

FISKARS

SUSTAINABILITY REPORT

16

About this report

This Sustainability Report is Fiskars’ first public report on sustainability, published in connection with the Annual Report. Fiskars Group Sustainability Report 2016 contains a comprehensive presentation of our renewed sustainability approach, activities implemented in 2016 and insights into our plans for the future.

The Fiskars Group Sustainability Report 2016 is available as a PDF in English. The Fiskars Group Annual Report 2016 is available in print as well as in PDF format in English, Finnish and Swedish. The Annual Report, Sustainability Report as well as separate Financial Statements can be found on our dedicated website <http://annualreport2016.fiskarsgroup.com>.

Quantitative data included in this Sustainability Report 2016 covers the calendar year January 1, 2016 to December 31, 2016. The scope of the reporting excludes companies that are our suppliers. The sustainability data is commonly presented at the Group level. Any other division of the data reported is noted separately. This report has not been assured by a third party, however it is based on internally verified data and reflects our best understanding. Information based on financial statements has been audited by KPMG.

The content of the report is divided into three focus areas that reflect our sustainability approach: lasting design, caring for people and communities, and protecting the environment. In addition, the report includes an overview on our sustainability management and summary of our business in 2016.



TABLE OF CONTENTS

President’s review	2
This is Fiskars	4
Megatrends shaping our future	6
Sustainability approach	8
Lasting design	10
Caring for people and communities	20
Protecting the environment	32
Responsible supplier management	36
Going forward – empowering positive change	38
Sustainability management	40

A LETTER FROM THE CEO

”

Doing the right thing is expected from everyone. More than that, for us sustainability means business opportunities as well as managing risks, and ultimately, increasing the value of the company.”

The year 2016 was an extraordinary one for Fiskars Group in many ways. We made progress in implementing our strategy and demonstrated solid growth. We simplified our operations across the world, sold parts of the company that no longer were in our strategic focus, and invested in building global brands and businesses. Many of the changes were not easy, but they have put us in a better position to compete in the global market.

Climate change, digitalization, urbanization and resource scarcity are redefining the ways companies compete in the marketplace. In many areas the rules and expectations for businesses are changing, and we aim to be proactive in responding to these changes. Integrity is one of our values and doing the right thing is expected from everyone. More than that, for us sustainability means business opportunities as well as managing risks, and ultimately, increasing the value of the company.



Our vision is to create a positive, lasting impact on our quality of the life, and with this in mind we have set our sustainability ambition for the Fiskars Group. We want to empower change and to be a leader in building a more sustainable world. We have a great opportunity and a great responsibility to make a positive difference.

In 2016, we redefined the areas where we will focus our sustainability efforts: lasting design, caring for people and communities, and protecting the environment. Many of our products last from one generation to the next, and lasting design is naturally at the core of our sustainability approach. To further our commitment, we have set ambitious long-term targets to mitigate our negative environmental impact, and we aim to promote new circular economy opportunities by innovating new materials and seeking solutions to further extend our products’ lifecycles.

Fiskars Group joined the United Nations Global Compact, the world’s largest corporate sustainability initiative, in 2016. Through this engagement we are taking part in a global dialogue and pursuing increased transparency to further develop our sustainable actions.

I am proud to introduce here our first global sustainability report. While sustainability has always been on our agenda, this report provides the first Group-level overview of our approach. In this report, we present our vision, our focus areas, our approach to governing sustainability and our long-term targets.

The year 2017 will set the baseline for many of our sustainability targets and, going forward, our reports will focus more on describing our progress. In addition, we plan to increase collaboration with our stakeholders to support our efforts in sustainable development. With the contribution of each and every employee we will pursue ways to help us grow sustainably in the future. I would like to thank all our employees, partners and other stakeholders for their collaboration and support in this important work.

Kari Kauniskangas
President and CEO

This is Fiskars

Fiskars serves consumers and customers around the world with a portfolio of globally recognized brands, including Fiskars, Gerber, Iittala, Royal Copenhagen, Waterford, and Wedgwood. Building on our mission to create a family of iconic lifestyle brands, Fiskars' vision is to create a positive, lasting impact on the quality of life. Fiskars Group employs around 8,600 people in over 30 countries and our products are sold in more than 100 countries.

Focus on core businesses

In 2016, Fiskars Group focused on three businesses: Living, Functional and Outdoor. Fiskars' Other segment contains the Group's investment portfolio, real estate unit, corporate headquarters and shared services.

The Living business offers a wide range of products for tabletop, giftware and interior décor, and focuses on strong premium and luxury brands such as Waterford and Wedgwood, synonymous with expressive luxury and Iittala and Royal Copenhagen, known for their Scandinavian design. Fiskars is the global leader in the premium living products category. Our Living business brands are categorized by their brand essence into: English & Crystal Living and Scandinavian Living.

The Functional business focuses on the Fiskars brand and offers quality tools for use in and around the home. Fiskars is the world's leading scissors and garden hand tool brand. The Functional business also offers kitchen tools and products for watering as well as for school, office and crafts. Our orange-handled Classic scissors, introduced in 1967, made Fiskars the number 1 scissors brand in the world. In 2017, these iconic scissors will celebrate their 50th anniversary.

The Outdoor business offers a wide range of innovative, reliable and essential products for people on the move under the Gerber brand, a leader in knives and multi-tools. Built through grit, passion and hard work, Gerber products are made to save time and save the day. They are built for use that will stand the test of time. Starting from 2017, Outdoor is a part of the Functional business.

Our consumer value proposition, making the everyday extraordinary forms the core of our brands. Our brands form the foundation for our business as we aim to grow and create value for our stakeholders.

Fiskars economic footprint in 2016 EUR Million



Mega-trends

shaping our future

Megatrends are transformative, global forces that have far-reaching impacts on businesses, societies and individuals. By understanding the underlying economic, social, technological, demographic and environmental drivers for these megatrends we can discover new opportunities and create solutions to tackle global challenges, such as climate change.

Fiskars has identified megatrends that influence the business environment both now, and for years to come. Digitalization, urbanization and the changes in consumption patterns are all transforming our operating environment, creating new opportunities and challenges alike. These megatrends have also been described in our Annual Report. In the Annual Report, we focused on defining how these trends affected and may affect our business environment. For the purposes of this sustainability report, we focus on the potential future implications especially from a sustainability perspective. In addition, we have chosen certain phenomena to observe in more detail.

Megatrend	Definition	Implications
Urbanization	<p>Employment opportunities and the quality of life that cities can offer continue to attract people from rural areas. More than half of the world's population now live in cities, and by 2030 this figure is expected to rise to 60%. Urbanization has the potential to create economic growth and resource efficiency, and to give people better access to services, education and health care.</p> <p>The number of households will grow, but in urban areas households are generally smaller, and people have less space per capita. For example, in Finland around 70% of households consist of one or two people.</p>	<p>People's willingness to invest in products is expected to change due to the transitory nature of urban life; people on the move will seek easier ways to fulfill their needs. In cities and urban areas the demand for services is expected to increase. The role of the product will need to be redefined.</p> <p>The demand for long product lifecycles and brands that are able to retain their value over the years is expected to increase along with more sharing, renting and reusing of products. Business models around this circular economy will bring consumers new opportunities to tap into premium and value offerings.</p>
Changing consumption patterns & consumer journey	<p>Consumers' individual values are expected to transform from materialist, physical, and economic to autonomous and self-expressive; this transition is often labeled as post-materialism. In terms of products, post-materialism drives a shift from consuming products towards consuming experiences and services.</p> <p>There is a stronger consumer commitment to ethical and ecological values, especially in the context of confronting climate change and resource scarcity. Consumers are better informed and more apt to respond to the way companies conduct their business, forcing businesses to reconsider the use of traditional materials and their manufacturing process.</p> <p>Consumers are driving their own decision journey, and their direct involvement with brands is increasing. Consumers expect more individual engagement, authenticity, inspiration and entertainment from brands.</p>	<p>Catering to the consumer's expectations of special moments and individual engagement asks for innovative new thinking. Finding new service-based solutions can also drive the success of traditional trade businesses in the future.</p> <p>The ecological and ethical shift in the consumers' values puts manufacturing of new products under closer scrutiny. There are already many innovative new materials to replace traditional non-renewable materials, and the future will see further material innovations and new business models that accelerate the circulation of the raw materials, as well as ways to help consumers extend products' lifecycles.</p>
Technology breakthroughs	<p>Markets are becoming more global with consumers having online access to brands and products regardless of their physical location. People expect to be able to interact with brands at their convenience through whichever medium is the most convenient for them, which drives businesses to adopt omnichannel approaches. In addition to increased access to products, the transparency of commerce overall is increasing; people are better informed when it comes to the ways companies do business.</p> <p>Technological innovations are powering new ways to manufacture and sell products. New techniques will enable new materials and services that may be considered impossible today.</p>	<p>With online presence erasing traditional geographical borders and making the industry more transparent, companies must put an emphasis on building a consistent international brand through tangible, verifiable actions. With more information available and direct access to the brand, consumers will take on an increasingly active role in the organization's value chain.</p> <p>Advanced data will allow companies to become more responsive in an omnichannel environment. Solutions for more sustainable and durable materials will drive product development in the future, and businesses are increasingly able to challenge the use of standard materials and manufacturing processes. This will improve companies' capabilities to combat climate change and resource scarcity.</p>

Making the everyday extraordinary

The past few years have seen Fiskars go through many significant changes as the company continues its journey to become a leading global consumer goods company with a family of iconic lifestyle brands in an ever-changing operating environment.

Fiskars was founded as an ironworks more than three and a half centuries ago. This was a time when companies were closely involved in the everyday life of the community; promoting healthcare, education and culture and taking care of employees. Operating responsibly was considered essential for business continuity.

While the world has changed since and big steps have been taken forward in areas such as environmental protection, human rights, and employment standards, Fiskars continues to believe that sustainability is an integral part of building long-term success.

We have the opportunity to create a positive, lasting impact on our quality of life. This vision statement works as a constant reminder that we have a role to play in society, and encourages us to think beyond day-to-day activities as we aim to deliver value to our business, stakeholders, as well as the environment.

Through our brands and products we are intimately involved in our consumers' everyday activities – everything from cooking and eating, gardening and experiencing the outdoors, to celebrations and festivities. We are present precisely where these everyday events are experienced, and where simple moments of delight happen. By making the everyday extraordinary, we can make our consumers' lives extraordinary.

A family of iconic lifestyle brands

Fiskars' key brands are well-known and well-loved in many corners of the world, and possess the potential of becoming truly iconic, global lifestyle brands. With our heritage spanning several hundreds of years, we have a responsibility to protect these brands and an opportunity to introduce them to new generations.

All across our brands, our common core belief is that well-crafted is simply the best. Our well-crafted approach extends beyond the solutions we sell to consumers; it is our guardian of quality across all of our business actions. Our attention to detail and our intimate understanding of the ways our products are used in everyday life help us create solutions that last.

Shared values unite our brands and people

It is only by ensuring our values are consistently lived across the business each and every day that we will create the environment required to deliver on the consumer value proposition. Our values – innovation, integrity, accountability and teamwork – are integrated within the way we do business every day. They inform our hiring and compensation, and form the basis for our code of conduct, not just for ourselves, but everyone we do business with.

Sustainability ambition and focus areas

We are proud of the heritage of our company and of the family of incredible brands that we have nurtured and that have increased in value over the years. For us, continued focus on sustainability offers opportunities to create value, identify new business opportunities, and to build iconic lifestyle brands.

Our ambition is to empower positive change and to be a leader in building more sustainable world. To support our ambition, we have redefined our sustainability focus areas and accelerated efforts to integrate sustainability more tightly as part of the business strategy and daily activities. These focus areas guide the company and help us prioritize our activities.



VISION
CREATING A POSITIVE,
LASTING IMPACT
ON OUR QUALITY OF LIFE

CORE BELIEF
WELL-CRAFTED
IS SIMPLY
THE BEST

CONSUMER VALUE
MAKING THE
EVERYDAY
EXTRAORDINARY

VALUES
INNOVATION
INTEGRITY
ACCOUNTABILITY
TEAMWORK

PROPOSITION
MISSION
BUILDING A FAMILY OF
ICONIC LIFESTYLE BRANDS

Sustainability focus areas

LASTING DESIGN

We have a passion for creating products that can last generations. We are committed to helping people make better choices by offering them quality products with lasting design, leaving the world in a better condition for generations to come.

CARING FOR PEOPLE
AND COMMUNITIES

We provide a safe and inspiring working environment; respecting human rights and caring for people involved in our value chain. We contribute by making a positive impact on the communities where we operate.

PROTECTING THE
ENVIRONMENT

We are committed to promoting a circular economy throughout our value chain. We combat climate change by taking actions to mitigate our emissions, reduce our use of energy and promote renewable energy sources.

Lasting design is at the core of our sustainability thinking. For us, lasting design is about products that are manufactured in a sustainable manner, and designed to last for generations. We strive to offer products that promote a sustainable lifestyle, products that people enjoy using over and over again.

We believe that life can be transformed by how we live it every day. We design for life, and we design to make life better; to create a positive lasting impact on our quality of life.

”

I really loved to put my creative vision together to create this fun and fashionable collection with pieces that you can keep forever.

It has been wonderful working with Royal Albert to create a collection that embodies the style and values of the Royal Albert brand. My inspiration is derived from my love of flowers and nature. With my collection I want to encourage women to get together, celebrate and take time for themselves.”

Miranda Kerr,
Design Partner, Royal Albert

Lasting design

Design for life

Through our passion for the well-crafted, we make the everyday extraordinary by inventing and crafting solutions that transform everyday activities into moments of delight. Our product development is based on continuous improvement, leveraging new techniques and methods, and innovative solutions that make people's lives better.

Passion for lasting design

At the core of our brands is design that stands the test of time thanks to its visual appeal, high quality and attention to detail. We are curious to learn more about our consumers, so that we can inspire them, solve their everyday problems, and create meaningful experiences and unforgettable moments.

Our product development process focuses on the consumer. We rely on innovative technologies and thorough testing to meet and exceed their expectations. Our product developers invest time in using the products as they are meant to be used, everything from cooking to crafting to learn the skills we are designing tools for. We do this to better understand how to make the products better, more efficient, more intuitive to use and more enjoyable.

Tight collaboration between product development and other areas of expertise, like our quality team, enables us to ensure an efficient process all the way from the initial ideas and sketches to the actual products entering the market. It is important for us to maintain the momentum of continuous improvement, and to ensure that our use of raw materials and our manufacturing processes are effective and responsible.

While we continue to innovate new products and patterns, some of our products have been in production for decades, even

centuries. Their design has appealed to the previous generations and continues to attract today's consumers. In our product development we work with these existing products to help them remain relevant and to continue their long-term market success. The many new innovations and designs that we have implemented in Fiskars' axes over the years is a good example of how we have maintained their superior functionality.

Going circular

The world around us is changing fast, bringing new challenges and opportunities for our business. We address global issues like climate change and resource scarcity in many ways, most prominently with our products that are designed to last generations. We recognize that there is always more to be done. In 2016 we invested in gaining deeper understanding of the circular economy and set targets for future success.

Over the years we have implemented many improvements that allow us to optimize material usage in our products and packaging and also to find solutions to extend material cycles. As an example, 95% of the glass waste from our Iittala glass factory is recovered for use in new products by our partner, and the rest of the waste is recycled for other purposes. In the future we want to go further to find innovative new materials and seek ways to challenge traditional design approaches.

In 2016 we set ambitious long-term targets to support this development. We aim to reach these targets by 2027, or earlier where possible. We will work hard to find new renewable or recycled materials for our products, maintaining an effective chemical management approach, and accelerating efforts across our functions to recover or recycle all the materials used in our production.

”
We have a great opportunity
to impact the entire lifecycle
of a product already when
designing it.

I believe that designing products that appeal to today's consumers, but also have the longevity to last from generation to generation is the only responsible way forward. We have lived by this principle for a long time and are ready to grasp the opportunities and help people make better choices.”

Riitta Turto, *Director, New Product Development, Scandinavian Living*



2027 targets



50%

of all materials used in products are from renewable or recycled sources



100%

No waste to landfill - 100% of materials used in manufacturing are recoverable or recyclable



We have been working on developing a common scorecard for product development across the Group to help us evaluate a product's sustainability potential already in the early phases of product development. In 2017 we will examine these topics in more detail and start implementing the renewed sustainability approach into our different brands' product development processes.

In 2016, we initiated a new risk assessment on our chemical use to create a baseline with our new brands, such as Waterford and Wedgwood. In 2017, we will finalize this study and determine the actions and targets that will allow us to efficiently manage our use of chemicals.

Sustainable packaging

The packaging not only protects our products and provides product information, but also has the potential to make the shopping experience a special one.

For us, packaging is an integrated part of product design. We believe that well-designed packaging helps us achieve environmental and economic benefits; the product is well protected throughout distribution, the materials we use are sustainable, and the entire packaging process is scalable and cost-efficient.

Aligned with our long-term target – 50% of all the materials used in products are from renewable or recycled sources by 2027 – we want to promote a circular economy by maximizing the use of renewable, reusable and recycled materials and optimize the amount of packaging.

Packaging philosophies as well as customer expectations vary between our brands. For example, our Arabia brand introduced a no-packaging ideology several years ago. Arabia's products are always sold without packaging, which has been well received by consumers. Our Functional packaging team in Europe has been active in finding ways to create more sustainable packages, such as achieving transportation savings through intelligent solutions, including sliding packaging cards. Consumers who purchase our luxury brands, such as Waterford and Wedgwood, consider packaging to be an important part of the shopping experience, and this needs to be taken into consideration when developing the packaging approach for these brands.

In 2017 we are going to create harmonized guidelines for our packaging, and implement these to all our businesses. We will create a set of concrete short-term goals to help us achieve our ambitious long-term targets. We have started to develop our management of packaging data, and we plan to extend this approach to all our businesses.

Uncompromised quality

Fiskars’ commitment to quality has been proven time and again throughout history. We have an incredible heritage we want to honor by holding ourselves accountable to the highest of quality standards.

Offering products that meet and exceed the consumer’s expectations is a priority for us. Products that deliver on our quality commitment have the potential to improve the lives of our consumers, and this is why we work hard to ensure that our products never compromise on durability, functionality, safety and aesthetics.

To fulfil our commitment we place a strong emphasis on the design process, and test, learn and collaborate throughout the entire process. Changes to the processes, products, materials, or packaging are carefully tested to ensure their quality and their compatibility with the rest of our operations.

We work with partners and also utilize our own laboratories for quality testing. In our own testing we focus on mechanical, environmental and ergonomic product aspects, and our external partners help us in areas such as the use of chemicals, transportation and safety testing. Our Functional business, for example, has a test garden of 3,500 square meters located in the middle of our factory area in Billnäs, Finland, where we can test our gardening tools in action.

Listening to the voice of the consumer is crucial for understanding the needs and expectations of the user and measuring how effective our quality management is. We work together with universities, institutes, restaurants, chefs, gardeners, and other specialists to gather important insights that help us continuously develop our products.

To respond to developments in international and local legislation, we actively map risks related to our product quality and safety in an effort to continuously improve our standards with the help of new technologies and best practices.



”

I know I can rely on Gerber to create the tools I need when traveling in the backcountry on a remote backpacking trip or river adventure.

I’ve come to rely on the quality and durability of Gerber’s products, especially when a knife could literally save the day. I am proud to be a Gerber ambassador and support a company that values keeping production local, and making products that will be a part of my outdoor kit for years to come.”

Renee Patrick, Thru-hiker, Gerber Ambassador

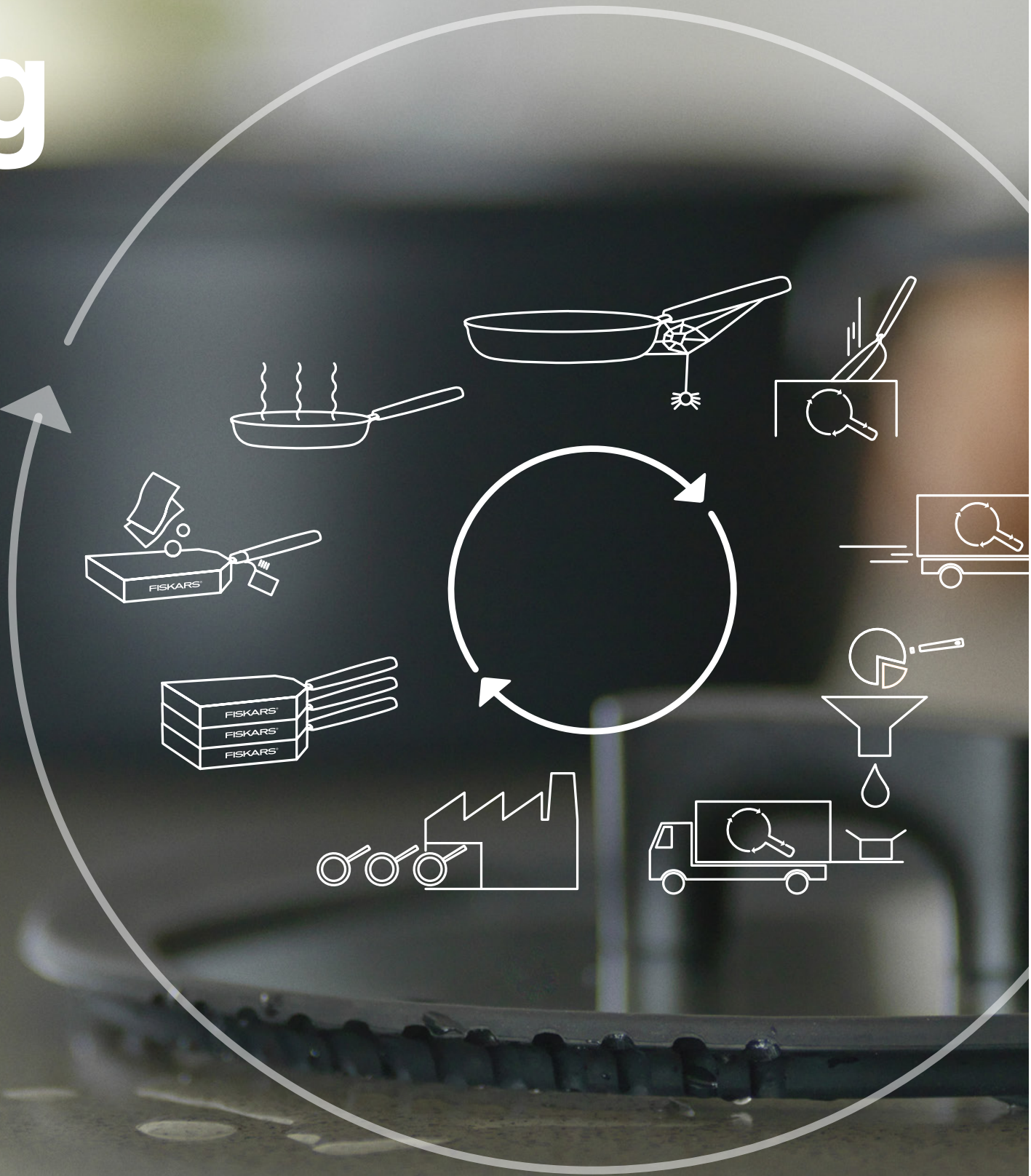
Promoting a circular economy

Fiskars has been promoting recycling in Finland for more than 10 years. We have organized an annual recycling campaign where consumers have been able to return their old and used pans, pots and cutlery to hundreds of stores around Finland. This campaign has been very well received by consumers, and it has become a successful tradition. Over the years, we have recycled more than 390 tons of old pans and pots; in 2016 the amount was nine tons.

Our partner processes the collected products to separate the different materials, and forwards them to our material supplier. The recycled material is then mixed with new material to create an optimal combination that is then used in our factory in Sorsakoski, Finland to produce new products. Approximately 70% of the raw material used in Fiskars pans and pots is from recycled sources.

Recycling is one of the simplest ways for consumers to protect natural resources, and it also helps us to save energy and materials in our supply chain. Using recycled raw materials, such as steel, significantly reduces the total energy consumption compared to using virgin materials.

Today, consumers are able to return old and used pots and pans to our Iittala outlets in Finland throughout the year.



”

With this campaign we have encouraged consumers to recycle their old pots and pans, and as a result, managed to collect a significant amount of materials for recycling.

Recycling saves both natural resources and energy, and when using recycled materials, we are able to mitigate the effects of mining, processing and transportation compared to using virgin materials. One could say that we have pioneered in promoting the circular economy within our field. We are proud to help consumers recycle their old products while driving sustainable business.”

Carolina Bade, Business Manager, Kitchen, Fiskars

We are a globally diverse team with a shared mission. Our aim is to create an environment where our people are engaged and enabled to do their best, and we believe a key ingredient in achieving this is to invest in continuous learning and development. Success is measured every day by achieving great results, creating extraordinary consumer experiences and learning new capabilities.

Empowering and inspiring leadership is another key element needed in transforming Fiskars into a company with iconic lifestyle brands. For us, great leadership is about providing direction, inspiring and empowering others to do their best, supporting their professional development, and creating an environment of trust and openness, and embracing value-based behaviours.

Our consumer promise – making the everyday extraordinary – drives us to invent and craft solutions that transform daily activities into moments of delight, and we believe that the more inspired we are the more innovative and efficient we can become.

”

**At the end of the day,
everybody’s got their own
thing in life. This is mine.**

When you’ve worked with something for years, you feel a familiarity with it. You know its shape, its weight. How it feels in your hands. You feel an affinity with it. So it’s a pleasure to add those finishing touches that make it precious.

I think as a craftsman you put something of yourself into each piece. That passion for our art, and the sense that we’re crafting something that will last for generations and add beauty and pleasure to people’s life every day. It will share moments and make them special.

I feel proud to be part of that journey. Because something beautifully crafted is one of life’s pleasures.”

Neil Bruce, Raised paste / gilder, Wedgwood

Caring for people and communities

Learning and development

At Fiskars, we want to inspire and empower people to learn, bring in new ideas, skills, technologies and views. We promote a growth mindset and provide our employees with tools and opportunities to build their careers in a constantly changing world.

The Fiskars' learning philosophy is based on the 70-20-10 principle, which means that 70% of learning happens on the job, 20% when learning together with others, and only 10% of learning comes from courses or other formal studies.

Learning on the job

Learning starts from everyone's everyday work. We must continuously seek ways to do our jobs better to respond to the changing demands and challenges. Acknowledging this is the first step – after that it is up to everyone to take the lead and drive their own development. We believe learning can be about taking small steps out from one's comfort zone through a new project or task, or it can be about questioning the status quo and improving ways of working with a new perspective. It is about trying out ideas, failing fast and learning fast, and embracing the risk of mistakes.

Fiskars supports on-the-job learning with several global programs. We have apprentice programs to help our experts transfer their skills and knowledge to new people, eager to learn a new profession. Our X-Ch@nge program gives our employees an opportunity to experience the work culture in another country, and we promote job rotation, just to name a few.

Our talented people working in craftsmanship are a great example of the benefits of learning on the job. We have apprentice programs in Finland, UK, Ireland, Slovenia, and Thailand to help us maintain, develop and transfer special skills our craftspeople have learned over the years, such as unique techniques related to glass blowing, engraving and painting.

As an example, becoming a glass master is a journey that requires strong will and a lot of perseverance. The quality of handmade glass is in the details, such as the thickness or weight of the glass; getting these right requires an extraordinary understanding of the material and how it behaves. It takes years of training and practice to get to a level where you can confidently reach our quality standards with every product you make.

Learning from each other

Whether in a formal or casual setting, we all accumulate a lot of knowledge and build our perspectives throughout our working lives. At Fiskars, we believe that skills and competences learned from other people are by nature richer than information learned from study books.

To help people find ways to learn from one another, Fiskars invests in many learning opportunities, such as a mentoring program that pairs junior and senior employees, 360° feedback and evaluation, and team development activities.

Mentoring in particular has been very popular, and in 2016 we had a record-high number of internal mentoring pairs, 38 pairs in total. Mentoring has enabled our employees to embrace new perspectives and understand their own work as a part of a bigger picture. It has helped many mentees to see what their next career steps could be and how they can grow within Fiskars.

Learning by studying

Fiskars has a global learning development platform and offering that has been designed to support Fiskars' business objectives. We have several online learning opportunities that can be completed anywhere, anytime. Some of our training is mandatory to all of our employees, such as learning the Fiskars Code of Conduct.

We offer several targeted deep dive trainings to inspire and develop our people. Passion for selling training is one of these deep dives, offered to our retail staff to help them drive a seamless shopping experience everywhere.

Developing leadership skills

In today's world, organizations change and evolve all the time. To help people thrive, we develop leadership skills so that our leaders can support and inspire, attract and retain our talented employees. We believe that leadership is more than a managerial role. Leadership creates the foundation for Fiskars' culture and we support our leaders in making this happen. We also encourage all Fiskars' employees to be accountable, and innovative and build openness and collaboration in their interactions. Fiskars' values are ingrained in everything we do.

Our employee survey ensures that we capture the thoughts and ideas of all our people, so that we can continue to develop Fiskars into a great and inspiring place to work together. The survey

results provide us valuable feedback on areas where we are doing well and where we need to improve. The insights are used at different levels of the organization and translated into concrete actions through dialogue within our teams.

The survey is a reality check for us – all employees are invited to participate in the survey and given an opportunity to give confidential feedback. More than 6,000 employees participated in 2016 survey, resulting in a solid response rate of 78%. This shows that our people are interested in sharing their views and contributing to improving Fiskars as a workplace.

The results tell us that we are on a right track: there are things to celebrate, such as pride for our brands and products, and commitment to the Fiskars' strategy. On the other hand we acknowledge the need to strengthen a culture of learning and development and more actively encourage the opportunities to innovate. Different teams have different development areas, and work continues in 2017 to ensure we take actions on the agreed elements.





Health and safety

Proactive safety management

Ensuring the safety and wellbeing of our employees and people involved in our value chain is our key priority. We have made a firm commitment to guarantee a safe working environment to all our employees, and to continuously improve our health and safety performance. We work hard to reduce incidents, and have improved our hazard awareness and near-miss reporting throughout our value chain.

We actively promote a culture of zero harm, and believe that safety is our shared responsibility. We expect all employees to be proactive in helping us to prevent any accidents and work-related illnesses. We place a high emphasis on ensuring that everyone at Fiskars is effectively trained to carry out their duties in a safe manner.

We actively undertake and review risk assessments in an effort to continuously improve our health and safety standards in the light of new technology, legislation and best practices. We not only have to comply with all applicable laws and regulations but also ensure that safety is never compromised.

Promoting a culture of zero harm

Fiskars' safety target for 2027 is to have zero Lost Time Incidents*, taking into account not just our own employees, but our contractors and suppliers as well. We are already well on our way towards this goal. At our Royal Copenhagen factory in Thailand, Safety Days have become an annual tradition. The aim is to teach employees best practices for a productive and safe work environment. The factory's Managing Director, Mogens Staib Hansen explains: "Our safety committee has done a great job promoting safety and will continue doing so. It is crucial to understand that we all have a role in promoting safety, and if we see something that could jeopardize one of our colleagues then it's our duty to stop and report the activity."

In December 2016, our ceramics factory in Indonesia celebrated the very successful achievement of five years without any lost time incidents. The plant operates with just over 1,100 employees working a variety of shifts over 7 days a week. The five years period with no lost time incident was achieved by everyone feeling accountable for improving the safety of their working environment. For example, the factory has a wall with posters that employees have created together to promote safety. The factory has established a chat channel available for anyone to report any potential risks. All posts are addressed within 24 hours, and risks are removed without delay.

Proactive safety management has generated positive results in our other factories as well. Our Sorsakoski factory in Finland has conducted many improvements, such as active collaboration with occupational health care, safety trainings, and a continuous risk mapping process, to guarantee a safe working environment and promote a safety mindset among all employees. Continuous efforts have paid off and the team managed to achieve more than 520 days without any lost time incidents. Our Gerber factory in Portland, Oregon, U.S. has implemented a Target Zero Campaign, which is an incentive program rewarding employees for reporting near misses and hazard observations. Proactive campaigning resulted in a 50% reduction in incidents, even while the number of employees increased over 40% during 2016.

Our suppliers have done many safety improvements during 2016, including; investing in fire safety, personal protective equipments and additional training in the safe use of machines. Our expectations for our suppliers' safety management are specified in our Supplier Code of Conduct, an agreement that is signed and approved by every supplier before we start collaboration. We regularly audit our suppliers, and work with them to continuously improve their safety standards.

* A lost-time incident is defined as an occurrence that resulted in time lost from work of one day or more



Respecting human rights

We have a tremendous opportunity to impact people's lives throughout our value chain, and we promote human rights and equal opportunities in everything we do.

We are committed to honoring universal human rights in all our actions. Our commitment is deeply ingrained in our values and articulated in our policies. Fiskars values – teamwork, innovation, accountability and integrity – all build on respect; we respect each other, and hold each other accountable for upholding our values in everything we do.

The Fiskars Code of Conduct provides a detailed description of our approach to doing business in an ethical and sustainable manner. To help all our employees implement these principles and guidelines in their everyday work, we organize regular mandatory trainings – the most recent one took place in 2016.

We expect the same values and high ethical standards from our suppliers and partners. The Fiskars Supplier Code of Conduct outlines the standards all our suppliers and partners must meet in order to do business with Fiskars Group. All of our suppliers are required to sign and commit to the Supplier Code of Conduct, and we run regular audits to ensure that our requirements are met.

We recognize the value of cooperation and support our suppliers in their efforts to develop and improve their performance. In 2015 we launched a Strategic Development Program for our key suppliers to systematically develop our supplier's performance in several areas, one of the most important ones being human rights.

In 2017 we will start assessing our performance against the United Nations Guiding Principles on Business and Human Rights. We strive to increase our understanding of potential human rights impacts and to develop processes to support the management of human rights in our value chain.

Community engagement

Responsible business has been at the core of Fiskars' long-term success all throughout its history. We are committed to taking care of the people who create our products, and to developing the communities where we operate.

We have three core areas in our work with the communities. First is the environment; we protect and foster the environment we live in. The second area is children; we believe every child is entitled to a safe and happy childhood. The third area is culture; we take responsibility for safeguarding and developing the local cultural heritage. In terms of culture, the Fiskars Village in Finland will always be of particular importance, as that is the place where our company was born.

Combating climate change with a mangrove forest

About 3 million hectares of mangrove forest grow along Indonesia's coastline; this adds up to more than 20% of all the mangrove ecosystems in the world. Mangrove forests are the most carbon-dense forests in the tropics, containing more than three times as much carbon as land-based tropical forests. Indonesia has one of the fastest rates of mangrove destruction in the world, with mangrove deforestation resulting in a loss of carbon storage equal to almost 190 million metric tons of CO₂ annually.

To fight the destruction, in October 2016 Fiskars' ceramics factory in Indonesia donated and planted 1,500 mangrove seedlings in the coastal area in Tangerang, where currently 570 hectares of land has been experiencing erosion. A Fiskars team is tracking and supporting the growth of these mangroves.

Not only does planting mangroves help to prevent abrasion and climate change, mangroves also support a wide range of neighboring ecosystems and benefit local communities. As an example, mangrove roots bind the soil, providing protection against coastal erosion and the impacts of storms.

Supporting and encouraging youth in creativity

Fiskars has partnered with the Boys & Girls Clubs of America (BGCA) over the past four years. The partnership includes a donation to support arts and crafts programming in Clubs nationwide, and support of annual events like BGCA's Back-to-School Campaign and the Youth of the Year Event. Fiskars classroom scissors packaging features the partnership with BGCA. Together, Fiskars and BGCA are helping foster creativity through the arts and enabling youth to develop skills they need to achieve great futures.

"We're excited to continue to work closely with the Boys & Girls Clubs of America in their efforts to encourage youth across the country and give them the tools needed to achieve their goals," said Paul Tonnesen, President, Fiskars Americas.

Every child is entitled to a safe and happy childhood

With a focus on children, we want to nourish our future and provide a safe and happy childhood for every child.

We started cooperating with SOS Children's Villages Finland in 2012. The organization helps families by providing early intervention, open care and foster care, with an ambition to support young people as they overcome challenges and become independent young adults. In addition to a financial contribution, Fiskars provides the Children's Villages with start-kits for young people starting their adult lives, including tableware, pots, cutlery and cooking tools. Over 200 young people have received the start-kit so far.



Iittala & Arabia Design Centre

Iittala & Arabia Design Centre opened its doors in November 2016 in the premises of Fiskars Campus in Helsinki to showcase the strong heritage of the Iittala and Arabia brands and to explore today's and tomorrow's design expertise. With the new Design Centre, Fiskars celebrates the fine legacy of Finnish design, and offers a location for design-hungry tourists and travelers to visit while in Finland.

"We plan to offer interesting discussions and content in the field of design. Ideally, the centre would become a place that connects brands to the surrounding community and that people enjoy visiting," says Leni Valsta, SVP for Scandinavian Living.

The close collaboration continues with Arabia Art Department Society, which was established in 2003 with the aim to develop the Finnish ceramics culture. The long collaboration with the Finnish Design Museum continues and has resulted in a recently renewed exhibition in the Design Centre.

The World of Wedgwood

The World of Wedgwood, a unique visitor experience celebrating the very best of British industrial and design heritage is located on the Wedgwood estate in Stoke-on-Trent in UK. 2016 was the first full operating year providing unique experiences for ceramics enthusiasts. The World of Wedgwood consists of a factory tour and design studio, a master craft studio where visitors can try throwing and decorating their own products, and a museum which will house over 3,000 artefacts, including those dating back to the foundation of the Wedgwood in 1759.

Wedgwood Museum is the home of one of the most interesting ceramic collections in the world. The galleries tell the story of Josiah Wedgwood and his lasting influence on industry, society and local infrastructure. Exhibition follows a timeline from the pottery's creation by Josiah Wedgwood to the first works by Vera Wang, one of today's star designers. It's an epic visual tale, enhanced by subtle use of graphics and state-of-the-art technology. At Wedgwood, Josiah's innovative spirit lives on.



Global phenomena such as climate change and resource scarcity are increasingly reshaping our environment, impacting both the natural environment and the communities where we operate. We believe that through responsible use of natural resources, we are able to positively impact the environment and communities, as well as our bottom-line, through lowered costs.

”
Responsible manufacturing is an essential part of our sustainability work at Fiskars.

We focus on protecting the environment through efficient energy solutions and responsible use of natural resources, with an ambition to send no waste to landfill and to reduce our greenhouse gas emissions. Steering our business towards a more sustainable direction makes business sense and is good for the environment as well.

At Fiskars, we have a centuries long experience in manufacturing, and we use the same principles with our own and external manufacturing partners. Transparency and co-operation are vital as we work together as a team to improve further, and to find innovative new ways to do business and help the planet at the same time.”

Risto Gaggl, Senior Vice President, Supply Chain, Fiskars

Protecting the environment

Managing our environmental impact

Responsible use of resources and the careful reduction, re-use and recycling of materials is central to Fiskars' supply chain strategy. Our environment and energy approach is guided by two principles: supporting long-term competitiveness and mitigating negative impacts. Creating business models around the circular economy, such as extended material cycles, provide opportunities to create value and help us to mitigate the use of non-renewable materials. We are committed to promoting efficiency and identifying new solutions throughout our value chain.

Our global operating environment brings opportunities and risks that we must recognize. Environmental opportunities and risks are considered as business risks and we strive to minimize our negative impact and grasp the positive opportunities. In 2016, we conducted a comprehensive climate change risk mapping leveraging our own knowledge and Sitra's Global Climate Screening Tool that was developed by the UK Met Office. We will continue this development and finalize concrete action plans to mitigate risks and promote opportunities in 2017.

International standards and guidelines, such as ISO 14001, create an important foundation for our environmental management. They provide a means to ensure alignment, consistency of approach and continual improvement throughout all our manufacturing units. Most of Fiskars factories and distribution centers are certified with the ISO 14001 environmental management standard, and the certification process continues in 2017.

Targets & reporting

We have set objectives to reduce significant environmental impacts and will monitor the progress to assess our environmental performance. In 2016 we created long-term targets to support our aim to reduce energy use, lower CO₂ emissions and develop processes to recover or recycle all materials used in our production. Targets are described in more detail on the next page.

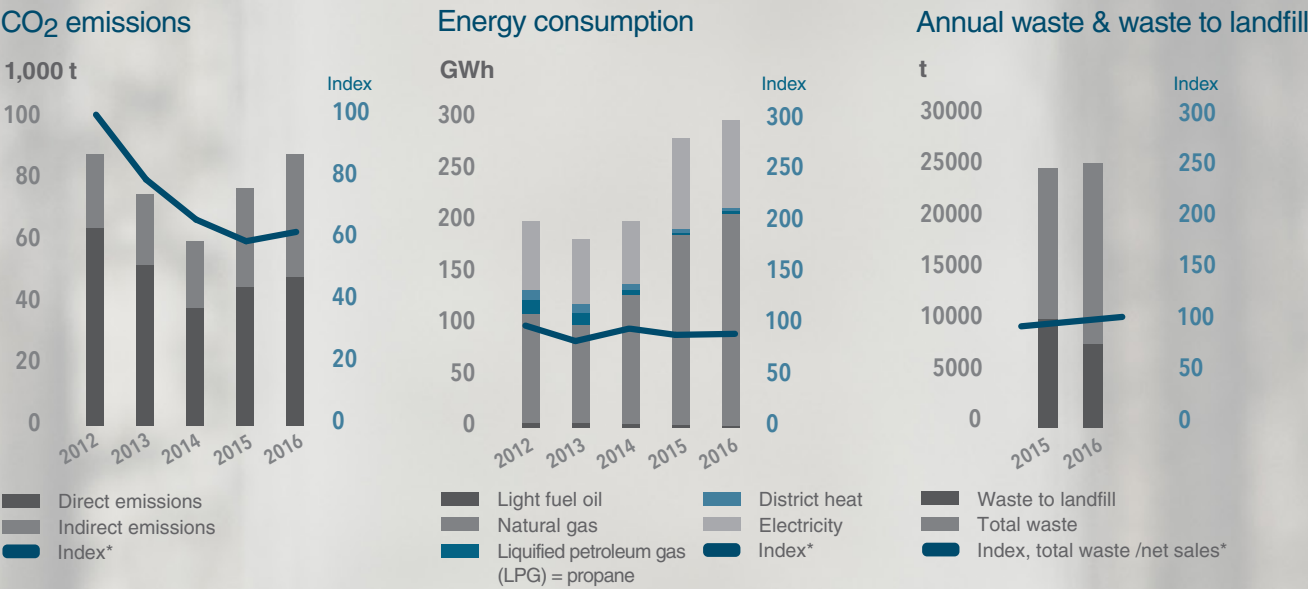
Consistent efforts to improve

Fiskars has acquired a number of businesses in recent years, including Nelson & Gilmour in late 2014 and WWRD group of companies in mid-2015. In 2016, the company continued the transformation to build global businesses and a unified supply chain, and has now reported group-wide sustainability figures for the first time. In addition, we continued to build a common global platform which will be used in reporting progress in environment related areas. The new platform will be launched internally in the first half of 2017. To ensure company-wide alignment, 2017 will be used as a baseline to measure progress toward our long-term targets. During 2017 we will focus on creating short-term and site-specific targets to facilitate the achievement and follow-up of the 2027 targets.

During the past years we have achieved improvements on many fronts. In Finland, we have successfully conducted projects that have increased our production efficiency and lowered our emissions. For example, our Sorsakoski factory has decreased its use of electricity by 25% since 2010. In our Billnäs and Sorsakoski factories, the district heating has been updated from using oil to renewable fuel, wood pellets. The Iittala glass factory invested in a new glass furnace, which resulted in a 10% improvement in the furnace's energy efficiency, and 15% lower NO₂ emissions.

Our long-term target is to cut all waste to landfill by 2028. We have already reduced our waste with new solutions and partners that recover or recycle the waste from our production.

Our factories have consistently worked to reduce the waste to landfill for many years. In 2016, our Gerber factory in Portland, Oregon, U.S., reduced waste to landfill by 235 tons through recycling. Our new partner has supported us in repurposing the used glass bead, which contributed to the waste reduction.



* The index is proportioned to Fiskars' net sales. For comparison, the reference year is 2012 = 100 index value. The figures from 2016 onwards describe Fiskars' current structure.

2027 production targets



Compared to net sales, base year 2017

In addition, our Fiskars factory in Excelsior Springs, Missouri, U.S., managed to reduce waste to landfill by more than 300 tons in 2016 with the help of a new partner who is able to recover the non-usable remainder materials. At this location this resulted in an over 60% decrease in annual waste to landfill.

We will continue our efforts globally to reach our ambitious long-term targets.

Supplier environmental development

Fiskars production strategy is based on combining our own manufacturing with selected suppliers. We recognize the notable

environmental impacts outside of our own manufacturing and operations and we have created targets to cover the whole value chain.

In 2015 Fiskars launched a Sustainability Development Program, working together with our key suppliers with the aim of deepening collaboration in sustainability. Seven of our biggest finished goods suppliers participate in the program that includes development of data gathering, collaboration to map potential improvements and implementing development plans. In addition, we plan to develop a unified way of collecting environmental data from our key suppliers and also developing a comprehensive way to calculate our emissions from the value chain (scope 3).

Responsible supplier management

“
I am particularly happy about the commitment that our leaders and sourcing colleagues have shown towards sustainable supplier management.

Together we have been able to achieve many improvements in the most challenging areas. Both the awareness of and the interest towards responsible manufacturing and sourcing practices are clearly increasing and our suppliers are making great efforts to make improvements in key sustainability areas.”

Kaisa Mattson, Director,
Supplier Sustainability & Quality



Fiskars production strategy is based on combining our own manufacturing operations with selected suppliers. Our goal is to build a strong supplier network that can satisfy our business needs and meet our corporate values and expectations with regard to social and environmental requirements. Fiskars is sourcing finished goods from suppliers in Europe, North America and Asia. The biggest sourcing countries are China, Taiwan, Thailand and Vietnam.

In recent years we have worked on many fronts to incorporate sustainability into our sourcing operations. Fiskars' suppliers provide us with finished goods, raw materials, components and services. We have created a process to manage our finished goods suppliers' sustainability and we are going to expand it to other raw material, components and services suppliers in the future.

Fiskars Supplier Code of Conduct

Our requirements and expectations are outlined in the Fiskars' Supplier Code of Conduct (SCOC). It includes our expectations regarding our suppliers' ethical, social and environmental conditions. The SCOC is an integral part of supplier's contract with Fiskars Corporation, and every supplier must sign and commit to it in order to do business with Fiskars.

Fiskars expects its suppliers to comply with the SCOC requirements not just when collaborating with Fiskars, but also with their own employees and suppliers, third parties including authorities, and all other partners.

Risk assessment and monitoring of suppliers

In 2011 Fiskars established the supplier audit program that we run today and have developed since. Based on the SCOC policy we have created a checklist that is used to evaluate all suppliers that Fiskars wants to do business with.

The decision to make an on-site audit is based on a risk assessment that takes into consideration the country risk, the size of the business and the industry. All suppliers in high risk countries are audited on-site by Fiskars. Fiskars has a professional auditor team of four people that performs audits in countries in the Far East and South East Asia. In addition, we use third party audit services to complement our own audits when needed.

An audit consists of document reviews, factory tours, and interviews with several workers. The questions are divided into three levels of significance (zero tolerance, normal, advanced) and the results are described with a percentage score.

In 2016 we did 115 on-site audits of our suppliers. Five of the audits were performed by a third party service provider. We have a high ambition level with regards to selecting and developing long-term partnerships with our suppliers. Before we engage in business with a new supplier, we expect them to meet our requirements. In cases where we identify any zero tolerance issues, such as with issues related to fire safety or excess working hours, Fiskars does not initiate collaboration with the supplier.

We work together with our suppliers to encourage continuous development. After the first audit visit, our auditors visit suppliers regularly to track progress and verify improvements. A new audit is performed every second year. If deviations occur in the audits with existing suppliers we ask the supplier to submit corrective action plans. In cases where the supplier is not capable of complying or shows unwillingness to comply with our Supplier Code of Conduct within a given timeframe, we end the business relationship. The decision to do this is taken at a high level within our organization to ensure fair treatment of vendors.

Training and collaboration

We are committed to supporting and working in collaboration with our suppliers. We arrange yearly supplier workshops to provide training, and to share good practices, ideas and concerns with our partners.

In 2015 we established the Sustainability Development Program to deepen collaboration with key suppliers on sustainability. Seven of our strategic suppliers participate in the program where we aim to go beyond auditing, encouraging suppliers to develop their own management systems and achieving measurable results in pollution prevention and health and safety.

During 2016 we have seen some great examples where suppliers have upgraded their equipment to achieve higher efficiency in energy use and reduction of greenhouse gas (GHG) emissions. Going forward, we will develop the reporting in alignment with Fiskars key performance indicators with our strategic suppliers.

In November 2016 we commissioned KPMG to review and comment our process for managing supplier sustainability. Their report indicated that in addition to the practices and processes already in place, we have room to improve in areas such as extending the sustainability processes to cover in-direct suppliers and further deepening our collaboration with suppliers.

Going forward — empowering positive change

Fiskars' ambition is to empower positive change and to be a leader in building a more sustainable world. Fiskars sustainability targets are ambitious, both with regards to the way we and our partners conduct business and how our products support sustainable living. In 2016 we redefined our sustainability approach and its three focus areas, and set a long-term ambition level for the Group.

Throughout our history, lasting design has been an integral part of our business. With a combination of new innovations – whether these are applied in new business models, products, or techniques and our commitment to lasting design – we expect to be able to continue to grow and positively impact our environment. As the global leader in the premium living product category, scissors and the garden hand tool category, we aim to be on the front line of innovation and empowering new solutions to serve future generations, as well as our planet.

In 2017, we will implement a renewed governance model with the aim of clarifying sustainability responsibilities throughout the organization. Fiskars will establish a new global platform for gathering company-wide data to support the effective management and implementation of sustainable thinking across the company. Businesses, supply chain organization and support functions are working together to integrate sustainability more closely with our strategy to support future growth.

In 2016, Fiskars conducted a comprehensive climate change risk assessment. The work continues by assessing and integrating other sustainability topics into more comprehensive risk management. In our risk management process we evaluate both potential risk factors and opportunities that may arise through megatrends impacting our business environment.

Fiskars' policies provide the clarity and structure for the way we conduct business. Fiskars' Code of Conduct defines and communicates our commitment to conducting business in an ethical and responsible manner. Fiskars' Supplier Code of Conduct has been developed to communicate Fiskars' ethical and sustainability expectations to our suppliers. Both policies were renewed during 2016. The work continues in 2017 as Fiskars will establish new group-wide policies for the promotion of environmental sustainability, health and safety, and quality as well as for combatting corruption and bribery.

To demonstrate our commitment to responsible operations, Fiskars Group joined the United Nations Global Compact, the world's largest corporate sustainability initiative, in 2016. Through this engagement we aim for increased transparency and collaboration to further develop our sustainable actions.

”
Sustainability, once seen as a hindrance for development, has become a critical driver for business growth.

Fiskars is in a good position to take the lead in developing sustainable business solutions, helping our consumers to live sustainably, and ensuring that we operate in a responsible manner. I'm excited to have the chance to help shape our future together with the entire Fiskars team. “

Niina Niemelä,
Sustainability Manager,
Fiskars

Sustainability focus areas

LASTING DESIGN

We have a passion for creating products that can last generations. We are committed to helping people make better choices by offering them quality products with lasting design, leaving the world in a better condition for generations to come.

CARING FOR PEOPLE AND COMMUNITIES

We provide a safe and inspiring working environment, respecting human rights and caring for people involved in our value chain. We contribute by making a positive impact on the communities where we operate.

PROTECTING THE ENVIRONMENT

We are committed to promoting a circular economy throughout our value chain. We combat climate change by taking actions to mitigate our emissions, reduce our use of energy and promote renewable energy sources.

Sustainability governance

Sustainability governance

To ensure clear responsibilities and focus, Fiskars has renewed the governance model on how sustainability is managed throughout the company. The new Sustainability Leadership Team has been established and will start operating in the beginning of 2017. Key responsibilities and internal stakeholders are defined in the chart below.

The Board of Directors is the ultimate decisionmaker, and approves Fiskars' sustainability approach and ambition level. The Board of Directors also regularly evaluates progress against the key performance indicators and conducts a comprehensive review of the sustainability approach and ambition once a year.

The Executive Leadership Team sets the ambition level for Fiskars' sustainability approach, signs off on the sustainability report, compliance and data. Sustainability is part of the regular agenda of the Executive Leadership Team.

The Strategic Business Units are responsible for integrating sustainability into business strategies, operations and brands' purpose. The Strategic Business Units also contribute and advance sustainability and track progress in dedicated leadership team meetings.

The Sustainability Leadership Team meets four times a year and reviews sustainability KPI's every quarter. The Sustainability Leadership Team discusses topical items and reviews target setting. The Sustainability Leadership Team prepares proposals for the approval of the Board of Directors and Executive Leadership Team. Members in the Sustainability Leadership Team represent the supply chain, Strategic Business Units, human resources, risk management, and corporate sustainability.

The Sustainability contributors are key contributors who work with sustainability related topics in alignment with the KPI's. They have a key role in managing the sustainability focus areas, gathering data and reporting.

The Ethics Advisory Group is responsible for implementing our Code of Conduct. The Ethics Advisory Group reviews, makes recommendations, and takes action on any reported and investigated misconducts and violations of the Fiskars Code of Conduct.

Sustainability governance



FISKARS®



ARABIA
1873

Gilmour



HACKMAN®

LeBORGNE®

WATERFORD

WEDGWOOD
ENGLAND 1759

ROYAL ALBERT
ENGLAND 1904

ROYAL DOULTON
LONDON

Rörstrand



Fiskars Corporation | Hämeentie 135 A | P.O. Box 130, FI-00561 Helsinki, Finland
Tel +358 204 3910 | info@fiskars.fi | www.fiskarsgroup.com



4041 0017
Printed matter