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Fresh wood based fiber sourcing policy

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1. Purpose

This policy describes our principles and intentions, the requirements we place on our supply chain in relation to the delivery of fresh wood based fiber materials and the framework and tools we use in the process to ensure compliance with this policy.

2. Scope

This policy is applicable to all wholly owned businesses in the Essity Group.

It is intended to be used as a reference for Essity's business partners and affiliates, and these are expected to adopt and apply equivalent standards to those reflected in this policy.

3. Description

Essity is a global user of both fresh and recycled wood based fiber materials and is committed to sourcing fresh wood based fiber originating from responsibly managed forests. This policy encompasses all procurement of fresh wood based fiber materials within Essity. Essity supports, encourages and prioritizes best practices in Sustainable Forest Management¹ and wood fiber traceability in its supply chain of fresh wood based fiber materials. Essity will continue to use a significant percentage of recycled paper in its products, which play an important role in a circular economy and resource efficiency, and will continue to explore the use of alternative fibers. The demands on the supply chain for these two categories of fibers are covered by other documents.

3.1. Principles

With this fresh wood based fiber sourcing policy and framework, Essity aims to play an active part in preventing deforestation and forest degradation, promoting and increasing the use of responsibly managed and certified forests, and increasing the proportion of certified fibers used in Essity's products. Essity also aims to be a driving force for positive social and economic development for people and communities affected by forestry operations in its supply chain.

3.2. Description of policy

The following five categories are stipulated as unacceptable sources for the origin of fresh wood based fibers used in Essity's supply chain²:

1. Illegally harvested wood.
2. Wood harvested in violation of traditional or human rights.
3. Wood from forests in which high conservation values are threatened by forest management activities.
4. Wood from forests being converted to plantations or non-forest use.
5. Wood from forests in which genetically modified trees are planted.

Additionally:

6. All fresh wood based fiber materials must be sourced through a publicly recognized Chain-of-Custody system and fulfill all legal requirements for trading.

¹ As defined by UN GA RES/62/98 and UN FAO

² Points 1-5 are defined as referenced in FSC® (Forest Stewardship Council) CW standard 40-005.

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7. Suppliers and sub-suppliers must comply with the standards of behavior and rules set out in the Essity Code of Conduct and the Essity Global Supplier Standard. The most recent and valid versions of these documents are available at www.essity.com.

3.2.1. Essity corporate fiber target

Essity is committed to continuously increasing the amount of certified fibers in its products, with preference for the FSC® system. To achieve this, Essity has set a corporate fiber target. The fulfilment of this target will always be an ongoing process since Essity and its supply chain may change over time. The aim is to always be in full compliance with the target, or as close to full compliance as is feasibly possible. The Essity corporate fiber target states that:

All fresh wood based fiber raw material in our products will be FSC® or PEFC™ certified. The share of FSC-certified fibers is to be continuously increased. The material must always be accompanied by an FSC Controlled Wood Chain of Custody certificate, irrespective of whether the material complies with PEFC or another non-FSC forest certification scheme.

The target includes all deliveries containing fresh wood based fiber (timber, pulp, packaging, mother reels and articles supplied by third-parties to Essity production sites). The target includes all Essity products.

- Newly acquired businesses are integrated into the target when they have been part of the Group for one calendar year.
- The target will be reviewed annually and the results will be transparently disclosed in the Essity Annual Report.
- Essity's business partners and affiliates are expected to adopt and apply equivalent standards to those reflected in the Essity fresh wood based fiber sourcing policy.

3.2.2. Required activities of suppliers of fresh wood based material

Essity requires that all suppliers of pulp and fresh wood based fiber materials hold FSC Chain-of-Custody (CoC) certification and that all supplies to Essity meet the requirements of FSC-certified or FSC Controlled Wood, regardless of adherence to other forest certification schemes. Suppliers of wood fiber based materials that do not yet meet this requirement are expected to disclose their sources of wood fibers and their plans for when FSC CoC certification will be achieved, after which Essity determines whether it will continue using this supplier.

- It is Essity's ambition to source all fibers as certified under FSC or PEFC and our suppliers are expected to support this ambition. All relevant suppliers are required to show plans for increasing the amount of certified fibers they source and use.
- Suppliers must notify Essity of any complaints or irregularities discovered in their supply stream that may impact the fulfillment of any aspect of this policy as well as any immediate mitigation actions. Essity reserves the right to terminate business relations if so recommended by the findings of an Essity risk assessment.

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- When Essity considers it necessary or when initiated by the supplier, Essity will work together with non-compliant suppliers to identify solutions to, for example, certification issues, supply restrictions or other bottlenecks.
- All suppliers must respond in a timely manner to Essity questionnaires relating to raw material sourcing and origin as well as to other environmental impact questionnaires.

3.2.3. Essity framework and tools to meet policy statement

Essity uses several tools to move its suppliers in the direction of responsible forest management. Together, these tools provide Essity with the necessary information to perform risk assessments of its supply chain and evaluate its suppliers from a sustainability perspective, and to move them toward compliance with Essity's policies and stakeholder expectations.

3.2.3.1. Questionnaires and reports

Essity Global Supplier Standard (GSS) is a legally binding document that forms part of the commercial supply agreement, and all suppliers are required to comply with this standard. It contains requirements on business ethics and labor rights, health and safety, quality, restricted chemicals, and environmental issues, including wood purchases and fiber supply. Together with an extensive set of questionnaires, the GSS is used to better understand suppliers and their performance in relation to numerous issues.

Essity pulp supplier questionnaires record information about the location of the fiber sources used by the pulp mill as well as the wood species sourced. This questionnaire is updated regularly to reflect the constant challenges facing forest management, and includes detailed questions relating to the origin of the fibers, as well as other issues such as intact forest landscapes (IFLs), indigenous cultural landscapes, sourcing from the Boreal forest, HCV assessment processes and, where appropriate, the practical implementation of free, prior and informed consent (FPIC) processes. Questionnaires focusing on fiber origin and traceability are also distributed to suppliers of packaging materials and suppliers of merchandise (third-party supplied articles).

Essity Life Cycle Assessment (LCA) questionnaires and other environmental impact questionnaires are highly detailed questionnaires that examine the supplying sites' operational performance in relation to transport, energy use, water use, emissions to air, water and land, selection of chemicals used and so forth. For wood fiber materials, the information in these questionnaires is used to understand the overall environmental impact of the pulp mill and to help calculate the impact of the specific pulp on the sustainability profile of the finished Essity article.

Third-party reports are occasionally commissioned to obtain additional background information. The reason for these could be a potential social or environmental impact resulting from the pulp mill operation and its supply base. The information contained in these reports helps us understand the local impact and is used in our risk assessments, after which we can engage in discussions with our suppliers and other stakeholders, where appropriate.

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3.2.3.2. Certification and traceability systems

In recent decades, forest certification has emerged as one of the key tools to improve forest management. Responsible forest management can help increase the value of standing forests and help protect them from illegal logging, conversion to other uses or other non-sustainable activities.

There are two international forest certification schemes in use, both of which Essity currently supports. Essity considers the rules and processes stipulated in the FSC system to have the highest overall credibility at a global level. The FSC system involves balanced processes for all economic, environmental and social stakeholders that enable them to play a part in the setting of rules for responsible forest management. The certification systems also ensure that competent, accredited and independent auditors check compliance with all rules on an annual basis. Essity has a clear target that its own global operations that handle fresh wood based fiber raw materials will be certified under the FSC CoC standard.

3.2.3.3. On-site supplier audits

The above questionnaires and third-party reports are supported and followed up by on-site supplier audits of the fiber procurement management system, and responses to the relevant sections of the questionnaires are checked for accuracy. These audits may include meeting local stakeholders and communities or indigenous peoples, a review of harvesting operations in the field, or how HCV assessments are conducted and decisions made by the company. The audits also include a review of supplier compliance with the FSC Controlled Wood standard, the use of National Risk Assessments and control measures for non-FSC certified supplies of wood, and how suppliers ensure traceability of fibers when sourcing from saw mills.

3.2.3.4. Satellite technology

Satellite technology is being used to support the Essity pulp supplier assessment system and help alert Essity to unexpected events that may occur within the wood supply catchment areas. Working with partners such as World Resources Institute and suppliers, Essity is looking to improve the plotting of Forest Management Units, protected areas, indigenous peoples and communities in the wood catchment areas of suppliers. In addition to identifying supply risk areas, when further developed the software will provide information on logging activities, forest loss, forest road building and fires in the catchment areas of interest, thus allowing Essity to be alerted to unexpected events that occur within the supply catchment areas.

4. Change management of the policy

This policy will be checked for its accuracy and effectiveness at least annually or when required. Any amendments or other changes are noted under 'Document history.'

5. Follow-up of this policy

This policy is followed up in the Essity Global Fiber Database and progress is reported in the Essity Annual- and Sustainability Report.

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6. Document history

Version	Description of changes from last version
2.0	Change Process Leader and Owner