

Sustainability Report 2018 Nordic Paper Holding AB

This sustainability report covers Nordic Paper Holding AB and its subsidiaries. In our annual financial statements, which can be ordered from the Swedish Companies Registration Office (Bolagsverket), there is detailed information regarding our financial results and position for 2018.

The natural leader

Our vision is, Nordic Paper to be the natural leader in specialty paper products. We offer selected customers superior service and quality.

A player with its heart in Scandinavia

Nordic Paper's four production facilities manufacture pulp and paper of the highest quality which suit well our customers' specific requirements. We are a leading producer of greaseproof paper and kraft paper and our base is in Scandinavia. All of our mills are located within a 250 kilometer radius of each other, three of the mills are located in Värmland, Sweden and one in Greåker in Norway. This provides our units with close proximity to each other which we see as positive in a number of ways, amongst other things, we achieve a limited environmental impact in terms of transportation between our mills.

Åmotfors	Bäckhammar (Head Office)	Säffle	Greåker
Founded: 1896	Founded: 1871	Founded: 1883	Founded: 1905
Nr. employees: 78	Nr. employees: 258	Nr. employees: 179	Nr. employees: 108
Paper capacity	Pulp and paper capacity	Pulp and paper capacity	Paper capacity
	Sulfate pulp mill: 230 000 ton	Pulp: 50 000 ton	
Speciality Kraft paper: 50 000 ton	Sack and MF: 100 000 ton MG-kraft: 45 000 ton	Greaseproof paper: 30 000 ton	Greaseproof paper: 40 000 ton
Certification: ISO 9001, FSC®, PEFC	Certification: ISO 9001, FSC®, PEFC	Certification: ISO 9001, ISO 22000, FSC®, PEFC and Svanen	Certification: ISO 9001, ISO 22000, FSC®, PEFC and Svanen

Our paper – the value of a natural product

Nordic Paper creates value through producing and selling speciality paper. We only manufacture paper of natural raw materials without added fluorocarbons or other foreign substances. All of the forest raw materials we use come from close lying Scandinavian forests, so-called new fiber. Scandinavia's advantageous climate means that the forests grow slowly which results in extra strong fibers in the wood. It is thanks to the forest raw materials we use and our long experience that we can offer naturally strong renewable resources contributing to green urbanization.

Kraft paper

Nordic Papers kraft paper offers a strong, non-bleached, high quality paper and speciality paper which is very well suited for clients within industry, packaging and foodstuffs handling. Important areas of use for our kraft paper are sacks for cement and animal feed, carry bags, laminated and composite products, compostable food waste bags/sacks and foodstuffs packaging.

Natural Greaseproof paper

Nordic Paper's natural greaseproof paper is a premium quality paper offering versatile handling and packing solutions for foodstuffs. The most important areas of usage for our natural greaseproof paper are: baking forms and baking tin paper and paper for foodstuffs handling with a high demand on packaging solutions and hygiene.

Markets

Nordic Paper sells its paper all over the world to clients in more than 80 different countries. We export approximately 90 percent of our manufactured paper. Our main markets are Scandinavia, 18 percent, rest of Europe, 52 percent, America 15 percent, and rest of the world, 15 percent.

Highlights during 2018

New shoe-press

The shoe-press was installed in September 2018 in Bäckhammar. The machine was started up in October and full capacity utilization was reached in December. The shoe-press is expected to give increased capacity and positive energy effects.

Development of interaction with new owner

Nordic Paper was acquired by Shanying in 2017. The interaction and co-operation with the new owners have developed in 2018 and together we have found synergies and valuable areas to work together.

Anti-corruption policy supporting ethical business

An anti-corruption policy has been introduced, supporting the board, employees and external parties in stopping bribes and corruption.

Code of conduct for supplier relations

The Code of conduct for supplier relations is introduced. The code is a part of our work to manage a supply chain with high responsibility and sustainability and is adapted in all relations with suppliers.

Sustainability at Nordic Paper

Nordic Paper aims to be the natural leader within specialty paper. An important platform in realising our vision is our sustainability work. Sustainability is to be included in our operations and is something we continually work with and develop.

Sustainability in our organization

In Nordic Paper, we see sustainability as an ongoing journey and a way of living which we continually need to update and develop. As a result, we work actively to ensure that our striving to be a sustainable company is realized and is a part of our business development. We believe that a sustainable company is a consciously aware company incorporating the knowledge of the positive and negative impact the operations have on their surroundings from an environmental, social and financial aspect. In order to be a more sustainable company, we need to continually work with how we can manage our operations in such a manner that we can satisfy today's requirements while, at the same time, ensuring that we do not impact the next generation's possibilities to experience the same level of quality of life.

Our value chain

Nordic Paper's value chain is an important part of our sustainability work. Our value chain begins with the purchase of raw materials for pulp and paper production, which are primarily comprised of new fiber from close lying Scandinavian forests. With these raw materials, we produce pulp and paper which is, then, delivered to our clients. In the end, our paper becomes a part of peoples' everyday life.



Nordic Paper manufactures and sells pulp and paper but our value chain reaches further than that. All over the world, people use our paper – every day. We work actively to ensure that our paper is a sustainable product in each stage of its existence.

Nordic Paper has approximately 1,000 active suppliers. Our primary and most important suppliers are those providing us with wood and pulp, chemicals, energy and logistics solutions. We aim at working with suppliers with operations located as close to our sites as possible, which is the reason the majority of our suppliers are from Scandinavia – approximately 80 percent. The remaining 20 percent have an international base, the majority in Europe and these are primarily transportation suppliers, for

example, shippers and trucks. We believe that close proximity to our suppliers not only implies shorter transportation stretches, but also a better knowledge of the suppliers.

Nordic Paper's operations impact, and are impacted by, the value chain. This means that success in our value chain can mean success for us, and vice versa. For Nordic Paper, it is important that our partners share our values and work with the same level of expertise and with the same devotion as we do in order to achieve a more sustainable value chain. For example, we require that our suppliers comply with applicable legislation and we perform supplier evaluations. Nordic Paper always aims at improving ourselves, therefore, we aim at developing a *Supplier Code of Conduct*. This is a step in our work in promoting a responsible and sustainable value chain.

Sustainability focus in 2018-2023

Nordic Paper have identified the three most significant focus areas of sustainability for the organization to handle, follow-up and communicate the coming five years.

Focus area 1: Strengthen accountable production

Focus to improve our production from environmental, social and financial perspectives, from choice of raw material to production processes and end product.

Focus area 2: Simplify and unite our business

Focus to simplify, unite and streamline our ways of working, our structures and systems to minimize financial and operational risks.

Focus area 3: The employees' experience and commitment of Nordic Paper

Focus on our employees' experience and commitment. Our employees are the most important asset of our organization.

Together with our stakeholders

We advocate close cooperation with our stakeholders to ensure constant and ongoing improvement. When preparing this sustainability report, we have had a dialogue with our stakeholders regarding what is considered to be significant for Nordic Paper to report, and to work with. Nordic Paper classifies all parties interested in its operations as stakeholders. Our most important groups of stakeholders are customers, personnel, owners, partners and society.

Customers

Nordic Paper has approximately 900 clients located in more than 80 different countries. Our customers are primarily converter companies. We believe that satisfied customers create growth and that one of the most important success factors is an open and continual dialogue.

Personnel

Nordic Paper's approximately 600 personnel are those who daily drive the operations forward. Motivated and competent personnel comprise, together with a long tradition and innovation, the success of the Company. Nordic Paper strives after a mutual and transparent dialogue in which own initiative is encouraged to make Nordic Paper an attractive workplace both for future and existing personnel. Health, security and leadership and competence development are important issues.

Owners

Nordic Paper's owners are of major importance to the operations' financial and sustainable development. The creation of a long-term sustainable company providing value to our shareholders is important for a good relationship. Through transparent accounting and dialogue, we keep our owners informed about the operations.

Partners

Without close cooperation with our partners, for example, suppliers and industry organizations, we cannot drive development forward when it comes to sustainability and innovation. For Nordic Paper, our partners are also a strategically important factor as regards purchasing and supplier risk. We undertake, each year, a review of our suppliers and follow-up to ensure good terms and conditions and a sustainable value chain.

Society

Nordic Paper's units are important players in the local societies where we as a company create both direct and indirect employment opportunities. We contribute with social activities and cooperation with the local communities in which we are located and with whom we work. At the same time, our products made from renewable material contribute to an increased green urbanization, both nationally and globally.

Environment – Our production and our products

Nordic Paper aims at producing products with the least possible environmental impact. We believe that taking consideration of the environment creates sustainability and we, therefore, work continually to reduce emissions to the air and water, as well as with the reduction of energy consumption.

Our environmental impact

Nordic Paper is a company with an impact on the environment. Our production units are subject to governmental licenses. These regulations refer primarily to emissions to water and air, to the production and consumption of energy, to the use and handling of chemicals, and as regards waste and noise.

Products from a renewable resource

Nordic Paper's paper is manufactured from a natural, renewable resource. The wood we use comes exclusively from close lying Scandinavian forests. These are forests having a positive impact on the environment and climate as during their growth they both bind carbon dioxide and contribute to biological diversity and recreation. The fibers in the paper can be subsequently recycled a number of times as return fiber and are, thereafter, best used as biofuel. It is important for Nordic that the forest products we use have been taken care of in a sustainable manner. Close proximity to our raw materials implies that we have better control and traceability of our forestry raw materials. Nordic Paper is both FSC and PEFC certified and annually undertakes own audits of wood suppliers to ensure that they comply with our requirements and expectations. Nordic Paper's *Purchase of wood policy* guides and ensures that our purchasing meets the demands we place on sustainable raw materials.

Recycling and cleaning of the water in the production

Water is a vital resource in our production and we work continually to ensure that we have an effective water consumption. Our units use exclusively surface water. During 2017, approximately 21.5 million m³ of water was consumed. In the production we recycle and treat, to a large degree, all process water. The used process water is sent for bio treatment prior to being reused in the same water courses as it came from. We regularly measure the quality of the water we emit to ensure that we keep within our specified requirements and that there are no damaging changes in to the environment

Greaseproof paper without insoluble fluorocarbons

Nordic Paper adds no fluorocarbons to its paper. Instead of adding fluorocarbons which is insoluble, bio accumulating and dangerous to the health, we grind the wood fibers during a longer period of time. This provides a natural barrier of pure cellulose and protection without using health-damaging fluorocarbons.

A part of a bio-based circular economy

As far as possible, we want to use the residual products and waste from our production. From the sulfate pulp products we can produce tall oil and turpentine. The tall oil we produce in this manner becomes tar oil which we can then re-use for fossil free energy production. Turpentine is a product which we deliver to the cosmetics industry. We re-use almost 100 percent of the waste from our operations and we ensure that we send this material to be used in another form. In our product units, we recycle both chemicals and energy. Nordic Paper’s largest unit, Bäckhammar, is 60 percent self-sufficient in terms of electricity. In this manner, we are a part of a bio-based circular economy in which we utilize the products’ added value as far as possible, recycle our waste and utilize our own electricity production.

Minimising carbon dioxide emissions

Nordic Paper’s carbon emissions are mainly caused by energy use and chemical recovery in the production. Our direct carbon emissions are primarily biogenic. In 2018 only 5 percent of our direct emissions came from fossil sources. In order to reduce our carbon dioxide emissions, we set clear goals and implement strategies to diminish our fossil fuels. Besides production our carbon dioxide emissions mainly originate from internal and external transportations. Since 2018 we have begun to review or transport solutions aiming at a more environmentally friendly and efficient logistics. One example of improvements is that the major part of our Kraft paper delivered to Italy use railroad. The work to map and minimize our carbon footprint continues in 2019.

Targets 2017	Outcome	Target fulfilment	Comments
Emissions are to comply with BAT conclusions	All requirements are fulfilled		This target has not been met, all aspects in the BAT conclusions were not fulfilled.

Risk: Environment and exceeding emission limits

Incidents and unexpected events in the production can result in a large volume of emissions and can lead to our exceeding the allowed emission levels determined to apply to Nordic Paper by the authorities. Excessively large volumes of emissions can have a negative impact on the environment. Nordic Paper prevents and handles these risks by executing routine controls and through environmental risk analyses. If unexpected events take place, the environment is prioritized over production. With respect to the environment the production was in 2018 stopped two times at one of our mills. Information of the stops are to be find in the Annual report, page 2. The Group was in compliance with all BAT conclusions.

Risk: High emissions from transports

Our supply chain involves a large number of transports. Inefficient transportation can result in unnecessarily high levels of carbon dioxide emissions which have a negative effect on the environment. Consequently, we place demands on our transporters’ vehicles and fill rate. In new negotiations, we ensure that, to the greatest degree possible, suppliers drive vehicles of a high environmental standard. By applying FTL *Full truckload*, we seek to reduce the number and make

more effective our transports and to avoid trucks leaving our mills half full. Around 80 percent of the transports leaving our mills in 2017 were FTL. The distance to the suppliers is also important for Nordic Paper, for example, we choose close lying wood suppliers.

Environmental overview 2018	Unit	2018
Production		
Paper	thousand tonnes	259
Pulp	thousand tonnes	246
Purchased materials		
Wood	m3fub	1 027 278
Pulp, external purchases	thousand tonnes 90	38
Chemicals ²	tonnes	29
Water consumption¹		
Surface water ³	million m3	23
Emission of greenhouse gases CO2		
Fossil carbon dioxide	kton	32,6
Biogenic carbon dioxide	kton	590,4
<u>Total direct greenhouse gases CO2</u>	<u>kton</u>	<u>623</u>
Purchased steam	kton	27,3
<u>Total indirect greenhouse gases</u>	<u>kton</u>	<u>27,3</u>
By-products		
Tall oil	tonnes	4664
Turpentine	tonnes	481

1 The production uses, exclusively, surface water

2 Calculated as 100 % dry

3 The production uses 100 % surface water

Comments:

During the year, approximately 5 percent of our carbon dioxide emissions were fossil-based. These emissions come from Nordic Paper's oil consumption where we failed, during the year, to meet our established targets. Nordic Paper's steam consumption is what produces our indirect emissions of fossil carbon dioxide. During 2018, our indirect carbon dioxide emissions increased marginally compared with 2017 when we emitted 25,9 kton.

Social – Our personnel and our presence

A good work environment with healthy and happy personnel makes Nordic Paper an attractive workplace. In Nordic Paper we prioritise health, the environment and safety in the same manner as profitability and these aspects are an integrated part of the daily operations. Clearly defined goals for health, the environment and safety are achieved through systematic training and special measures aiming at creating a positive attitude.

Our social impact

Nordic Paper contributes to employment and provides income, both directly as an employer and indirectly via, for example, our suppliers. Through our products which are produced from renewable raw materials, we contribute to a green urbanizing society. Nordic Paper operates a production with risks associated with safety and health as regards both its personnel and society.

A safe work environment and healthy personnel

Nordic Paper prioritises its personnel's health and a safe workplace. We strive to have a workplace free from accidents, with a high level of attendance and with minimum safety risks. Issues related to health and safety are taken very seriously at Nordic Paper and are something that we regularly follow up and measure, as well as working with to secure improvements. We work with the training of all personnel within health and safety, offering health club facilities and company health care and other health related activities at our plants and in close lying locations. During the year, Nordic Paper invested approximately SEK 5 million in protective work at our sites.

A close relationship with society

Between society and Nordic Paper, there is a mutual relationship in which we are dependent on society for access to personnel and society on us for employment opportunities. Our mills are situated in smaller cities and towns in the countryside. This means that we are a large and important employer whereby we work and contribute towards a more living countryside through both jobs opportunities and engaging and supporting various local organizations, projects and associations. We contribute to education in society through internal courses and through being engaged in schools and universities. Nordic Paper offers each employee the opportunity to participate in internal and external training. For a good relationship with society, we strive to have a dialogue with those living close to our mills and by continually participating in local activities and events.

Human rights

Nordic Paper respects and follows the UN's framework for human rights, as well as the Swedish and EU legislation in this area. For example, Nordic Paper's cooperation with the unions is characterized by trust and confidence and this is important to the company's development. It is important that our value chain works in the same manner as we do in these areas. We choose customers carefully and we place high demands on our suppliers' that they work with human rights at the same high level as Nordic Paper. Nordic Paper's analysis does not indicate any increased risk that our operations contribute directly or indirectly to the violation of human rights.

Targets 2017	Outcome	Target fulfilment	Comments
Work attendance rate Work attendance rate is to be at least 96 %	95,3 %		The goal was not met. The figures are marginal. Individual mills have met this goal.
Work injuries Number of work injuries is to be a maximum of 11	14		The goal was not met

Risk: Work environment

Nordic Paper's operations involve risks for accidents. In addition, to the risks for peoples' lives and health, there are also risks for disruption in the production which results in increased costs and a risk that the operations are not allowed to continue. Health and safety are, therefore, prioritized issues. In order to reduce accidents, Nordic Paper works to establish clear goals with strategies and target follow-ups, certified management systems and activities such as training of personnel, as well as regular reporting and the follow-up of near-misses. In 2018, a total of 14 accidents took place resulting in absence from work.

Risk: Competence

A strong competitive and ongoing operation needs competent and driven personnel. If Nordic Paper fails to retain or attract personnel, this implies a risk for the Group's continued business position. Nordic Paper works to be able to offer competitive employment terms and strives after a work environment in which own initiative is encouraged to make Nordic Paper an attractive workplace both in the future and also for existing personnel.

Employee overview 2017		2018	2017
Employees			
Average number of employees	Number	615	623
of whom women	%	22	24,2
Temporarily employed	Number	32	13,6
Average age	Year	45,7	44,8
Work injuries			
Work injuries resulting in absence	Number	14	16
Work injuries without absence	Number	77	72
Absence due to illness			
Attendance rate ²	%	95,3	95,1
Cooperation with the unions			
Union membership ³	%	92,9	92,9
Age specification, employees			
under 30	%	16,4	15,7
31-50	%	38,6	39,8

51 and older	%	45,0	44,5
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1 Refers to absence due to illness as a percentage of scheduled work time and includes permanent and temporary employees

2 The figure shows the employee's attendance rate per 30 November 2018, refers to permanent and temporary employees

3 Refers to permanent and temporary employees.

Equal opportunity among senior executives

Nordic Paper's Board of Directors is comprised of 100 percent of men. Senior executives, including the Managing Director, are comprised of 20 percent women and 80 percent men.

Comments:

The number of employees is similar to 2017. The total number of women decreased with a small number, however the share among senior executives increased. We are working for equal treatment and want to achieve a balance between various competencies and backgrounds.

The attendance rate nearly reached the established goal; these figures are at usual levels.

The number of accidents showed a slightly positive development during the year. The number of injuries is unacceptably high and work to decrease and prevent accidents has already been initiated.

The age break-down indicates that the largest portion of our work force is in the group 51 years and older.

Economic aspects – Our performance

Nordic Paper complies with applicable laws, regulations and decisions. This means that we follow the regulations and guidelines required for our operations and performance, including anti-corruption and competition regulations.

Our economic impact

Nordic Paper works with long-term customer relationships, product development and effective work methods to generate sustainable business. This benefits not only our operations but also our customers, suppliers and other stakeholders. In addition, Nordic Paper has an important role in society, amongst other things, through our export, as an employer paying salaries and as a taxpayer.

Anti-corruption

Nordic Paper denounces all forms of bribery and corruption. We comply with and respect Swedish and EU regulations including regulation on anti-corruption and anti-competitive behavior. Our ethical guidelines guide Nordic Paper's personnel in how they are to act from a commercial perspective. The ethical guidelines describe, amongst other things, how the employee is to handle conflicts of interest, confidential information and relationships with related parties. Nordic Paper undertakes an annual internal audit in order to ensure compliance to regulations. During 2018, no observations regarding corruption or unethical business behavior were made.

Sustainable business

Sustainability is a premise for better business. This applies to everything from customer satisfaction to sustainable production and choice of suppliers. Nordic Paper's vision and business policy emphasize the importance of sustainable development in our operations. This is reflected in our processes for management systems, operational planning and production and sales strategies. Nordic Paper's production units have, for example, certifications for quality, food safety and wood traceability. Nordic Paper holds a multisite certificate in quality (ISO 9001). To minimize financial and operational risks we will in 2019 continue to establish standardized routines and digital tools to collect and report data. We are also creating efficient digital tools for our employees and in 2019 we will present a new intranet.

Target 2018	Outcome	Target fulfilment	Comments
Complaints Maximum claim cost 13,2 SEK/ton	38,4 SEK/ton		-

Risk: Ethical business

Stakeholders are becoming all the more aware and are placing greater demands on Nordic Paper's application of good business ethics in their business. This means that deviations from policies or guidelines can impact the company negatively. With the aim of preventing unethical business behaviour, Nordic Paper has ethical guidelines guiding the personnel in how they are to handle business and relationships from a commercially ethical perspective. During 2017, no deviations from Nordic Paper's ethical guidelines were reported.

Risk: Value chain

Poor performance in business ethics, delivery of input materials or payment capacity in the value chain by suppliers or customers can negatively impact Nordic Paper. The risk of the value chain failing to maintain the expected level of quality is mitigated through our careful selection of customers and through placing high demands on the quality and stability of delivery of our suppliers. It is important for Nordic Paper that the players in our value chain accept international principles as regards, amongst other things, anti-corruption and human rights. New suppliers with a direct impact on production and who have contracts longer than one year are subject to a supplier assessments prior to contract signing. Nordic Paper is currently evaluating the risks in our value chain and based on the results of this analysis, we will work further with ensuring sound business relationships and a sustainable value chain.