Corporate Social Responsibility Report

reima

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Report summary

Reima is the leading premium performance and active wear brand for children. Our focus is on comfortable, safe clothing for any weather and activity, enabling kids to move and explore the world around them. Our sustainability emphasis is on three areas: society,

environment and collaboration with our partners. We believe that making a safe product means more than complying with the requirements. True trust in a product lies in transparency and knowing where the product comes from, who makes it and how. Furthermore, our responsibility doesn't end at the moment of purchase; it is our duty to make products with their second life in mind.

Good design considers sustainability and the total life cycle of the product in addition to serving user needs in the best way possible. Durability, chemically safe production and safety features are crucial. This year we extended Reima's product safety requirement beyond regulation in our existing markets. We got two new product lines, Xylitol cool and Anti-mosquito into production for 2019. To minimize harm to animals, the wool we use in the products is mulesing-free and the down is Responsible Down Standard certified.

Reima prefers to cultivate long-standing relations with the suppliers, as this helps build trust and a good working relationship. Our Operational Handbook, Code of Conduct and Restricted Substances List set the parameters for environmental and human rights practices that we follow and expect from the suppliers, as well. These are based on major international UN conventions on human and labor rights, as well as national and EU regulations on chemical safety. In addition to amfori BSCI audits, we conduct our own assessments every two years, or every year where a supplier is deemed in need of support in bringing their operations up to standard. In 2018, we reached our goal of up-to-date assessments on 85% of our supplier base. The rest are in low-risk countries.

In addition to suppliers, we need to engage our customers in order to serve their needs in the best way possible. ReimaLab, a customer feedback community, was launched with a focus on *>*

the Nordics to ensure we're delivering on our promise to provide families with the best children's wear for any weather. We also started an automated Net Promoter Score (NPS) survey with our ecommerce customers. After a good start, the NPS ran into a speedbump following a change of logistics partners in Europe, which caused unforeseen delays in the deliveries of online purchases. With growing digital contact with customers, it is particularly important that we updated Reima's data management policy to meet GDPR standards and informed our customers of it.

Given the globally increasing levels of health issues related with a lack of exercise, we want to not just enable but to encourage kids and families to move. To this end, we launched a pilot of Reima Cities, a platform for sharing family-friendly activity tips, to encourage families to venture outdoors together. Additionally, ReimaGO activity trackers were offered for use to all 5-7-year-olds in Touhula day care centres in Finland, and to selected primary school partners in London and Beijing, to inspire more active play time.

Reima is seeking to reduce our environmental impact in several ways, both through operational improvements and more ecological products. We reduced air freight in product inbound shipping to around 2% of total weight shipped, reducing the average CO₂ emissions per 1 kg of goods shipped. We introduced a green product line of products of 100% organic cotton and products containing polyester from recycled fibres. We compiled and communicated the Restricted Substances List in manufacturing. We gave up plastic bags in our European and Chinese stores. Our Finnish offices gained WWF Green Office certificates. Our core environmental sustainability commitment remains to make durable and timeless products that can be worn by several kids, for years on end. We facilitated the reuse of Reima wear with a partnership with Finland's largest online second-hand store, Emmy, where over 2,800 Reima items were sold in 2018 alone.

In preparing of the report, the GRI standards were applied where possible and relevant. The GRI index at the end links the core reporting topics to this report's sections and sub-sections to easily find the corresponding materials. The report will be available digitally only to align it with our Green Office commitment of reducing paper consumption. The report is based on our activities in 2018 and we will keep publishing our activities annually. There was no significant change in the organization and natural changes are updated throughout the report. Reima has a formal team behind the report, verified by the ISSG (Innovation and Sustainability Steering Group) which consists of leadership team members of different functions. The chair of the steering group, the CEO, ultimately approves the completed report. Ratkaisutoimisto Vinha has checked the GRI content and texts of the report.

3 April 2019

Shahriare Mahmood R&D and Sustainability Director Reima Oy





CFO Elina Björklund

I am proud to say that within a single year we have again made considerable progress: from supplier assessments to Green Office certificates, to bringing out new, more sustainable, protective materials, to reducing the share of air freight used – we have kept our promises for this year. This report details these and many more Reima achievements of 2018 from a CSR perspective.

Reima's mission is to enable children's joy of movement. Our focus has always been on developing the best high-performance kidswear, but now more than ever, we are turning our decades of expertise into careful consideration of our products' lifecycle as well as performance. It is with

great pleasure that I introduce you to our second Corporate Social Responsibility Report, for the year 2018.

I believe that by always keeping children's wellbeing as our focus, we will also make responsible choices as a company. As our past few years have shown, financial growth is not at odds with sustainability. Ultimately Reima's success is only as sustainable as the well-being we produce - for our consumers, staff and the rest of the world.

Of course, we still have a lot of work left as well. Good quality technical wear is notoriously difficult to recycle. Children grow out of their clothes surprisingly quickly, so there is a limit to how long one family can use a garment. Thus, Reima's focus is on durability and helping you repair, reuse and recycle. We've partnered with online second-hand store Emmy to make it easy to give your used Reima products a second life, and we've made available "spare parts" and repair kits to make them last even longer. Looking forward, however, our priority is on making even technical wear mostly - and ultimately completely - recyclable.

We will continue to inspire kids to move and to explore the world around them. Healthy kids are happy kids, and, if they have the chance to enjoy the outdoors, they will also have an interest in protecting the environment they've enjoyed.

Therefore, what is good for your kids, is good for our environment.

About Reima

ABOUT US

Reima is the leading premium performance and active wear brand for children. Our focus is on comfortable, safe clothing for any weather and activity, enabling kids to move and explore the world around them. Recognising the current trends of kids' growing media consumption and decreasing physical activity as well as the consequent adverse effects on kids' health, we are expanding from enabling to making moving fun. Today, we sell around 7 million products annually. Our headquarter, as well as research and design operations are in Finland, and we source globally, concentrating on East Asia, through our own sourcing office in Shanghai. Reima provides a high-quality, year-round, tip-to-toe wardrobe for active children from 0 to 12 years of age. The product range includes outerwear, mid-layers, innerwear, accessories, →



Reima's subsidiaries are shown in the below chart. 2018 saw the addition of our North American subsidiary (the office will open in 2019).





footwear, sunproof clothing and rainwear. Besides our main brand, Reima, we offer the Lassie brand in Russia, Finland and Eastern European countries. Our main sales channel is wholesale. In addition, the Group has 62 own retail stores and 34 franchise stores in eight countries, and an online store www.Reima. com. Through <u>Finnish Baby Box (FBB)</u>, Reima offers baby packages globally online as well as solution sales to businesses.

FINANCIAL PERFORMANCE

Financial stability and solid growth are the foundations of Reima's sustainability. Our excellent financial performance and growth affect various stakeholders positively, as they make Reima a reliable employer, a credible choice for investors, and a sustainable organization. On the other hand, our sustainable business practices support our strong growth. On the other hand, our sustainable business practices

Reima Group Structure



support our strong economic growth. Our innovative products and business strategy enabled us to enter new markets in 2017 and 2018. The net sales in all the geographical areas and different sales channels have grown significantly in recent years, which is illustrated in a table on the next page. Reima has established good practices for both operational and financial risk management, including currency risk management. Thanks to this preparedness we remained strong even during the challenging situation with the Russian rouble. The financial statement of Reima is presented on the next page.

Each year, the group CEO shares with the staff the priorities and the management approach, which has been evaluated by the Board of Directors. Reima has a clear financial target which is aligned with its business strategy. Although the responsibility concerning the financial performance remains with the CEO, CFO and the Board of Directors, the targets and results are also shared openly with the employees.

Net Sales by Channel 2016–2018 (mEUR)

Channels	2016	2017	2018
Wholesale	65,950	83,152	90,964
Retail	11,149	14,779	16,468
E-commerce & solution sales	8,180	14,167	16,582
TOTAL NET SALES (million €)	85,278	112,098	124,014

Net sales by channel (tEUR)



KPMG conducts an audit of the company annually in accordance with good auditing practices in Finland and in compliance with the international standards in auditing. The audit comprises interim and year-end audits and focuses on both the financial information and control environment. A standard audit report is issued as a result.

COMMUNITY RELATIONS

Reima is a member of many organisations that can help us support our corporate sustainability. We take part in their training sessions, networking meetings and projects. For us, they are a natural way to cooperate with other companies in our field, to engage with society in general and to get valuable information and new views on responsibility.

You can find more information about our cooperation with many of these organisations in the chapters in this report. Below, you can find basic descriptions of the companies as well as other important stakeholder groups or communities that we cooperate with.

IN FINLAND

ASSOCIATION FOR FINNISH WORK (SUOMALAISEN TYÖN LIITTO)

We hold the 'Design From Finland' label for Reima, Lassie and Finnish Baby Box brands.

FINNISH TEXTILE & FASHION

(FORMERLY 'FINATEX')

The union of Finnish textile trade companies.

FASHION AND SPORTS COMMERCE ASSOCIATION (IN FINNISH ONLY)

Textile and fashion suppliers and retailers Finland.

FIBS

The leading Corporate Responsibility network in Finland.

WWF GREEN OFFICE

Network helps us improve the environmental performance of our own offices. You can read more about our Green Office certification and efforts in <u>the environment chapter</u>.

BUSINESS FINLAND AND ECOM GROWTH

We've been an active member of the eCom growth network since its beginning, and in 2018 Business Finland awarded Reima as the "International company of the year".

GLOBALLY

AMFORI BSCI (BUSINESS SOCIAL COMPLIANCE INITIATIVE, FORMERLY BSCI)

A leading global business association for open and sustainable trade. Reima's Director of R&D and Sustainability is an elected member of the Member Advisory Council (MAC) of amfori 2018-2020.

SCANDINAVIAN OUTDOOR GROUP

A joint venture for promoting Scandinavian outdoor brands. Reima's Sales Director was appointed as a board member in 2017.

IGOT IT'S GREAT OUT THERE

The European Outdoor Group's coalition for promoting outdoor life. Reima is one of the founding members.

<u>SIS</u>

The Swedish Standards Institute

ACCORD

A venture to improve the fire and building safety in the Bangladesh textile industry.

NGOs

Non-governmental organizations (NGOs) are important to well-functioning and vibrant societies, and we are happy to co-operate with them. We meet and collaborate regularly in particular with <u>**Eetti**</u> (Eettisen kaupan puolesta ry), which works to improve ethics in retail and wholesale; <u>Animalia</u>, an animal rights organization; <u>Worldwatch</u>, an independent research institute; and <u>Greenpeace</u>.

In 2018, Reima joined **Finnwatch's** campaign #ykkösketjuun to show our support to mandatory human rights due diligence legislation in Finland. Responsibility cannot rest on individual customers only – as consumers, we all have very limited resources to find out the consequences of our purchasing decisions. In a situation where there is zero or limited legislation, enterprises who benefit from depriving human rights in global supply chains can get unfair competitive advantage.

We also responded to the #tunneketjusi challenge launched by **Fairtrade Finland**, by meeting the representative of the organization and explaining how our global supply chain works, and how well we know the producers of our goods and raw materials.

Through our Tampere office we support an NGO called **Hope**, which financially and materially subsidises hobbies and pastimes for children from disadvantaged backgrounds. Reima has since 2014

donated returned, good condition clothing to Hope, which has distributed it to families in need. Reima has also regularly donated Finnish Baby Box clothing and products to **the Finnish Red Cross**, where they have been distributed to asylum-seeking families with babies.

OTHER IMPORTANT COMMUNITIES

Reima often collaborates with external research organizations on innovation and R&D projects, such as with <u>VTT</u> (Technical Research Center of Finland) on the Smart Clothes 2.0 project.

We cooperate with universities on research projects and graduate theses: At the end of 2018, we partnered with **Tampere University of Applied Sciences (TAMK)** to develop methodology for measuring the amount of micro-plastic shedding of different materials. The project will continue in 2019.

We meet members of the press at our press conferences, international fairs and other events, of which ISPO (Germany), Outdoor Retailer + Snow Show (USA) and Slush (Finland) are currently the most important ones for us.



OUR VALUES

Our core values, as defined by the staff collaboratively in 2016, are Courage, Excellence, Integrity, Joy and Collaboration. The different chapters of this report are also built around them. Although of course all the values are reflected in all areas of our work, linking the values thematically highlighted the best aspects of each theme. •

In 2018...

...as an organization, we've continued to work hard, learn from each other and grow together with COURAGE.

...we've continued to provide consumers with simply **EXCELLENT** and increasingly multiuse products and services.

movement.

...our

COLLABORATION

with suppliers, logistics and other partners and customers has deepened further.

...we've developed and improved our services beyond clothing for enabling the **JOY** of

...we've improved our environmental **INTEGRITY** through more accountability, better manufacturing processes and better logistics choices.



Our CSR strategy and policies



Our sustainability emphasis is on three areas: society, environment and co-operation with our partners. We believe that making a safe product is much more than just complying with the requirements. True trust in a product lies in transparency and knowing where the product comes from, who makes it and how. A responsible brand not only makes its products with sustainable materials but also seeks to ensure sustainability in the different stages of manufacturing. On the next page you will find our sustainability principles, and you can find out about their implementation in 2018 throughout this report.

Since 2017 we have started to broaden and deepen the scope of our sustainability work and our engagement with current sustainability issues. We have started to engage stakeholders even more to address their needs through a collaborative approach. We believe that for a meaningful impact, the involvement and contribution of stakeholders is a must. To ensure the continued relevance of the sustainability topics, they are periodically reviewed, in collaboration with the stakeholders. 🔶

SOCIETY

We believe that a good society is important for a healthy start to life. We respect human rights and are committed to supporting them at all the stages of our operations. By joining amfori BSCI, the world's largest business association for sustainable trade, we have committed ourselves to their code of conduct where emphasis is put on the highest labour protection. All workers must have personal freedom, a safe working environment, the right to organize and decent wages. At the consumer end, by fulfilling our mission to enable kids' joy of movement, we are helping children grow into healthy adults and citizens.

ENVIRONMENT

Kids need a clean environment to be able to grow up healthy. We believe that conscious actions in our operations can have an impact. To produce a cumulative effect, we maintain this aim in all our activities. We think that a conscious and balanced choice of materials during the design stage can lay the foundation for responsible manufacturing. We select greener processing options where possible to conserve natural resources. We have restricted the use of harmful chemicals from all stages of production. Green practices are also important in logistics, where we favour the greener options, using less polluting shipping methods and optimizing routes. We're reducing plastic use and focusing on the recyclability of our products. We actively support reusing, repairing and recycling our products, since they are built to last, and the more kids use one product, the more resources will be saved and emissions avoided.

COLLABORATION

We want to implement good social and environmental practices across our entire value creation process. Sustainability is one of the most important criteria in our supplier selection and supplier evaluation. We conduct business directly with our suppliers and establish long-term relationships with them. The longterm build-up of mutual trust helps us to produce higher quality products increasingly sustainably. We reward high-performing suppliers and work for improvements with those who need a leg up to get to the next level.







MANAGING SUSTAINABILITY

Our CSR priorities are based on the sustainability matrix and long-term action plan, contemporary topics through internal prioritization and the expectations of our most crucial stakeholders; consumers, key B2B customers, employees and investors. We periodically review the relevancy of the materials and analyze the stakeholders for corresponding priorities. We communicate the plans and activities following the GRI reporting standards. On the next spread you can find the 2018 materiality matrix, and our new and improved commitments for 2019.

Reima's sustainability work is overseen by the Innovation and Sustainability Steering Group (ISSG). The Chairman of the Steering Group is the Reima CEO, and the Steering Group consists of Reima's Leadership Team members who plan, guide and monitor the sustainability activities. Reima's Director of Sustainability is the facilitator of the group and reports to the Chairman of the Steering Group regarding sustainability. Generally, the ISSG meets every two months.

GROUNDING MATERIALITY TOPICS IN FOCUS AREAS

The sustainability matrix is based on the most important topics affecting our key stakeholders – loyal consumers, B2B customers, owners and employees. Below the topics are introduced through the lens of the three emphasis areas. You can see an updated version of the matrix itself in the next section. The action points are elaborated on in each relevant chapter of this report. You can see in each Chapter Highlights table, which action points are included.

A quality and safe product reflects our commitment to the environment and the society. A safe product is also safe to make. A durable product lasts and can be reused by many children. Increasing the use of e.g. recycled materials, and improving product recyclability itself, we are shifting towards a circular economy, helping sustain a cleaner planet for kids in the future, too.

Social accountability for conserving human rights highlights our commitment to the societies we're working in, as well as to trust and respect as the foundations of our collaboration. We maintain high standards of ethical operations for ourselves and expect the same from our counterparts. We believe in learning and dialogue and seek to recognize and learn from our own shortcomings and are ready to offer support to partners if necessary.

Environmental consciousness through greener and responsible operation reflects our commitment to the environment and society more broadly. We are starting to tackle waste, greenhouse gas emissions and other potential pollutants throughout our operations and product life-cycles, because we recognise that we all live on a single planet, and we share in the collective responsibility to keep it liveable.

MATERIALITY MATRIX AND **ACTION POINTS 2019**

In the interest of making the matrix a more useful tool for 2019, we've revised some of the goals as well as action points, both of which you can see in the new tables on the next spread. We've maintained the same three themes: better initiatives to sustain the topquality safe product, social responsibility to conserve human rights, and environmental consciousness through greener and responsible operation.

BETTER INITIATIVES TO SUSTAIN THE TOP-OUALITY

SAFE PRODUCT: We wanted the priorities to better reflect Reima's strive for product excellence, which is why we revised "better customer satisfaction" into "timeless design to improve customer satisfaction and promote product second life". Currently textiles, especially active and technical garments are very difficult, and in many cases impossible to recycle, which creates a lot of waste, even when the garment has been passed down and repaired until it fell apart. It is our responsibility to try to develop garments that are easy to recycle completely. Finally, consumer safety stays as our top sustainability priority, because our consumers are our most important sustainability stakeholders.

SOCIAL RESPONSIBILITY TO CONSERVE HUMAN

RIGHTS: Our social responsibility goals represented our values well. Firstly, we need to ensure that our own operations are ethical and fair for staff. We want to emphasize commitment to and engagement with our suppliers and other supply chain partners, as we believe long-standing partnerships foster trust and enables effective tackling of any issues together. Finally, just like safety is at the core of product sustainability, so too, the promotion of human rights is at the core of our social responsibility.

ENVIRONMENTAL CONSCIOUSNESS THROUGH **GREENER AND RESPONSIBLE OPERATION:** Third. in environmental protection we wanted to consider the product life-cycle more holistically. This is the most challenging theme for us, as we have very limited data to start with, but by including more specific goals under this heading, we are seeking to prioritize data gathering. The strive towards improving resource efficiency is interlinked with reducing our carbon footprint. Most importantly, despite our already advanced level, we are continuing to control and eliminate harmful chemicals in production processes.

Of course, Reima can only reach these goals, if we take actions to implement them. You can see the summary table for planned action points on the next spread. In the following, we explain these in more detail. \rightarrow

Timeless design to improve consumers satisfaction & promore product second life.

recyclability.

Business ethics & HR practices for preferable work place.

Supply chain for fair practicies.



Controlling & Reduction of eliminating harmful carbon footprint. chemicals in production.

3. Environmental consciousness through greener & responsible operation.



BETTER INITIATIVES TO SUSTAIN THE TOP-QUALITY SAFE PRODUCT

As we are continuing to enter new markets, we will continue to extend Reima's product safety requirements beyond any new regulations in 2019.

We will introduce a mono-material concept product by 2020, meaning a technical product that is made completely from one material and therefore can be recycled as a whole, without needing breaking into parts first. Mono-materiality is important for scalable recyclability, and therefore, overall sustainability.

To measure customer satisfaction and the timelessness of our designs, we will track both average product net promoter score (NPS) as well as the number of second-hand Reima goods sold. In 2019, we will focus on products sold through an online second-hand store, Emmy, as we are continuing our collaboration with them from 2018. If the designs are good, they will also please second-hand buyers even a few years after the season they came out. Our durable products should last in good condition long enough to re-sell at least once and every time a product passes from one kid to the next, it saves resources.

SOCIAL RESPONSIBILITY TO CONSERVE HUMAN RIGHTS

We can use our position on the member advisory council (MAC) of amfori BSCI to promote respect for human rights and their oversight in manufacturing beyond our own organization. The MAC provides strategic direction in the organisation, and therefore we can help influence the direction of the organisation at a fundamental level.

We will also conduct our own assessments for major materials suppliers in addition to the direct suppliers' assessments already ongoing.

Good business ethics will be promoted within Reima through staff trainings on GDPR and anti-corruption.

ENVIRONMENTAL CONSCIOUSNESS THROUGH GREENER AND RESPONSIBLE OPERATION

In 2018, we compiled and piloted the Reima Restricted Substances List, and in 2019 it will be published and implemented fully with materials suppliers.

Inspired by the WWF Green Office program in Finland, we want to create green office practices for Reima offices globally. To do this, we will conduct a baseline study in 2019.

Similarly, in order to establish a baseline for resource management improvements in product life-cycle, we will conduct a life-cycle analysis in 2019.

AGENDA

Product safe for kids & free from known & possible harmful chemicals.

Improving product recyclability.

Timeless design to improve consumer satisfaction & promote product second life.

Promoting human rights & social accountability throughout operations & in community relations.

Supply chain engagement & control for fair practices.

Business ethics & HR practices for preferable work place.

Controlling & eliminating harmful chemicals in production.

Reduction of carbon footprint.

Minimizing waste & maximizing recycling in product life-cycle.

ACTION POINTS

- Extend Reima's product safety requirement beyond regulation by 2019.
- Introduce mono-material concept by 2020.
- Raising NPS to over 70 & doubling the number of products sold second-hand through our partners in 2019.
- We will promote at least one new strategic measure to improve the consideration of human rights & social accountability within amfori BSCI during 2019.
- Assess all major suppliers in Tier-II besides continuing assessments for Tier-I suppliers located in amfori defined risk countries in 2019.
- GDPR training for all staff. Creating online anti-corruption training for staff.
- Implement & publish updated comprehensive "Restricted Substance List (RSL)" by the end of 2019.
- Conducting Reima offices green practice baseline study in 2019.
- Conduct a product Lifecycle Analysis (LCA) project to establish baseline in 2019.

STAKEHOLDER ENGAGEMENT

Our key sustainability stakeholders are crucial to achieving our sustainability goals. Below you can see a summary of our engagement plan with them.

STAKEHOLDER GROUP	INTERACTION	KEY SUSTAINABILITY TOPICS
Consumers	Website, social media, in- store, on product (hangtags and care labels), email, customer service, events, ReimaLab, ReimaCities, ReimaGO	Product safety, product materials and recyclability, reuse, repair and recycle, product second-life, joy of movement, supply chain integrity, data protection
B2B key customers	One-on-one meetings, catalogues, on-demand information provision	Product safety, product features and recyclability, durability
Employees	Reimasters trainings, Reima Café, HR wellbeing events and tools, surveys, intranet and slack, email, performance reviews	Sustainability of operations, green office (WWF), product safety, product materials and recyclability, product second-life, joy of movement, data protection, anti-corruption
Owners	Meetings, reports	Regulation-compliance in all areas of operations (finished product, manufacturing, data protection, labour)



Courage to grow and learn

Finns are known for high personal integrity and trust in each other. At Reima, too, we have the courage for professional and organizational growth thanks to these features that are deeply embedded in how we work. We carefully follow laws and regulations wherever we operate.

To support the continuing ethical operations, Reima's Leadership team had an in-depth anti-corruption, code of conduct and GDPR training in 2018. Based on the assessed local needs and staff suggestions, the office staff had trainings in a range of subjects including agile methodology and English language.

We believe that equal opportunities for all makes for the healthiest and most successful organization. Our staff contentment is measured regularly and in 2018 our average overall contentment with Reima as an employer was an impressive 4.08/5.

Highlights

- The leadership team had an in-depth anti-corruption, code of conduct and GDPR training in 2018.
- Ongoing agile trainings were initiated.

Looking ahead

- We will train the whole staff on GDPR in 2019.
- We will create an anti-corruption training to be made available online for all staff.



PRINCIPLES AND TRAINING

Reima is committed to constantly developing not only our product but also how we work together as an organization. We support staff ambitions to grow their expertise and skillset. We are very strict about conducting business legally and ethically. Fair and equal pay is an important principle to us, not to mention adhering to minimum wage legislation. In Finland and Nordics, all employees below senior level both in the offices and stores are covered by collective bargaining agreements.¹ In accordance with Finnish law, we monitor the implementation of our equality and non-discrimination policy in Finland every three years.

We want to encourage all staff to share knowledge and successes with each other and get together every two weeks for a half an hour Reima Café to hear internal news and learnings, and sometimes for a little training session. The Cafés are live-broadcast to all offices and recorded and shared online afterwards.

We offer training and skills updates opportunities for staff. With IT, we offer easy-access online trainings on Microsoft Office programs through Wistec Online, and our designers got specialised training in the use of design programs. Different teams can attend different trainings or webinars based on the need assessed by their team leader. In Vantaa, we have regular trainings on the Agile methodology. In Russia, staff are offered English lessons. In China, the store employees received product training. The leadership team had a comprehensive anti-corruption, code of conduct and GDPR awareness training in 2018.

All Reima office staff have performance and career development reviews with their supervisors twice a year, whereby also individual level bonus targets are agreed on together, in line with company and team-level bonus targets. In 2019 we will introduce the performance and development system into the Nordic and German stores. The employee benefits, including the bonus system, are the same regardless of contract type.

STAFF BY NUMBERS

Reima employed over 480 staff members globally at the end of 2018. Of these, 84% were women, 16% men², compared with 88% and 12%, respectively, in 2017. It is typical of the textile and fashion industry. The share of those working at our offices is 53%, and 47% in Reima stores. You can find out more in the graphs on the following pages.

Reima is based in Finland, where also 46% of our staff is. Additionally we have sizeable country offices and stores in China and Russia, and smaller offices and stores in Europe. The headquarters has staff of twelve different nationalities. Of the eight-person leadership team, three are women and five men, and six are Finnish.

The geographical distribution and gender balance have effects on some other statistics. For example, in China it is common to have multi-year fixedterm contracts at the beginning of employment at a company. As our China offices were opened only some years ago, and have been growing rapidly, many people are still on fixed-term contracts there. Similarly, the high rates of (young) women result in relatively high rates of maternity leave substitutes who are on fixed term contracts. This also affects the turnover rate, which is 20% for Reima offices.

Typically, in retail the store staff is young, which shows as the high rate of part-time staff and young employees. As a strongly digitalising company Reima is also attracting younger new personnel. Nonetheless, the low rates of over 50-year-olds gives cause to pay particular attention to differences in work contentment between age groups in the next equality survey.

Our growth of the past few years shows particularly well in the typical employment duration. Just over half of our staff has been with us for 1-5 years.

Reima's focus on quality products shows as a high rate of staff in product-related functions such as design, product management and research and design.

Reima employees by country office



Employment type in Reima



¹ The data for other countries was not available at the time of writing.

² No staff members in records with a non-binary gender identity.

Finland

China

Russia

Other (Norway, Germany, Sweden)

Employment contract type in Reima



Reima personnel by age

Reima office staff by function





Employment duration



- Operational/ support functions
 Product related functions
 Sales related functions
 Marketing/ digital related functions
- Customer support functions

STAFF SATISFACTION

Reima cannot be successful if our employees are unwell or don't find their work meaningful. We've measured staff satisfaction several times a year since January 2017. After the survey, the results are shared with staff in a Reima Café. The average score in June 2018 was 4,08 on a scale from 1 to 5, up from the previous year across all measured categories.

Reima staff satisfactory survey





Big Goey hug at Reima Day in Nuuksio, Finland.

EVENTS

We want to help our staff take care of themselves, as well as to celebrate our successes together which brings us closer together as a community. In 2018, our well-being lectures focused on mindfulness and how to make lasting changes in lifestyle. The experts were provided by Cuckoo, the company behind the eponymous work break application used by Reima staff. The lectures were recorded and distributed to all offices in video format.

As we focus on children, they are often included in our special events as well. In particular, our annual Reima Day was a wonderful excursion to the forests of Nuuksio in August 2018, and in November Finnish Reima participated in the Bring your kids to work Day. Children are curious about where and how their parents spend their days, and the annual excursions are a great way to bring the community closer together as well.

We mark local holidays with office events, such as Christmas, New Year (Russia) and Spring festival (China) celebrations. Usually, there is one larger event per year, often the Christmas party, but for 2018 we celebrated reaching our net sales target (as set by the board of directors) with a Millionaire's Party in January.



Excellence in product and customer experience

The daily safety and comfort of kids is the most important outcome of Reima's work. We achieve this with careful design, choice and testing of materials, features and finished products. Reima also continuously develops materials with novel protective qualities (e.g. anti-mosquito), more environmentally friendly finishes for technical fabrics, and materials that are more durable, more easily recyclable, or made from recycled fibres. In addition to cutting-edge materials, our kidswear includes safety-enhancing features such as reflective details, easily detachable hoods and ice-grip shoe soles.

Sustainable design means minimising the impact of the product during its entire life. Passing a product from one child to another is an effective approach to sustainability, reducing waste and the need for new products. Thus, product durability is essential to Reima's environmental responsibility, as well as to serving our customers well.

Reima brand and products are often awarded for excellence: In 2018, Reima won "Best Kids' Winter Outerwear Brand" in Russia; Reima Nefar winter boots won the Independent's "Best Buy" Award in the UK; and the Silda and Skaidi jackets won "Best Everyday Jacket" with a score of 10/10 in Norwegian Familieklubben's test.

We want to know our customers are happy with our service and products, not just guess. Therefore we collect timely numerical and qualitative feedback from our retail customers on-site, and from our online customers post-purchase. In 2018, we also started to measure the Net Promoter Score (NPS) in ecommerce. Delivery delays caused a blip in the NPS temporarily in late summer following a change in logistics partners in Europe this summer. Delivery times were double the promised time to the Nordics, and more to Central Europe where the promised delivery time was only a few business days. It took weeks to unravel the backlog, which is an unacceptable time for customers to wait. The issues were fixed by the end

of the year with our logistics partner. We apologise to all those affected and humbly have considered this a significant lesson in the preparation and management of such large-scale logistical changes.

Reima also had to recall a Finnish Baby Box bodysuit with faulty snap buttons that was from an old collection (not designed by Reima). The fault did not pose a health risk, and the customers were offered a replacement bodysuit.

We are increasingly developing our services for families, beyond excellent clothing, to enable them to spend more time together outdoors and less time stressing about the appropriate gear for it. To ensure all data our customers entrust us with is secure and handled appropriately, without hindrance to their online experience, we implemented a GDPRcompliant data-management policy change in the summer of 2018. →

2018 Highlights

- We extended Reima's product safety requirement beyond regulation in our existing markets.
- We got two new product lines, Xylitol cool and Anti-mosquito into production for spring-summer 2019. These will make it easier to enjoy the outdoors even in hot weather or with mosquitoes around. Our anti-mosquito jacket won the Scandinavian Outdoor Kids Award.
- We started measuring the Net **Promoter Score of ecommerce** purchases and collecting extensive feedback on our ecommerce customer experience in particular.
- We updated our data management policy to meet GDPR standards and informed our customers of it.

Fumbles

- We changed our logistics partner in Europe in the summer, which caused unforeseen significant delays in the deliveries of online purchases.
- We recalled a Finnish Baby Box bodysuit from the old collection (not Reima production) with faulty snap buttons. The fault did not pose a health risk.

Looking ahead

- Introduce mono-material concept by 2020.
- We will continue to work on the product safety requirement beyond regulations in new markets by the end of 2019.

DURABILITY AT THE CORE OF SUSTAINABLE DESIGN

We view all choices of material, trims and design details through the durability lens. With the help of various test methods, our R&D team helps designers find the right materials. Choosing recycled or partly recycled and organically or sustainably grown materials whenever possible allows for a smaller ecological footprint if the material is durable enough. Good design also involves carefully considering the use of the garment. Knowing where wear and tear is most likely to first occur allows us to design the necessary reinforcements. We also think about how consumers could repair the garment, thereby extending its life. During 2018, we have developed a repair kit for Reima wear, which will be launched in 2019. Considering such things can extend the life of the product, which has a direct impact on waste reduction.

Design is not only about aesthetics, but mostly about comfort, wearability and functionality as well as safety. Good design considers the child and the adult who dresses them. Sustainable design also means careful consideration of timeless aesthetics, not just for the first users, but also the following ones. The more happy users a garment has had in its lifetime,

the better its design.

Ideally, when a child outgrows a garment, another child can still use it. In 2018, Reima started cooperation with **Emmy**, the largest Finnish online second-hand store for brands, and we actively promote this possibility to our loyal customers. However, we still face the question of what to do with a garment once it is worn out beyond repair. Reima has researched this issue by participating in the EU funded multi-disciplinary Trash-2-Cash project since 2015. By the end of 2018, the research team had come up with some very promising ideas for entirely recyclable clothes. We're aiming to produce prototypes of the 100% recyclable technical clothes by 2020, and include them in the collections later. In 2019 we will continue research into using design to further recyclability internally and together with recycling experts.

RESEARCH & DESIGN APPROACH

Reima defines and controls the designs, fabrics and



Reima durability embodied. A Finnish customer's mother got this jacket as a present in 1977. It passed on to her sisters, then her two daughters, and now her granddaughter (pictured). Not bad for over forty years of wear!

EXCELLENCE IN PRODUCT AND CUSTOMER EXPERIENCE 45

manufacturing processes of our products closely. The fabric and component factories used by our direct suppliers need to be approved by us. Reima chooses the fabrics and the crucial components used in the products. Fabrics must pass Reima's quality tests in our own laboratory.

We test materials and trimmings most crucially for dimensional stability, abrasion resistance, pilling resistance, tear strength, water resistance, water repellency, breathability, color fastnesses and ultraviolet protection. Quality tests are run several times during the production process. Some tested features vary depending on the season and material structure. This means that woven and knitted fabrics have different tests and requirements depending on the product category and season. For example, all thinner fabrics for summer seasons are tested for ultraviolet protection values.

Safety extends beyond making sure the product is safe to use; our clothing also includes features that improve the child's safety. Most of our autumn and winter jackets and overalls include reflective details to make the wearer more visible to vehicles in the dark. Our almost completely reflective Vilkku mittens gained an Honorable mention at the 2018 ISPO Scandinavian Outdoor Awards. LED lights on the outsole of rain boots were introduced in 2018. As the first company in the world, we included Vibram Arctic Grip wet ice technology in children's footwear. The new technology adds grip on icy surfaces, specifically on wet ice, helping prevent slipping and falling.

In 2018, two innovations were selected for upcoming collections: Anti-mosquito and Xylitol cool. The biobased chemistry for repelling mosquitoes without using permethrin helped the anti-mosquito jacket win the 2018 Scandinavian Outdoor Kids Award for spring/summer 2019.

Reima has a list of design principles which take into account the safety of both the child using the product and the environment.

SUSTAINABLE DESIGN PRINCIPLES

- We do not use nanotechnology e.g. nanofinishing in our materials nor products. They're bad for the environment (e.g. nanosilver, the most common nanotech in textiles, can be toxic to aquatic life) and the research on absorption through human skinand potential effects in our bodies is inconclusive.
- We do not use real fur. We believe in clothing kids warmly and fashionably without harming animals.
- The wool we use is mulesing-free. All wool starting from 2018, and most before that, is certified mulesing-free. Mulesing is a painful removal of strips of skin from a sheep's backside, resulting in scar tissue that doesn't grow wool. This is done to prevent a parasitic infection caused by flies which could be more attracted to poo attached to the wool around the bum. We believe in not harming animals for our materials.
- The down we use is produced according to the Responsible Down Standard. The Responsible Down Standard aims to ensure that down and feathers come from animals that have not been subjected to any unnecessary harm.
- We don't use any anti-bacterial finishing or **features.** They are damaging to the environment in manufacturing, and their efficacy and their non-toxicity in children's textiles is inconclusive.

- Our clothing items contain no PFC (perfluorinated carbons) and we're aiming to also remove them from all shoes.
- Overall, different material finishings are used with careful consideration and their use is kept as minimal as possible for the product's performance. If a chemical finishing is used on a product, it is tested to ensure chemical safety, as well as compliance with regulations.
- We test products regularly either ourselves or using a third party agent to ensure safety in product use and in manufacturing.
- Product design and details follow the strictest standards (e.g. no easily detaching parts, cord lengths etc.). These features minimize the risk of accidental suffocation, for example.
- We will increase the amount of organic cotton in the collections.
- We will increase the amount of recycled fiber materials.
- We will stop using optical brighteners and fluorescent colors in our innerwear and cotton products.

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ANIMAL WELFARE

- Most children love animals and would never want to hurt them. So we want to make sure that their clothing doesn't either.
- The down we use is sourced according to the Responsible Down Standard.
- Our wool is mulesing-free.
- We never use real fur.





DID YOU KNOW?

Xylitol occurs naturally in small amounts in some berries, fruit and mushrooms. It is more commonly derived from birch and corn. It is used as a sweetener and has much fewer calories than regular sugar.

MATERIALS

We are currently working on increasing the share of recycled fibers in Reima product selection. We will have three new recycled qualities in 2019 in addition to the two current ones: this translates to over twenty product styles. In the 2019 innerwear selection, we will have three materials with organic cotton and one that contains recycled polyester.



ANTI-MOSQUITO

In 2018 our new plant-based anti-mosquito treated jackets and pants were approved for introduction in 2019. The finishing is the first plant-based antimosquito treatment on the market and it is an ecofriendly alternative to the more commonly used permethrin. The active substance of the treatment is geraniol, which gives good performance against mosquitoes. The anti-mosquito jacket won the Kids Award in Scandinavian Outdoors Group's Outdoor Awards for spring/summer 2019.

Our anti-mosquito finishing is made by Breyner.

Europe is moving towards circular economies and closing the loop of product lifecycles. Separate collections of textile waste will be organized by 2025. Reima has been working on producing a fully recyclable product, which could be recycled back into fibres by 2023. This means selecting compatible materials and on the other hand reducing all unnecessary components to achieve our goal.



XYLITOL COOL

Reima also developed a garment group with xylitol cool finishing. The finishing provides a cooling effect when it comes into contact with moisture on the skin. When the kid's body temperature rises, the body heat and moisture activate the inner layers of the fabric and they start to release the active ingredients, xylitol and erythritol.

Our xylitol cool finishing is made by Tanatex.

CUSTOMER RELATIONS

Our expertise in children's outdoor wear is intended for the sole purpose of helping families enjoy movement. To do so, we need timely feedback and to be able to respond with information that is useful to our customers. The Reima website is the easiest place to get information on our products as well as on the company. On top of that, our customer service is available by phone, through the website and social media whenever customers have a question or comment! We're happy to help the end-consumer regardless of where they got our gear from.

RETAIL AND ONLINE CUSTOMERS

Our store staff are children's clothing experts and help customers choose the best option for their kids. In our Finnish and Swedish stores we collect data on customer satisfaction with our service that day. The aggregate results for 2018 were strongly positive, with 84% very happy or happy with the service. Another measure for customer satisfaction is the net promoter score (NPS), which is based on surveys and feedback collected from our ecommerce customers. Based on July-December data the NPS was 37, with heavy positive influence from the products and negative influence from delivery issues that we had following the change of a logistics partner in Europe. The NPS recovered to between 50-60 after the delivery issues were fixed.

In addition to customer satisfaction at the point of, and after purchase, we opened a new channel for proactively consulting Reima families in 2018, called ReimaLab, which you can read more about in the next chapter. We're also planning a new clothing subscription service, to enable families to spend more time together and less stressing about the right gear.



How happy were you with our service today?





DATA PROTECTION

The EU General Data Protection Regulation (GDPR) came into force in 2018. So that this change would not negatively impact our customers' online experience, Reima started preparing for the regulatory change almost a year ahead, in the autumn of 2017. The preparatory working group consisted of members responsible for risk management, digital business, human resources and ICT systems. The group prepared a risk assessment and a data privacy operating model (i.e. the policy and the organizational structure to oversee its implementation), in close cooperation with lawyers to ensure compliance.

As part of our new data privacy policy we created a list of security controls, a breach management process (internal and external) and responsibilities, and a data register and its updating process. In addition, we updated the data register business purposes (legal grounds and retention periods), the processes regarding rights of the data subjects, and the consent models and privacy notices. A data processing agreement was added to all existing agreements with suppliers, and their existing data privacy routines were recorded into the agreement attachments as well. An internal GDPR Governance steering group was founded to oversee the implementation of the policy, headed by the CFO.

Collaboration throughout the value chain

Reima prefers to cultivate long-standing relations with environmental and human rights practices expected our suppliers, as this helps build trust on both sides, and from our suppliers. These are based on major a good working relationship for mutual development of international UN conventions on human and labor purchasing and assessment processes, among other rights, as well as national and EU regulations on things.³ However, collaboration is essential to serving chemical safety. In addition to amfori BSCI audits, our customers well throughout. For a long time, we've we conduct our own assessments every two years, been happy to receive very direct feedback from our key or every year where a supplier is deemed in need of wholesale customers and want to make it increasingly support in bringing their operations up to standard. easy for end-consumers to have a discussion with us, In 2018, we reached our goal of having up-to-date too.

To shorten lead times, reduce energy use in transportation and improve value for money, we changed a handful of Manufacturing finished products is highly laborminor (by volume) suppliers from Sri Lanka to India. This intensive and therefore our main focus with the also helped increase efficiency through more automation direct supplier assessments is on human and labor in production, as well as deepening collaboration. For rights. Conversely, material manufacturing is highly the same reasons, we initiated primary research into automated, but has higher risks of environmental emerging markets in North-West China and Southeast damage, which is why we emphasize environmental Asia. It is both resource efficient and financially prudent assessments with material suppliers. to keep material and garment production as close to each other as possible, which is what we aim to do to Finally, we can only spread the joy of movement, if keep lead times short and shipping emissions to a we're serving the needs of our customers well. To minimum.

Our Operational Handbook, Code of Conduct and and reliably from consumers. → Restricted Substances List set the parameters for

assessments on 85% of our supplier base. The rest were in non-risk countries.

engage with families more directly, we've created ReimaLab, a platform for gaining feedback directly







Highlights

- In 2018 we assessed all but one direct suppliers in amfori-defined risk countries. 4
- ReimaLab, a customer feedback community, was launched with a focus on the Nordics to ensure we're delivering on our promise to provide families with the best children's wear for any weather.

Looking ahead

• We will assess all major materials suppliers and continue assessments for direct suppliers located in amfori defined risk countries in 2019.

⁴ We discontinued the cooperation with the missing supplier for other reasons after 2018

SUPPY CHAIN STATISTICS

Suppliers by country



In 2018 we had 39 direct suppliers in nine different countries for Reima, Lassie and Finnish Baby Box brands.

*Italy, Sri Lanka, Singapore, Taiwan, Hong Kong

Suppliers by country and share % of volume



Above you can see the breakdown of countries by supplier volume. *Finland, Singapore, Taiwan, Italy, Hong Kong

partnerships.



With each of these suppliers, on average our collaboration has lasted for six years. Of the 19 suppliers that we've collaborated with for less than five years, all are new suppliers, and specifically of those 19, 5 were Finnish Baby Box suppliers - Reima has only owned the brand for two years at the end of 2018. Even when including Finnish Baby Box, 78% of our volume comes from suppliers with whom we've collaborated with for longer than five years, 38% from supplier collaborations of ten or more years. The share of purchase value is even higher, because the higher-value purchases come from longer-term

SUPPLIER ASSESSMENT

Suppliers co-operating with Reima need to agree to the policies of our "Operational Handbook" and the "Code of Conduct". These documents are the formal written agreement between us and them to promote social and environmental compliance in the manufacturing sites, and a mutual commitment to assessments and auditing. These documents also provide the key guidelines, as well as some detailed information for the manufacturing, packaging, and delivery of our apparels and other products. In case the supplier uses secondary suppliers, the Operational Handbook and Code of Conduct make the supplier responsible for their compliance with the social and environmental parameters.

Our own assessment process and local operations with our suppliers ensure that product quality and sustainability standards are met. We evaluate the performance of each supplier each season. Alongside the performance evaluation, we conduct our own regular supplier assessment for social compliance for direct (finished goods) suppliers, as well as for environmental compliance for indirect (material) suppliers. These are conducted in addition to amfori BSCI audits. The goal of the assessments is to ensure that no human rights violations occur in our supply chain and that the environment is preserved.

FINISHED GOODS SUPPLIER ASSESSMENT

Reima's Code of Conduct (CoC) reflects its view on corporate responsibility. We share our view on human and labor rights and social and environmental responsibility with our suppliers through the CoC. To be our supplier, one must agree with the principles and to follow and implement them. The Code is based on International Labour Organization (ILO) conventions and United Nations (UN) guiding principles on business and human rights. This helps ensure that the relevant international conventions, e.g. concerning the ban on forced or child labour, are respected even in countries which have not ratified all ILO conventions, such as China and India.

We have our own assessment program for our direct suppliers in addition to our regular commercial visits, seasonal performance evaluation and external audits. The purpose of this program is to inform our suppliers about operational procedures and treatment, especially about the due diligence process. We conduct the assessment process mainly for the suppliers situated in the amfori-defined risk countries. Currently, 80% of our suppliers are located in such risk countries (China, Viet Nam, India, Sri Lanka). However, where necessary we do this for the suppliers in low risk countries too.

Reima's quality control team is trained to support the assessment process. They spend a significant amount of time on the factory sites and are therefore wellpositioned to flag any potential violations early on. Senior staff members also visit suppliers and assess their performance on a regular basis, at least once a year. We co-operate with and support the suppliers in improving any operational areas that are flagged in our assessments.

In principle, the Reima Direct supplier assessment program is conducted every second year for those who perform well, and every year if we need more closer co-operation. In addition to the suppliers' screened in 2017 which was approximately 36% of the then-existing supplier base, in 2018 we finished the assessment for all but one active suppliers located in amfori defined risk countries. With this we have surpassed the target for the year, 85%. The rest of suppliers were in non-risk countries.

In 2019, as per our regular auditing process, we will assess all new suppliers and the suppliers who need support, totalling 52% of the year's suppliers.

MATERIALS SUPPLIER ASSESSMENT

After the successful launch of Reima's environmental assessment for the material suppliers in 2017, we updated the assessment procedure in 2018. We screened 42% of our material suppliers in 2018 and assessed for adverse impact on the environment. We ensured that the waste water produced from the production is treated according to the local regulations.

During our own assessments we also share and discuss our Restricted Substance List (RSL) with the supplier. We explain the regulations the RSL is based on, e.g. REACH (EU) and known comparable certifications, e.g. bluesign® or OEKO-TEX®, to the technical personnel to ensure they are followed in the manufacturing stages. Many of our materials partners are already bluesign® approved or in the process of having certified, OEKO-TEX® certified for class I (for 0-3 year-olds) or II (textiles in direct contact with the skin), and passed ISO 14001 for environmental management. We often select suppliers based on the certification they have, as they are then more likely to automatically be compliant with Reima's own environmental guidelines.

Workers' health and safety is also a considerable part of the environmental assessment process. We ensure that harsh chemicals are handled properly and no chemicals or processes that are dangerous to human health are used.

TAKING RESPONSIBILITY

A professional third party audit helps ensure the environmental and social responsibility in operations. Amfori BSCI (Business Social Compliance Initiative) is a bridge between retailers or importers and producers. The platform follows the principles of the international standard for protecting workers' rights, namely the ILO (International Labour Organisation) conventions, and UN (United Nations) Guiding Principles on business and human rights and OECD (Organisation for Economic Co-operation and Development) guidelines.

Reima joined BSCI in 2010 as we believe that the BSCI's ideology matches our own views on social compliance and requirements. BSCI's terms of implementation help improve the working conditions in particular. Benchmarking their audits allowed us to identify any meaningful gaps and possibilities in our own assessments. BSCI membership requires annual third-party audits. The auditor interviews the factory management and carries out random tests concerning the working conditions.

Reima works in long-term partnerships and requires each new supplier to join either the BSCI compliance auditing system or a corresponding one. We consider the supplier to be primarily compliant if they are audited and certified by a similar social compliance system such as SA8000. In 2018, of our 31 tier-I suppliers located in amfori-defined risk countries, 26 had an up-to-date BSCI audit, 1 a WRAP audit and 3 an SA8000. Together these make up 85% of our purchase volume for the year.

Reima's Sustainability Director was elected to be a representative in amfori's Member Advisory Council (MAC) in 2018. This is an excellent opportunity to contribute to the improvement of social compliance and human rights beyond the organization by providing strategic direction within amfori BSCI. MAC represents the 2200 member organizations around the globe.



ACCORD

Although the official ACCORD program for fire and building safety in Bangladesh ended in 2018, a Transition Accord was signed to continue its work from June 2018 onwards. Despite not having any suppliers in Bangladesh currently, Reima took part in the original Accord signed in 2013 in the aftermath of the Rana Plaza collapse, and signed the Transition Accord to continue supporting the work for improving fire and building safety.



REIMALAB

The most intensive collaboration, especially on sustainability issues, is required in production, at beginning of the value chain. However, the more we can engage our consumers, the better we are able to serve their needs, as well as communicate on sustainability. Reima Lab is a new and inspiring online platform where consumers get to participate in our product development, give feedback on different topics and engage with us in a completely new way. It is a combination of fruitful open discussion, questionnaires and polls, and the most active members get to participate in monthly prize draws. Currently Reima Lab is mainly targeted to our European and US Reima Club members, but as we keep growing internationally, knowing and understanding local consumer needs is becoming more and more important. Therefore, we are looking into a possibility of adding other markets that are important for us, especially Russia and China.

Internally Reima Lab serves as a crucial tool for collaborating with consumers - our key sustainability stakeholders. With better insight we can produce right kind of products that our consumers really want and need, and this in turn means that less materials are wasted and we can decrease the amount of surplus products, too.





Sharing the joy of movement

The joy of movement is at the core of everything Reima does. However, weather is far from the only obstacle to sufficient daily movement and exercise. Having excellent gear helps you enjoy the outdoors, but doesn't in and of itself motivate you to go out. Given the globally increasing levels of health issues related with a lack of exercise and simple, daily movement, we want to not just enable but to encourage kids and families to move.

To this end, we wanted to develop services that would inspire families and children to include a little bit more movement in their daily lives. The ReimaGO tracker and app were introduced already in 2016 and in 2018 we've cooperated with Finnish, British and Chinese kindergartens for helping kids measure their daily activity using a fun game. ReimaCities was piloted in 2018 for helping families discover the hidden gems of their cities such as quirky playgrounds or picnic spots.

Highlights

- We launched a pilot of Reima Cities, a platform for sharing family-friendly activity tips, to encourage families to venture outdoors together.
- ReimaGO activity trackers are offered for use to all 5-7-year-olds in Touhula day care centres in Finland, as well as to selected primary school partners in London and Beijing, to inspire more active play time.

Looking ahead

• We will pilot Reima Play, a subscription and recycling service for seasonal outdoors wear.





REIMA CITIES

Reima Cities is part of our effort to empower consumers to spread the joy of movement themselves, and to therefore work towards healthier childhoods. Reima Cities is a platform for sharing tips on favorite spots for family-friendly play or urban or nature discovery. We want to inspire families in the Reima community to get out and do things together. Reima Cities was piloted in September 2018 with the first city, Helsinki. It attracted 12 000 visits during autumn 2018. However, due to scalability issues with expanding the platform to other markets, we decided to concentrate on product use and weather-related content in the future.

REIMAGO

According to Reima's international consumer survey in 2016, the majority of parents feel that children's outdoor activity is important. They want to encourage their children to be active outdoors, but bad weather and screen entertainment keep kids indoors.

The ReimaGO[®] concept utilises wearable technology, combining practical and high-quality weatherproof outerwear with a tracker that measures kids' movements and a fun, playful app. It turns our thinking around: games can also decrease kids' screen time and get them going. An inspiring, easy app makes kids' outdoor activity more joyful and help parents motivate their kids to move. The tracker that measures and transmits activity data to a mobile device can be attached to outerwear. It is produced by <u>Suunto</u> and manufactured in Finland.

The ReimaGO team started developing and finalizing a multi-user interface for schools, day cares and other professionals in 2017. In 2018, Reima agreed on long-term cooperation with Touhula, Finland's largest private day care chain. Touhula now lets all their 5-7-year-old kids use the tracker in their daily lives, as an inspiration to movement and fun part of their free play. It also enables parents to be able to check how active their children have been during the day.

Thanks to the It's Great Out There Coalition, 85 pupils in Rosendale Primary School in London can now enjoy wearing ReimaGO activity trackers. In Beijing we piloted ReimaGO with Hei School pupils. We hope to move even more children across the whole world!

Environmental integrity

Environmental responsibility is very comprehensive and ranges from greenhouse gas emissions throughout operations and supply chain, to protecting the environment and people from harmful and unnecessary chemicals, as well as improving resource-use efficiency.

We've successfully decreased the share of air freight in our shipments to only 2% of the weight shipped, and instead we use rail, road and sea shipments, which are significantly less polluting. This reduces the average CO₂ emissions per kilo shipped. We're also making an effort to have material suppliers as close to finished goods suppliers as possible, in order to reduce unnecessary transport during manufacturing. We compiled a comprehensive Restricted Substances List, which we introduced to our three major tier-Il suppliers, who together make the majority of our materials. We discussed the list together with these main suppliers to ensure the list and instructions are clear, and to also find out if there are any challenges in implementing it from the suppliers' perspective. However, most of the items on the list have been restricted or banned in our manufacturing for a long time due to e.g. EU's REACH regulations and our own initiative for tighter restrictions compared to industry standards. For example, we've also banned nanomaterials and phthalates, and our clothes have been PFC-free since 2017.

As improving the environmental soundness of our operations is so comprehensive and challenging, we embrace partnerships to help us along. We joined the World Wildlife Fund's (WWF) Green Office network in 2017, and both our Finnish offices were certified in 2018. In product development, the two-year EU funded Trash2Cash project was concluded, whereby new non-toxic finishes were developed in collaboration with project partners. Our pilot project for re-selling Reima wear through Emmy, Finland's largest secondhand online store, succeeded beyond expectations, and we continued the partnership throughout the year. Customers can recycle their old Reima gear at any Finnish Reima store, and get a discount code, plus a share of the sales from Emmy. Together we helped prevent the CO₂ emissions equivalent to one person's air travel from Helsinki to San Francisco.

Finally, to reduce plastic waste, and microplastic pollution, we gave up plastic bags in our European and Chinese stores. That means tens of thousands of plastic bags never made and never used. To reduce microplastic shedding into water systems we introduced a new microplastic-catching washing bag called Guppyfriend into our offering. →



Highlights

- We reduced product air freight to around 2% of total weight shipped, helping reduce carbon emissions.
- We introduced a green product line of products of 100% organic cotton, and also products containing polyester from recycled fibres.
- We compiled and communicated the Restricted Substances List in manufacturing.
- We gave up plastic bags in our European and Chinese stores.
- Our Finnish offices gained WWF Green Office certificates.

Looking ahead

- We need to have a better understanding of the environmental impact of our products. In 2019 we will conduct a life-cycle analysis project to establish a baseline.
- We will initiate a Reima offices green practice program, starting with a baseline study in 2019.


Share of goods (weight)

REDUCING THE CARBON FOOTPRINT OF LOGISTICS

Reima aims to begin measuring the CO₂ emissions of our whole operations. For now, we have the figures for the CO2 emissions of the inbound shipping of our goods from our Asia hubs to European hubs, which forms the bulk of our shipping emissions. Our particular focus was on cutting down the share of air freight from over 7% in 2017 to below 5% of weight shipped, because we want to reduce the average emissions of shipping 1 kilogram of Reima clothing, and reducing airfreight is the most effective and cost-effective way of doing so. We succeeded in bringing the share of airfreight to around 2% of weight shipped. We always aim to use the shortest route and least polluting shipping method available.

The figures on the next page are for the European, online, retail and Russian inbound goods, and does not include for example our Asia operations, nor deliveries from the hub to the customer (wholesale nor end consumer). The exact emissions were available from most of our forwarders and we have estimated the total using the average per kilo emissions by shipping method for the one forwarder that could not provide us with their own emissions figures. Due to the differences in which routes and volumes were available for reporting between 2017 and 2018, we do not consider the years comparable in a meaningful way.





Share of CO2 emissions by shipping method



46%



WWF GREEN OFFICE CERTIFICATE

In 2017 Reima joined the WWF (World Wildlife Fund) Green Office Program and in 2018 we gained their Green Office Certificate for both the HQ in Vantaa as well as our Tampere office. The program is intended for a comprehensive improvement in resource use, and a reduction in pollution and carbon emissions. The certificate and programme mean that we are committed to reporting annually on our progress in greening these offices.

The Green Office program has seven themes: management, communications and engagement, energy and water, procurement, recycling, sorting and cleaning, travel, and food. Below you can see our green office staff survey results for the year 2018 from the two Finnish Offices (response rate 50%). Our total score was 71 out of 100, which is already pretty high. However, in the Green Office Network the average total score was 73.4. Next year we aim to beat the average.

Our Green Office aims for 2018 were a 50% response rate for the behaviour survey, reducing paper consumption per person by 5%, and keeping the office electricity consumptions level despite growth in staff numbers. We reached the response rate target, but unfortunately paper consumption per person grew by 4%, and the headquarters' electricity consumption also surged compared to 2017. We are in the process of defining our 2019 targets at the time of this writing. On top of this, the headquarters' property manager informed us that they had discovered the energy supplier had implied 100% of their energy was produced with renewables, but of last year's consumption only 15% was renewables. The property managers are looking to fix this at the time of writing. We are pushing for them to ensure 100% renewable energy for the HQ.



Green office behavior survey results 2018



CLEANER AND BETTER PROCESSES AND MATERIALS

There is a growing range of ecological processes and technologies (less water, energy and chemicals) in the textile industry for dyeing, printing, laminating and finishing, but in turn there are industrywide sustainability challenges regarding material performance, product scalability, technical feasibility and cost. We are seeking possibilities to integrate the sustainable processes into Reima's production while maintaining or even improving the material and product performance.

We introduced a Green Line of products in 2018. The Green Line products contain 100% organic cotton. Other greener than usual options consist of cotton mixed with Lyocell (made from cellulose) or polyester fibres made from recycled plastic bottles. In 2018, about 2% of Reima's purchase volume was made with these environmentally preferable materials. This is only the beginning, so there is naturally room for improvement.

RESTRICTED SUBSTANCES LIST

We have compiled the RSL (Restricted Substance List) at the end of 2018 and it will be shared to our fabric mills to strengthen the chemical safety of our products. The list specifies which substances are banned or restricted in the product manufacturing process and in finished products. There are limits based on national and international regulations (notably, REACH), but there are even stricter limits set for various chemicals. We will update the RSL on a regular basis and share the updated information with our partners to undertake responsible chemical management in their practices.

Reima RSL is based on current legal restrictions, bluesign®, OEKO-TEX® 100 and Reima's own additional requirements. Although suppliers are urged to fulfil the requirements, we keep testing materials and products and phasing out of high-risk substances to continuously improve chemicals management performance in the supply chain.

BIONIC FINISH[®]ECO

RESTRICTED SUBSTANCES LIST

We are finalizing the RSL and are planning to publish the detailed list also for the convenience of our consumers in 2019. The list bans the use of the following substances in production completely, with the exception of those marked with an asterisk where we follow a maximum acceptability level (again, based on international and local regulations):

- ALKYLPHENOLS AND ALKYLPHENOL ETHOXYLATES
- BIOCIDES *
- CHLORINATED BENZENES
 (CHLOROBENZENES) AND TOLUENES
 (CHLOROTOLUENES)
- CHLORINATED PHENOLS
- AZO DYES
- DYESTUFFS WITH CARCINOGENIC OR ALLERGENIC POTENTIAL AND/OR ENVIRONMENTALLY OR OTHERWISE HARMFUL DYESTUFFS
- FLAME RETARDANTS
- FLUORINATED SUBSTANCES
- FORMALDEHYDE *
- GLYCOLS
- ANTIMONY *
- ARSENIC *
- BARIUM *

As mentioned in the chapter concerning product excellence, we also have banned PFCs in clothing. Our non-PFC clothing cannot even be manufactured on the same production line as PFC unregulated products, due to a contamination risk.

- CADMIUM
- CHROMIUM *
- CHROMIUM VI *
- LEAD
- MERCURY
- NICKEL
- NITROBENZENE
- PESTICIDES
- PLASTICIZERS (PHTHALATES)
- POLYAROMATIC HYDROCARBONS (PAHS)
- SOLVENTS *
- TIN-ORGANIC COMPOUNDS *
- UV-PROTECTION AGENTS *
- NANO MATERIALS
- **BISPHENOL A (BPA)**
- OPTICAL BRIGHTENERS *
- OTHER SUBSTANCES AND CHEMICALS *

REDUCE FOR A BETTER IMPACT

OPENING UP POSSIBILITIES IN CIRCULAR ECONOMY

When Reima started its operations in 1944, there was a shortage of raw materials in the post-war world. Our first products were work wear, which we made from used snow suits and army surplus tents. Current Finnish grandparents can still remember that in their youth, children's wear was very often homemade using the fabric from adults' old clothing and passed on to another child in the family. The love for high quality materials and a strong belief in durability has never quite left us. Now as the world faces climate change, for us circular economy simply means acknowledging the scarcity of materials, a fact we have already grown used to.

Synthetic fibres allow us to make long-lasting products and, it makes sense to use those products for as long as possible before discarding them. Our desire to support the reuse of Reima products led to a pilot in early 2018 with Emmy, Finland's largest

online second-hand store for brand clothes. After the stunning results of the pilot, we agreed on a continuous cooperation model where consumers can bring their clothes to Reima stores in Finland, to be resold by Emmy.fi. Emmy evaluates and prices the goods and pays the consumer their share of the resale price. Additionally, Reima rewards the consumers with special benefits throughout the year.

With the help of Reima's own promotion campaign, the amount of Reima and Reimatec garments resold through Emmy rose from 1033 pieces in 2017 to 2769 pieces in 2018 (January until end of November). During 2018, Emmy has opened its international online store, and Reima has started researching how to extend this or some other kind of circular economy model to countries outside Finland. Of course, Reima clothes are also resold and reused through other channels around the world, although this is harder to quantify.



Reima goods sold through Emmy.fi



OUR PRODUCTS ARE BUILT TO LAST. 10 KG OF CARBON EMISSIONS CAN BE SAVED EVERY WINTER JUST BY HANDING A JACKET DOWN TO BE REUSED BY A NEW CHILD.



CO, FOOTPRINT +10 KG

The estimated average carbon footprint of making one winter jacket is 10 kg. Because children grow quickly, a jacket might fit for only one winter.



SAVINGS -10 KG

If another child wears the same jacket for one more winter instead of buying a new one, it will save 10 kg of carbon emissions.



SAVINGS -20 KG

Each new wearer saves an additional 10 kg of carbon emissions.

10 KG OF CO₂



TRAVELLING BY AIR

Traveling 3.5 km by air emits 10 kg of CO₂



TRAVELLING BY CAR

Driving 60 km emits 10 kg of CO₂



GROWING TREES

To compensate for 10 kg of CO₂ emissions, you need to grow (and not chop down) 12,5 m² of Nordic pine forest.

TRASH2CASH

Reima has been a design partner in the research project <u>Trash-2-Cash</u> from June 2015 until the end of 2018. The project was funded by EU's Horizon 2020 program. The aim of the project was to generate new fibers from pre- and post-consumer textile waste pioneering a new approach to design and material development.

As a design partner, we created four different kidswear products related to master cases to which other partners developed and researched fibers suitable for circular economy. The products were fleece from regenerated ecofriendly cellulosic fibers, comfortable and elastic jeans without elastane, a recyclable rain jacket and a base layer shirt from hydrophobic cellulosic fibers.

The wide range of project partners was a great sustainability learning opportunity for Reima.

⁷ See e.g. <u>Ecotricity</u> CO₂ clothes calculations. We've assumed a child's jacket to be a little over half of an adult's.

OUR MAIN TAKEAWAYS WERE THE FOLLOWING:

- 1. **RECYCLING OF MATERIAL FIBERS AND THEIR PROCESSING AND REGENERATION:** As the recycling of fibers is impossible with elastane mixes, we've already reduced the amount of elastane and intend to eliminate it completely in the future.
- 2. **LIFE CYCLE ASSESSMENT:** In the future we'll make use of LCA in order to improve the overall sustainability of our garments.
- 3. **METHODOLOGY OF MULTIDISCIPLINARY GROUPWORK:** We will assess whether Reima could use the project's multidisciplinary project tools in projects within the company.

WASH LESS AND REPAIR (K)IT

Washing wears down the fabric and finish of a product little by little. To help our customers care for their purchases and to extend their lifespans, we updated our care instructions in 2018 to make them even simpler to follow. For the year 2019 Reima will be reviewing the instructions to keep them up to date and to inform our customers about the environmental impacts of garment care in particular.

Despite our best efforts, we cannot guarantee that each part of a product will wear down at the same rate. This is why we've created a special repair kit for Reima products, to help fix minor wear and tear. Fixing products rather than throwing them away helps save resources over time!

REDUCING THE USE AND RELEASE OF PLASTICS INTO THE ENVIRONMENT

Microplastics are tiny bits of plastic, estimated to be the single most pervasive cause of watershed plastic pollution. Pollutants and environmental toxins latch onto the microplastics and are ingested by sea life, causing them to suffer from health issues that affect, for example, organs and hormones. Microplastics can be passed up the food chain all the way to humans. As of yet, there's no concrete research about the effects of microplastics on humans, but the negative effects on smaller living organisms are clear.

Microplastics come from a variety of sources, such as car tyres and synthetic fabrics like polyester, polyamide (nylon) and acrylics. Every time we wash our synthetic clothes, they release microscopic plastic fibres — up to 1,900 microfibers per wash. Neither washing machines nor water treatment plants can filter them completely, so they ultimately end up in natural bodies of water.





GUPPYFRIEND VS. MACHINE WASH MICROPLASTICS

Synthetic materials are needed to make high performance clothing. Natural materials can't do the things we expect from clothing designed for outdoor activity, like provide waterproof or dirt-repellent protection. How can we provide high performance clothing without disrespecting our planet?

In 2018, Reima introduced the Guppyfriend washing bag to our permanent offering. Guppyfriend is the world's first practical solution to the microplastics problem. Specially designed using non-shedding polyamide material, the mesh bag filters virtually all microfibers that your clothing sheds before it can enter the marine ecosystem. You should make sure that the plastic ends up in mixed waste. What's more, your clothing stays better for longer because Guppyfriend protects it effectively during the wash. Designed by the German non-profit <u>STOP! Micro</u> <u>Waste</u>, Guppyfriend is an easy-to-use solution that protects our environment as we continue to search for more permanent solutions.

GOODBYE PLASTIC BAGS

In 2017, we gave out over 53 000 plastic shopping bags at our Finnish stores. Single-use shopping bags are often not at all necessary, but as life is full of surprises, one can not always predict the need for additional bags. To further reduce the use of plastic, in 2018, we replaced plastic bags with paper ones in our European and Chinese stores. In 2019, we aim to make the same switch to paper bags in Reima stores in Russia. The paper bags are not laminated with plastic, and the handles are of paper, too, so the entire bag is easily recyclable and biodegradable. Customers can also buy an organic cotton Reima tote bag for permanent use.



Contact us

If you have any questions about this report, or any other matters related to sustainability, we are always happy to answer and discuss.





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CORPORATE RESPONSIBILITY REPORT

