Fresh Wood-based Fiber Procurement Policy

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

2. Scope

This policy is applicable to all non-listed subsidiaries of the Essity Group[1].

It is 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.

This policy is specifically for fresh wood-based fiber, however Essity believes that in a resource constrained world, both recycled fibers and alternative fibers offer a potential source of renewable fiber for Essity. Please refer to our Global Supplier Sourcing Standard for more information on recycled and alternative fibers.

3. Description

Essity is a leading global hygiene and health company that is breaking barriers to well-being while working to reduce the environmental impact of our business and products. We are a global user of both fresh and recycled wood-based fiber materials and are committed to sourcing fresh wood-based fiber originating from responsibly managed forests.

Most of the world's resources originate from nature and understanding and mitigating the extraction of these resources are a key part of our sustainability strategy. There is a need to end deforestation, habitat degradation, climate change, other pollution, and a demand to respect human rights. Nature consideration and the protection of biodiversity by responsible forest management is acknowledged in the Global Biodiversity Framework and by the UNIPCC as a key mitigation factor. This is a priority for Essity, and we require our suppliers to maintain and safeguard responsible forest management based on the principles of biodiversity and forest conservation. It is our intention through the implementation of robust procurement policies and due diligence systems to ensure products are procured legally, ethically and sustainably. We will modify our policies accordingly when new knowledge requires us to do so.
This policy encompasses all procurement of fresh wood-based fiber materials within Essity. Essity supports, encourages, and prioritizes best practices in Sustainable Forest Management[2] and wood fiber traceability in its supply chain of fresh wood-based fiber materials. It is our goal to eliminate illegal and unsustainable practices from the supply chain and from our supplier's supply chain. To accomplish this requires us to lead the way by early adoption of voluntary commitments such as International third-party certification, FSC® (Forest Stewardship Council) & PEFC™ (Programme for the Endorsement of Forest Certification), on all wood-based products. If any fiber related sustainability complaints occur, we deal with them by reviewing and responding to issues raised by suppliers, NGO's, regulators, and customers to ensure the above goals are met.

The Global Fiber Policy includes Key Performance Indicators (KPI's) to monitor and report on progress concisely via the Essity Annual and Sustainability Report and online updates to clearly identify progress and stakeholders' inputs. This method of reporting allows us to

[1] The policy applies to all wholly owned business and joint ventures which are not stock exchange listed under Essity AB.
[2] As defined by UN GA RES/62/98 and UN FAO

report the progress made, as well as discuss the challenges that were identified and the solutions that were implemented.

3.1. Principles

With this fresh wood-based fiber procurement policy and framework, Essity aims to play an active role in preventing deforestation[3] and forest degradation, promoting, and increasing the use of responsibly managed and certified forests.

Our current target is to purchase all wood fiber raw material as certified, thus strengthening the procurement and verification system, promoting responsible forest management. Our ambition is to achieve this target year on year, regardless of onboarding new suppliers or working and procuring in new regions, the objective is critical to Essity promoting forest certification across the globe.

Our ambition is to increase the proportion of 100% forest certified fibers used in Essity's Branded products. This can only be achieved by increasing the number of certified forests and finding solutions that include small landowners in the FSC and PEFC certification scheme.

Essity aims to be a driving force for positive social and economic development for people and communities affected by forestry operations in our entire supply chain.

An increased transparency in the supply chain is requested from all stakeholders. We have created Key Performance Indicators within the policy so we can measure and report progress against our goals.

The policy contain a clear list of individual expectations for Essity and our suppliers, which describes the company's expectations in relation to suppliers' performance and disclosures.

3.2. Governance and Responsibilities

- The implementation of this policy is overseen by Essity's Sustainability and Procurement organizations and forms part of Essity's broader sustainability governance framework.
- The Chief Supply Chain Officer is the executive sponsor of this policy and accountable for maintaining the policy and ensuring alignment with Essity's sustainability strategy, external commitments and stakeholder expectations.
- The Vice President Procurement is responsible for maintaining the policy, supporting due diligence processes, monitoring emerging sustainability risks, developing performance indicators and reporting progress.
- The Procurement organization is responsible for implementing the requirements of this policy in sourcing, supplier qualification, supplier evaluation and supplier relationship management processes.

[3] Zero net deforestation refers to no net loss in forest area between two points in time, considering both losses from deforestation and gains from forest regeneration and restoration. Zero net deforestation is typically assessed with reference to a given geographic area (e.g., a district, state, nation, or globe) and a given timeframe.

- Relevant Fiber Sourcing Teams and Procurement professionals are responsible for applying the requirements of this policy in day-to-day supplier engagement, risk assessment, traceability activities and corrective action follow-up.

- Suppliers are responsible for complying with the requirements set out in this policy and for providing accurate and timely information required for due diligence, traceability, verification and reporting purposes.

- Compliance with this policy is monitored through supplier questionnaires, certification reviews, traceability verification, supplier audits, third-party assessments and performance monitoring.

- Significant non-conformities, sustainability risks and progress against policy targets are reviewed through Essity's sustainability and procurement governance processes. Where serious breaches are identified, corrective actions shall be agreed and followed up, and business relationships may be reconsidered where appropriate.

- This policy shall be reviewed at least annually, or more frequently if required by changes in legislation, stakeholder expectations, business operations or identified sustainability risks.

3.3. 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 chain[4]:

1. Illegally harvested wood.

2. Wood harvested in violation of traditional or human rights (for example forced or child labour – this bracketed text is not included in the policy).

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. Further development on peatland must be avoided.

7. All fresh wood based fiber materials must be sourced through a publicly recognized third-party Chain-of-Custody system.

8. Suppliers and sub-suppliers must comply with the standards of behaviour 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.

[4] Points 1-5 are defined as referenced in FSC® (Forest Stewardship Council) CW standard 40-005 according to which standard, organizations must commit by obtaining their raw materials from low-risk sources which excludes the above listed unacceptable categories.

Essity is committed to continuously increasing the amount of certified fibers in our products, with preference for the FSC system. The fulfilment of this target will always be an ongoing process since Essity and our supply chain will 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.

All fresh wood-based fiber raw material in our products will be FSC or PEFC certified. This includes fiber containing raw materials such as timber, pulp, packaging, mother reels and any other wood derived articles. The share of FSC-certified supplied fibers is to be continuously increased where customer preference allows. Our minimum is that the certified 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 Essity products and is supported by Essity Position Papers including Essity Position on Fiber as well as other relevant positions found in the Global Management system as well as on www.essity.com.

Newly acquired businesses will be integrated into the target when they have been part of the Essity Group for one calendar year.

The target will be reviewed annually and the results will be transparently disclosed in the Essity Annual and Sustainability Report.

3.5. Productive forests and peat lands

For those areas where productive forestry is already established on peatland, Essity will expect the land to be managed by following the latest responsible forest management practices for peat as prescribed by peat experts. Essity will review with the suppliers the opportunities to protect, restore and manage habitats in protected areas, for example Peatland that has been previously drained by digging ditches in order to improve the conditions for cultivating trees.

3.6. Requirements for suppliers of fresh wood based raw material

Essity requires that all suppliers of pulp and fresh wood based fiber materials hold FSC Chain-of-Custody (CoC) certification and that all suppliers 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 will determine 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 down their supply chain.

- 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.

- 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.

- All suppliers are expected to comply with all legislation related to the purchase and sale of wood fibre. It is important from Essity and our suppliers to work together to ensure compliance with future and amended legislation, as necessary.

4. Essity framework and tools to meet policy statement

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

4.1. 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 labour 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 against Essity requirements.

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 related to land use 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 environmental profile of the finished Essity article. It also supports the calculation of emissions from sourced woods and services according to GHG-protocol (sub scope 3.1.) in support of Essity Science based target and our long-term net zero commitment.

Third-party reports are occasionally commissioned to obtain additional background information of a supply chain or to assess 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.

4.2. Supplier Audits and traceability

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 and evidence of compliance gathered. These audits may include meeting local stakeholders and communities NGO´s and/or indigenous peoples and local communities. The actual audit may include a review of harvesting operations in the field, to check how HCV assessments are conducted and decisions made by the company, a review of the biodiversity and forest services management as well as the application and perspective of the application of Free, Prior, and Informed consent where applicable. 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.

Essity believes our customers and stakeholders benefit when they know where the raw materials that go into their products come from and traceability is the key to product life-cycle assessments, enabling us to understand and mitigate the environmental and social impact of our products. Using natural resources requires us to make the origin of products more transparent and to be more aware of the environmental impact on the supplying forest. Resource scarcity has also created a need for better administration, avoiding losses, reducing risks, and encouraging a circular economy.

Every year Essity selects a random delivery to all our Essity Mills and Factories supplied from every supplying pulp mills and requires the supplier to provide the traceability information from Forest, pulp mill, production, shipping, and delivery to Essity, working together with our suppliers to find better and improved ways to capture and make available this information.

4.3. Working together with our suppliers

Essity and our suppliers have worked closely together over many years to improve the sharing of information and the promotion of responsible forest management.

- As we may come across new potential suppliers that do not have FSC CoC in place, but they are willing to implement FSC CoC. Essity will support them in obtaining the certification. Our wood fiber suppliers are expected to support our ambition to increase the amount of certified wood purchased, as such we request- suppliers to report on their percentage of certified wood purchased and their plans and timescales to increase the certified supply, consequently supporting the call for more certified forests.

- Local certification schemes may be accepted for small landowners in case the international schemes, i.e. FSC and PEFC are not yet in place.

- For requirements for suppliers see 3.5

4.4. Collaborative information sharing

Essity's dedicated Fiber Sourcing Teams work closely with our fiber suppliers, sharing Essity's ambition and targets as well as the future development of new products. This process of knowledge sharing helps our suppliers to provide Essity with the information needed to work together to ensure we maintain a supply of sustainable raw materials now and into the future whilst all the time looking to reduce the amount of raw material required and at the same time improving the responsible forest management going forward. Essity has developed several tools to support this process, these continue to be modified based on future needs and supplier feedback.

4.5. Aim for forest positive actions to be the business norm

We collaborate with various actors and engage in projects and initiatives to promote biodiversity and strengthen responsible forest management. One example is the collaboration within the framework of the Consumer Goods Forum (CGF) with leading consumer goods companies in the Forest Positive Coalition of Action initiative. The purpose is to create a Forest Positive future for planet and people and to combat global forest degradation and deforestation. In CGF Essity is leading the Pulp, Paper and Fiber-based packaging working group where we drive responsible fiber sourcing to become the business norm. To help achieve a forest positive future, Key Performance Indicators (KPIs) have been set against the Coalition's Roadmaps covering palm oil, soy, beef, paper, pulp and fibre-based packaging. Essity will support suppliers to raise awareness and understanding of the Forest Positive approach. CGF is publishing an annual report in September see www.cgf.com and Essity publishes our reporting on.

4.6. Public reporting

Environmental transparency and accountability are vital for tracking progress towards a net zero and deforestation free future. Detailed information and data about fiber supply and use, forest certification and other relevant information related to our fiber target, initiatives, engagement, global fiber use and traceability will be published in both our Annual report and on the Essity website (link).

- Primary fiber used, presented as:
  - Wood pulp consumption in tonnes, and % of total fiber purchase
  - Recovered paper consumption in tonnes, and % of total fiber purchase
  - Progress made on alternative fiber types used

- Percentage of total supply of fresh fiber, by certification scheme:
  - FSC
  - PEFC
  - FSC Controlled Wood
  - Fulfilment against target

- Details on key fresh fiber suppliers for at least 80% of Essity´s pulp supply, including country of supply and share of certified wood.

- Amount of certified wood purchased by suppliers, shown as a percentage vs total wood purchased.

- Number of random pulp deliveries selected for full traceability report.
- Number of supplier field audits conducted
- Number of pulp suppliers reporting on forest degradation
    - Other reporting may be possible following feedback from suppliers.
- In accordance with our commitment and reporting in the frame of the forest positive coalition of action in Consumer Goods Forum we annually report against the CGF KPIs (www.cgf.com)
- Reporting against Science Based Targets – Essity
- Reporting against Science Based Targets including land use or similar – Suppliers
- Reporting on peat lands

5. 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.'

6. 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. Document ID Document Name Version Page GPOL-03112 Fresh wood-based fiber sourcing policy 2.0 6(6) Uncontrolled document when printed. For a valid version see the Management System.

7. Document history

Version	Description of changes from last version
3.0	The content is updated based on current requirements and targets.
3.0	The content is still valid and no text is changed.