI Standard 2020 was used. This report is also Nokian Tyres' Communication on Progress (CoP) report, which complies with the UN Global Compact (UNGCG) requirements. The ten principles of the UNGC are bridged in the GRI Index and our value chain. The Sustainable Development Goals (SDG's) are combined with the Nokian Tyres' new sustainability goals.

Materiality

As a result of the sustainability survey in 2018, nine material topics were formed. In the 2020 report, these topics have been identified to represent three current themes: The effects of COVID-19, climate change: reducing greenhouse gas emissions, and road safety. As a result of our on-going materiality analysis, this report covers topics raised by peers, stakeholders, and competitors; these include items such as microplastics and fighting climate change.

” In the 2020 report, our material topics have been identified to represent three current themes: the effects of COVID-19, climate change: reducing greenhouse gas emissions, and road safety.

COMPLETENESS

OUR NINE MATERIAL TOPICS ARE:

Responsibility in material choices and promoting the circular economy

Continuous development of the road safety of tires

Fighting global warming: reducing the rolling resistance of tires

Reducing greenhouse gas emissions from all operations – Use of renewable energy and improving energy efficiency

Human rights in the supply chain

Risk management and good governance

Responsible and ethical purchasing policies

High level of safety and health at work

Profitable growth and indirect economic impacts

We report our impacts on a year-to-year basis, but we also address impacts in the long term: in 2019, we conducted a climate change workshop aligned with the recommendations of TCFD. The results were published in last year's report as well as on our website.

Accuracy

The majority of the reported environmental data is based on measurements, with the exception of VOC and CO₂ emissions. VOC emissions are a combination of measurements provided by an external consultancy and our calculations. CO₂ emissions calculations are based on energy consumption measurements or estimations, and the calculations are made using general emission factors.

In 2020, the environmental indicators exclude Levypyörä (acquired in August 2019) and the retreading production unit in Sastamala. Their figures are reported separately in the Performance in figures section.

In 2020, the emission calculation of the location-based scope 2 emission calculation is based on Finland's and Russia's average emissions intensity of grids. In Finland, the market-based emission calculation is based on the suppliers' certificate of the actual energy sources used. In Russia and the US, emission calculation is based on emission factors of purchased electricity.

Information regarding waste disposal methods and quantities is provided by the waste disposal contractors. Social data concerning our employees and top management is compiled via our HR system Workday. Safety data is compiled via our OHS system Keto.

The majority of the disclosures for economic responsibility are based on our company's financial statements, which are prepared and presented in accordance with the IFRS standards. The scope of GRI environmental responsibility is divided between our factories in Finland, Russia and the US.

The scope of GRI social disclosures is Group-wide, excluding the subcontractors if not specifically mentioned in the report. In 2020, our social disclosure GRI 403 is reported using the 2018 update. The geographical split of the company's people figures has been redefined to better align with the way in which management monitors the business. Our water and effluents GRI 303 is reported using the 2018 update. Our waste is reported using the 2020 update.

As taxes were not identified as material topic for Nokian Tyres by stakeholders in the materiality analysis, we have not included the 2018 GRI 207 on Tax in our sustainability report. However, tax information is available on p. 14 of this report.

The reporting covers all the functions of Nokian Tyres plc, excluding the

environmental responsibility disclosures and supply chain disclosures of the Vianor service centers.

Balance

In the report, we consistently follow previously set indicators, be they favorable or unfavorable. The emphasis has been put on topics that are material to our business.

Clarity and timeliness

We publish our Corporate Sustainability Report annually on our website.

Comparability

Disclosures for our Group's environmental responsibility are mainly compiled and calculated according to the same methods as in our earlier reports, but this year our new factory in the US is included in figures. Therefore, some of the results are not fully comparable to the previous years' results.

Reliability

The contents of the Corporate Sustainability Report for the 2020 reporting period have been verified by an independent third party. The assurance was commissioned by the executive management of Nokian Tyres plc.

PERFORMANCE IN FIGURES

CLIMATE AND THE ENVIRONMENT

	2015*	2018	2019	2020
Emissions into the air				
Direct greenhouse gas emissions, Scope 1, t CO₂ eq				
Finland	1,500	610	470	310
Russia	62,500	71,600	64,500	68,000
US				3,200
Retreading				300
Levypyörä				0
Total tire production	64,000			71,510
Indirect greenhouse gas emissions (market based), Scope 2, t CO₂ eq				
Finland	34,600	33,700	9,300	8,500
Russia	24,700	13,900	15,400	9,800
US				1,500
Retreading				940
Levypyörä				1,300
Total tire production	59,300			19,800
* base year for emission reduction targets				
Indirect greenhouse gas emissions (location based), Scope 2, t CO₂ eq				
Finland	19,200	21,400	18,000	
Russia	30,900	34,300	22,200	
US			2,000	
Retreading			1,000	
Levypyörä			1,900	
Others (own Vianor, warehouses, sales companies)	11,300		6,600	
Greenhouse gas emissions intensity ratio Scope 1 + Scope 2, t CO₂ eq /production t				
Finland	0.63	0.19	0.24	
Russia	0.55	0.53	0.60	
US			2.9	
Retreading			0.3	
Levypyörä			0.2	

	2018	2019	2020
Indirect greenhouse gas emissions, Scope 3, t CO₂ eq			
Purchased good and services			
	462,200	462,600	396,600
Capital goods	n.a	n.a	n.a
Fuel and energy related activities	9,700	8,900	9,600
Upstream transportation and distribution	28,500	20,700	25,300
Waste generated in operations	1,700	1,700	1,300
Business Travel	1,800	1,500	400
Employee commuting	1,700	1,800	2,000
Leased Assets	540	500	540
Downstream transportation and distribution	32,300	44,300	31,700
Processing of sold products	n.a	n.a	n.a
Use of sold products	5,620,800	5,415,400	4,486,500
End-of-life treatment of sold products	3,300	3,200	9,800
Franchises	60	60	50
Investments	n.a	n.a	n.a
Total	6,164,200	5,960,660	4,963,790
n.a = not applicable			
NOx, t			
Russia	67	42	58
US			0.02
SOx, t			
Russia	0.8	1.8	1.0
US			0.04
Particles, t			
Finland	1.4	1.4	1.0
Russia	9.0	13.2	9.7
US			5.7
VOC emissions, t			
Finland	41	61	36
Russia	62	80	79
US			1.4
Retreading			6.7

PERFORMANCE IN FIGURES

	2018	2019	2020
Energy use			
Energy consumption within the organisation, TJ			
Finland	643	624	556
Russia	1,605	1,510	1,468
US			120
Retreading			17
Levypyörä			40
Total tire production	2,248	2,134	2,144
Energy intensity, GJ/production t			
Finland	12.1	12.1	13.9
Russia	10.0	10.0	11.3
US			74.9
Retreading			4.7
Levypyörä			9.3
Amount of renewable energy %			
Finland	61	42	86
Russia	2	2.3	2
US			15
Retreading			8.5
Levypyörä			28
Total energy consumption, TJ			
Electricity			
Finland	280	274	251
Russia	1,095	1,007	1,048
US			60
Retreading			3.8
Levypyörä			16
Total tire production	1,375	1,281	1,359
Heating			
Finland	171	101	101
Russia	101	97	72
US			13
Retreading			5.4
Levypyörä			24
Total tire production	272	198	186

	2018	2019	2020
Steam			
Finland			
Russia	193	250	205
US	409	406	348
Retreading			47
Levypyörä			7.6
Total tire production	602	656	600
Water			
Cooling water (surface water), Finland, 1,000 m³			
Withdrawal, Nokianvirta river	7,588	6,552	7,087
Discharge, Nokianvirta river	7,548	6,530	7,052
Municipal water, 1,000 m³			
Finland	61	67	63
Russia	302	287	268
US			8.2
Retreading			0.5
Levypyörä			4.7
Water discharge, sewage, 1,000 m³			
Finland	100	89	98
Russia	272	280	261
US			8.2
Retreading			0.5
Levypyörä			4.7
Raw materials			
Renewable raw materials, kt			
Finland	12.2	12.0	9.5
Russia	39	39	33
US			0.9
Non-renewable raw materials, kt			
Finland	45	43	34
Russia	132	121	103
US			3.2
Percentage of materials used that are recycled input materials, %			
Finland	6.7	5.6	7.1
Russia	8.5	8.7	9.0
US			7.4

PERFORMANCE IN FIGURES

	2018	2019	2020
Waste			
Hazardous wastes, t			
Finland	176	194	158
Russia	1,189	955	713
US			0
Retreading			0.5
Levypyörä			288
Total tire production	1,365	1,149	871
Hazardous wastes by disposal method, Finland, %			
Recycling	17.5	17.5	9.4
Incineration (mass burn)	0	0	0
Recovery as energy	82.5	82.5	90.6
Landfill	0	0	0
Hazardous wastes by disposal method, Russia, %			
Recycling	2.2	1.3	66.3
Incineration (mass burn)	10.3	2.4	2.5
Recovery as energy	31.1	25.1	31.2
Landfill	56.2	71.2	0
Hazardous wastes by disposal method, Retreading, %			
Recycling			0
Incineration (mass burn)			0
Recovery as energy			100
Landfill			0
Hazardous wastes by disposal method, Levypyörä, %			
Recycling			96.9
Incineration (mass burn)			0
Recovery as energy			3.1
Landfill			0
Wastes by disposal method, Finland, %			
Reuse	7.9	8.2	1.8
Recycling	74.8	73.8	34.7
Composting	25	1.9	1.5
Recovery as energy	148	16.1	62
Landfill	0	0	0
Wastes by disposal method, Russia, %			
Reuse	8.7	5.1	8.5
Recycling	75.7	76.4	75.5
Composting	0	0	5.2
Recovery as energy	3.5	8.5	10
Incineration (mass burn)	1.2	0.2	0.2
Landfill	10.9	9.8	0.7

	2018	2019	2020
Wastes by disposal method, US, %			
Reuse			
Recycling			0
Composting			80.4
Recovery as energy			0
Landfill			18.6
Wastes by disposal method, Retreading, %			
Reuse			
Recycling			0
Composting			96.8
Recovery as energy			0
Landfill			3.2
Wastes by disposal method, Levypyörä, %			
Reuse			
Recycling			0
Composting			96.5
Recovery as energy			0
Landfill			0.4
Total waste from tire production by disposal method, FI + RUS + US*			
Reuse			
t	1,300	1,000	850
%	8.4	6.1	5.9
Recycling			
t	11,900	12,400	9,300
%	75.4	75.5	64.2
Composting			
t	131	103	540
%	0.8	0.6	3.7
Recovery as energy			
t	1,200	1,800	3,700
%	7.4	11	25.5
Incineration (mass burn)			
t	122	23	18
%	0.8	0.1	0.1
Landfill			
t	1,100	1,100	72
%	7.2	6.6	0.5

* US figures included for the first time

PERFORMANCE IN FIGURES

PEOPLE

GLOBAL PULSE SURVEY

	Positive / neutral responses
Overall feeling on 5-step scale	
Nokian Tyres Group	86%
BA Russia & Asia	92%
BA Central Europe	79%
BA North America	88%
BA Nordics	86%
BU Vianor	84%
BU Heavy Tyres and PCT Production	88%
Global Functions	86%

PEOPLE REVIEWS (REALIZATION, %)

	2015	2016	2017	2018	2019	2020*
Nokian Tyres Group, %	82.8%	86.0%	83.4%	82.2%	92.2%	93.0%

* Not including Levypyörä Oy which was integrated to Nokian Tyres people processes in stages during 2020.

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 AB	Vianor Holding Oy	Vianor Oy	Vianor AB	Vianor AS
Sick absences % (total)	2.2%	4.3%	5.3%	2.6%	8.8%	4.0%	1.5%	5.3%	4.0%	6.1%

* The table does not include the US, as sick absences are not tracked separately from total absences in the US.

ACCIDENT FREQUENCY

	2015	2016	2017	2018	2019	2020
Lost Time Incident Frequency (LTIF)*						
Nokian Tyres Finland	22.3	20.2	8.6	5.3	3.7	3.4
Nokian Tyres Russia	3.0	3.0	3.2	5.0	2.0	1.0
Nokian Tyres US					1.6	1.7
Vianor	23.9	15.2	12.6	15.0	7.8	7.1
NT Group	13.9	11.2	7.5	8.3	4.3	3.7

* Number of incidents / 1,000,000 hours worked

	2015	2016	2017	2018	2019	2020
Recordable Accident Frequency (rec. F) *						
Nokian Tyres Finland	24.1	12.6	8.7	8.3	6.8	
Nokian Tyres Russia	3.0	3.9	5.3	4.0	2.1	
Nokian Tyres US				6.2	3.5	
Vianor	18.7	19.5	21.6	13.9	9.8	
NT Group	13.2	11.2	11.6	8.2	5.8	

* Number of incidents / 1,000,000 hours worked

	2015	2016	2017	2018	2019	2020
Recordable accidents						
Nokian Tyres Finland	42	24	18	18	16	
Nokian Tyres Russia	8	11	16	12	6	
Nokian Tyres US				4	2	
Vianor	59	62	72	48	33	
NT Group	109	97	106	82	57	

* Work-related ill health cases / 1,000,000 hours worked

	2015	2016	2017	2018	2019	2020	
Occupational illness frequency OIFR*							
NT Group					1.4	1.2	0.7

* Work-related ill health cases / 1,000,000 hours worked

PERFORMANCE IN FIGURES

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

	Nordics	Russia and Asia	Other Europe	Americas	Total
Total number of new employees	395	108	27	68	598
Number of women	65	36	5	10	116
Number of men	330	72	22	58	482
Number of under 30 years old	177	73	4	22	276
Number of 30–50 years old	173	35	21	32	261
Number of over 50 years old	45	0	2	14	61
New employee hires rate (Total), %	15.1	7.0	12.7	29.7	13.0
Percentage of women, %	16.5	33.3	18.5	14.7	19.4
Percentage of men, %	83.5	66.7	81.5	85.3	80.6
Percentage of under 30 years old, %	44.8	67.6	14.8	32.4	46.2
Percentage of 30–50 years old, %	43.8	32.4	77.8	47.1	43.6
Percentage of over 50 years old, %	11.4	0.0	7.4	20.6	10.2
Total number of terminated employees (fixed terms not included)	284	131	24	75	514
Number of women	52	21	10	12	95
Number of men	232	110	14	63	419
Number of under 30 years old	49	39	5	17	110
Number of 30–50 years old	160	85	15	35	295
Number of over 50 years old	75	7	4	23	109
Turnover rate (Total), %	10.9	8.5	11.3	32.8	11.2
Percentage of women, %	18.3	16.0	41.7	16.0	18.5
Percentage of men, %	81.7	84.0	58.3	84.0	81.5
Percentage of under 30 years old, %	17.3	29.8	20.8	22.7	21.4
Percentage of 30–50 years old, %	56.3	64.9	62.5	46.7	57.4
Percentage of over 50 years old, %	26.4	5.3	16.7	30.7	21.2

TOTAL WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT AND REGION, BROKEN DOWN BY GENDER

	Nordics	Russia and Asia	Other Europe	Americas	Total
Total workforce on 31.12.2020	2,641	1,546	212	273	4,672
Women	416	250	82	43	791
Men	2,225	1,296	130	230	3,881
Total number of own employees	2,616	1,546	212	229	4,603
Women	416	250	82	39	787
Men	2,200	1,296	130	190	3,816
Number of supervised workers	25	0	0	44	69
Women	0	0	0	4	4
Men	25	0	0	40	65
Total number of seasonal employments in Vianor during 2020	1,076	0	0	0	1,076
Permanent	2,460	1,481	207	229	4,377
Full-time, %	97.9	100.0	96.1	99.6	98.6
Part-time, %	2.1	0.0	3.9	0.4	1.4
Women, %	16.3	14.6	38.2	17.0	16.8
Men, %	83.7	85.4	61.8	83.0	83.2

PERFORMANCE IN FIGURES

COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES PER EMPLOYEE CATEGORY ACCORDING TO GENDER AND AGE GROUP 2020

	Nordics	Russia and Asia	Other Europe	Americas	Total
Number of individuals within the top management	11	1	2	0	14
Number of women	4	0	0	0	4
Number of men	7	1	2	0	10
Percentage of women, %	36.4	0.0	0.0	0.0	28.6
Percentage of men, %	63.6	100.0	100.0	0.0	71.4
Number of under 30 years old	0	0	0	0	0
Number of 30–50 years old	3	1	1	0	5
Number of over 50 years old	8	0	1	0	9
Percentage of under 30 years old, %	0.0	0.0	0.0	0.0	0.0
Percentage of 30–50 years old, %	27.3	100.0	50.0	0.0	35.7
Percentage of over 50 years old, %	72.7	0.0	50.0	0.0	64.3
Number of white collars	1,147	507	210	123	1,987
Number of women	297	203	82	31	613
Number of men	850	304	128	92	1,374
Percentage of women, %	25.9	40.0	39.0	25.2	30.9
Percentage of men, %	74.1	60.0	61.0	74.8	69.1
Number of under 30 years old	80	78	16	9	183
Number of 30–50 years old	718	408	161	80	1,367
Number of over 50 years old	349	21	33	34	437
Percentage of under 30 years old, %	7.0	15.4	7.6	7.3	9.2
Percentage of 30–50 years old, %	62.6	80.5	76.7	65.0	68.8
Percentage of over 50 years old, %	30.4	4.1	15.7	27.6	22.0
Number of blue collars	1,458	1,038	0	106	2,602
Number of women	115	47	0	8	170
Number of men	1,343	991	0	98	2,432
Percentage of women, %	7.9	4.5	0.0	7.5	6.5
Percentage of men, %	92.1	95.5	0.0	92.5	93.5
Number of under 30 years old	304	193	0	23	520
Number of 30–50 years old	796	801	0	59	1,656
Number of over 50 years old	358	44	0	24	426
Percentage of under 30 years old, %	20.9	18.6	0.0	21.7	20.0
Percentage of 30–50 years old, %	54.6	77.2	0.0	55.7	63.6
Percentage of over 50 years old, %	24.6	4.2	0.0	22.6	16.4

Composition of the Board	8
Number of women	2
Number of men	6
Percentage of women, %	25.0
Percentage of men, %	75.0
Number of under 30 years old	0
Number of 30–50 years old	2
Number of over 50 years old	6
Percentage of under 30 years old, %	0.0
Percentage of 30–50 years old, %	25.0
Percentage of over 50 years old, %	75.0

PRODUCTS

LOWERING OF ROLLING RESISTANCE COMPARED TO 2013, %, IN AVERAGE

	2018	2019	2020
NT passenger car tires with EU labeling	8.2	8.3	8.5

GRI + UNGC CONTENT INDEX

GRI Standard	Location	UNGC	Omission and additional information
GRI 102: General disclosures			
Organizational profile 2016			
102-1	3		
102-2	3		
102-3			Nokian Tyres plc Pirkkalaistie 7 37100 Nokia Finland
102-4	3		
102-5	3		
102-6	3		
102-7	3		
102-8	40-41	3, 6	
102-9	50	1, 2, 4, 5, 10	
102-10			New factory in the US and Levypyörä (acquired in 2019) included in the 2020 report.
102-11	15-17, 21-22	7	
102-12	15, 19, 30-32		
102-13	www.nokiantyres.com/company/sustainability/fundamentals/our-stakeholders-and-memberships/		
Strategy 2016			
102-14	4		
Ethics 2016			
102-16	7, 10-11, 12	10	
Governance 2016			
102-18	7, www.nokiantyres.com/company/investors/corporate-governance/		
102-20	7, 11, www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/		
102-21	54, www.nokiantyres.com/company/sustainability/fundamentals/materiality-analysis-of-nokian-tyres/		Annual General Meeting

GRI Standard	Location	UNGC	Omission and additional information	
102-22	Composition of the highest governance body and its committees	www.nokiantyres.com/company/investors/corporate-governance/board-of-directors/		
102-23	Chair of the highest governance body	www.nokiantyres.com/company/investors/corporate-governance/board-of-directors/		
102-24	Nominating and selecting the highest governance body	https://www.nokiantyres.com/company/investors/corporate-governance/board-of-directors/diversity-policy-for-the-board-of-directors/		
102-25	Conflicts of interest	Corporate governance statement 2020		
102-26	Role of the highest governance body in setting purpose, values and strategy	www.nokiantyres.com/company/investors/corporate-governance/board-of-directors/board-cg/		
102-27	Collective knowledge of highest governance body	Financial review 2020		
102-30	Effectiveness of risk management processes	www.nokiantyres.com/company/investors/corporate-governance/Risk-management/internal-control-and-audit/		
102-35	Remuneration policies	www.nokiantyres.com/company/investors/corporate-governance/salaries-and-remunerations/		
102-36	Process for determining remuneration	www.nokiantyres.com/company/investors/corporate-governance/salaries-and-remunerations/		
Stakeholder engagement 2016				
102-40	List of stakeholder groups	www.nokiantyres.com/company/sustainability/fundamentals/our-stakeholders-and-memberships/		
102-41	Collective bargaining agreements	40	3	
102-42	Identifying and selecting stakeholders	54, www.nokiantyres.com/company/sustainability/fundamentals/our-stakeholders-and-memberships/		
102-43	Approach to stakeholder engagement	7, 10, 54, www.nokiantyres.com/company/sustainability/fundamentals/materiality-analysis-of-nokian-tyres/		
102-44	Key topics and concerns raised	10, www.nokiantyres.com/company/sustainability/fundamentals/our-stakeholders-and-memberships/		
102-45	Entities included in the consolidated financial statements	Financial review 2020		
102-46	Defining report content and topic Boundaries	54-55		
102-47	List of material topics	54-55		
102-48	Restatements of information	24, 40, 55, 63		
102-49	Changes in reporting		New factory in the US and Levypyörä (acquired in 2019) included in the 2020 report.	
102-50	Reporting period		January 1, 2020 - December 31, 2020	
102-51	Date of the most recent report		March 15, 2021	

GRI Standard	Location	UNGC	Omission and additional information
102-52	Reporting cycle		Annually
102-53	Contact point for questions regarding the report		media@nokiantyres.com
102-54	Claims of reporting in accordance with the GRI Standards	54-55	
102-55	GRI content index	62	
102-56	External assurance	67	
Management approach 2016			
103-1	Explanation of the material topic and its Boundary	10-11, 54-55, www.nokiantyres.com/company/sustainability/fundamentals/materiality-analysis-of-nokian-tyres/	
103-2	The management approach and its components	7, 11, 21, www.nokiantyres.com/company/sustainability/fundamentals/managing-sustainability/	
103-3	Evaluation of the management approach	7, www.nokiantyres.com/company/sustainability/fundamentals/managing-sustainability/	
GRI 200: Economic Standard Series			
Economic performance 2016			
201-1	Direct economic value generated and distributed	14, Financial Review 2020	
201-2	Financial implications and other risks and opportunities due to climate change.	www.nokiantyres.com/company/sustainability/environment/climate-change-related-risks-and-opportunities/	Methods for managing financial risks due to climate-change are under consideration.
GRI 205: Anti-corruption 2016			
205-2	Communication and training about anti-corruption policies and procedures	7, 11, 13	10
GRI 300: Environmental Standard Series			
Materials 2016			
301-1	Materials used by weight or volume	57	
301-2	Recycled input materials used	28, 57	
Energy 2016			
302-1	Energy consumption within the organization	24, 57	
302-3	Energy intensity	24, 57	

GRI Standard	Location	UNGC	Omission and additional information
Water and effluents 2018			
303-3	Water withdrawal	23, 27, 57	No withdrawal from groundwater, seawater, or produced water.
303-4	Water discharge	23, 27, 57	No discharge of groundwater, seawater, or produced water.
Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	24, 56	7, 8
305-2	Energy indirect (Scope 2) GHG emissions	24, 56	7, 8
305-3	Other indirect (Scope 3) GHG emissions	24, 56	7, 8
305-4	GHG emissions intensity	24, 56	8
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	56	7, 8
Waste 2020			
306-3	Waste generated	27-29, 57-58	8
306-4	Waste diverted from disposal	27-29, 57-58	8 According to local legislation, no materials that could be classified as hazardous were produced at the US factory.
Environmental compliance 2016			
307-1	Non-compliance with environmental laws and regulations	21, 22	Exceeded the emission limit for VOC emissions.
GRI 400: Social Standard Series			
Employment 2016			
401-1	New employee hires and employee turnover	40, 60	6
Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	38	1
403-2	Hazard identification, risk assessment, and incident investigation	37-38	6
403-3	Occupational health services	38	6
403-4	Worker participation, consultation, and communication on occupational health and safety	37-38	6
403-5	Worker training on occupational health and safety	37-38	6
403-6	Promotion of worker health	38	6
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	37-38	6
403-8	Workers covered by an occupational health and safety management system	37-38	6
403-9	Work-related injuries	39, 59	6 No fatalities as a result of work-related injuries.
403-10	Work-related ill health	39, 59	6 No fatalities as a result of work-related injuries.

GRI Standard	Location	UNGC	Omission and additional information
Training and Education 2016			
404-2	Programs for upgrading employee skills and transition assistance programs	35, 41-42	6
404-3	Percentage of employees receiving regular performance and career development reviews	41	6
Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	61, www.nokiantyres.com/company/investors/corporate-governance/board-of-directors/diversity-policy-for-the-board-of-directors/	6
Human Rights Assessment 2016			
412-1	Operations that have been subject to human rights reviews or impact assessments	53	1, 2
412-2	Employee training on human rights policies or procedures	7, 50-51	1, 2 Training on human rights included in the Code of Conduct e-Learning course, also the supply chain managers are trained to categorize suppliers with tools that include human rights topics.
Supplier Social Assessment 2016			
414-2	Negative social impacts in the supply chain and actions taken	8, 52-53	1, 2 Change in reporting processes in 2020.
Public Policy 2016			
415-1	Political contributions		10 We do not support any governmental, political, or religious entities.
Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	44-45, www.nokiantyres.com/company/sustainability/environment/climate-change-related-risks-and-opportunities/	7
Company and industry specific GRI			
NT1	Extent of mitigation of the environmental impacts of products and services	10, 21, 45, www.nokiantyres.com/company/sustainability/environment/climate-change-related-risks-and-opportunities/	8
NT2	Reducing the rolling resistance of tires	10, 46	7, 8

INDEPENDENT ASSURANCE REPORT

Translated from the original Report in Finnish language

We have been engaged by the Management of Nokian Tyres plc (hereafter "Nokian Tyres") to provide limited assurance on corporate sustainability indicators presented in Nokian Tyres' Corporate Sustainability Report 2020 (hereafter "Corporate Sustainability Information") for the year ended 31 Dec 2020.

Management's responsibilities

The Management of Nokian Tyres is responsible for the preparation and presentation of the Corporate Sustainability Information in accordance with the reporting criteria, i.e. GRI Sustainability Reporting Standards, and the information and assertions contained within it. The Management is also responsible for determining Nokian Tyres' objectives with regard to sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on the Corporate Sustainability Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Corporate Sustainability Information is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and

procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Procedures performed

A limited assurance engagement on Corporate Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Corporate Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed the members of Nokian Tyres' senior management and relevant staff responsible for providing the Corporate Sustainability Information;
- Assessed the application of the GRI Sustainability Reporting Standards reporting principles in the presentation of the Corporate Sustainability Information;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Corporate Sustainability Information;
- Reviewed the presented Corporate Sustainability Information and assessed its quality and reporting boundary definitions;
- Assessed the Corporate Sustainability Information's data accuracy and completeness through a review of the original documents and systems on a sample basis and;

- Conducted site sessions to review the Corporate Sustainability Information on three of Nokian Tyres' sites.

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. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Conclusion

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

Helsinki, 12. March 2021

KPMG Oy Ab

Lasse Holopainen
Authorized Public Accountant

Tomas Otterström
Partner, Advisory



www.nokiantyres.com