

Operations

## OUR APPROACH TO MANAGING OPERATIONS CONTINUED

### Resource efficiency improvement

The materials and other resources we use to make our products are valuable, and we're committed to using them as efficiently as possible. We have set a target to recover or recycle more than 98% of the waste in our direct operations by 2020. To achieve this, we are making smart material and design choices to ensure that more of our materials can be reused.

In 2018 we analyzed our waste streams, focusing particularly on the waste being sent to landfill. We explored which locations and processes were producing this waste. We also looked at what we could do either to prevent the waste being generated, or to recover and recycle it.

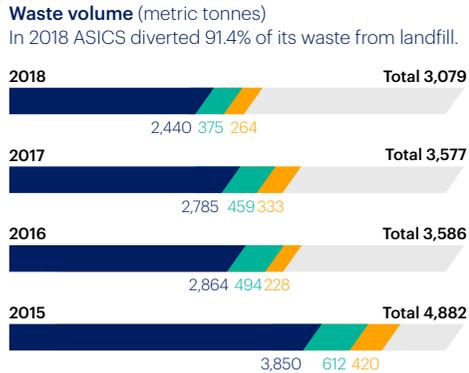
Our research found that just four sites are responsible for over three-quarters of all the waste that we are currently sending to landfill. Therefore, by focusing on this limited number of sites, we could significantly improve our waste reduction efforts.

One of the main sites we are focusing on is our Sanin Footwear factory in Japan. Some of the landfilled waste from that location was generated by renovation and expansion activities that took place over the past years.

However, we are also evaluating whether landfilled waste from processes in that factory can be reduced, recycled or recovered.

Similar awareness and reduction projects have begun in the other three main sites that are responsible for most of our landfilled waste.

We are also developing a strategy to make our packaging more sustainable in terms of material use and design. This will help us reduce waste generated further down our supply chain, at the retail and consumer level.



- Recycled & Reused Volume
- Recovered Volume
- Disposal Volume

2018: 20 companies, 33 locations, covering 68% of operations (FTE basis)  
 2017: 20 companies, 40 locations, covering 69% of operations (FTE basis)  
 2016: 20 companies, 42 locations, covering 75% of operations (FTE basis)  
 2015: 17 companies, 43 locations, covering 75% of operations (FTE basis)

### Reducing our water use

Water is one of life's most precious resources, and essential to our manufacturing processes. To ensure a sustainable supply of water in the communities where we operate, we are committed to using water as efficiently as possible.

In 2018 we used 22.3% less water than in the previous reporting year. Most of this decrease was accounted for by our owned factory in China, where water use largely decreased by 75%. This decrease was related to the water leakages detected and fixed in past year.

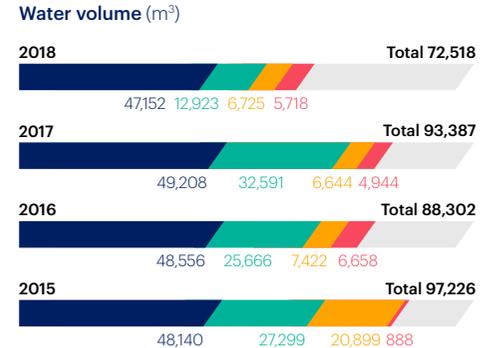
Our other operations in offices also have shown a reduction in water use in 2018 compared to 2017, while distribution centers and retail locations have shown slight increase. In order to help our operations to reduce their water use further, we will share best practices and focus on our most water-intensive operations for efficiency improvements.

As well as tracking the volume of water used in our own operations, we have also investigated the source of the water to gain a more detailed understanding of the way our water use impacts the local environment.

As expected, we were able to confirm that we are using water from municipal water utilities in all our operations.

Water provided by municipal utilities is estimated to be well managed and has a lower impact and risk on the environment than water from a nearby river, lake or groundwater.

In one of our locations in Germany, we are saving water by using rainwater for sanitary purposes. We are exploring whether this can be applied in other locations to decrease our water use.



- Offices
- Factories
- Distribution Centers
- Retail

2018: 32 companies, 85 locations, covering 82% of operations (FTE basis)  
 2017: 31 companies, 85 locations, covering 80% of operations (FTE basis)  
 2016: 26 companies, 81 locations, covering 80% of operations (FTE basis)  
 2015: 30 companies, 60 locations, covering 55% of operations (FTE basis)