

# MAKINEN

2022–2023

# SUSTAINABILITY REPORT



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# INTRODUCTION

MAKINEN is dedicated to caring for the environment and promoting sustainable practices in its business operations. This includes using resources responsibly, managing waste effectively, improving energy efficiency, and reducing emissions. We understand our role as a company to positively influence the future through the solutions and services we offer to our customers. Being sustainable means taking responsibility for our actions in every aspect of our business operations, conducting them ethically and in compliance with all applicable laws.

In developing and producing our products and services, we prioritize considering all aspects of sustainability. This commitment is fundamental to our operational philosophy, and we expect all our employees and partners to embrace it.

Together, we can fulfill our responsibility to protect the environment and design solutions in harmony with sustainable development for the present and the future.

Sustainability Management is an essential part of our company's strategy and operating principles. The MAKINEN Sustainability Report represents our fourth consecutive annual publication, aiming to provide insights into our daily and ongoing sustainable, green, and ethical activities. Through this report, we aim to communicate the actions we are taking, planning to undertake, and have successfully completed. It serves as a statement of our consistent commitment to ongoing sustainable development from our end.



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# CEO REVIEW

The global cruise industry has made a strong comeback, surpassing pre-COVID passenger levels. Notably, the Asian cruise market is opening up to Western companies, and European shipyards are thriving with ongoing cruise ship construction. Although the refurbishment market is on the path to recovery, returning to pre-COVID levels is taking time, as expected.

New players entering the cruise industry have infused a sense of excitement. At MAKINEN, we've been working diligently to embed our vision, purpose, and values within our team and crucial partners since the last fiscal year. Furthermore, we've updated our company strategy for the upcoming years (2023 – 2024/25) to be in sync with the current market dynamics.

We've also initiated the implementation of the OKR model as part of our company's management approach. In the upcoming strategic phase, we will concentrate on broadening our customer base, providing more value to our customers through flexible service solutions, and deeply integrating sustainability into all aspects of our operations.

In 2023, MAKINEN is celebrating a significant milestone – 30 years in the marine interior industry.

Today, we're proud to be recognized as full-scope marine interior experts, providing refurbishment and newbuilding of cabins and public spaces and marine-grade furniture to our cruise industry customers worldwide. It's been a journey full of challenges, changes, and growth, and we couldn't have done it without the support of our amazing employees, customers, and partners. As we embark on our fourth decade in business, we view it as another challenge to get even better at what we do. We will continue pursuing innovations, challenging ourselves, and delivering the highest quality services possible.

With this current release of our Sustainability Report for the fiscal year 2022–2023, we aim to share our commitment to sustainability at MAKINEN with our customers, suppliers, employees, and stakeholders. This report reflects our dedication and progress, and we hope it serves as an example, encouraging other companies to join us in making a positive impact.



**Jaakko Mäkikalli**  
CEO of MAKINEN

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# MAKINEN IN BRIEF

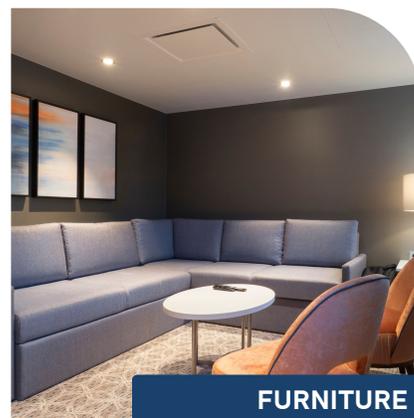
Bringing three generations of experience, we deliver exceptional marine interior solutions to cruise ships, shipyards and passenger ferry companies:



**REFURBISHMENT**  
Cabins and  
Public Spaces



**NEWBUILDING**  
Cabins and  
Public Spaces



**FURNITURE**  
Production

## Our vision

To be the benchmark  
of the cruise industry  
by 2030.

## Our purpose

To build the best  
with passion and  
courage.

## Our values

We get the job done.  
We find better ways.  
We keep our promises.  
We are MAKINEN.

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Since 1993, MAKINEN Corporation, a family-owned business, has focused on interior turnkey projects, material deliveries, furniture installations, and interior technical solutions for the international cruise and shipbuilding industry. With three generations and five decades of involvement, our company's roots are deeply connected to the global cruise and shipbuilding sector.

Our operations are divided into three main areas: Refurbishment of cabins and public spaces, Newbuilding, and in-house Furniture production. We offer complete project management services, including engineering and design support for both newbuilds and refurbishment projects. We also take care of the procurement of interior materials.

Since every project is unique, we will customize and tailor our services according to our customer's needs and requirements.

Our in-house Furniture Production is a marine-grade supplier of custom-made furniture, extending over 30 years of experience. We specialize in crafting a range of furniture items, including sofas, sofa beds, armchairs, ottomans, nightstands, chairs, and textiles. We also provide fixed furniture such as wardrobes, window seats, and decorative panels.

For refurbishment and newbuilding turnkey projects, the customer chooses the project's operational location. Drydock is where MAKINEN carries out the ship's repair, demolition, and installation work in refurbishment projects. The drydocks and the newbuilding project shipyards are widely spread all over the world.

Our operations are heavily based on the workforce, which plays a significant role in customer value creation and satisfaction. Our supply chain consists of interior material manufacturers, suppliers, and subcontractors, located in Europe, the USA, and Asia.

### MAKINEN OFFICE LOCATIONS



- **MAKINEN Finland**  
 I.S. Mäkinen Oy  
 Lieto, Finland
- **MAKINEN China Ltd.**  
 Haimen, China
- **MAKINEN USA**  
 Makinen, Inc.  
 Pompano Beach, Florida  
 USA

# MANAGING SUSTAINABILITY

Sustainability is a fundamental aspect of our corporate governance, managed by the Board of Directors, the CEO, and the Executive Team.



At MAKINEN, our sustainability initiatives are aligned with the UN Sustainable Development Goals 3, 9, 12, and 13, and we have developed a sustainability program to actively pursue their achievement. We place a strong emphasis on advancing sustainability, safety, and the well-being of our people through improved leadership, operations, and practices.

Our sustainability efforts are guided by the Executive Team, which sets the company's strategy and establishes the framework for sustainability objectives. The CEO holds responsibility for the successful implementation of our sustainability agenda. Our management and supervisors ensure employees have a good understanding of and comply with the laws, regulations, and internal operating guidelines specific to their areas of responsibility.

Operational sustainability activities at MAKINEN are overseen by our Sustainability Steering Group (SSG), consisting of members from all business lines, HR, Sourcing, and Logistics functions. In the SSG meetings, no concerns or non-compliances were raised, either during this period or in the company's history.

Our operations are in accordance with international management standards: MAKINEN Finland holds the DNV Quality Management System Certificate and the CSR (Corporate Social Responsibility) Performance Ladder Standard 3rd Level Certificate. This certification combines the principles of ISO 26000, ISO 14001, ISO 45001, AA1000, and GRI, ensuring clear goals, milestones, and transparent reporting. Furthermore, MAKINEN holds the ISO 9001: Quality Management System Certificate, accredited by DNV.



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# PEOPLE

**Prioritizing the well-being of our employees at work, ensuring workplace safety, and supporting a healthy work-life balance have always been foundational principles for MAKINEN. We continually strive to maintain an environment that allows employees to enhance their skills and grow within the company. In full compliance with laws, regulations, and policies, we ensure a safe workplace for both our present and future employees.**



In this reporting period, we focused on optimizing our organizational structure to ensure efficient task distribution and decision-making. In fall 2022, we renewed our Executive Board, which now consists of five members – four men and one woman. Concurrently, we streamlined our organizational structure to enhance operational efficiency, encouraging seamless collaboration across business lines.

## HSE Practices and Awareness

We follow MAKINEN HSE Policy statement, which is a commitment to improving our HSE processes continually. For MAKINEN Finland operations, Occupational Health and Safety Plan is usually created by Occupational Safety Committee, chaired by HSE Manager, holds its meetings on a regular basis.

The Committee fulfills the statutory occupational Health and Safety cooperation by monitoring the implementation of the Occupational Health and Safety Plan and Health Care, as well as making proposals for the employer regarding the development of occupational health and safety of the employees.

Safe work and the workplace are one of the most significant factors in our social responsibility. According to the corporation's HSE instructions, all the team members (the corporation's employees and workers working under the corporation's supervision) are responsible for keeping the working environment safe. The supervisors are especially obligated to monitor the work environment constantly.

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Our Safety observation system is maintained by HSE Manager together with supervisors and occupational health and safety representative. It is our responsibility to acknowledge threats that affect our employee well-being in all aspects. The reporting system for safety observations applies to all Finland operations. All incidents, near-miss situations, and hazard identifications are reported using the same system. The Committee monitors the observations and makes corrective actions together with the supervisors.



In 2021-2022, the system was also made available to mobile devices for easier access, and the use was extended to all Finland operations. As a result, and as we expected, we saw a positive increase in the number of entries. The system works also a booster for safety awareness, and the observations evoke fruitful conversation and actions toward a healthier and safer workplace.

### Zero harm

Our long-term goal is zero work-related injuries and accidents. We streamlined and updated the accident reporting criteria in 2020-2021, and the figures from the previous reports are not comparable. We have also introduced the Accident frequency rate LTA (Lost Time Accident: any work-related injury which prevents the injured person from doing any work the day after the accident).

YEAR	2021-2022	2022-2023
LTA* (Accident Frequency)	8.68	0
Accidents leading to short-term sick leave	1	0
Accidents leading to long-term sick leave (30+ days)	0	0
Total number of recordable accidents	3	11

\*LTA >1 days absences / hours worked \*1,000,000

When compiling statistics on occupational accidents, we have considered all incidents that led to more than one day of sick leave. During this reporting period, no occupational injuries or accidents resulted in sick leave.

## Health and well-being

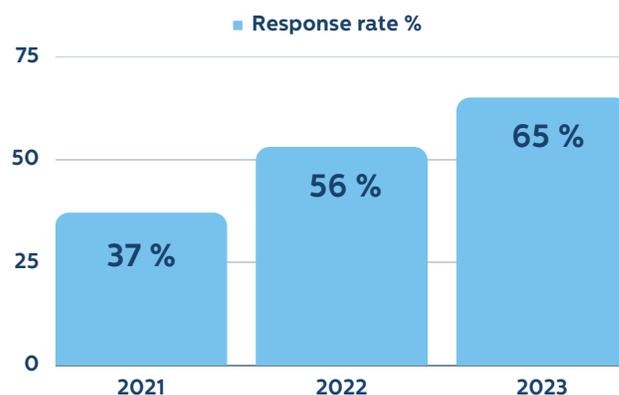
At MAKINEN, our employees have access to comprehensive occupational health care provided by our long-term partner, Mehiläinen. This care includes essential health checks, such as pre-employment and regular medical examinations, with a strong emphasis on preventive care. Mehiläinen also offers support to our personnel for health concerns and minor accidents.

To maintain and enhance the well-being of our employees, we've implemented various practices and operational models, including the Equality and Non-Discrimination Plan, Prevention of Harassment and Bullying, and the Early Support Model for Work Ability, developed in coordination with the occupational health care provider. All our employees, as well as those employed by MAKINEN Finland, are required to adhere to the Equality and Non-Discrimination Plan, which provides guidelines for appropriate work behavior and emphasizes maintaining a high level of work well-being and job satisfaction. Throughout this reporting period, no incidents of discrimination or negative social impacts were reported in our operations.



With the Early Support Model, potential issues concerning the ability to work can be proactively addressed, aiming to restore and maintain work ability and prevent incapacity for work. Additionally, we provide our employees with a range of recreational opportunities and actively encourage physical activity to enhance their well-being. For example, during this reporting period, our employees actively participated in a national campaign to measure the kilometers they walked, ran, or biked, reporting their achievements to promote increased physical activity in daily life.

Central to our operations is a commitment to social responsibility and ensuring the satisfaction of our employees. In March 2023, we conducted our Employee Satisfaction Survey for the third consecutive year.



The response rate showed continuous increase, and we met the target rate of 60% < set forth last year. The overall outcome of the survey was deemed good, with the highest ratings attributed to the ability to work, marked as very good, and the support received from colleagues.

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## Employee Training and Skill Development

At MAKINEN, we are committed to enhancing the skills and competencies of our workforce across all levels of our operations. This includes crucial first aid training provided to all personnel, training in auditing skills, leadership and management, and specialized programs tailored to fortify the knowledge base of our administrative staff, fostering a well-rounded skill set throughout our organization.

The initiation and development of our Code of Conduct were led by a dedicated team, with close oversight from our CEO. The CoC was launched and distributed to our personnel in fall 2023, we will continue to commence the implementation and training for the Code continuously. Additionally, we have already established a Whistleblower channel—an anonymous reporting platform—to enable our team to report possible violations or unethical conduct.



Safety training holds a top priority for us, with particular emphasis on emergency first aid. Our first aid trained personnel is standing at an impressive 62.5%. Furthermore, we've ensured the availability of a defibrillator at our Lieto premises and trained our team on its usage.

We've taken proactive steps to organize and provide training sessions covering specialized areas, aligning with individual needs identified during yearly performance and career development discussions.

Our focus remains on maintaining our employees' skills and knowledge at a high standard through consistent and diverse training initiatives. Within our work community development plan, we've meticulously identified development needs and set forth clear goals and measures to continually enhance the skills and competence of our personnel.



### Subcontractor compliance

At MAKINEN, we respect and strictly follow employment laws, rules, and regulations. Our employees are employed full-time and are covered by the required bargaining agreements.

For our projects, we employ many workers from our subcontractor and supplier companies. Most subcontractor and supplier employees work on installation, and repair. The most typical roles are technicians, electricians, logistics workers, carpenters, installers, helpers, painters, and wall-covering workers. The projects are executed intermittently, significantly changing the ratio of employees and subcontractors when comparing periods during and between the projects. During the projects, only 10-20% of all project team members are our employees, while our subcontractors employ the rest.

For both us and our client network, ensuring social sustainability across our supply chain is of utmost importance. We carefully select subcontractor companies that share our values and work ethics.

Conducting supplier audits is a key strategy to ensure supplier compliance and drive continuous improvement. We review our annual audit plan to prioritize and schedule audits according to our business needs.

MAKINEN's Supplier Code of Conduct requires all of our suppliers to protect the health and safety of their employees. We expect full compliance with our safety policies from every person who works on a MAKINEN site. In the refurbishment projects, we carefully follow our HSE processes, including training sessions, safety orientations, and documentation such as Safety Guidelines and Worker's Manual, which everyone must read, learn, and comply with. MAKINEN is committed to promoting the importance of personal safety, safe behavior, and environmentally sustainable ways of working, as they are crucial factors in creating a secure work environment for every person associated with MAKINEN operations.



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# ENVIRONMENT

**We contribute towards a low-carbon economy and use natural resources with care and respect for the environment.**

We keep the environmental impacts of production low, and our internal working guidelines instruct us to choose environmental, social, and economically sustainable solutions. Optimizing the sustainability of our operations includes the selection of interior material solutions, production, logistics, storage, planning, people flow, accommodation, and operational work at the dry dock or shipyard.

## Efficient Waste Reduction

MAKINEN is the only company that has successfully implemented the Lean approach to ship cabin refurbishment. The term originates in the automotive industry and refers to a highly efficient operating method encompassing just-in-time processes. This accuracy leads to a more optimized, sustainable, and safer work environment and less waste overall.

Waste removal is also part of the detailed schedule, so waste is not neglected and does not end up in the wrong location. With all material use, the aim is to minimize waste as much as possible by redesigning and innovating our manufacturing processes. For example, by optimizing carpet roll width instead of the standard width for all carpets, we can decrease the amount of carpet sqm by 14.4 %.

We also donate the surplus fabrics and fabric samples from Furniture Production to local kindergartens, schools, and the 4H club. In addition, the leftover items and materials from our production and project sites are offered to our employees for private use. We also organize leftover giveaways for our employees once or twice a year.



## Working towards Carbon Neutrality

In the previous reporting period, we conducted a comprehensive assessment of our carbon footprint for the calendar year 2021. Our total carbon footprint in 2021 amounted to 564.4 tons of CO<sub>2</sub>e.

### MAKINEN CARBON FOOTPRINT 2021

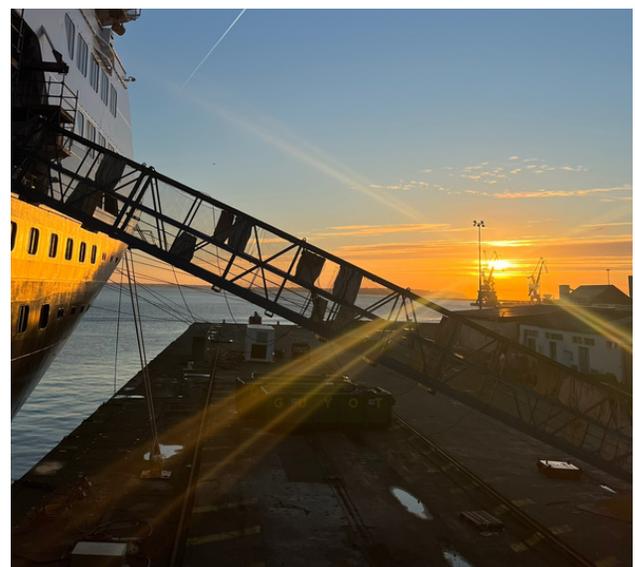
Scope	tCO <sub>2</sub> e
1	78.5
2	0
3	485.9

Our direct Scope 1 emissions are relatively minor and primarily result from oil heating at the MAKINEN premises and production site in Lieto, Finland. Fuel usage in company vehicles, Scope 2 emissions are at zero due to our utilization of 100% renewable electrical energy.

The calculation of our greenhouse gas emissions strictly follows the GHG protocol guidelines, categorizing emissions into Scope 1, Scope 2, and Scope 3 emissions. This information provides a basis for future comparisons and assessment of our progress

Among the Scope 3 emissions, significant sources include project travel, logistics, waste management, employees' work-related trips, and business travel. Given that MAKINEN's business model is project-centric, Scope 3 emissions fluctuate annually based on project size and location. We are continuously working to minimize these emissions by focusing on local sourcing of workforce and materials and reducing travel.

To further support carbon neutrality and climate-friendly actions in our daily activities, we have installed ten electrical charging stations at MAKINEN premises in Lieto, Finland, encouraging employees to opt for electric or hybrid vehicles and promoting low-emission commuting. Additionally, when acquiring new company cars for employees, we strongly advocate for the selection of full electric vehicles, contributing to our sustainability initiatives.



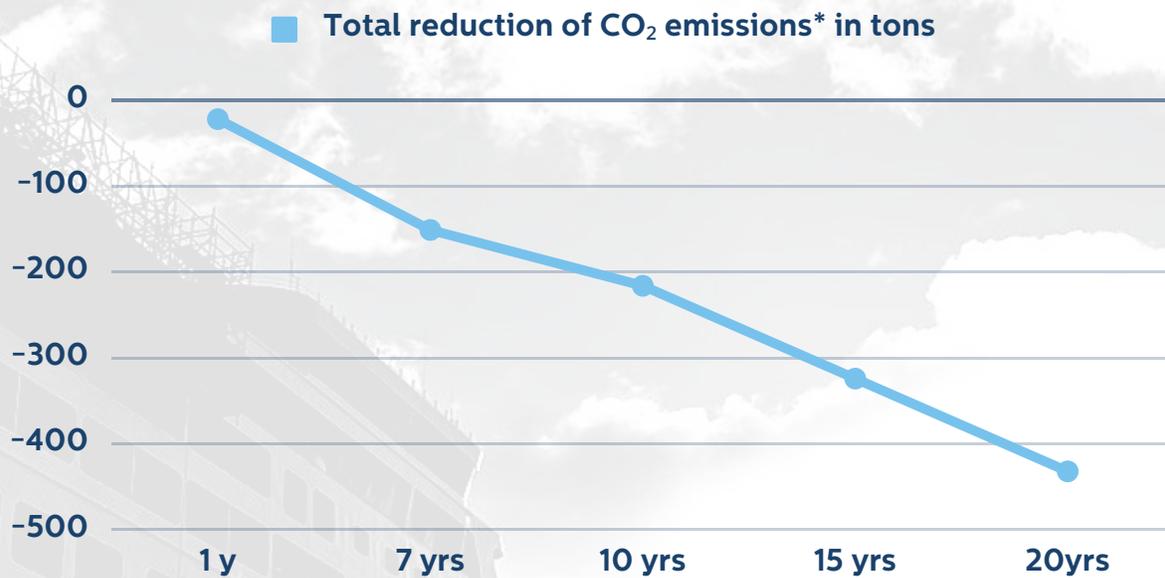
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## Target Set: Carbon Neutral within Scopes 1 & 2 by 2028

In our commitment to achieve carbon neutrality within Scopes 1 and 2 by 2028, we have initiated substantial changes during this reporting period.

Our transformation includes the major transition from oil heating to renewable energy and the adoption of bio-based fuels. We installed a hybrid heating system at our MAKINEN Finland property, significantly reducing oil consumption by over 75% and minimizing the property's carbon footprint by 67%.



\*Emission factors used in the calculations; oil 267 kg CO<sub>2</sub>/MWh, electricity 131 kg CO<sub>2</sub>/MWh.

The line chart illustrates the substantial reduction in CO<sub>2</sub> emissions in tons resulting from our transition to a hybrid heating system over a span of 20 years. In this period, the emissions have been diminished by 432 tons. This investment is in line with our goal of achieving carbon neutrality in scopes 1 and 2 by 2028.

# ECONOMY

**MAKINEN focuses on sustainable practices in interior solutions and supply chains, emphasizing ethical collaboration and community engagement for a positive impact.**



The shipbuilding industry is actively progressing towards sustainability, especially addressing carbon emissions and biodiversity loss. In the context of interiors, there are many ways we can contribute to these critical issues. The amount of furniture and interior materials used in refurbishment projects is substantial.

Fortunately, the availability of sustainable materials and products has significantly increased in recent years, with continuous innovations in the market. Effective end-of-life plans for interior materials are essential, focusing on refurbishment, reuse, and recycling. During shipbuilding projects, our collaboration with architects involves defining interior designs and specifying materials and furniture for each area.

We play a supportive role, aiding clients and architects in selecting sustainable solutions by utilizing our expertise and experience with materials and supplier companies. Whenever possible, we extend consulting support during the product design phase, helping clients make informed choices within architectural requirements and industry regulations.

Lighter solutions also contribute to reduced emissions for end users, as there is a correlation between cabin weight savings and fuel efficiency. During this reporting period, we continued our efforts in product development to utilize lighter raw materials in our furniture production. Providing a selection of more sustainable and lighter options for our clients is a priority, aligning with their ESG agenda and goals.

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## Operations and Supply Chain

We recognize that our company's sustainability is closely linked to its supply chain. The MAKINEN Supplier Code of Conduct lays out the ethical business practices we expect from our suppliers, covering legal compliance, ethical conduct, and environmental standards. We require our suppliers to adhere to these standards in all their interactions with MAKINEN and related parties. We evaluate supplier sustainability through background checks and on-site audits. In line with our subcontractor obligations and liability policy, we ensure that MAKINEN subcontractors and suppliers fulfill the Contractor's Obligations Act requirements, verifying their compliance with tax and employment regulations.

## Benchmark visits with industry peers

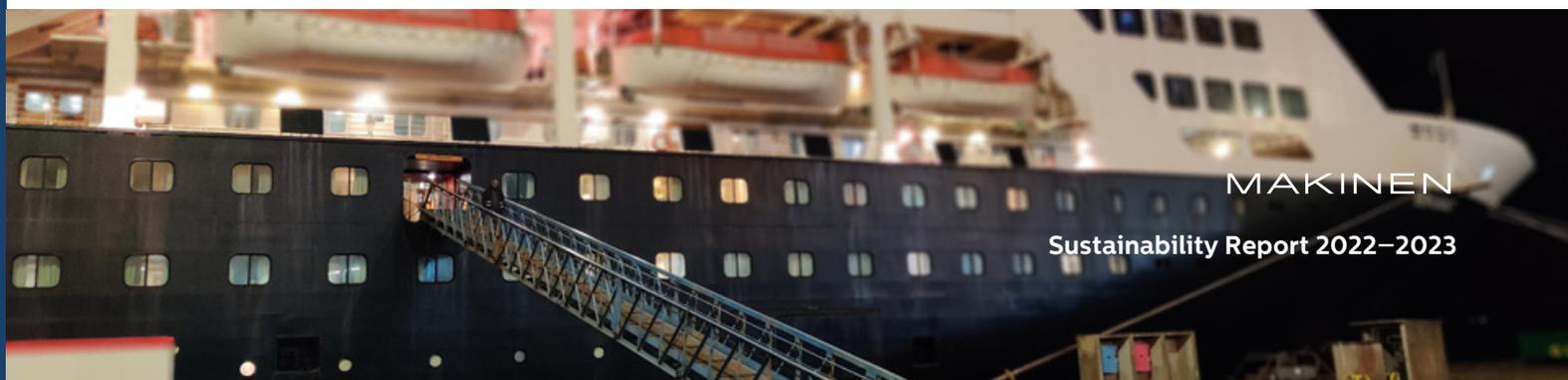
We regularly conduct benchmark visits to our supplier's and our marine industry peers' manufacturing sites to share and learn best practices. During this reporting period, we visited Finnish furniture manufacturers' sites and two industry peers' manufacturing sites in Europe. Collaboration with suppliers and other industry stakeholders for the exchange of best practices and continuous improvement is deemed invaluable.

## Local outreach and support

We collaborate with universities, colleges, and other educational institutes to offer career opportunities at MAKINEN for new graduates, as well as traineeships and thesis opportunities for students. In the reporting period, we participated in Turku AMK students Career Day, and we also had a student trainee and an apprentice working for us. Whenever possible we aim to offer our trainees further career opportunities at our company after their trainee period has concluded.

## Streamlined Production Work: Implementing 5S

In fall 2022, our production site at Tammitie introduced the 5S approach to enhance work processes. 5S aims to create a workplace that is clean, organized, safe, and efficient, reducing waste and optimizing productivity. It plays a vital role in building a quality work environment, both physically and mentally. The 5S philosophy is applied in various work areas to promote visual control and lean production, aligning with our Lean manufacturing lines at the production site.



# CONTACT US

MAKINEN  
30 <sup>1993</sup> <sub>2023</sub> YEARS

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