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# Marimekko in brief

Marimekko is a Finnish textile and clothing design company. The core of its business is the design and manufacture of timeless and individual, practical and beautiful consumer goods. Marimekko is renowned first and foremost for its original patterns and colours. The company's product portfolio includes high-quality clothing, bags and accessories as well as home décor items ranging from textiles to tableware. Marimekko's interior fabrics sold by the metre are printed in the company's own textile printing factory in Finland; all other products are manufactured by subcontractors in Europe and Asia.

When Marimekko was founded in 1951, its unparalleled printed fabrics gave it a strong and unique identity. Marimekko products are sold in about 40 countries. In 2014, brand sales of the products worldwide amounted to EUR 187 million and the company's net sales were EUR 94 million. The number of Marimekko stores totalled 144 at year-end. The key markets are Northern Europe, North America and the Asia-Pacific region. The Group employs around 500 people. The company's head office is in Helsinki, Finland and its share is quoted on NASDAQ OMX Helsinki Ltd. The Marimekko Group also has subsidiaries in Finland, Sweden, Germany, Great Britain, the United States and Australia.

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# From the CEO

Marimekko is living in interesting times. We have invested strongly in internationalisation in the past five years, and in 2014 we moved into the next stage in our strategy. The focal points for the years ahead will include growing from a brand with a small public into something that appeals to a broader clientele, raising Marimekko fashion to a new level, turning growth into stronger profitability, expanding the number of stores particularly in Asia, and moving into a new phase in digitisation and partnering projects. We are also happy to have a new Creative Director at Marimekko; the collections hitting the shops towards the end of the year already give indications of the direction in which she aims to steer Marimekko design.

Amidst all change, the core of the Marimekko brand has stayed the same throughout the company's many decades of history – based on a strong set of values, we make long-lasting and timeless design that brings joy into people's everyday lives around the world. We do not make disposable fashion. Ideally, people fall in love with Marimekko products and this affection lasts a lifetime. Sustainability has gone hand in hand with our values since the company was founded.

We do what we believe in, and fair treatment of people and respect for the environment are at the heart of our values. In many of Marimekko's main markets, the trend towards more sustainable and meaningful consumption is constantly gaining in strength, and in addition to quality and durability, the sustainability aspects of materials, for example, are also growing in importance. We see in this an opportunity for Marimekko to encourage its customers to love their clothing and household goods even more. Today's Marimekko items can be the vintage treasures of tomorrow.

In respect of the material that Marimekko uses most, cotton, we expect considerable steps forward this year towards our goal of raising the share of more sustainable materials in our collections as we markedly increase our procurement of Better Cotton. We are also taking part in a research project involving the development of a more sustainable, wood-based, Finnish textile fibre.

In 2014, we launched the planning for the next phase of Marimekko's responsibility strategy. We want to bring our sustainability work closer to the consumer, both in stores and online. We want to look at

things genuinely with the customers' eyes and aim at the same time strongly for the future, to seek new and innovative solutions for things like product recyclability and materials.

We also took an important step to increase the transparency of our supply chain when we published information on our major suppliers in the spring of 2015. The biggest responsibility challenges in our line of business are still related to working conditions in the supply chain. For example, are a seamstress's wages enough to support a family? Or are the chemicals used for finishing fabrics being handled safely? In these issues, close collaboration with the supply chain and other players in the sector is particularly significant. Marimekko is a small company in the global marketplace, and we cannot achieve major changes on our own. For this reason, it is important for us to be involved in the industry's joint projects such as the Better Cotton Initiative and the Business Social Compliance Initiative. On both projects, we are part of a broad-based network with far more influence than could be wielded by individual companies.

We at Marimekko have always believed in the power of doing



things together, and we believe in this also for solving the challenges of sustainable development. To me, it is important for us to be bold in accordance with our values, particularly in the face of difficult issues. Challenges always also offer opportunities, and Marimekko is already in an excellent position due to its design philosophy and, for instance, in that the majority of the products are manufactured in Europe. However, I want us to set the bar even higher as we approach the year 2020. We want boldly to show the way ahead to others, to challenge prevailing notions and to act as a counterforce to the disposable culture – to design timeless and lovable products that give people joy and many warm memories.

Mika Ihamuotila



# CPO's greetings

The year 2014 was a busy one for Marimekko in many ways. We celebrated Marimekko's colourful history and the 50-year-old Unikko pattern, but we also turned our gaze fixedly to the future and to such questions as what Marimekko fashion will look like in the years to come. We recruited a new Creative Director and reorganised the design, sourcing and product teams to streamline operations and to integrate functions. We set new frameworks for working on collections, we updated our product range, and we initiated an update of our sourcing strategy in line with the next phase of our business strategy.

In respect of sustainability work, we kick-started a strategy process whereby we are setting the vision and targets for our sustainability work for the year 2020. Sustainability and lasting, timeless design have been at the core of Marimekko's design philosophy since the company was founded, but as the world changes rapidly it is also important for us to define the meaning of sustainability and responsibility for Marimekko today and especially tomorrow. Everything starts with product design and choices of materials, but just as important are responsible sourcing and making

sure that Marimekko's products are manufactured in fair working conditions while minimising environmental impacts.

One thing stood out above all in the stakeholder interviews held at the end of 2014 – the interviewees felt that Marimekko could have a significant impact as an advocate for sustainable and timeless design. It's possible for all of us to consume thoughtfully. We at Marimekko want to make responsible choices on the customers' behalf so that they can buy our products with an easy mind. It is our duty to see to it that the product meets the quality and durability requirements set for it and that it is manufactured in fair working conditions. This is something that our customers also expect of us. Although global supply chains can be long and complex, it is our aim to make our supply chain as transparent as possible. We believe that transparency is responsibility, and by providing our customers with information on, for example, where and by whom their products have been manufactured, we will build the customer's trust in Marimekko. It is impossible for us to monitor every actor in the procurement chain 100 percent, but we believe that by long-term collaboration and good

partnerships with suppliers and other players in the sector we will achieve something good.

In 2015, we aim to focus on how we can further improve and streamline our operations, making perhaps fewer but even better products and increasing the share of more sustainable materials in our collections. First and foremost, we will set the targets and direction for Marimekko's sustainability work in the future. We hope for feedback and ideas from all of our stakeholders concerning Marimekko's sustainability and that you will stay with us on our journey in years to come.

Niina Nenonen



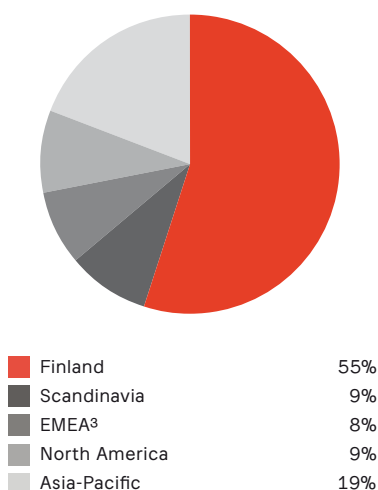


# 2014 in figures

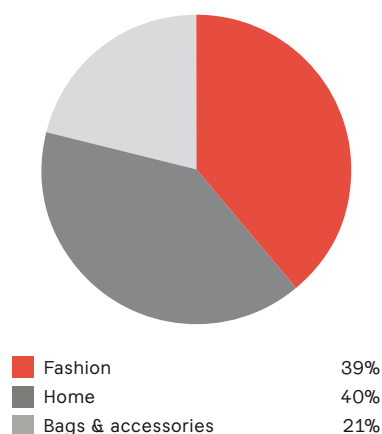
## MARIMEKKO

- design company established in 1951
- three product lines: fashion, home, bags & accessories
- net sales of EUR 94 million
- brand sales<sup>1</sup> of Marimekko products worldwide of approximately EUR 187 million
- 144 Marimekko stores<sup>2</sup> at the year end, of which 54 were company-owned
- key markets: Northern Europe, North America and the Asia-Pacific region
- products sold in approximately 40 countries
- employs an average of 500 people

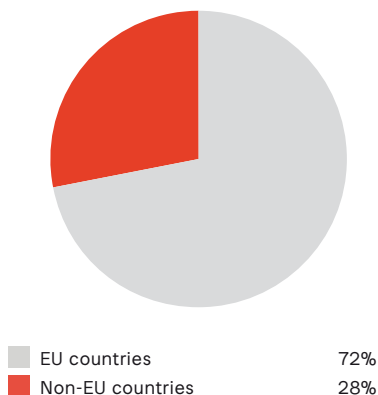
Net sales by market area 2014



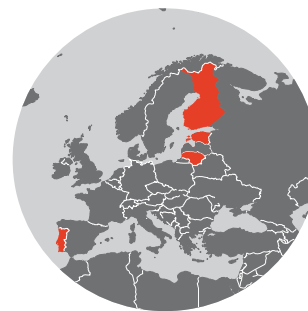
Net sales by product line 2014



Manufacturing countries 2014



Manufacturing countries 2014



The main manufacturing countries were Finland (23%), Estonia (18%), Lithuania (15%) and Portugal (12%). Outside the EU, the biggest manufacturing countries were China (10%), Thailand (7%) and India (5%).



## KEY FIGURES

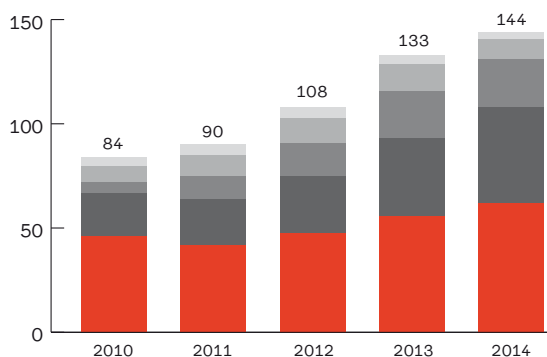
	2014	2013	Change, %
Net sales, EUR 1,000	94,150	94,007	0
share of international sales, %	45	45	
Operating profit, EUR 1,000	5,592	82	
operating profit margin, %	5.9	0.1	
Net result for the financial year, EUR 1,000	4,114	-955	
Earnings per share, EUR	0.51	-0.12	
Dividend per share, EUR	0.35	0.25	40
Cash flow from operating activities, EUR 1,000	9,851	5,424	82
Return on equity (ROE), %	14.7	-3.4	
Return on investment (ROI), %	15.6	-1.1	
Equity ratio, %	61.6	55.5	
Personnel at year end	479	502	-5
outside Finland	129	124	4
Brand sales <sup>1</sup> , EUR 1,000	186,787	191,098	-2
share of international sales, %	61	60	
Number of stores <sup>2</sup>	144	133	8

<sup>1</sup> Estimated sales of Marimekko products at consumer prices. Brand sales are calculated by adding together the company's own retail sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's actual wholesale sales to these retailers, is unofficial and does not include VAT. The figure is not audited.

<sup>2</sup> Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm.

<sup>3</sup> The market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area) as a result of the partnership initiated in the Middle East during the second quarter of 2014.

## MARIMEKKO STORES



	2010	2011	2012	2013	2014
Finland	46	42	48	56	62
Asia-Pacific	21	22	27	37	46
North America	5	11	16	23	23
Scandinavia	8	10	12	13	10
EMEA <sup>3</sup>	4	5	5	4	3
Total	84	90	108	133	144

## MORE INFORMATION

Comprehensive information about Marimekko's business development can be found in a separate report, Financial Statements 2014. You can read and order the report on our website [company.marimekko.com](http://company.marimekko.com) under Releases / Annual Reports.

# Sustainability at Marimekko

Marimekko's sustainability thinking is based on our view of Marimekko as a house that respects people and the environment they live in around the world. We bring joy with our colourful, long-lasting products and we are a fair employer and a trustworthy partner for both our customers and our suppliers.

## VISION AND VALUES, MARIMEKKO SPIRIT

Marimekko's vision is to be the world's most prestigious pattern designer and one of the most fascinating design brands. Our strengths are the uniqueness and inherent interest of the brand, the diversity of the patterns, and the originality of the design idiom. Leadership in Marimekko is based on shared values that we hold to be important and that we live and work by every day. Six basic values inspire and motivate us, guide our choices and help us to achieve our vision. We set the values in the same way as we do everything else – together.

Our value "fairness to everyone and everything" crystallises the core of Marimekko's sustainability thinking. We treat other people fairly, and we create products that bring joy for a long time with minimal environmental impacts.

Marimekko's growth and internationalisation emphasise the importance of clear, common rules of operation. Everyday work and decision-making become easier, when every Marimekko employee knows how to do things the right way. In 2014, we drew up collective, more specific procedural principles for our personnel. In 2015, the Marimekko Code of Conduct will be deployed for use throughout the organisation, and training for the personnel will be held in what conduct in compliance with the Code means in practice. The Code of Conduct will also help us in communicating the importance of ethical business practices to our external stakeholders.

## STRATEGY AND SUSTAINABILITY MANAGEMENT

Marimekko has a long-term international growth strategy; our goal is to grow and succeed in the international arena as a Finnish design company that has a strong identity. In business development, there is a focus on controlled growth in Finland and selected export markets. The key markets are Northern Europe, North America and the Asia-Pacific region. In the course of 2014, we moved into the next phase of our strategy, the main thrusts of which are expanding from a "cult brand" with a small public into a brand that appeals to a broader clientele, raising Marimekko fashion to a new level, turning the past few years' growth into stronger profitability, increasing the number of stores particularly in Asia, and entering a new phase in digitisation and partnering projects.

Regarding sustainability, we have been developing our operations on a long-term basis. The Marimekko Board of Directors approved the general principles of Marimekko's corporate social responsibility in 2008. The priority areas of sustainability work are sustainable design and responsible sourcing, without neglecting the product's entire value chain. The main objective of Marimekko's corporate responsibility strategy for 2011–2015 is to make sustainability based on common values and goals an even more systematic part of everything we do.

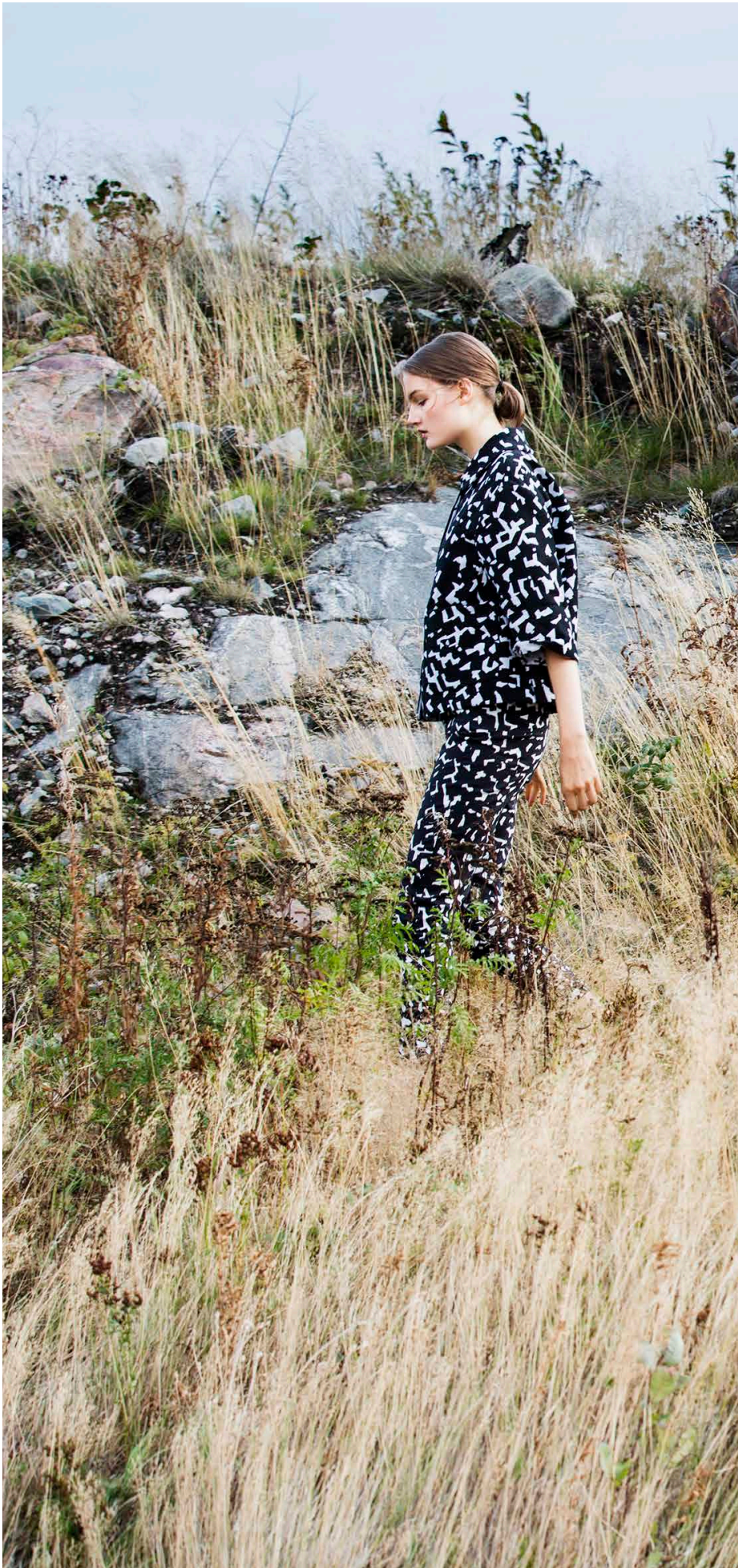
Marimekko's steering group for sustainability follows the changes and essential trends in the company's

operating environment, plans the sustainability work, evaluates progress against the targets set, sets new targets and monitors projects promoting sustainability. Overall responsibility for sustainability issues lies with the President and the results of sustainability work are reported regularly to the Management Group and annually to the Board of Directors. The business units and functions of the company are each in charge of their own sustainability targets and results. Design, sourcing, production and communications have especially important roles in putting sustainability into practice. At Management Group level, responsibility for sustainability issues lies mainly with the Chief Product Officer and the Creative Director in addition to the President. Practical implementation of the sustainability work is coordinated by the Sustainability Manager together with different functions.

In addition to the steering group for sustainability, specific working groups develop sustainability-related policies and approaches. Employees are engaged in development work so that everyone working at Marimekko understands what sustainability means in everyday work. Sustainability is a common issue at Marimekko and we are all responsible for continuous development.

In 2014, we initiated the background work for the drafting of our sustainability strategy for the period 2016–2020. We collated information on general trends in the sector, megatrends and consumer trends, and





## **Marimekko spirit**

Living, not pretending

Fairness to everyone  
and everything

Common sense

Getting things done  
– together

Courage, even at the  
risk of failure

Joy

we carried out a peer company analysis to see how we perform in matters of sustainability in relation to other players in the business. We also interviewed representatives of stakeholders important to Marimekko, such as NGOs. In early 2015, we conducted broader stakeholder surveys. This work helps us to chart our stakeholders' expectations and to make sure that we develop our operations with the stakeholders' expectations in mind.

#### **MATERIAL SUSTAINABILITY THEMES**

The material sustainability issues for Marimekko were defined for the first time in 2010 together with an external expert. Employees representing all significant functions

from sustainability's perspective, such as from sourcing, product design and communications participated in the process.

Material themes and their significance for the business were updated in 2011 while drawing up the corporate responsibility strategy for 2011 to 2015. The updating of themes was based on results from a survey conducted among the management team members and other key persons. Also results from a stakeholder survey conducted for loyal customers and employees were utilised in updating the themes.

The material themes were updated once again in 2013 based on feedback received from stakeholders and an industry review. Identified material aspects were categorised to five main

themes: sustainable design, responsible sourcing, environmental impacts of production, employee wellbeing and expertise and responsible business practices. These five main themes and the specific issues related to them guide the planning and reporting of our sustainability work. In 2014, we observed that, in particular, the adequacy of wages paid to workers and the implementation of human rights in the supply chain, as well as the supply chain's transparency, were becoming increasingly prominent viewpoints in respect of responsible sourcing. In the future, we will pay more attention to these aspects in planning our sustainability work.

The theme-specific issues are presented in the following table.

#### **MATERIAL SUSTAINABILITY THEMES**

##### **SUSTAINABLE DESIGN**

- Timeless, high quality, functional products
- Sustainable and durable design and continuous product development
- Design integrity
- More sustainable materials and fairly produced raw materials
- Use and disposal of products

##### **RESPONSIBLE SOURCING**

- Responsible business partners
- Working conditions in manufacturing
- Product safety
- Human rights in supply chain
- Environmental impacts of production and distribution in supply chain

##### **ENVIRONMENTAL IMPACTS OF PRODUCTION**

- Climate change mitigation and energy efficiency
- Material efficiency
- Chemicals
- Water use

##### **EMPLOYEE WELLBEING AND EXPERTISE**

- Fair employer and responsible employment
- Capacity building
- Wellbeing at work
- Health and safety

##### **RESPONSIBLE BUSINESS PRACTICES**

- Financial profitability, controlled growth and internationalisation
- Good corporate governance and risk management
- Charity and donations
- Stakeholder engagement



## MARIMEKKO'S STRATEGIC LONG-TERM SUSTAINABILITY OBJECTIVES

- eliciting the commitment of strategic suppliers for developing their own sustainability
- increasing the proportion of more sustainable materials in the collections
- improving the durability of products through product development and quality control
- constant monitoring of the chemicals used in the manufacturing of products
- absolute user-safety of products in all circumstances
- continuous reduction of the environmental impacts of in-house manufacturing relative to the volume of operations
- educating customers in caring for products and the impacts during use
- employee satisfaction with Marimekko and the company's sustainability work



## MARIMEKKO'S SUSTAINABILITY TARGETS 2011–2015

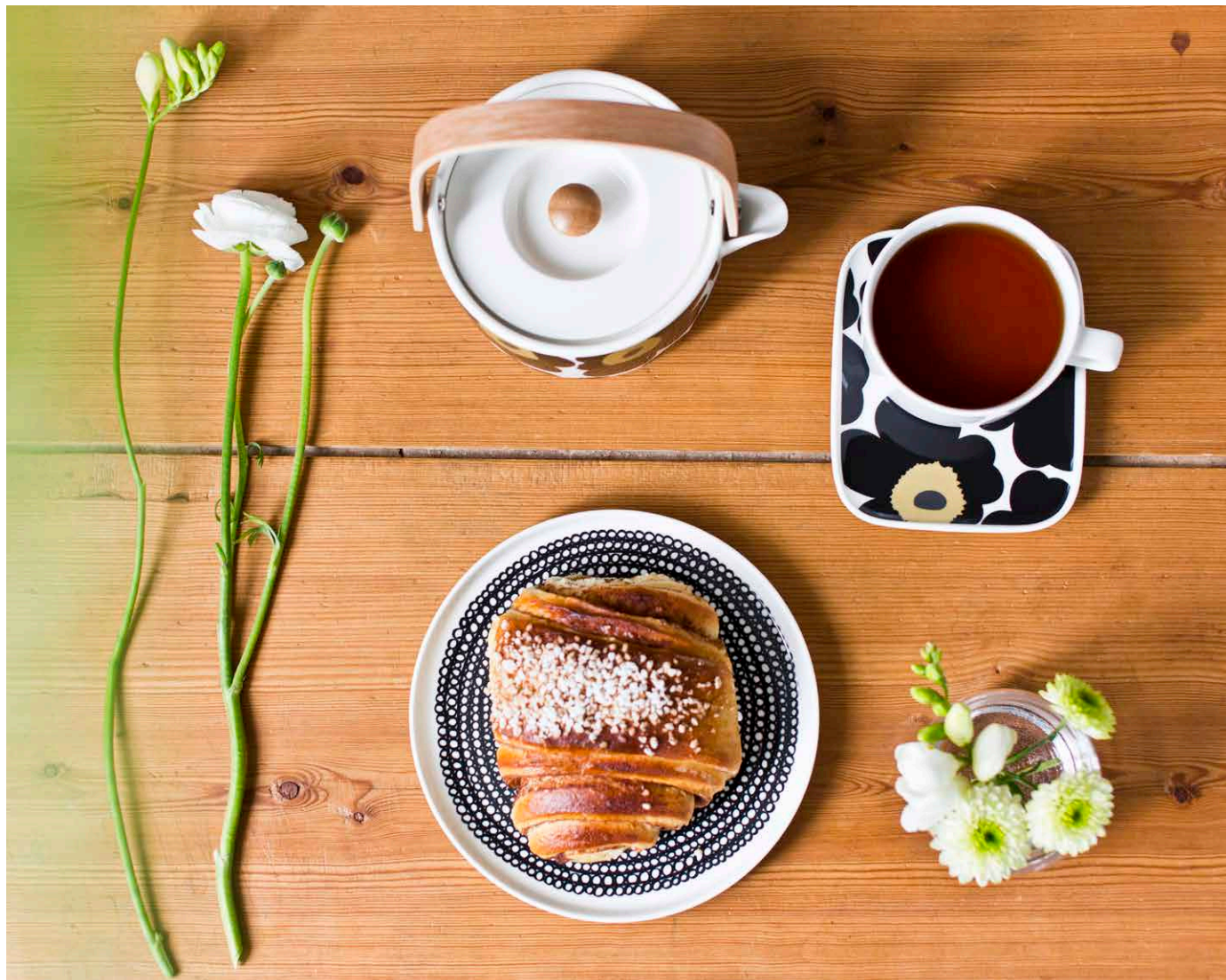
Sustainable design	Responsible sourcing	Environmental impacts of manufacturing	The wellbeing and expertise of employees
<p><b>Target:</b> the share of more sustainable materials in the collections 20 percent by the end of 2015*</p> <p>With membership of the Better Cotton Initiative (BCI), we began the procurement of BCI cotton for our home products. During 2015, we will set more detailed sourcing targets for the years ahead and we will also step up the use of BCI cotton in other product categories.</p> <p>The share of more sustainable materials in the collections of textile products sold in 2014 was 11 percent.</p> <p>We worked together with Aalto University, and a Marimekko-designed, cellulose-fibre dress made of the new, ecological loncell fibre was unveiled at our fashion show in March 2014. We are involved in the Advanced Cellulose to Novel Products project concentrating on the onward development of the fibre.</p>	<p><b>Targets:</b> assessment of suppliers from sustainability perspective and eliciting their commitment for developing their sustainability; strategic suppliers in risk countries covered by Business Social Compliance Initiative audits by the end of 2015</p> <p>We continued the discussions on sustainability matters with the major suppliers, and BSCI audits were carried out according to plan. We updated Marimekko's product policies.</p> <p>At the end of 2014, 72 percent of Marimekko's purchases from suppliers outside the EU were covered by the BSCI audits. In addition to BSCI audits, suppliers outside the EU are also audited within the framework of other social auditing systems. BSCI and other social audits cover a total of 83 percent of purchases from outside Europe.</p>	<p><b>Targets:</b> the continuous reduction of the environmental impacts of in-house manufacturing and the Helsinki head office in proportion to the volume of business; figuring environmental aspects into machinery and equipment investments; regular environmental training for the personnel</p> <p>Electrical energy consumption at Marimekko's production plant and head office in Helsinki declined by 8 percent and consumption of heating energy by 18 percent on the previous year. The electricity purchased was generated by carbon-dioxide-free, renewable hydropower.</p> <p>No major investments were made in the machinery and equipment for manufacturing in 2014. Modifications were made in the office premises, which increased the quantity of building waste for the past year. Due to changes in local waste disposal, waste from Helsinki no longer goes to landfill; instead, all mixed waste is burned at a waste incineration plant.</p> <p>We decided to build an environmental programme in compliance with the ISO 14001 standard for the production plant and head office in Helsinki, and the aim is to have the programme certified before the end of 2015. We also set measurable targets for environmental matters as part of the drafting of the programme.</p>	<p><b>Targets:</b> better personnel survey results than from similar companies and a good standard of overall results; training the personnel in sustainability-related matters</p> <p>The results for the 2014 personnel survey were slightly down compared to the previous survey, which was carried out in 2012. The response rate for the survey was 84, and the overall result was good, 70.6/100. The results were on average better than those for comparable organisations. The most praise was given for supervisors' recognition of good performance, and the respondents felt that Marimekko's values and mission were worthy of attaining. The respondents found most potential for improvement was in tools, in the clarity of spheres of responsibility, and in decision-making.</p> <p>In 2014, the training given to the personnel in sustainability affairs focused particularly on matters related to the Better Cotton Initiative and the Business Social Compliance Initiative.</p> <p>In addition we updated the product line- and product category-specific summary of manufacturing countries to support in-store customer service to provide background on the countries where Marimekko products are made.</p>

\* A product made from more sustainable material is defined based on MADE BY organisation's fibre classification where materials containing 45 percent or more of fibre in classes A–C are considered more sustainable. E.g. Better Cotton, organic cotton, linen and lyocell and blends of these are included in these categories.









## **STAKEHOLDER ENGAGEMENT**

Marimekko's principal stakeholders are the customers, personnel, shareholders, suppliers and the media. These are all stakeholders who Marimekko's operations have a significant impact on or who can have a significant impact on Marimekko's business. Non-governmental organisations (NGOs) are also increasingly interested in Marimekko's operations, especially the manufacturing conditions of Marimekko products and origin of raw materials.

Stakeholders' interest in sustainability issues, such as the origin, ecological aspects and manufacturing of products, continues to grow. In 2014, the debate on the textile industry's responsibility continued to be active in the mass media and social media. Also the Fashion Revolution campaign held in April 2014 showed up at Marimekko in the form of an increase in customers' enquiries about the conditions products were made in. The ethical trade NGO Pro Ethical Trade

Finland carried out a study in summer 2014 on the implementation of human rights in the supply chains of Finnish clothing companies, and we took part in the study as well as in a related debate in December. The study focused in particular on living wages and on companies' purchasing practices as part of responsible sourcing. We also interviewed the authors of the study separately in connection with our sustainability strategy process, and the main expectations for Marimekko's operations proposed by the researchers were commitment to a living wage in the supply chain, enhancing transparency by publishing information on suppliers, and presenting more detailed results of audits of suppliers. Country-of-origin labelling for materials was also seen as one factor for increasing transparency.

In addition to the stakeholder interviews held in 2014, we will continue stakeholder work related to updating our sustainability strategy during 2015, for example, through surveys sent to consumers and

corporate customers as well as to Marimekko personnel. The results will be reported in this year's sustainability review. According to the previous survey, which was carried out among our customers and employees in 2011, stakeholders expect Marimekko to integrate sustainability into its operations and to take responsibility throughout its production chain. Particular importance was attached to transparency and the traceability of the origins of products. The key issues for customers were domestic products, quality and timelessness. For the personnel, it is important that Marimekko is a responsible and encouraging employer. Both stakeholder groups also considered it to be extremely important that there is no child labour in Marimekko's supply chain and that production is environmentally friendly and ethical. According to the survey, both the personnel and the customers were also interested in more moderate consumption.



**STAKEHOLDERS, ENGAGEMENT, EXPECTATIONS**

Most important stakeholders	Forms of engagement	Stakeholder expectations for Marimekko	Actions taken by Marimekko to meet expectations
<b>Customers</b>	Daily interaction in stores Customer service Loyal customer events Customer magazines Marimekko Village customer programme Social media Customer surveys	Finnish, timeless, ecological and durable quality products Information on the country of origin Transparent supply chain No child labour in production Living wage Product and chemical safety Environmentally friendly and ethical production and distribution Open communications	Training sales personnel Responding to customer inquiries 'Made in' labelling Sustainability communications Product development and quality assurance Increasing the use of more sustainable materials Increasing energy efficiency of production Monitoring supply chain and committing suppliers to responsible operations (BSCI) Developing cotton production (BCI)
<b>Employees</b>	Daily interaction Development discussions Personnel events Personnel survey Intranet	Responsible and encouraging employer Adherence to company values Stable employment Product safety No child labour in production Product and chemical safety Environmentally friendly and ethical production and distribution Transparent supply chain	Review of personnel survey results; subsequent measures Increasing the use of more sustainable materials Sustainability communications and training Responding to inquiries List of chemicals restricted in production Öko-Tex certificates Preferring certified suppliers BSCI, BCI, RSN
<b>Investors, shareholders, analysts</b>	General meetings Investor meetings Interim reports Annual financial statements Annual yearbooks Stock exchange releases	Responsible business practices Sales growth and development Profitability Store openings Risk management Cost efficiency	Store openings according to the strategy Marketing Pricing Partnerships Cost management and budgeting Risk assessment and action plans
<b>Suppliers</b>	Supplier meetings Factory visits Supplier audits BSCI trainings BCI trainings Continuous communications	Stable long-term business relationships Responsible sourcing practices Order management Code of conduct compliance Information sharing and compliance with regulations Sustainable price level	Close collaboration with suppliers and regular factory visits Development of sourcing Sourcing agreements Supplier Code of Conduct BSCI audits Continuous communications
<b>Society, media, authorities, NGOs, trade unions</b>	Press releases Website Surveys, inquiries, interviews and participation in studies Press conferences Meetings Memberships (BSCI, BCI, the Federation of Finnish Textile and Clothing Industries Finatex, Textile and Fashion Industries TMA; Confederation of Finnish Industries EK; responsible business working group)	Openness Transparent supply chain and working conditions in supply chain Product safety Managing environmental impacts of production Respecting human rights in the supply chain Sufficient wages paid in supply chain	Sustainability communications and reporting Responding to inquiries Chemical management Preferring certified suppliers Risk assessment in supply chain BSCI audits

## **VALUE CHAIN AND IMPACTS OF OPERATIONS**

Marimekko is a design house that designs, manufactures and sources products and sells them in its own Marimekko stores and through retailers around the world. Our value chain is broad and diverse, as in many consumer product companies.

Marimekko is a very small actor in the global market, but the overall impacts of the industry on stakeholders, society and the environment are significant. The global textile industry is a major employer, especially for women. Despite the progress of technology and the automation of the production, majority of apparel and home furnishing products are still sewn with machines operated manually by individual seamstresses. Working conditions and human rights in production, the right of free association, adequate pay and safe working conditions are important aspects of social responsibility in the global supply chain, both in manufacturing and in the production of raw materials, such as cotton. The environmental impacts of the textile industry relate in particular to energy and water consumption, material efficiency and the chemicals used in production.

As a company with a strong brand we can promote more sustainable consumption and help our customers reduce their environmental impact by designing durable products from sustainable raw materials and educating the customers about the environmental impacts that occur during the use of a product. Marimekko's influence at different stages of the value chain varies depending on the product and the work phase. Therefore, collaboration with suppliers and other actors in the industry is of utmost importance.

## **RISKS AND OPPORTUNITIES**

Marimekko's internationalisation and goal of promoting sustainable development bring new challenges and risks that we need to address

and respond to. At the same time, many opportunities are opened up for ensuring sustainable business operations. In 2014, we updated our assessment of sustainability risks and we added non-living wages in the supply chain to the risks. We have identified the following risks as the most significant:

- changing consumer expectations
- working conditions in the supply chain and violations of the Supplier Code of Conduct
- non-living wages in the supply chain
- violations of human rights, in particular in cotton cultivation
- impacts of climate change on the availability and price of raw materials such as cotton
- use of prohibited and restricted chemicals in production
- environmentally harmful production processes in the supply chain
- lack of transparency in the supply chain.

### **Changing consumer expectations**

Through Marimekko's international expansion, we have the opportunity to conquer the hearts of new customers. Our customers in different markets have different expectations for us, for example, regarding the collections and the materials used. Consumer attitudes and expectations about the ecological qualities of products or manufacturing countries also vary by location. What all markets have in common, however, is that consumers want to know the origin of products and require fair manufacturing conditions.

Taking into account market-specific needs and expectations in collection planning and store concept development is important. On the other hand, we must hold on to Marimekko's distinctive look and design. So we have to know our customers better – wherever we operate.

### **Working conditions in the supply chain**

Marimekko's interior fabrics sold by the metre and some materials for clothing,

bags and home products are printed at our own textile printing factory in Helsinki. Our other products are manufactured on an outsourced basis in Europe and Asia. Ensuring appropriate manufacturing conditions by means of, for instance, regular factory visits and audits is crucial but also challenging, as we cannot be on site all the time. It is therefore important to choose contract manufacturers with care and to devote effort to long-term partners committed to responsible operations who share our set of values.

### **Human rights in cotton cultivation**

Cotton is Marimekko's most traditional and most widely used material. We want that the cotton we use has been produced under fair working conditions and that the farmers have received appropriate remuneration for their work. However, cotton is challenging to trace which also makes it challenging to monitor the realisation of human rights. The challenge is common to the industry. Child labour and forced labour still exist in certain cotton-growing areas. In some cases, it is also possible that cotton originating from different countries is mixed together to conceal the true origin.

Information of the origin of cotton does not necessarily flow well enough from the farmer to the ginnery, the spinning mill, the weaving mill and the end user of the fabric. With thousands of products and many links in the supply chain as is the case with Marimekko, it is practically impossible to accurately trace the origin of the cotton used for every product.

In 2013, we took an important step towards better cotton by joining the international Better Cotton Initiative (BCI), which aims to make global cotton production more sustainable by training farmers in more efficient cultivation method using less water and chemicals. In 2014, we began to purchase BCI cotton for the base fabrics for our in-house textile printing factory and for our towels, for example. We will seek to increase procurement of BCI cotton also for other product categories

in the years ahead. Together with the other members of BCI, we are able to influence global cotton production on a much broader front than if we acted alone.

### **Climate change – a challenge and an opportunity**

Climate change brings many challenges – the threat of energy, water and raw-material scarcity and of narrowing biodiversity. Climate change has a direct impact, for example, on the production of Marimekko's main raw material, cotton, and its price and availability. Cultivation conditions are also affected by an increase in extreme weather conditions.

We see these challenges also as opportunities that we can take advantage of in business development. We can improve the energy, water and material efficiency with technology that already exists, for example with digital printing. New business models and production technologies also offer opportunities. For example, new energy sources and material innovations reduce our dependence on fossil fuels and traditional natural fibres and therefore reduce the environmental impacts of the production chain.

### **Prohibited and restricted chemicals**

In the textile and clothing industry, chemicals are an essential ingredient of making beautiful, colourful and pleasant-to-the-touch products. The same results can often be obtained with different chemical agents. Research information on the potential harmful effects of various substances is constantly accumulating, and consumers are also more aware. It is very important for us to take care that our products meet the requirements set for them. We have the use of a list of prohibited and restricted substances both for our own production and for the supply chain. Furthermore, the products are also constantly tested for chemical concentrations in accordance with the testing schedule drawn up for this.

### **Manufacturing methods that burden the environment**

In the textile industry, particularly the manufacturing of materials is a highly resource-intensive process. The production and treatment of fabrics consume a considerable amount of water, energy and chemicals. Official regulation to secure environmentally friendly production is important, but monitoring compliance with regulations to protect the environment is especially crucial. At our in-house textile printing factory in Helsinki, wastewater is monitored regularly and actions in accordance with the environmental permit are taken care of in compliance with the requirements set. We also require wastewater to be dealt with appropriately by all our material suppliers. We in no way accept wastewater being released untreated into the waterways. Compliance with environmental regulations is monitored as part of factory inspections.

### **Transparency demonstrates responsibility**

As customer awareness grows, the amount of conscious consumption choices also increases. We are continually working to make our operations more transparent and to provide our customers with more detailed information about our products, their origin and the manufacturing conditions. Increasing openness is long-term work that we do together with our supply chain partners. In 2014, we decided to publish information in 2015 on the factories making products for Marimekko. The list of our main suppliers was published in April 2015 and it is now available on our website at [company.marimekko.com](http://company.marimekko.com) under Sustainability / Manufacturing. In spite of the competitive risks, we believe it is important to be as open as possible about manufacturing locations, as stakeholders' expectations for corporate transparency are growing constantly.

### **Sustainability risk management**

Marimekko's sustainability risk management is aligned with the company's overall risk management process. Risks are assessed systematically on an annual basis and measures to respond to the risks are identified and defined. The implementation of the measures is regularly monitored. The Management Group annually reviews the identified risks and the measures to respond to them.

# Sustainable design

Marimekko products are designed to withstand time and stay beautiful. When properly cared for, they will bring joy for a long time. Product design is the core of Marimekko's business and one of the most important aspects of sustainable development for Marimekko.

The choices made in design and product development have a significant impact on the product's use and environmental impacts of its life cycle. A well-designed, timeless, high quality and functional product brings joy to its user for a long time and is therefore a sustainable choice.

Durability is a key measure of a product's ecological quality, and it is our aim that Marimekko products, if properly cared for, last for one generation to another.

## TIMELESSNESS, QUALITY AND FUNCTIONALITY

To Marimekko's designers sustainable design is self-evident. Marimekko products must be of high quality and withstand time. In connection with the work on updating our sustainability strategy started in 2014, we held a great deal of in-house discussions on what sustainable design means to us and our customers. There are many viewpoints. In addition to products being of timeless design and made with quality materials, we can also extend the product's life cycle with the help of product development and quality control.

In 2014, we paid particular attention in work on our collections to moderation and functionality, and reformulated the collection structures to facilitate coordinated ensembles with a smaller number of items. In future, every product will have to earn its place in our collections more clearly than before.

## THE IMPORTANT ROLE OF PRODUCT DEVELOPMENT IN CHOOSING MATERIALS

Marimekko has three product lines and a number of product categories: home, fashion, bags and accessories. Due to the wide range of products, the range of raw materials used is also wide. Although cotton is the most traditional and most widely used raw material for Marimekko, the designers are constantly looking for new materials that suit different purposes and meet the needs of today's consumers and are also more sustainable. In addition to cotton, for example flax, wool, merino wool, lyocell, modal, viscose, silk and leather are used in our collections.

Each material has its own environmental and social impacts during their life cycle and there is no simple answer for which fibre is the most sustainable. The area is constantly being researched and a variety of tools is available for the designers for assessing the environmental impacts. We at Marimekko have taken utilised tools such as the fibre classification tool from MADE BY organisation and we have acquainted ourselves with the Sustainable Apparel Coalition's Higg and Materials sustainability indices that allow the comparison of different materials in terms of energy, water, waste and chemicals.

Marimekko designers, sourcing and product developers are in a key position in exploring and testing various alternative materials. In 2014, the recruitment of a new Creative Director also gave us new perspectives

on materials. Choices of materials are strongly directed by the intended use of the product itself and by the feel and other properties of the material. Our goal is to increase the share of more sustainable materials in our collections to 20 percent by the end of 2015. Several factors affect the distribution of materials in the collections. For each product, its intended use and prospects of commercial success must be considered, which is why not all products make it into production. Some of the more sustainable materials come in a limited range of colours, for example, or the materials do not meet Marimekko's strict quality criteria. In 2014, more sustainable materials accounted for about 11 percent of the textile products sold. The share of more sustainable materials in the collections is increased systematically, and also based on customer demand.

We actively monitor the results of research and development related to new materials. We are particularly excited about the projects in which textile fibres are manufactured from wood pulp. At the end of 2013, we learned about the Ioncell fibre made from Finnish wood pulp, developed by a research team at Aalto University, and in March 2014 we showcased a dress made of this new material in our fashion show at Helsinki Central Railway Station. Ioncell fibre is not yet being produced on an industrial scale, but we are involved in a research project for the onward development of the fibre, and we hope to include products made from Finnish birch in Marimekko collections in the future.





## Marimekko product policies

We updated the policies for Marimekko's products and materials in the course of 2014. The policies specify our commitment to responsible sourcing of raw materials, and they guide Marimekko's actions to take into account the origin and production methods of the raw materials to be used. The policies we have drawn up concern, for example, animal-derived fibres, the origin of leather, and the traceability of raw materials. It is Marimekko buyers' duty to ensure that the materials sourced correspond to the policies.

The buyers see to it that our suppliers have the best possible information on the procedures required by Marimekko and that we receive the necessary confirmations and certificates from them. You can see our product policies in greater detail on our website at company. [marimekko.com/sustainability/products](http://marimekko.com/sustainability/products).

In respect of animal-based materials, it is very important to us that, for example, the leather and down used in our products are by-products of food processing, and that no animals are slaughtered only for Marimekko products. In early 2014, we decided to stop using angora fibre in our products. There is no standardised and certifiable traceability system for the reliable verification of angora's origin and production methods yet. Among others, the NGO People for the Ethical Treatment of Animals (PETA) has publicised inhumane treatment of angora rabbits at some Chinese production plants. Angora has not been a major material in Marimekko's ranges, and the angora products formerly in the collections were mostly manufactured in Europe. We will be monitoring the development of any responsibility certification for angora.

We receive enquiries about the use of materials like leather and silk in our products. Some of our customers wish that we would not use any animal-derived materials at all, and our collections do include a considerable amount of items made from plant-based materials. However, many of our customers appreciate the superb properties of silk, for example. In our view, it is a matter of personal ethical choice. It is Marimekko's job to provide a variety of alternatives to choose from. One thing that applies to all materials is that they can be produced either responsibly or more carelessly. This is why we see it as crucially important to strengthen responsible production methods and chains through our own actions.

### **LEFTOVER FABRICS PUT TO GOOD USE**

Material efficiency has a central role to play in preventing and minimising waste generated in Marimekko's production. Off-cut waste can be reduced already in the print design stage by taking into account the end-use of the pattern and its positioning on the fabric. The stage of making patterns for an interior product or a garment is also essential when aiming to reduce cutting waste. The patterns are laid with the help of software, which keeps the waste to a minimum. Sometimes the generation of cutting waste is unavoidable, but in such cases the use of off-cuts for example as material for another product can also be considered already in the initial design phase.

Marimekko's design and product development teams closely monitor the percentage of the off-cut waste. Minimising waste is in everyone's interest since, after all, it is also economically beneficial. Our printed fabrics undergo a rigorous inspection before they continue their journey to the store. Second quality fabrics are used to make shopping bags, for example.

It sometimes happens for one reason or another that fabrics are left over for example from a clothing collection. These leftovers are usually used to make special products for our biannual Friendship sale or to reproduce popular items. Leftover fabrics are also sold in our outlet stores to people who like to sew, and sometimes they are donated for example to nearby kindergartens for children's arts and crafts.

In 2013, an internal project to further increase the reuse of leftover materials and fabric off-cuts was launched. Marimekko designers took on the challenge and designed products utilising leftover materials and second quality fabrics. The first new products made within the framework of the project – Marimekko garment bags – were introduced in Friendship sale in Marimekko outlet stores in spring 2014. The objective is that the project becomes a continuous and firm part

of the collection work so that the off-cut waste is taken into consideration already when the collection is being built.

In recent years, we have also made efforts in sales and sourcing to improve our forecasting of quantities ordered and manufactured in order to reduce the amount of excess materials.

### **GOOD PRODUCT CARE**

Marimekko products are designed to withstand time and stay beautiful. When properly cared for they will bring joy for a long time, and at their best they last from generation to generation. Proper care is also important for the environment, as up to two-thirds of the emissions and energy consumption during a textile product's life cycle occur during washing and maintenance. So customers can help to make their Marimekko product an even more sustainable choice by caring for it properly according to the instructions and by using environmentally friendly detergents.

In 2014, Marimekko added the international Clevercare symbol to the care labels for its products. On the clevercare.info website, customers can find care instructions to conserve the environment while saving effort, money and the product itself. Following the Clevercare instructions means customers can make a big difference to the life-cycle environmental impacts of the products they buy, and smart handling also preserves the product for longer, extending its useful life.

### **TOWARDS CIRCULAR ECONOMY**

The circular economy is growing in importance, and this was prominent in 2014 at many textile and clothing industry seminars and in research projects and the media. We at Marimekko are absolutely for the circular economy, and we are fortunate because our products already have a fairly good recycling rate. According to a customer survey, Marimekko products are passed on to friends or acquaintances, sold at a flea market or used as material for other purposes.

Only about six percent of the customer survey respondents said that their Marimekko product ended up in a landfill as mixed waste. In Finland, an active Marimekko flea-market group on Facebook has over 26 thousand members, and our experience shows that Marimekko products change hands within the group briskly. However, in Finland for example, nearly four kilos of textile waste per capita end up in landfills every year, and about six kilos are burned to produce energy. These are significant amounts.

As regulations change, the recyclability of products becomes increasingly important. From the beginning of 2016, clothing and other textile products cannot be taken to a landfill in Finland. Recyclability of a product after the end of a product's useful life needs to be taken into account already when designing the product. In the future, recyclability will play an even more important role in Marimekko's designing as well. In respect of textile waste, we want to be part of the solution, not just the problem, and we aim to work towards an enclosed life cycle for our products. We already provide our customers with a sewing and repairs service for products, and in the future it will be important to consider how our products' life cycle could be further extended, as well as what to do with those products which have come to the end of their useful life. This is a challenging task, and there is still a lot of work to be done on a fully enclosed cycle for products, but we are following developments in the field actively. However, it is more important that the product itself is durable and brings joy to its user for a long time. That is sustainable design at Marimekko.







# Responsible sourcing

The majority of Marimekko products are manufactured in Europe and about a third elsewhere. With the help of skilful and diverse supply chain we can offer our customers a wide range of high-quality products. Regardless of where the products are made, special attention is paid to the manufacturing conditions. Our responsible sourcing is guided by the Principles of Responsible Sourcing and Code of Conduct for suppliers. Marimekko is also a member of the European Business Social Compliance Initiative (BSCI), which aims at promoting monitoring of working conditions and to improve working conditions in global supply chains.

## LONG-TERM PARTNERS SUPPORT COMPETITIVENESS

Good and competent suppliers play a key role in Marimekko's competitiveness. The 30 largest subcontractors manufacture 80 percent of subcontracted products. Many of the subcontractors used by the company are long-term partners.

Every year we start to cooperate also with some new suppliers, for example, when a completely new range of products is introduced in the collection. When selecting a new supplier, a comprehensive evaluation is conducted taking into account the supplier's competence and quality, production capacity, delivery times and production costs. Sustainability aspects considered include working conditions, safety practices and any social or environmental certifications and audits. Marimekko buyers have

been provided with guidelines for assessing sustainability aspects when selecting new suppliers. When screening new suppliers in non-EU countries, Marimekko prefers SA8000 certified or BSCI audited suppliers. On a case by case basis, suppliers audited within other social audit systems may also be accepted.

Purchase agreements signed with the suppliers bind the supplier to comply with the International Labour Organisation Conventions and Marimekko's Supplier Code of Conduct. Adherence to the Code of Conduct is enforced with own factory visits and outside Europe, also by independent auditors specialised in factory audits.

## COLLABORATION SUPPORTED BY SUPPLIER ASSESSMENTS

Responsible business practices have traditionally been one of the things required of our suppliers. We have developed a supplier assessment tool to support the sourcing team. Within the tool, responsibility aspects form one performance area to be assessed regularly in addition to quality, service and price level.

When evaluating supplier's responsibility practices, attention is paid to the social compliance audit results, environmental targets, supplier's own supply chain management, and how proactive the supplier is in sustainability issues. In addition, the supplier's potential offering of more sustainable materials is taken into account. Regular evaluations help us to identify areas of improvement and to plan action.

In addition to the supplier evaluation, Marimekko's own sourcing practices play an essential role in responsible sourcing. We need to ensure that our sourcing is financially sustainable from also the supplier's point of view and that it enables the supplier's responsible operations. We need to ensure, for example, that the required delivery times and order changes allow the production within a reasonable time and with a reasonable work load. In the textiles and clothing industry, seasonality is typical, but it is still important for us not to burden our suppliers disproportionately. In 2015, our objective is to focus more attention on holding to time schedules and that the schedules are also reasonable from the suppliers' viewpoint.

## UPDATED CODE OF CONDUCT FOR SUPPLIERS

Marimekko has been a member of the European Business Social Compliance Initiative (BSCI) since 2011. BSCI provides us with tools for monitoring and developing the working conditions of suppliers outside of Europe. The initiative has over 1,500 members and over 9,000 factory audits take place every year. At the beginning of 2014, BSCI's updated Supplier Code of Conduct came into effect. The new guidelines pay particularly close attention to no precarious employment and to ethical business principles.

As a member of BSCI, Marimekko has committed itself to social audits of suppliers operating outside the EU in risk countries, as defined by BSCI.



**IN 2014...**

...72% of products sold manufactured in EU countries.

...80% of products manufactured by 30 suppliers.

Fabrics to be printed in Helsinki printing factory were sourced from Germany, Peru, Turkey and the Baltic countries.



Among Marimekko's sourcing countries, for example, China, Thailand and India have been classed by BSCI as risk countries where the local authorities' monitoring is seen as inadequate in ensuring operating according to law. The audit results are shared in a common BSCI database available for all the members, so all audits common to members create synergies and save the suppliers from duplicate audits. In addition to the audits, BSCI organises country- and issue-specific training for the factories. In 2014, BSCI continued to hold training sessions on subjects including fire safety, working hours, wages and occupational safety. Training about the new guidelines was provided both for BSCI members and for suppliers. Marimekko buyers with responsibility for sourcing from the risk countries as defined by BSCI also received training about the new guidelines during the year.

In 2014, 72 percent of Marimekko's non-EU purchases were covered by BSCI audits and a total of 83 percent were covered by BSCI audits and other, similar social audits. The target is, by the end of 2015, for 90 percent of non-EU purchases to be covered by BSCI audits. By the end of 2014, 80 percent of the target had been achieved.

**KEY INDICATORS FOR RESPONSIBLE SOURCING**

	2014	2013	2012
Manufacturing in the EU countries, % of sales	72	77	79
ISO 14001 certified suppliers	16	17	18
SA 8000 certified suppliers	3	4	4
BSCI audited suppliers <sup>1</sup>	25	22	13
Share of purchases from BSCI audited suppliers			
in non-EU countries, %	72	60	29
Share of BSCI audited suppliers with			
an acceptable result <sup>2</sup> , %	87	72	92
Violations of Code of Conduct relating to use			
of child labour, nr	0	0	0

<sup>1</sup> Marimekko joined the BSCI initiative in November 2011.

<sup>2</sup> Audit result "good" or "improvements needed".

BSCI audits are carried out by independent BSCI authorised auditors, and in the audits the auditor checks whether the company being audited complies with the BSCI code of conduct. Attention is drawn to, for example, to employees' freedom of association, working hours, wages and occupational safety. Audits include interviews with factory managers and workers, and in addition a sufficient sample of documents is reviewed to enable verification of, for example, working hours and wages.

At the end of 2014, 87 percent of Marimekko's BSCI-audited suppliers had passed the audit acceptably. The corresponding figure for the previous year was 72 percent. The percentage for 2014 was boosted by good results for follow-up audits of Marimekko's glass and ceramic suppliers in Thailand, among other factors. The suppliers actively got to grips with the points for improvement identified in the previous audits, and they carried out remedial action as agreed before the follow-up auditing. The most common issues for improvement identified in audits relate to working hours and work safety practices. Some of the points for improvement such as installing exit signs are relatively easy and quick to implement. Some improvement needs require long-term cooperation between the factory management and employees. For example, in building an improved safety culture, personal habits and customs sometimes change slowly.

If the supplier does not pass an audit, the results are examined closely, and the necessary corrective measures and schedule for implementation are decided together with the supplier. Marimekko follows up with the suppliers on the progress of corrective actions as they are being done. Finally, a follow-up audit is carried out.

In BSCI audits of Marimekko suppliers, no evidence of child or forced labour, restrictions on workers' freedom of association or payment of wages lower than the legal minimum wage has been found.

Supplier audits are just one tool for ensuring fair working conditions. A single audit is a snapshot at a

given time and the audits alone are not enough to improve working conditions. Longer-lasting results are achieved through long-term capacity building and training, by raising awareness and cooperation between suppliers, local authorities, trade unions and other stakeholders. The audits increase awareness and help to identify, for example, supplier-specific training needs.

#### **FIRST STEPS TOWARDS BETTER COTTON**

Cotton is by far the most widely used raw material for Marimekko and a globally important natural fibre, which provides economical livelihood for a large number of small-scale farmers in developing countries. About 80 percent of Marimekko's textile products are made from cotton or cotton blends.

A number of challenges are linked to cotton production from sustainability stand point – land use, irrigation and the environmental impacts of the pesticides, the risks of child and forced labour in the plantations and for example the adequacy of the remuneration for small-scale farmers on their work. Challenges can be responded in many ways: by building capacity, increasing the amount of scientific research and influencing market demand. Different measures can be taken to achieve better crops, cost savings resulting in higher financial yields and of course, a smaller environmental impact.

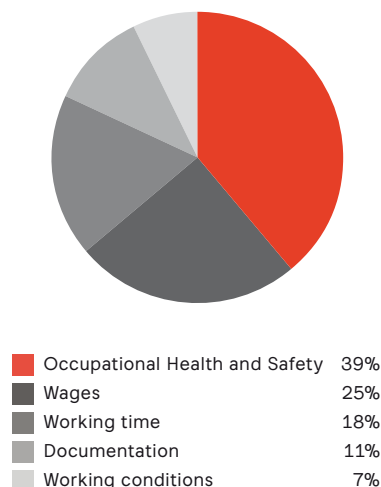
The cotton for Marimekko products is sourced around the world: from the United States, Africa, Asia and South America. Marimekko is committed to improving the traceability of cotton. The task is challenging, as Marimekko does not deal directly with cotton farmers. Improving the traceability is long-term work that we are doing together with other industry actors. Since 2013, Marimekko became the first Finnish company to join the international network aiming to improve conditions for cotton production, Better Cotton Initiative

#### **BSCI CODE OF CONDUCT**

- The rights of freedom of association and the right to collective bargaining
- No discrimination
- Fair remuneration
- Decent working hours
- Occupational health and safety
- No child labour
- Special protection to young workers
- No precarious employment
- No bonded labour
- Protection of the environment
- Ethical business behaviour

The BSCI Code of Conduct refers to international conventions such as the Universal Declaration of Human Rights, the Children's Rights and Business Principles, UN Guiding Principles for Business and Human Rights, OECD Guidelines, UN Global Compact and International Labour Organisation (ILO) Conventions and Recommendations relevant to improve working conditions in the supply chain.

#### **BSCI audit finding breakdown by category**





## The Clean Clothes Campaign and human rights in clothing companies' supply chains

Human rights in the clothing industry was a prominent theme in 2014. Marimekko has worked actively together with its suppliers with the aim of publishing information on suppliers on a much broader spectrum than before. The aim was reached in April 2015, when the list of Marimekko's main suppliers was published on Marimekko's website. We are proud of our capable and multi-skilled supplier network, which our competitors are also sure to be interested in. In spite of the competitive risks, we think it is important to be as open as possible about manufacturing locations, and we want to respond to our stakeholders' expectations for corporate transparency.

April 2014 marked the first international Fashion Revolution day. The aim was to get consumers and companies alike thinking about who makes our clothes and in what conditions. This issue is of great importance to Marimekko, so we showed our support for the campaign.

The international Clean Clothes Campaign also focused attention on working conditions in the clothing industry. In Finland, this campaign is represented by the NGO Pro Ethical Trade Finland, which made a study of how human rights are implemented in the production chains of Finnish clothing companies. We took part in the survey and the debate on related themes held in December 2014 together with other companies included in the study. We discussed issues including living wages and the importance of international treaties and national minimum-wage legislation in raising pay rates to an adequate level. In the study, we were praised for our visits to factories manufacturing products for us and because most of our products are made in Europe. We were criticised because, instead of being committed to a living wage, we required our suppliers to pay workers in accordance with the BSCI code at least the statutory minimum wage or the wage specified in

the collective labour agreement. It is our view that a living wage is an absolutely vital aim, and efforts should be made towards this also in terms of the statutory minimum wage in all countries.

However, a flawless definition of a living wage is very difficult to achieve. Calculated pay rates do not as such indicate the individual worker's situation, which may vary considerably according to such factors as living conditions and family size. Brand companies such as Marimekko do not pay their subcontractors' factory workers directly, so the discussion needs to be had with the factory management. We hope to reach a situation in which the employees and management negotiate wages jointly. However, there is still some way to go on this.

In 2014, we initiated more detailed discussions of pay rates with selected suppliers in high-risk countries. We also carried out a survey of supplier-specific minimum and average pay rates and of procedures as well as the potential for pay increases (on the basis, for example, of the employee's own performance, efficiency, job rotation or experience). We are continuing to survey pay rates in 2015 and we keep the pay received by workers and its adequacy on the table in discussions with suppliers.

Pay rates, like many other corporate responsibility issues, is a subject in which clothing companies achieve more by acting jointly. It is therefore important to us that BSCI is active on questions of wages and that the organisation has an effective national team in Finland. BSCI is part of the ILO's Fair Wages Network, for example. The goal is to improve the wages and working conditions of employees holistically together with the stakeholders.



(BCI). It is BCI's objective to make global cotton production more sustainable by training cotton farmers and by creating demand for better cotton throughout the supply chain.

Membership of BCI also gives us the opportunity to make direct contact with cotton growers trained in the BCI system. In early 2015, we signed a cooperation agreement with the international NGO Solidaridad to support a training programme particularly for women in Senegal. The project began in March, and the intention is to reach a total of 9,000 farmers, 1,800 of them women. The training focuses on raising awareness of better working conditions, the risks of child labour, etc. We chose Senegal as the subject for our support for farmers partly also because of environmental concerns – according to an independent study commissioned by the Cotton Made in Africa organisation, the environmental footprint of African cotton is notably smaller than that of cotton grown in many other parts of the world. The biggest reason for the better environmental footprint of African cotton is in favourable weather conditions in the regions of cultivation – crops are irrigated with rainwater during the growth season instead of using artificial irrigation. Also, the majority of cotton growers in Africa are smallholders with fields that use hardly any energy-consuming machinery.

Up until now, we have not wanted to set restrictions on where our suppliers source their cotton from, with the exception of Uzbek cotton, which we do not accept in our products. Uzbek cotton is associated with a risk of human rights violations such as forced labour. We joined the Cotton Pledge initiative boycotting Uzbek cotton in 2012 together with many other brands, and international pressure has meant that the use of child labour to harvest Uzbek cotton has been almost eliminated according to observers from the ILO. However, there has been no significant improvement in the use of forced labour, so Cotton Pledge is continuing its work in that respect.

#### **PRODUCT SAFETY AND QUALITY CONTROL**

Marimekko needs to be able to guarantee the quality and safety of its products in all conditions. This is why the quality of the products is monitored constantly by Marimekko's own quality team and by external testing laboratories. Marimekko has its own textile laboratory at Helsinki. Textiles are tested in the laboratory according to international standards. Tests are carried out, for example, with regard for shrinkage, colour fastness and abrasion resistance. External testing services are used when needed, for example for testing dry cleaning, light fastness or chemical residues. The products are always tested in use. Comfort of use, durability of materials, colour fastness and fitting is tested with users. Based on feedback received, the necessary changes are made to further improve the quality of the product.

Marimekko's quality team also supports the customer service in dealing with customer complaints regarding the quality and safety of products. Quality manuals set the requirements and guide the suppliers in quality assurance for subcontracted products. In addition, all product suppliers are required by contractual obligations to adhere to European REACH chemical legislation and to all regulation applicable for Marimekko's customer markets. Suppliers are provided with a list of banned and restricted chemicals in production.

In 2014, we updated the quality manual used for sourcing as part of wider development work on quality control. We also adopted a new complaints reporting system with which we are able to streamline information flow between stores and the teams for quality and sourcing. The new system will greatly support our quality control process and it will also assist communication with suppliers.

We also participated actively on various committees for standardisation work by the industry in Finland. Marimekko's Quality Manager promotes the sector's common procedures, for example, on a safety monitoring

committee for children's clothing and children's sleeping environment. Cooperation with other players in the sector is important so that information and viewpoints can be shared and influence can be wielded together on the future of the sector.

#### **HUMAN RIGHTS IN THE SUPPLY CHAIN**

We are committed to respect human rights in all our operations. At the same time we recognise that we are also operating in areas where values, practices, and conditions for the realisation of human rights can vary. Our approach to human rights is based on the United Nations Guiding Principles on Business and Human Rights (UNGPs). According to them, in addition, that the governments have the obligation to protect human rights, companies have a responsibility to respect human rights and to avoid the violation of human rights in all their operations.

Respect for human rights is included in Marimekko's Supplier Code of Conduct, which includes principles, for example, against child labour and forced labour, the right for the workers to organise and the right to equal treatment. We monitor the realisation of human rights in the supply chain both ourselves and with the help of third party BSCI audits. We also recognise that the risks of human rights violations in their supply chain extend from the suppliers with whom we have a business relationship, further, to raw material production. We assess the risks of human rights violations in our value chain based on for example product or material to be sourced, country of origin and type of production process.

In 2014, we continued to work on developing the human rights risk assessment model. We have categorised our own suppliers and the main materials according to how high the risks are of human rights abuses in each supplier's business country, production processes or raw materials. Actions for responding to identified risks are, for example, thorough evaluation of suppliers on a due-diligence



## Better Cotton Initiative

### – the results show progress

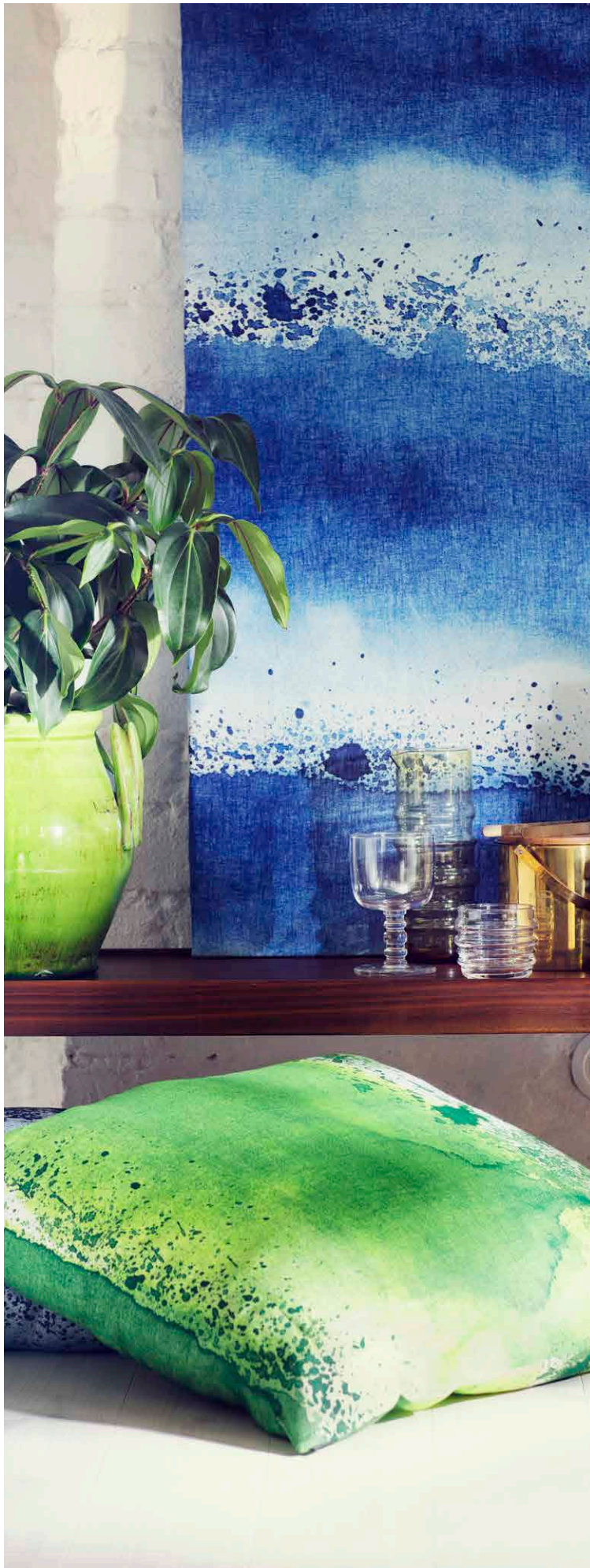
The Better Cotton Initiative (BCI) was started in 2005. The background to the initiative was a desire to find more sustainable solutions for cotton cultivation in terms of the environment and the future of farmers and the cotton sector. The first cotton crops cultivated according to BCI production criteria were harvested in Brazil, India, Mali and Pakistan in 2010–2011. In the 2013 harvest, China, Tajikistan, Turkey and Mozambique also joined. Production of BCI cotton has grown apace since 2010, and in 2014 the output was estimated to amount to 8 percent of global cotton production. The intention is to raise this figure by 2020 to 30 percent.

Marimekko was the first Finnish company to join BCI in 2013. The cotton used by Marimekko each year is only a small fraction of BCI cotton's global output, but we consider it important to be involved in a huge industry's transformation in the direction of a more sustainable future. For Marimekko, membership of BCI is a step towards the goal we have set ourselves of increasing the proportion of more sustainable materials in our collections and improving the transparency of our supply chain. To date, BCI cotton has been sourced for certain home products. During 2015, we will set a more precise target for purchases of BCI cotton up till 2020. BCI's work is based on training farmers in better and more efficient cultivation methods and healthier working conditions. BCI cotton farmers get a better yield from their harvest and financial security by being able to sell their crop on the global marketplace. Their working conditions are improved at the same time.

By the end of 2014, BCI had affected the lives of almost 1.2 million cotton farmers in various countries. The results of the initiative are convincing: for example, in India, growers increased the use of organic pesticides by 22 percent and at the same time improved the soil quality. In Pakistan, growers used 24 percent less pesticides, and at the same time their earnings went up. In Mali, smallholders increased the yield from their harvests by 8 percent relative to a comparison group.

The Better Cotton Initiative has an ambitious expansion strategy for forthcoming years: the target is to license 5 million cotton farmers by the year 2020.

Read more about BCI at [bettercotton.org](http://bettercotton.org).



basis before initiating collaboration, and audits of suppliers to monitor compliance with the requirements set. We have identified child and forced labour in cotton production as well as working conditions in production, such as unreasonable working hours, inadequate pay for basic needs, and working methods harmful to health, throughout the supply chain as the biggest risks of human rights abuses in our own value chain. The risks apply primarily to indirect suppliers and to the highest-risk countries.

In 2015, our aim is to extend closer monitoring of our supply chain further to also include our indirect suppliers.

Marimekko does not accept the use of child labour. We recognise that, for example, in certain cotton cultivation areas use of child labour still exists. For this reason, we joined an international Cotton Pledge initiative by Responsible Sourcing Network in 2012, and we do not currently accept Uzbek cotton in our products. It is challenging to ensure, that human rights are fully respected through our value chain, but we are determinedly and persistently working on the transparency of our sourcing and on developing the production conditions together with our suppliers. We also collaborate with others, through initiatives such as the Business Social Compliance Initiative and the Better Cotton Initiative.

#### **ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN**

Marimekko takes care of energy, water and material efficiency of its own production and recycles waste. With regard to climate change, it is also important that environmental impacts are also reduced in the supply chain. The environmental impacts of our sourcing are greater than in Marimekko's own production. Marimekko is often only one of a supplier's many customers. Therefore the impacts of the suppliers are a part of a number of customer companies supply chain.

For factories where products are sewn, energy consumption and cutting waste form the most significant

environmental impacts. At factories making and dyeing fabrics and knits, the water consumption and the use of chemicals form the main environmental impacts, and appropriate waste water treatment is particularly important in terms of reducing environmental impacts.

We require our suppliers to comply with local environmental regulations, and to have appropriate environmental permits and waste management organised according to local laws and regulations. Adherence to laws and regulations is monitored for example in connection with the BSCI audits. The audits examine the validity of environmental permits, proper storage, handling and labelling of chemicals, and proper waste management practices. In assessing new potential suppliers, attention is also paid to whether the supplier has set targets to reducing energy consumption, and if the supplier uses renewable energy sources.

Respect for the environment reaching beyond the regulatory requirements is also economically viable, for example, from an energy efficiency perspective. Many of our suppliers have already switched to using energy-efficient lighting, for example. The main supplier of base fabric to our textile printing factory has an ISO 50001-certified energy efficiency management system in operation. Of the energy used by the plant, 36 percent is generated with renewable forms of energy such as hydropower and solar power, and the plant has its own heat-recovery system and boiler plant where wood waste from raw cotton processing is incinerated in the form of compressed pellets. Practically all of the textile waste from the plant's processes is sold as a raw material to local industry.

In 2015 we will survey our suppliers' environmental responsibility practices more comprehensively with a separate environmental survey directed to a limited group of suppliers. This way we will get an even better understanding of the environmental challenges of our suppliers and their measures to respond to these challenges.





## Digital printing can reduce environmental impacts

A considerable proportion of the environmental impacts of the textile and clothing industry comes from the production process of materials. The journey of fibre from raw material to completed product includes many stages, of which dyeing and printing of the fabric is one of the last before cutting and sewing. Digitisation as a global megatrend now embraces fabric printing, and we at Marimekko have also used digitally printed fabrics in our collections.

In 2014, three of our clothing series were made with digitally printed fabrics. Digital printing is still rare globally in comparison with traditional screen printing, due to reasons including capital investment for digital printers and the high price of printing inks, but considerable growth potential is seen in the sector. For Marimekko's pattern designers, digital printing will open new doors as patterns do not have to be fitted in with a limited number of printing colours. From the environmental viewpoint, digital printing is a more material-, energy- and water-efficient method than traditional techniques. Digital printing does not require the production of individual screens for every colour and the fabric does not always have to be steamed to fix the colours after printing. Also, digital printing consumes less ink and permits easier modelling of patterns and colours as well as shorter print runs and thus a more efficient production process than traditional printing.

The challenges of digital printing include limited colour availability, clarity and fastness, so digital printing is therefore not suitable for Marimekko's patterns with extensive colour areas, for example. As the sector is making rapid progress, we believe that the print quality will also improve, and we are actively monitoring developments in the technology. Naturally, the environmental advantages of digital printing will be lost if the fabric does not last in use as long as a screen-printed fabric. The product's overall life cycle should always be taken into consideration when the printing method is chosen.

# Environmental impacts of production

Taking care of the environment is one of the basic pillars of Marimekko's operations. The main environmental aspects of Marimekko's in-house manufacturing concern the operations of the Helsinki textile printing factory. We can mitigate climate change with the help of energy efficiency and the use of renewable energy sources, by minimising water consumption, and minimising, recycling and reusing waste. A large part of the monitoring of Marimekko's environmental activities is based on legislation and other official regulations, but we want to do more than that. Our objective is to continuously reduce our environmental impacts. Results are obtained through close collaboration between design, product development and manufacturing.

## MITIGATING CLIMATE CHANGE

In 2014, electricity consumption in Marimekko's own premises fell by 8 percent to 2,017 megawatt hours. The electricity purchased was generated by carbon dioxide-free, renewable hydropower. Compared to 2010, the emissions of Marimekko's textile printing factory and head office have declined by 34 percent. In addition to emission-free electricity, efforts are made to mitigate climate change by conserving energy, for example by developing production methods, by investing in energy-efficient machinery and equipment, and by carefully monitoring energy consumption.

The heat energy used for the production of the Helsinki textile

printing factory is generated with natural gas. Consumption of the gas remained at the same level as in the previous year. Compared to 2010, consumption of natural gas has declined by 5 percent, but consumption is always dependent on the volume of production. In 2014, consumption of natural gas per metre of output increased slightly relative to the previous year, due to pauses in production, but it held steady compared to the period 2010–2012. Consumption per metre of output depends on the lengths of production runs, among other factors. Longer production runs help to reduce consumption per metre of output.

In 2014, we made a decision to draw up a joint environmental programme for Marimekko's textile printing factory and head office in compliance with the ISO 14001 environmental standard. We updated Marimekko's environmental policy, produced a draft environmental programme, and set numerical environmental targets extending till the year 2020. The intention is also to have the environmental programme certified before the end of 2015. We also decided, when updating the environmental programme, to give up the WWF Green Office label granted for the Helsinki head office, as Green Office-type environmental targets are included in the new environmental programme. At the Management Group level, Marimekko's environmental programme is the joint responsibility of the CPO and CFO, to whom the actions and results of the programme

## **MARIMEKKO'S ENVIRONMENTAL TARGETS BY 2020**

- reducing energy consumption by 20% of the 2010 level
- reducing carbon dioxide emissions by 50% of the 2010 level
- reducing waste generated by operations by 20% of the 2010 level
- zero waste to landfill
- generation of electricity by renewable energy sources
- reducing water consumption relative to output by 20% of the 2010 level

Targets apply to Helsinki textile printing factory and head office.



are reported at half-yearly intervals. At the operational level, leadership responsibility for the implementation of the environmental programme is held by Marimekko's Production Manager and Sustainability Manager. Within the framework of the environmental programme, Marimekko employees are encouraged to identify the environmental impacts of Marimekko's operations, to continuously improve material and energy efficiency, and to minimise the environmental impacts of the products' life cycles.

#### **MATERIAL EFFICIENCY AND WASTE**

The Marimekko printing factory in Helsinki prints more than one million metres of fabric per year. When printing new patterns, and at the beginning and end of the printing process and when changing the base fabric or changing the printing screens, some waste material is always generated. Material efficiency plays a key role in prevention and minimising waste creation in Marimekko's production. Some of the waste material is sold in the outlet stores by the kilo and some pieces are utilised in the production process.

All waste generated at our printing factory is properly managed and sorted. The generation of waste, recycling and sorting are monitored regularly and the amount of mixed waste is minimised by recycling. A continuous objective of the Helsinki printing factory and head office is not to generate any mixed waste but to sort all waste for recycling. Starting from 2015, in practice no waste from Marimekko's operations in Helsinki will be sent to landfills as sorted mixed waste will also be incinerated for energy at the new local waste incineration plant. Local waste disposal will thus assist us in our goal of eliminating landfill waste entirely.

A reorganisation carried out in spring 2014 also caused changes at Marimekko's Helsinki premises, and the conversion work had an effect on the building's environmental footprint, particularly due to the resulting construction waste. Because of the conversion work, Marimekko's head office and production plant operations generated more waste in 2014 than

#### **KEY ENVIRONMENTAL INDICATORS**

	2014	2013	2012
Textile printing factory output, million metres	1.1	1.3	1.2
Electricity consumption <sup>1</sup> , MWh	2,017	2,184	2,208
Heating energy consumption <sup>2</sup> , MWh	1,954	2,370	2,235
Natural gas consumption <sup>2</sup> , MWh	3,712	3,672	4,200
Natural gas consumption <sup>2</sup> , kWh / metre of fabric printed	3.4	2.9	3.4
Direct carbon dioxide emissions (scope 1), tonnes (natural gas)	735	727	832
Indirect carbon dioxide emissions (scope 2), tonnes (electricity and heating)	188	256	701 <sup>3</sup>
Direct carbon dioxide emissions (scope 1), kg / metre of fabric printed (natural gas)	0.67	0.58	0.67
Water consumption <sup>2</sup> , m <sup>3</sup>	28,661	35 195	44,301
Water consumption, litres / metre of fabric printed	26	28	36
Waste generated from operations <sup>2</sup> , tonnes	191	162	184
Waste utilisation <sup>3</sup> , %	90	85	82
Share of waste sent to landfill from waste generated, %	8	10	12
Share of textile products sold made from more sustainable materials <sup>4</sup> , %	11	10	4

<sup>1</sup> Applies to the Helsinki textile printing factory and office building as well as the factories in Kitee and Sulkava.

<sup>2</sup> Applies to the Helsinki textile printing factory and head office.

<sup>3</sup> Utilisation as energy or recycled material.

<sup>4</sup> Calculated from sales in terms of units sold. A product made from more sustainable material is defined based on MADE BY organisation's fibre classification where materials containing 45 percent or more of fibre in classes A–C are considered more sustainable. E.g. organic cotton, linen and lyocell and blends of these are included in these categories.

in the previous year. However, the utilisation rate of the waste was good.

The majority of the waste generated at the Helsinki printing factory is classified as energy waste. Options for utilising the textile waste generated for other than as energy are constantly explored, but so far we have not been able to find a suitable re-use for the textile waste from the printing process, as an industrial raw material for example. In 2015, we will continue to internal investigations to further utilise material surpluses and cutting waste and we will also map out suitable partners for utilising of surplus and waste material.

#### **WATER CONSUMPTION**

Water plays a significant role at Marimekko's printing factory in Helsinki. Every year, dozens of prints

– new and old – make their way from the designer's sketching board through the artwork studio to the printing process. Most of the patterns are printed in several colours. For each fabric, 1–12 printing screens are used, depending on the number of colours in the pattern – one for each colour. Printing screens are washed after printing so just washing the screens consumer a lot of water. In addition, water is used for finishing the printed fabric – for example, dyes are attached with hot water vapour, and in the final stages of the process the fabric is washed once more.

More precise monitoring of water consumption was started in 2013 with the aid of water consumption measuring devices connected to various stages of the printing process. This enables us to focus attention on the stages of the process which use

the most water, and to decrease the consumption where possible.

In 2014, water consumption by Marimekko's textile printing factory decreased substantially, by 19 percent on the previous year. Consumption per metre of production was 26 litres, which was seven percent lower than in the previous year. In the future, the water efficiency of the printing process will also improve markedly with the new washing line currently in planning.

### **CHEMICALS**

In textile manufacturing processes such as bleaching, dyeing, printing and finishing chemicals are used, which are important for the appearance and properties of the textiles. Apart from finishing treatments, the majority of the chemicals are washed off after the dyeing or printing. The use of chemicals in production is strictly regulated at the European level within the framework of the REACH chemicals legislation. Marimekko's other customer markets such as Japan and the United States have their own stringent chemical regulations. Legislation helps to restrict the use of substance found to be harmful to people and the environment. It is Marimekko's responsibility to ensure that all Marimekko products comply with chemical requirements of both European legislation and the legislation and regulation in Marimekko's other customer markets.

Chemicals used in Marimekko's own textile printing factory include printing dyes, finishing agents and detergents. Chemicals are also needed in making the printing screens. In accordance with regulations, there are detailed chemical information sheets available for all the chemicals used. All employees working with chemicals are trained in the health and safety impacts of chemicals and in the use of proper protective equipment.

The majority of the products printed at Marimekko's own textile printing factory are Oeko-Tex 100 certified, which means that the chemicals used in the manufacture of the products are limited more than the law requires. Oeko-Tex certification guarantees that the product is proven

not to contain harmful chemical residues. Our customers can find the Oeko-Tex label on most of Marimekko's interior fabrics and products made from these, and towels and bed linen manufactured by subcontractors. A high proportion of the clothing fabrics are also Oeko-Tex 100 certified.

Marimekko's suppliers are obliged to comply with chemical legislation in purchase agreements. In addition, we use a list of prohibited and restricted substances based on the European chemicals legislation REACH. The list contains specified substances of high concern and other chemicals harmful for people or the environment commonly used in textile production which we do not accept in our products. We monitor supplier compliance with the chemical restrictions with the help of regular product- or material-specific testing. Testing is done in outside laboratories.

In 2014, we set up an in-house chemicals committee to develop chemical management, including specialists from the textile printing factory's product development team, the quality team, sourcing and the sustainability team. The committee meets regularly, monitors regulations in the sector and changes within this, proposes policies for the chemicals to be used for product lines, is responsible for producing the lists of chemicals and drafting and updating guidelines to be sent to suppliers, and will also train company personnel more broadly in matters related to chemicals. During 2014, the team updated the list of prohibited and restricted substances for suppliers and at the same time drafted more detailed, category-specific guidelines to be used together with the list. On the basis of a recommendation by the team, it was also decided to evaluate the alternatives for giving up the use of PVC coating in Marimekko products by the end of 2016. Phthalate-free PVC is used for coating Marimekko's oilcloth and cosmetic bags. PVC is a challenging material from the environmental perspective as PVC-coated products may not be sorted into energy waste due to the harmful compounds formed when they are burned. We have already tested acrylic coatings for oilcloth and we

will continue evaluating and testing alternatives in the course of this year.

Towards the end of 2014, our textile printing factory gave up oil-repellency treatments for upholstery and bag fabrics, so the finishing processes no longer use environmentally harmful perfluorinated hydrocarbons.

### **PRODUCT AND TRANSPORT PACKAGING**

In order for Marimekko products to be transported from the manufacturing facilities to the stores and available for customers in high quality and in good condition, it is important that the products are packed well and appropriately for the transportation. Regarding packaging materials imported to Finland, Marimekko takes care of the recovery and utilisation of the packaging according to the EU Packaging Directive. In Finland, we have an agreement with the local organisation, the Environmental Register of Packaging PYR Ltd who takes care of our recovery and utilisation responsibilities for local producer organisations. We report annually the amount of packaging materials imported to Finland to PYR.

Marimekko's product packages pay special attention to ecological aspects. In the stores, customers purchases are packed into plastic bags made of 45 percent recycled material. Alongside plastic bags, also the FSC (Forest Stewardship Council) certified paper bags and organic cotton fabric bags are offered. When purchasing a Marimekko product, the customer can choose the bag best suited for them.

We also have an environmental policy regarding materials used in communications and marketing. All paper products need to be printed on either FSC or PEFC certified paper. In addition, many of our printed products such as our collection catalogues and our annual yearbook have the Nordic Ecolabel – the Swan.





# Employee wellbeing and expertise

At Marimekko we have always believed in being genuine, fair and courageous, and in the power of working together. Marimekko's personnel are skilled, creative and committed. These ingredients create a strong corporate culture and team spirit which are important pillars in the company's strategy.

## MARIMEKKO SPIRIT, UNIQUE CORPORATE CULTURE AND GETTING THINGS DONE

Our success has been born of a strong staff commitment and the ability to get every individual's skills and creativity to use in daily work. Marimekko spirit, incorporating the company's values guides us in our work.

Marimekko has a unique atmosphere and unpretentious, open corporate culture that is based on creativity and entrepreneurship. A low hierarchy and caring work community allow informal interaction and a spirit of getting things done.

The rapidly changing business environment and the world require the ability to predict the future and to change ways of doing things, which requires us even stronger insight and skills. Common sense and courage help us on our way in change.

## INTERNATIONAL AND VERSATILE OPPORTUNITIES

A staff of about 500 professionals work at Marimekko. In recent years, at Marimekko has offered more and more opportunities to work in a multicultural environment and move to a new position within the company. At the same time the changes in the operational environment has required improving reorganising the operations. The vast majority of employees still work in Finland. At the end of 2014, 129 employees worked abroad.

Marimekko offers a wide variety of positions in design, product

development, production, sourcing, sales, marketing and administration. Marimekko's advantage in the job market is the strong, attractive brand. Our goal is to be the most desirable and valued employer with the best employees.

## FAIR, HIGH-QUALITY MANAGEMENT WORK

Management and leadership in Marimekko strongly rely on values and are based on a fair and equal leadership. Good leadership and management work are the foundation of the company's success. Employees in management positions are supported in strengthening their leadership skills so that they can serve as inspiring mentors of their teams and create the conditions for smooth operations. Good leadership strengthens employees' wellbeing, commitment and performance. A manager is successful in their work when each team member knows what their roles are and what is expected of them and when the team works in good co-operation.

The systematic development of managerial skills and supporting managers in their daily work aim at high-quality leadership in the Marimekko way. Managers are continuously trained in Marimekko. The long-term training programme for managers in Finland, which was started in 2012, continued in 2014. There was also investment in the development of managers at Marimekko subsidiaries in different parts of the world with the arrangement of the international

training programme Global Marimekko with Local Leaders.

The development of sales and sales management continued through various training programmes. Store managers were trained, for example, in a retail supervisors' management training group, and many retail sales staff gained a qualification in sales. In addition, wholesale staff were trained in active selling and productive operating methods in a training programme customised for Marimekko. Sales staff were also trained during 2014 in sustainability-related issues such as responsible sourcing, product origin, and product lifecycle environmental impacts.

## CONSULTATIVE NEGOTIATIONS AND REORGANISATION

In spring 2014, consultative negotiations involving 378 people took place in Marimekko's head office and stores in Finland. At the outset of the negotiations, the overall requirement for job reductions was estimated at a maximum of 55 employees. Operational reorganisation and streamlining resulted eventually in the termination of 28 posts. The personnel affected by the negotiations were provided, during the negotiations and thereafter, with broad-based support together with occupational healthcare. Those who lost their jobs were also given training in seeking new employment. The actions carried out are intended to boost Marimekko's competitiveness in the long term and to develop operations so that we are able to better respond



## Marimekko employees

Average age

**36**

Gender ratio,  
women

**91%**

Women in  
management  
team

**67%**

Employees in  
with regular  
employment

**84%**

(in Finland)

Full-time  
employees

**57%**

(in Finland)

to the challenges of a changing business climate and to the needs of an international clientele.

#### **HEALTHY AND SAFE WORKING ENVIRONMENT**

All Marimekko employees – in stores, at the office, in production – have the right to a healthy and safe working environment. Ensuring a safe working environment means the prevention of injuries and identification and avoidance of near-misses and hazardous situations. For preventing hazardous situations, employees are trained in safety-related issues and safety risks are regularly reviewed.

Occupational safety in Marimekko is guided with common operational guidelines, set objectives and measured indicators. For example, safety and first aid training is organised for employees on a regular basis. Injuries and accidents are recorded according to agreed procedures. In 2014, 19 accidents occurred for Marimekko employees, of which 9 happened in the workplace, and 10 while commuting.

#### **CONTINUOUS DEVELOPMENT OF EMPLOYEE WELLBEING**

Employee wellbeing is reflected in coping, motivation, and the quality and productivity of work. In Marimekko, wellbeing is supported by promoting employees' health, ability and functional capacity to work and quality of life in different ways. We work closely with the health care service provider and occupational health and safety organisation to develop employees' wellbeing. Among other things, the continued development of management work, supporting the work-family life balance, recreational activities, and encouraging staff to sporting activities contribute to employee wellbeing and satisfaction in the workplace.

Marimekko has implemented an early intervention model, a tool for detecting problems, talking about them and finding a resolution. The model aims to promote wellbeing at work, ability to work and wellbeing in the

#### **KEY FIGURES, PERSONNEL**

	2014	2013	2012
Average number of employees <sup>1</sup>	473	526	497
Employees at year end <sup>1</sup>	479	502	535
New employees	86	71	93
Leavers <sup>2</sup>	62	52	64
Leaving turnover rate, %	13	10	12
Average age of employees, years	36	37	37
Employee gender ratio, women/men, %	91/9	91/9	91/9
Women in Board of Directors, %	33	17	17
Women in Management Group, %	67	67	67
Sick leave absence rate <sup>3</sup> , %	3.7	3.4	3.4
Work and commuting accidents, nr	19	26	23
Healthcare expenses / person <sup>3</sup> , EUR	905	902	758
Overall result of personnel survey, scale 0–100	71	-	3.78 <sup>4</sup>
Result of personnel survey regarding sustainability			
scale 1–5 <sup>5</sup>	3.1	-	-

<sup>1</sup> FTE (full time equivalent)

<sup>2</sup> Including voluntary leavers and retirements. Not including ended fixed-term employment or layoffs in Finland due to production-related or financial reasons (26 FTE).

<sup>3</sup> Calculated based on theoretical regular working hours. Applies to Marimekko employees in Finland.

<sup>4</sup> In the survey conducted in 2012, the scale was 1–5.

<sup>5</sup> The question: Our company operates very responsibly in environmental and social responsibility issues.

workplace. We work for example on identifying the reasons for absences due to illness, and strive to prevent them. The objective is to improve the working conditions and prevent prolonged absenteeism and early disability retirements.

An employee survey measuring job satisfaction and development is conducted every two years. Based on the results, members of each team develop their methods of working together and aim to find the best practices for maintaining an inspiring working environment.

The results for the 2014 personnel survey were slightly down compared to the previous survey, which was carried out in 2012. The response rate for the survey was 84 percent, and the overall result was good, 70.6/100. The results were on average better than those for comparable organisations.

The most praise was given for supervisors' recognition of good performance. The respondents also felt that Marimekko's values and mission were worthy of attaining. The respondents found most potential for improvements was in tools, in the clarity of spheres of responsibility, and in decision-making. The results of the survey are reviewed together with the personnel and taken into account when making the units' development plans.





# Responsible business practices

Marimekko is a major employer in the Finnish textile and clothing sector - one of the few remaining. For us it is important that we are able to promote Finnish design know-how's journey to the world and create a profitable business at the same time. The task is not easy in the middle of a difficult market situation with intensifying global competition, but we believe that we are on the right track. International growth enables us to build a more and more interesting company.

For Marimekko, like any company, financial viability is a responsible and sustainable business requirement. It is also important that a good financial result is achieved in a responsible way. Responsible business practices help to ensure the company's competitiveness and long-term profitability. With its finances on a solid foundation, Marimekko is able to provide its shareholders with steady returns and to meet its obligations as a responsible company and employer.

## CONTROLLED GROWTH AND INTERNATIONALISATION

During the past five years, Marimekko has invested strongly in internationalisation - the number of Marimekko employees has increased by almost a hundred due to international store openings. In 2014, we continued our investment in growth and we concentrated on improving the operations of our stores, on enhancing the overall profitability of our business, and on creating even more attractive design and products. Our net sales were

on a par with the previous year's figure, but our net result improved markedly. The improved profitability was partly due to the streamlining actions carried out in 2013 and 2014. The generally weak market conditions in Finland were compensated for by our international growth, which was weighted towards Asia. During the year, a total of 19 Marimekko stores were opened, 13 of them outside Finland. The trend in our online retailing was also promising; in Finland, comparable retail sales were boosted specifically by growth in sales generated by online retailing.

You can read more about the financial targets and their achievement in our separate annual yearbook, which you can read and order on our website at [company.marimekko.com](http://company.marimekko.com) under Releases & Publications / Annual Reports.

## ECONOMIC WELLBEING FOR STAKEHOLDERS

Marimekko employs, directly and indirectly through resellers and the supply chain a large number of people and generates economic wellbeing for many stakeholders, in Finland and abroad. Although Marimekko has become more international in recent years, the majority of Marimekko employees, around 70 percent still work in Finland.

## GOOD CORPORATE GOVERNANCE AND RISK MANAGEMENT

Marimekko is a public limited liability company which applies the Finnish Companies Act, other regulations concerning public listed companies and Marimekko Corporation's Articles

## KEY FIGURES, FINANCIAL RESPONSIBILITY

	2014	2013	2012
Net sales, EUR 1,000	94,150	94,007	88,471
Result before taxes, EUR 1,000	5,485	-804	1,413
Return on investment, %	15.6	-1.1	4.1
Dividends paid, EUR 1,000	2,831	2,022	2,022
Gross investments, EUR 1,000	2,063	2,353	7,582
Equity ratio, %	61.6	55.5	54.6
Salaries, wages and bonuses paid, EUR 1,000	19,431	21,411	19,799
Pension and other indirect social expenditure, EUR 1,000	6,112	5,649	4,738
Income taxes, EUR 1,000	1,370	151	313
Purchases from suppliers of goods and services <sup>1</sup> , EUR 1,000	48,983	52,233	49,956

<sup>1</sup> Including materials, supplies and other operating expenses excluding leases.



of Association and NASDAQ OMX Helsinki Ltd's rules and regulations in its decision-making and administration. Marimekko Corporation also complies with the Finnish Corporate Governance Code for listed companies, effective as of 1 October 2010, in accordance with the 'comply or explain' principle.

Marimekko's risk management is based on the risk management policy confirmed by the company's Board of Directors, which defines the principles, objectives and responsibilities of risk management, as well as the organisation and control of the risk management process.

#### **RISK MANAGEMENT PRINCIPLES**

Marimekko's risk management aims to safeguard the smooth continuity of business operations and ensure stable profit development for the Group. Comprehensive risk management is an ongoing, systematic process which involves identifying and evaluating risks associated with the company's operations and operating environment. The company's key risks comprise risks which could prevent Marimekko from exploiting business opportunities or jeopardise or prevent the achievement of the strategic objectives of the Group or a Group company, or the continuity of operations or would otherwise have significant consequences for the company, its personnel or stakeholders. Risk management is an integral element of the company's management and decision-making process, covering all of the Group's functions.

A more detailed description of Marimekko's risk management process can be found on our website at [company.marimekko.com](http://company.marimekko.com) under Investors / Management / Risk management and risks.

#### **CHARITY AND SUPPORTING LOCAL COMMUNITIES**

Marimekko participates annually in selected charitable projects. Traditionally, women and children have been at the centre of our charity work.



In 2014, we joined forces with a number of partner stores to donate part of the proceeds from the February sales of Marimekko's kids' collection to Save the Children Finland for its work on protecting children and disaster aid. We also took part in the Cancer Society of Finland's Pink Ribbon campaign with a rose-tinted shopping bag; part of the profits from the sales of the bag was donated to support Finnish breast cancer research. In addition, Marimekko supported the campaign for funding for Helsinki children's hospital together with many other companies by participating in a fashion show where the box office proceeds were donated

in their entirety to the children's hospital.

In addition, Marimekko makes individual product donations for example to neighbouring daycare centres. In 2014, Marimekko participated again in a campaign organised by the Junior Chamber International Finland to collect Christmas presents for children and young people under 18 years under child welfare services in Helsinki.



# Reporting principles

This is Marimekko's second sustainability review that applies GRI G4 sustainability reporting guidelines. The review is based on the G4 guidelines reporting level "Core" and the most relevant indicators for Marimekko's operations have been selected for the review to the extent that information has been available. The review has not been prepared fully in accordance with the GRI G4 Guidelines, which means that all GRI's indicator protocols have not been applied in a detailed level. Access to information such as environmental impacts of our supply chain is still limited, and therefore reporting is currently focusing mainly on Marimekko Corporation's own operations.

The environmental data presented in the review is mainly related to Helsinki printing factory. In the electricity consumption data, also the production facilities in Kitee and Sulkava which were closed down in spring 2013 are included. Energy consumption of Marimekko stores in Finland or abroad is not included in the figures. Environmental key figures have been calculated based on information provided by the service providers or measured consumption.

Personnel related information for Finland is derived from an HR data and information system. Separate data collection has been conducted for international organisations.

Financial data is derived from Marimekko's audited financial statements complying with the IFRS standards and from internal accounting.

The shares of manufacturing by countries are calculated based on the sales of products in euros by country of origin.

The share of products made from more sustainable materials is calculated based on the number of items sold products.

Any changes to previously reported information has been specified with the reported information.

## Boundaries of material issues

The material issues relevant to Marimekko's sustainability are presented in the table on page 10. From the aspects of G4 reporting guidelines, we have identified all aspects at the "Core" level relevant. Some of the aspects concern Marimekko's own operations and some have been identified relevant, for example, at particular stage of Marimekko's supply chain, or only for certain activities or in certain countries. Aspects concerning only certain suppliers, functions, or operating countries are detailed in with the reported indicator or in the comments of the GRI content index.

## Assurance practices

This sustainability review has not been assured by a third party. The information based on the statutory financial statements have been audited by PricewaterhouseCoopers Oy.

## Feedback and contact information

When it comes to sustainability reporting and communications, one can and should always improve and this is our objective as well. We hope to receive feedback from all our stakeholders regarding our sustainability communications and reporting to be able to develop it further. Please send us feedback at [sustainability@marimekko.com](mailto:sustainability@marimekko.com) or contact us:

Anna-Leena Teppo  
Sustainability Manager  
[anna-leena.teppo@marimekko.com](mailto:anna-leena.teppo@marimekko.com)

Asta Halme  
Head of Corporate Communications  
[asta.halme@marimekko.com](mailto:asta.halme@marimekko.com)



Below you can find the GRI content and indicators fully or partially included in this sustainability review. Some of the aspects that have been defined as material are reported in narrative and measurable performance indicators

have not been reported for all aspects. In addition, some of the GRI content is reported in the comments field of the more detailed GRI content index. Reporting is based on the GRI G4 "Core" level.

#### DO YOU NEED MORE INFORMATION?

You can read a more detailed GRI content index on our website at [company.marimekko.com](http://company.marimekko.com) under Sustainability / Sustainability review.

#### GRI CONTENT INDEX

Section	GRI content	Included	Page / section
Strategy and analysis	G4-1, G4-2	Yes	2-8 / From the CEO, Sustainability at Marimekko
Organisational profile	G4-3-11, 12-13, 15-16	Yes	1, 6-7 / 2014 in figures
Report profile	G4-17-27	Yes	40 / Reporting principles
Governance, commitments, stakeholder engagement, ethics and integrity	G4-34, G4-56	Yes	8-15 / Sustainability at Marimekko
Economic responsibility	DMA, G4-EC1-2, EC8-9	Partly	38 / Responsible business practices
Environment	DMA, G4-EN1, EN3, EN5-6, EN8, EN15-16, EN-18, EN23, EN27-29, EN33	Partly	30-32/ Environmental impacts of production
Social responsibility	DMA, G4-LA1, LA4, LA6, LA10-12, LA15, HR1, HR3-6, HR9, HR11, SO2, SO4, SO8, SO10, PR2, PR5, PR7	Partly	22-28, 36 / Responsible sourcing, Employee wellbeing and expertise
Apparel and footwear sector supplement contents	DMA, AF1-3, AF5-6, AF8, AF9-10, AF12-17, AF20-21, EN26	Partly	22-28 / Responsible sourcing





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