

United Nation Global Compact

Communication on Progress

Ahlstrom-Munksjö

2021

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H.E. Antfinio Guterres
Secretary—General
United Nations New York,
NY 10017 USA

Commitment Letter

Ahlstrom-Munksjö has a firm commitment to sustainability. We know that the people and communities who make our work possible, the environment and resources we all share, and our fiber innovation capabilities are critical to our long-term business success.

At Ahlstrom-Munksjö, we are always looking for that next idea. We secure growth and competitiveness by improving existing products, designing new ones and exploring emerging technologies to understand how they can deliver the products of tomorrow and contribute to a more sustainable everyday life.

Sustainable practices are important throughout the value chain. They are embedded in our R&D work, procurement, and production. In close cooperation with our customers, we collaboratively innovate products that provide high performance and sustainability benefits for customers and end-users alike. We also seek to ensure that fibers, chemicals, and other inputs come from responsible partners. In our own operations, we strive to create a safe and healthy environment where our employees can thrive, and resources are managed effectively.

We are convinced that a strong social, environmental, and economic performance will help us manage risks, achieve cost savings through resource efficiencies, strengthen our brand and reputation, and identify product and process innovation opportunities that can drive growth. To track and improve Ahlstrom-Munksjö's sustainability performance over time, we have identified seven material sustainability topics within the three sustainability areas; people, planet and prosperity.

We are committed to continuing our work to uphold the Ten principles of the United Nations Global Compact on respecting human rights, responsible labor practices, environmental quality, and anti-corruption practices. For Ahlstrom-Munksjö, these principles are essential in ensuring full compliance with all applicable laws and regulations, managing risks in procurement and operations, building a trusted brand and reputation, and identifying opportunities to contribute further to social and environmental outcomes.

Sincerely Yours,



Hans Sohlström
President and CEO

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Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Ahlstrom-Munksjö is highly committed to respecting fundamental human rights in all its activities and expects the same from suppliers. Human rights violations in the supply chain is considered a larger risk than in Ahlstrom-Munksjö's own operations.

Compliance with Human Rights issues in the operations is governed by Ahlstrom-Munksjö's Code of Conduct and in the supply chain by the Supplier Code of Conduct. Ahlstrom-Munksjö has an externally hosted system, SpeakUp, where employees can report violations confidentially. Reports of violations may also be made by third parties to a dedicated and confidential mailbox at codeviolation@ahlstrom-munksjo.com. Our management approach is to focus on full legal compliance and investigate and resolve any reports of potential violations in a thorough and timely manner.

As laid out in the company Code of Conduct, respecting fundamental human rights means for example that all employees must be treated with respect and given equal opportunities for personal growth and professional development regardless of their gender, age, race, ethnicity, disabilities, nationality, sexual orientation, religious beliefs, political affiliations, marital or economic status, or position within the company. In order to make sure that all our employees are both aware of and understand Ahlstrom-Munksjö's Code of Conduct, they are expected to complete the Code of Conduct course which needs to be renewed biennially and is part of our introduction package for new hires.

Measures

Ahlstrom-Munksjö publishes a sustainability report within its Annual Report. The Sustainability report contains Key Performance Indicators, metrics and targets with respect to, inter alia, business ethics and human rights. The 2020 Annual Report contains the following with respect to business ethics and human rights.

Human Rights as a Key Performance Indicator and the Metrics:

- 1) Percentage of employees who confirm Code of Conduct awareness

95% (91) of employees have completed Code of Conduct e-Learning at the end on 2020.

- 2) Development of group-wide Code of Conduct training program - E-learning created and launched

E-learning platform created, launched and in full use.



3) Percentage of chemical and fiber suppliers that have signed the Supplier Code of Conduct or are considered compliant

96% (93) of chemical suppliers and 97% (95) of fiber suppliers have signed the Supplier Code of Conduct (or were considered compliant) at the end 2020.

In addition to the 2020 Annual Report KPI's, Ahlstrom-Munksjö also carries out internal Supplier Risk Assessments, including CSR among the other supply risks. In case internal CSR assessment creates "a red flag", risk mitigation actions are initiated. Such measures are to carry out internal audits on such suppliers or to organize 3rd party Smeta audits, with action plans. In case there would be significant issues, the supplier can be classified in SAP system as non-approved supplier, and any business with them can be put on hold until issues are resolved.



Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

People are central to every aspect of sustainability at Ahlstrom-Munksjö. We strive to respect the highest standards of human rights in our operations and supply chains, build close, long-term relationships with the communities that host our production sites, and provide safe and healthy work environments free from discrimination and full of opportunity for our team. Ahlstrom-Munksjö's continued progress in these areas is essential to our long-term success. When our people thrive, we thrive.

Ahlstrom-Munksjö also supports the United Nations Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises in addition to the UN Global Compact. This commits to eradicating child labor and forced labor anywhere in the supply chain and recognizing employees' right to freedom of association and collective bargaining.

Our employees value a company culture that celebrates diversity and inclusion – and this is something future employees also look for. By encouraging diversity, we create a culture where everyone can be themselves and share their unique experience, knowledge and views for the benefit of the whole company. Our values, Code of Conduct and leadership principles guide us in building a culture, where diversity and inclusion are part of our DNA.

In addition to preventing discrimination based on gender, in accordance with our Human Rights activities, Ahlstrom-Munksjö is working to proactively ensure equal opportunities and drawing on talent across the population. In our work to identify talent, we have ensured that gender equality is respected. Moving forward, the company will continue to proactively support gender equality in the workplace. The ambition is to always have applicants of the underrepresented gender among final candidates in both internal and external recruitments and narrow any gender gaps.

The company has issued Occupational Health & Safety Policy, HR Policy and Human Capital Policy, as well as Code of Conduct and Supplier Code of Conduct, that integrates commitments, qualitative and quantitative objectives on labor or human rights issues in the company's operations. Occupational Health & Safety Policy also covers subcontractors working on the company premises.



Measures

The company has formalized reporting KPIs on Labor Practices, Employee Well-being and Community engagement. The progress and compliance are reviewed periodically in internal Sustainable Business Council meeting.

- 1) We believe zero accidents is possible and we are committed to pursuing a TRI rate of zero and Near Miss Rate (NMR) higher than 4.0

YTD result TRI 1.42

YTD result NMR 6.0

- 2) On average, at least 15 hours of tailored safety training per employee each year

17 hours of tailored safety training per employee per year

- 3) By end of year 2019, short- and long-term gender and diversity targets defined and implementation of action plan for closing the gender gap begun; Have gender representation in managerial roles at least proportional to the ratio of the total workforce by end of year 2020

18% (18) of employees are female; 21% (21) of managers are female; Gender diversity is considered during recruiting, hiring and promotion

There has been on site audits related to CSR issues performed by independent 3rd party (Due Diligence), and we have the CodeViolation and SpeakUp - channels for reporting any misbehavior as whistleblower means.



Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges:

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Ahlstrom-Munksjö has worked on the sustainability strategy on a global presence with diverse product portfolio, that provides sustainable fiber-based solutions to different end-uses. We pursue continuous improvement in multiple areas including minimizing the environmental impacts of the supply chain, making efficient and innovative use of raw materials, and reducing energy and water use and carbon dioxide emissions connected to our manufacturing footprint as well as designing products and manufacturing processes that take these into consideration. Environmental work done and planned is guided by the company's Sustainability Policy.

Our company-wide environmental work is focused on three areas that are most relevant to our business and stakeholders:

1) The environmental impacts of our sourcing practices

Ahlstrom-Munksjö uses a wide range of raw materials and energy in its global operations and is committed to ensuring that raw materials are responsibly sourced. The company strives to make the supply chain as sustainable as possible and with lowest achievable environmental impact given the current technological and economic circumstances.

Ahlstrom-Munksjö expects its suppliers to uphold high standards for ethical and socially and environmentally responsible business practices. In addition to this, Ahlstrom-Munksjö employs a rigorous vetting and evaluation process for all types of suppliers to ensure that they meet the required standards. Suppliers are evaluated across eight sets of parameters including production and financial risks, logistical risks as well as Corporate Social Responsibility parameters. The framework is defined by Ahlstrom-Munksjö's Supplier Code of Conduct which establishes clear, non-negotiable minimum requirements related to legal compliance, human rights and the prevention of child labor, health and safety, responsible business practices, environmental impacts, and transparency.

2) Efficiencies and innovations in our energy use, water use and emissions

In order to provide the sustainable fiber-based solutions, Ahlstrom-Munksjö's manufacturing sites use energy, water and raw materials to produce the products. Through operational efficiency and continuous improvement activities, the company



strives to reduce the amount of waste. Local permits and regulations set the limits for emission, noise and other impacts to the environment.

Ahlstrom-Munksjö will continue to launch new products that add value for our customers. Some great examples from last year include a fiber-based solution for lead acid batteries under the FortiCell range for energy storage applications and a laminating process aid for circuit boards as part of the “from plastics to purpose” campaign. In addition, the commercialization of our fiber-based solution for paper straws to replace single-use plastic straws is gaining traction.

Improving sustainability, which involves making existing products more environmentally friendly by making them compostable, recyclable or using lower amounts or different chemicals, is a high priority. Ahlstrom-Munksjö uses EcoDesign tool to evaluate and assess every new product from a sustainability and product life-cycle perspective. The principle of the tool is simple: new products should provide a more sustainable solution than the existing products. This is achieved by evaluating the performance of the potential new product against a set of criteria and by comparison with an existing product. The criteria include the functionality of the product itself; hazardous chemicals, raw materials, energy, water, and emissions. The assessment also addresses improvement of the sustainability aspects of the end product of which it will be a part.

- 3) Serious contributions to the global challenge of climate change through carbon dioxide emissions reductions.

Ahlstrom-Munksjö uses a wide range of energy sources and energy is the primary source for the company's CO₂ emissions. Fuels used include renewable fuels such as bark, but also fossil based fuels like natural gas, lignite and coal. Electricity is sourced primarily from external suppliers, but is also generated internally in certain manufacturing sites. The company responds proactively to an evolving regulatory environment, particularly in the European Union where many production sites are based.

Based on a study done in 2020 on energy use and efficiency, a roadmap to reducing CO₂ emissions has been designed. Key components in the plan are to replace the use of coal with natural gas and biomass and increasing the use of renewable energy and other low-carbon energy sources.

In 2021, a new level of ambition was set for carbon dioxide emissions with a target of an emission reduction of 15 percent by 2025. Ahlstrom-Munksjö is looking into joining the Science Based Targets initiative to support the company reduction target and ensure transparency.

Measures

- 1) The environmental impacts of our sourcing practices

The target for the 2021 to 2025 period is that a Corporate Social Responsibility audit has been carried out at all those suppliers that may be considered a heightened risk.



Typically, heightened risk is associated with certain geographies or that there is a lack of transparency.

2) Efficiencies and innovations in our energy use, water use and emissions

Ahlstrom-Munksjö has set two more detailed targets related to the design of our new product development work. Our ambition is that by 2025, 100% of the new products in development are assessed with the EcoDesign Tool. In 2020, 99% of these new products in development were assessed by the tool. In addition, we target that 100% of the new products have a positive EcoDesign score by 2025, meaning their environmental impact is lower than a reference product's. EcoDesign has been developed in-house along the available industry standards and there are clear rules for how to apply the assessment.

3) Serious contributions to the global challenge of climate change through carbon dioxide emissions reductions.

Solar panel implementation in one of our converting units in US has been completed and the in-house technology solution for glassfiber recovery and reuse is ongoing. In addition, two of our plants in France have taken steps toward being more environmentally friendly as well. Our Stenay plant recently stopped using coal and started using gas. The replacement of one coal boiler by two gas boilers has allowed the plant to reduce CO₂ emissions by half as well as significantly eliminate the level of fine particles emissions, resulting in less of an environmental footprint. The two gas boilers meet the steam requirements of the plant. The plant continues to research several opportunities to see how to continue this sustainable approach for their steam and energy sourcing. Our parchment plant in Saint-Séverin invested 7M€ to install a co-generator allowing combined and efficient generation of power and steam needed for the site processes. The co-generator produces 9,000 MW.



Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Within the legal framework of anti-bribery Ahlstrom-Munksjö has established an Anti-Bribery Policy to clarify the rules we follow and to emphasize our zero-tolerance to bribery and other corrupt practices. Ahlstrom-Munksjö is committed to conduct all of its business in an honest and ethical manner. Thus, it is our firm Group-wide policy that Ahlstrom-Munksjö Group and its Business Partners are strictly forbidden to engage in, participate in, or encourage any form of bribery in order to obtain business, to secure favorable treatment or for any other corrupt purpose. This includes, among others, offering, giving, requesting and accepting bribes either directly or indirectly. It is Ahlstrom-Munksjö's policy that offering or making facilitation payments is prohibited in all circumstances. The payments of secret rebates or kickbacks are strictly prohibited. The policy does not prohibit giving and receiving reasonable gifts and hospitality in good faith and in the ordinary course of business provided that the rules set forth in this Section 5 are complied with. It should be noted that in certain circumstances even minor gifts and hospitality may give rise to suspicions of impropriety and constitute bribery and thus be prohibited.

The Anti-Bribery Policy contains an obligation to report (including both Code Violation and SpeakUp) and there are set disciplinary sanctions to deal with policy violations. Ahlstrom-Munksjö's Legal department receives the emails and responses to CodeViolation and SpeakUp, to which the necessary actions are then taken.

In 2019 an internal audit on anti-bribery and corruption in 2019 and based on these results, BA level risk assessments were conducted in 2020. Nordic Business Ethics Network also performed a corruption risk assessment for Ahlstrom-Munksjö in 2019. In 2021, Ethics & Compliance will perform BU/plant level anti-bribery and corruption risk assessments together with BA Legal Business Partners. These risk assessments will provide valuable input for new policy/process requirements in terms of ABC including gift and hospitality, third party management and conflict of interest.

Ahlstrom-Munksjö has a Compliance Core Team, lead by the Ethics and Compliance Officer, which reviews and drives the business ethics agenda further in the company. The participants are from different businesses and functions.

Measures

- 1) Percentage of employees who confirm Code of Conduct awareness, which includes anti-corruption

95% (91) of employees have completed Code of Conduct e-Learning at the end on 2020.



- 2) Trainings specifically for compliance; quarterly for the new employees, business specifics according to the training plan

Records are kept in the HR SuccessFactor tool.