

# Sustainability at Pankaboard 2021





## Letter from CEO

# Focus on sustainability

**P**ankaboard is proud to have made great progress in sustainability. Sustainability is a key focus area for Pankaboard, and we have continued our work in this area through the last years. Pankaboard continues to develop its operations according to its strategy and we have continued to implement our strategic investment program Panka2020 even though we have faced the challenges like Covid19.

At Pankaboard we have taken significant steps in developing and structuring our sustainability work and sustainability is now integrated into all our work. We focus on agile and resource efficient operations, reducing fossil carbon and developing sustainable products. We aim to be a desired employer. These are the cornerstones of our sustainability work, which is a key element to ensure our sustainable and profitable growth.

In addition to acting sustainability, we also believe in transparent reporting.

We are proud to now publish our first sustainability report.



**Sampo Antti, CEO**



## About this report

This report is Pankaboard's first sustainability report, which covers the company's sustainability performance for the year 2021. This report follows the principles of GRI (Global Reporting Initiative) standards and requirements of NFI (non-financial information). This report has been reviewed and approved by the Board of Directors.

This sustainability report is available only in digital format and it is part of our annual report.

If you have any questions regarding our sustainability report or its content, please contact us through your sales contact or [reply@pankaboard.com](mailto:reply@pankaboard.com).

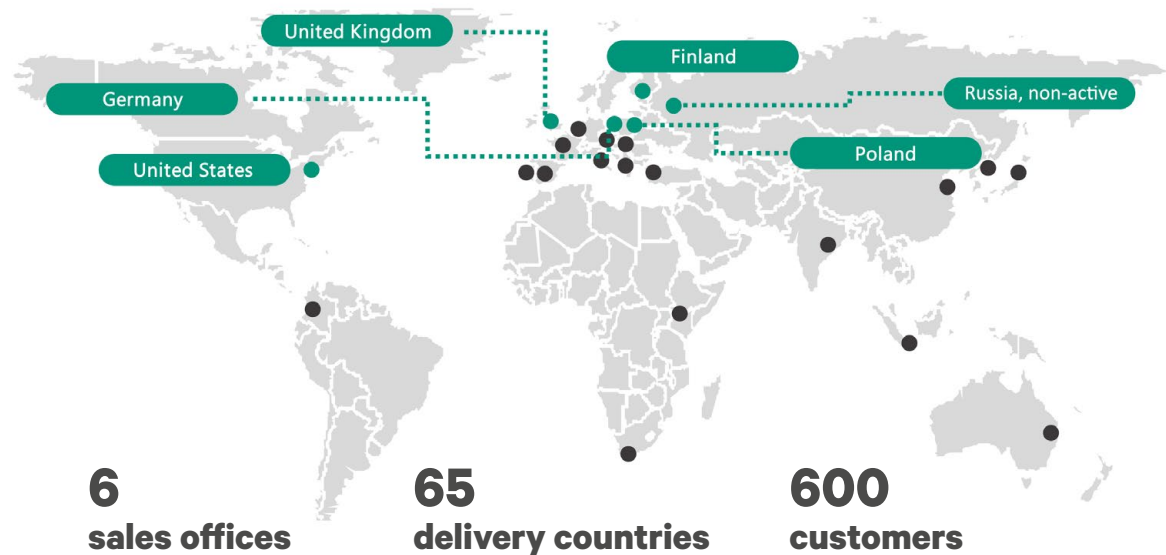


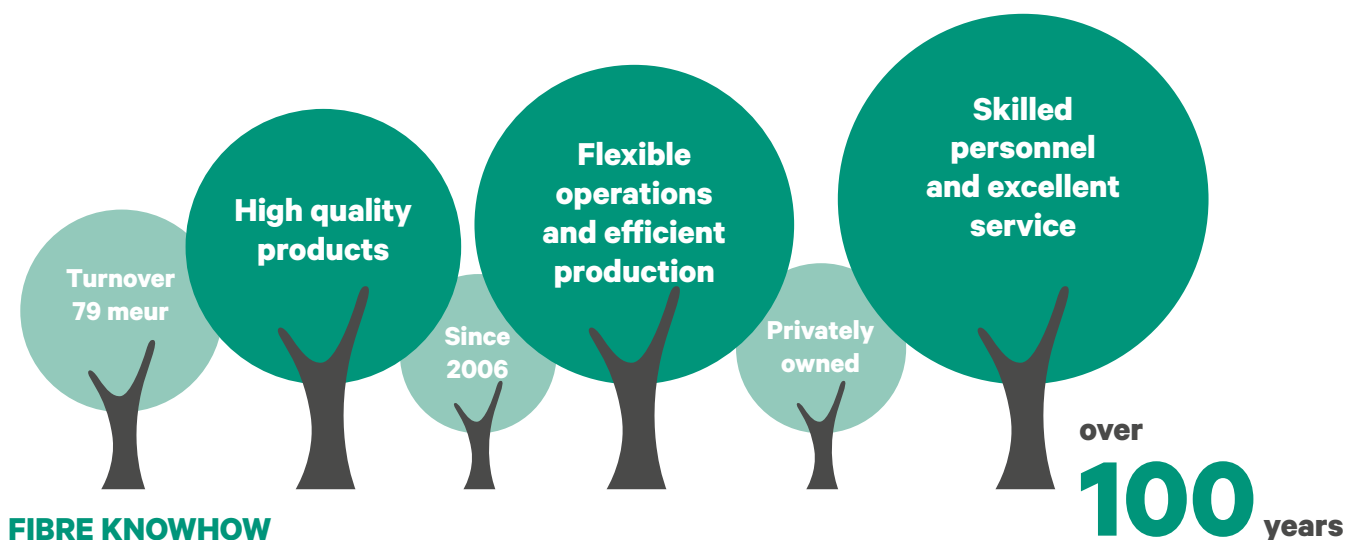
## Pankaboard as a company

Pankaboard is the world leader in virgin fibre speciality cartonboards featuring high thickness folding boxboards and uncoated speciality cartonboards for various applications. Pankaboard offers high-quality cartonboard solutions for packaging, various graphical and industrial applications, and food service products. Typical end-uses are packaging applications requiring high thickness, stiffness, purity, and visual characteristics.

With an exceptional range of products, tailored service, and an innovative spirit, we provide our customers with solutions for unique converting and end-use requirements. Our flexible operating model, special assets and skilled personnel fulfil our customers' specific needs.

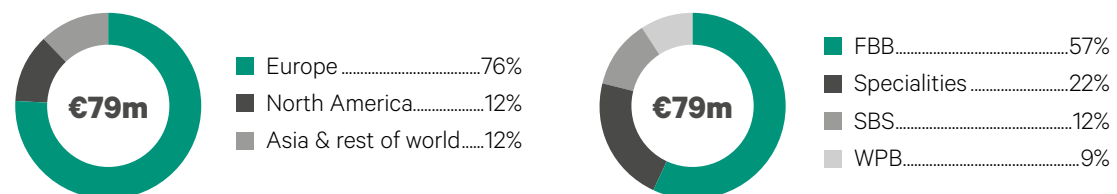
The company has operated over 100 years and was acquired by the current owners in 2006. The production is located in Pankakoski, Finland and we have sales in more than 60 countries. 175 people work at Pankaboard. The annual capacity of board production overall is 110,000 tonnes of both uncoated and coated virgin fibre products. Our products are 100% certified following PEFC, FSC Chain of Custody and Controlled Wood. Pankaboard has certified ISO14001 Environmental management System, ISO22000 Food Safety Management System and ISO9001 Quality Management System.





We deliver our products World wide. 76% of our sales comes from Europe and the remaining 24% comes from overseas markets.

#### Geographical & product turnover splits, 2021



# Our strategy, values and mission

**Our strategy** is to focus on virgin fibre specialty cartonboards, where we aim to be a first choice for customers. We aim to grow faster than the market by actively seeking new end uses for our existing products and by developing our sales network on chosen core markets. We continuously improve our operational performance and develop our asset base by targeted investments. We also continuously assess possibilities to grow by M&A.

**Our vision** is to be global leader in sustainable and innovative high value-added specialty virgin fibre cartonboard.

## Ethical business and governance

We are committed to lead ethical and sustainable business. Our Code of Conduct has been approved by the Board of Directors and was made public on 20.4.2022. It sets the highest principles for ethical behaviour and is our core policy. It guides all our activities and sets principles how we should act in business encounters. In addition, we expect our suppliers to comply with the Code of Conduct and its principles.

Pankaboard has an internal control system for compliance, financial and non-financial reporting, and operations. Commitment to honesty and ethical practices is part of a company's control environment.

We comply with all applicable laws, regulations and high standards related to our products, processes and used raw materials. We constantly follow changing regulations and upcoming new demands affecting our business. We use Linnunmaa Lex legal services for this.

### Human and labour rights

In line with our Code of Conduct we respect internationally recognized human laws and labour rights. We follow minimum age limits for employment set by ILO (International Labour Organization) and laws concerning wages and working hours. We also expect our suppliers and service providers (also tier 2 supply chain) act according to the human and labour requirements and provide decent working conditions for their employees.

### Fair business

We have zero tolerance for corruption and bribes are not allowed in any form or in any country. As stated in our Code

of Conduct, we do not award donations to political parties or political activities. Business gifts are only acceptable when they are lawful, minor in value, given openly, and are consistent with common business practices.

Pankaboard competes openly and fairly and does not tolerate any illegal cooperation with competitors. Pankaboard and all its employees must comply with all applicable anti-trust and competition laws and regulations in all situations. Pankaboard ensures that all agreements with competitors, customers, distributors, and other business partners comply with applicable competition laws and regulations.

All Pankaboard's financial records and accounts must accurately reflect all the transactions. They must also comply with the requirements of the accounting principles, applicable laws, and regulations and Pankaboard's internal guidelines. Pankaboard complies with all applicable tax laws and regulations in the countries in which it operates.

During our operation there has not been any reported non-compliances.

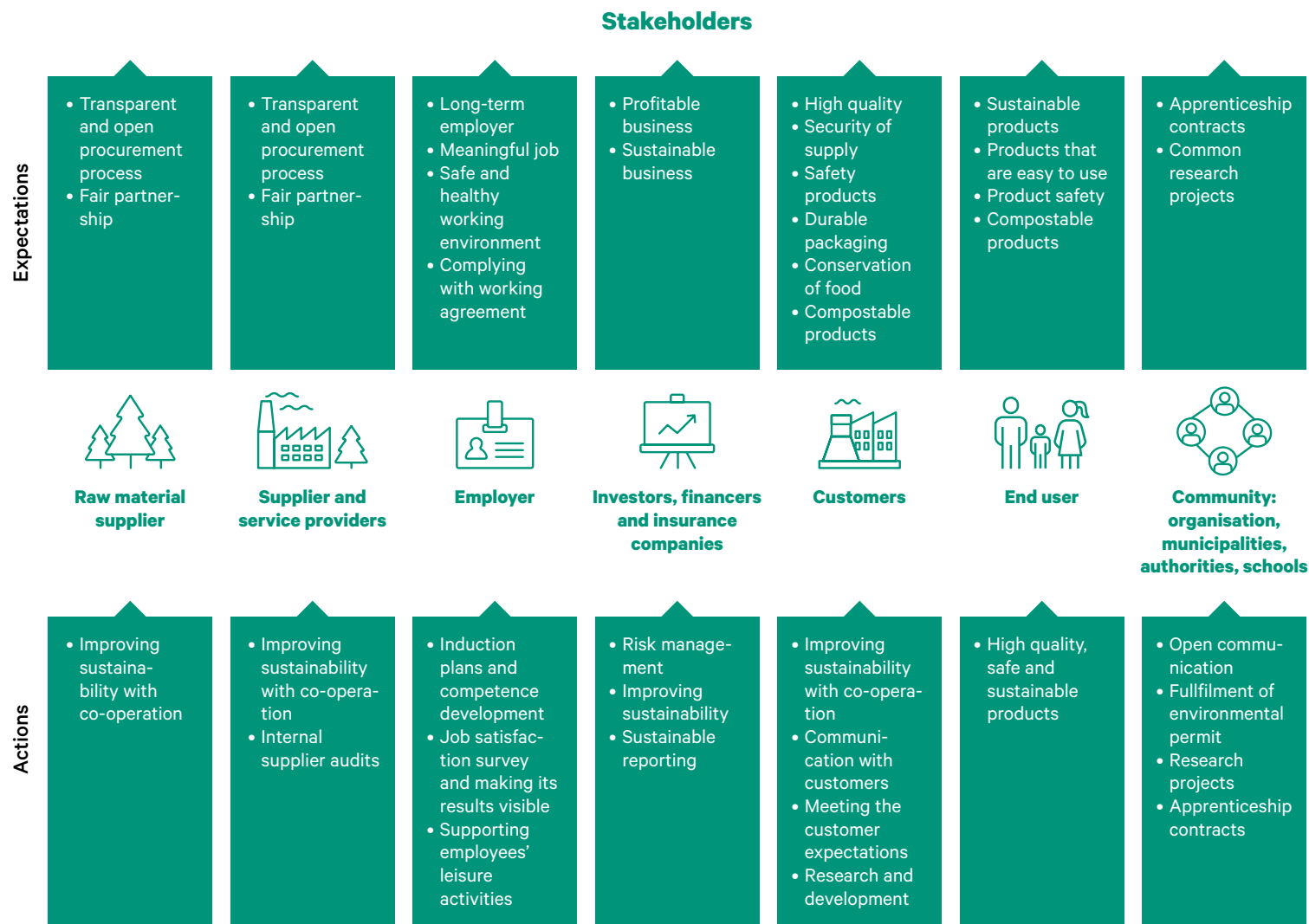
### Data security

Information security and data protection are important for our business. We invest in developing, maintaining, and supporting the data security to protect our own and our customers privacy. Our goal is to create and maintain a positive information security culture and data protection to guarantee high quality services and a good corporate image. Our data security policy sets the highest data security principles and guides our daily work. The principles comply with the applicable legislation and apply to all Pankaboard personnel.



# Stakeholders and value creation

We want to be aware of our stakeholder's needs and expectations to be able to improve our operations and actions in a reasonable manner. We understand that open dialogue and active communication with our stakeholders is an important part of building a sustainable business for todays and future needs. Maximising the value creation and positive impact on our different stakeholders is also a key aspect when creating profitable business. As part of our sustainability work, we have identified our main stakeholders, their needs, and expectations.



### Customers and end users

Pankaboard has a wide customer base having around 600 active customers in over 60 different countries. Pankaboard works closely with our customers to ensure individual service and to fulfil specific customer needs. With our wide product offering we help our customers to find solutions for their diverse converting and end-use requirements. Continuous product development and finding new ways of using our products are the cornerstones of Pankaboard's business. Our Operating model supports a specialised product offering and close cooperation with customers ensuring individual service and flexibility.

We provide solutions which help our customers to improve their own sustainability. We work closely with our customers to find best solutions for their needs and to improve our services. We create value by providing packaging solutions with low CO<sub>2</sub> footprint and which are recyclable and biodegradable. Our customers can rely on our products to fulfil their high-quality expectations and are delivered on time.

We use customer satisfaction surveys to identify further operational development needs. Also, the reclamations and customer feedback are constantly monitored, and corrective actions are carried out if needed. We also do preventive actions to keep our customers satisfied.

### Employees

Pankaboard directly employs 175 people, and its business creates multiple amounts of indirect jobs. We provide meaningful jobs and work places from which our employees can be proud of. We focus on building safe working environment and culture where everyone can express their opinions. We encourage collaborative team working as we believe that together we can find more innovative solutions and ways of working.

### Financers

We create value for our investors by leading profitable and sustainable business. We concentrate on developing business areas and products that have the most potential in the future. We seek new market areas and customers and try to find ways to utilize our existing products and services in new and innovative ways. We build business on the bases of circular economy. Our processes are highly resource efficient, so no excess wastage is created. The risk management is essential in our operations, and we execute continuous contingency planning.

### Suppliers (including raw materials) and service providers

To promote our sustainable business the whole supply chain needs to fulfil the high sustainability standards and requirements. We are aware that the actions of our partners and suppliers influence our business and how our other stakeholders assess our sustainability. By working together with our world class suppliers, raw material providers and service providers we are able to improve our sustainable operations. We actively communicate with our suppliers and measure their performance and quality of products purchased.

In 2021 we audited our key suppliers both internally and by external auditors. There were no material deviations detected during these audits. We performed several traceability exercises in cooperation with our customers.

### Community

Schools, universities, and authorities are our main stakeholder groups in the community. We follow and comply with all environmental regulations and act according to the require-



Cardboard machine 3 operator Eero Hiltunen

ments set in the environmental permits. Our activities are constantly monitored also by the authorities. We continuously follow the wastewater quality and emissions to air to meet the environmental permit targets. The compliance with the permit is followed through self-monitoring and independent third-party environmental monitoring.

We actively work with vocational schools and provide apprenticeship contracts and summer jobs for students. These agreements are beneficial for the students and for Pankaboard; the student will learn a profession while working and Pankaboard gets futures talents and motivated workforce. A personal training plan is drawn for each of the students. The aim of the training is to complete a vocational qualification for a board manufacturer. We also offer summer jobs for students in the postgraduate phase.

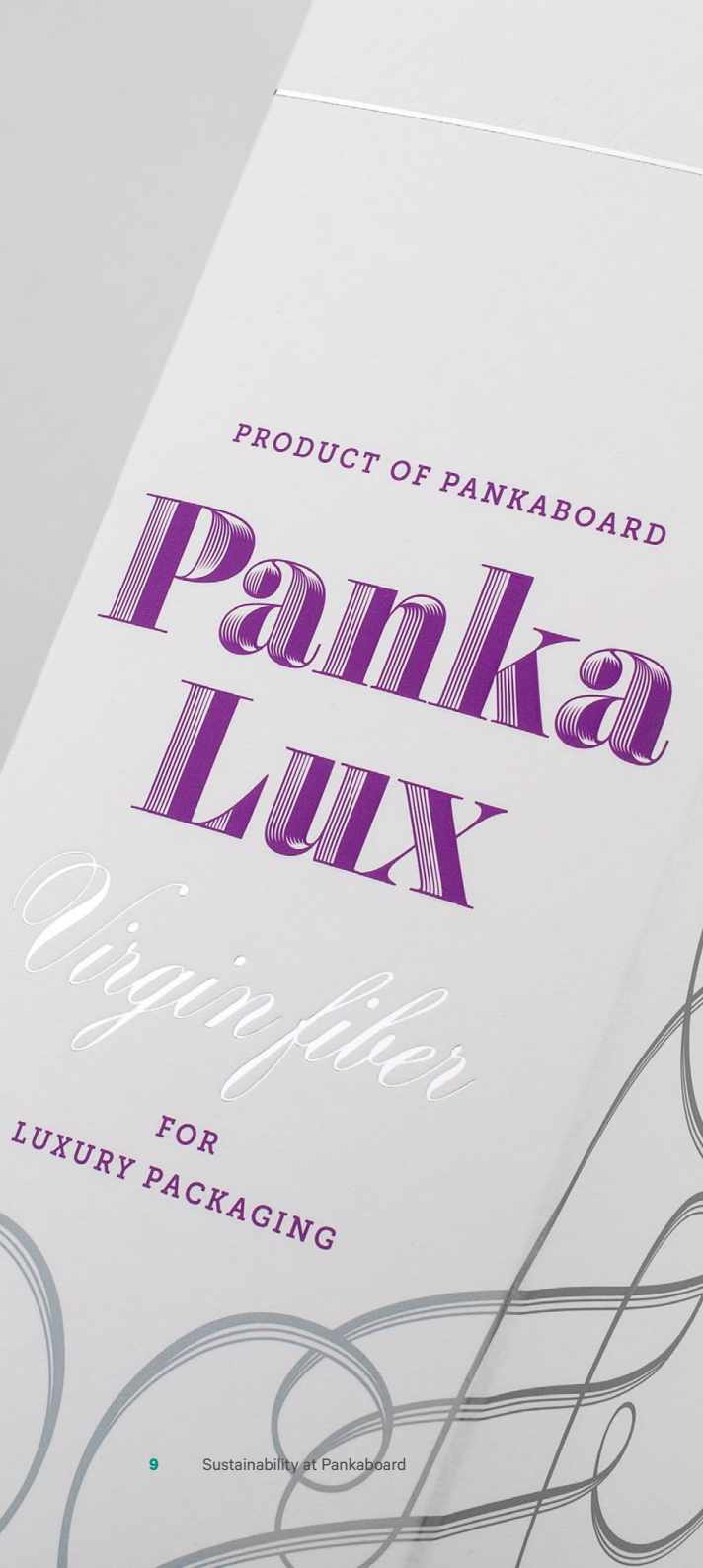
## CASE:

# Career path

**Eero Hiltunen**, 31, is a cardboard machine operator at Pankaboard. After vocational school and military service, Eero decided he wanted to pursue a profession, but not in the traditional sense. His way to Pankaboard employee went through apprenticeship training. “I started my two-year apprenticeship program at Pankaboard in 2013. My training included both theoretical education and practical learning by doing real job tasks. I also acquired job-relevant licenses during my training such as hot work, safety, and first-aid training licenses“. After apprenticeship training Eero was hired as a permanent employee at Pankaboard. The first four months he spent learning operator tasks related to specific cardboard machine. Since May 2015 Eero has been working as an operator and instructor of Cardboard machine 3.

Pankaboard's HR Manager, **Riina Vellonen**, says that trainees find apprenticeship training especially useful for multiple reasons it enables them to learn job tasks thoroughly and without a rush. It also helps people in apprenticeship training to familiarize themselves with work routines and three-shift work. This helps them to get a comprehensive outlook on the upcoming profession. Eero recommends apprenticeship training for both those who are freshly graduated from school and for those who are willing to make a career change: “I chose the apprenticeship route because it's an accessible way to be in my desired workplace gaining the experience I need whilst also being paid“. Eero values Pankaboard as a trusted and flexible employer. He also adds that the work environment at Pankaboard is pleasant and one significant factor why he enjoys his job is his nice colleagues.





# Our sustainability approach

Climate change is one of the biggest challenges the world is facing. Businesses such as Pankaboard are responsible for playing their part in reducing CO<sub>2</sub> emissions through their supply chain. The changing climate and upcoming new regulations create risks and possibilities for the business.

Packaging products play a vital role in reducing environmental impacts of goods and foods that we all consume. Packaging secures the product from foreign impurities, prolongs the self-life of food, and thus reduce the food waste. The packaging also protects the goods from break down and therefore prevents unnecessary waste.

## Sustainability at Pankaboard

Sustainability is in the heart of our business and is embedded in all our processes and decision making. Our entire business is based on the sustainability of forests. Protecting the environment, reducing our footprint, and ensuring safe and fair working conditions for our employees are cornerstones of our activity. Our virgin fibre based cartonboards are all renewable and recyclable. Lightweight cartonboards from well managed forests provide sustainable solutions for a wide range of applications. Close collaboration with our suppliers improves the efficiency, transparency, and responsibility of the entire supply chain. We use suppliers with highest sustainable standards.

We are continuously working to keep our environmental impact as low as possible. We utilize principles of circular economy in all our production processes. Our raw materials are traceable and controlled.

## Materiality

At the beginning of 2022, we conducted a materiality analysis to identify material aspects related to our business. Through the materiality analysis we can ensure that we invest in the most important sustainability aspects. Together with an independent third party, we longlisted relevant sustainability topics for cartonboard industry and especially for our business. The longlist was evaluated in a workshop, facilitated by the third party. All the different aspect were evaluated by using the following questions:

- How significant is the resulting impact for the society?
- How significantly can the company itself influence on this topic?
- How much do stakeholders expect this issue to be raised?
- How significant is the topic for future success of the business?

Based on the results, material aspects, we set Sustainability visions and ESG targets to achieve the visions. They were approved by the Board of Directors. The sustainability visions and targets help us focus our sustainability work and measure our progress. In the future, we will review them on regular basis.

## Agile and resource efficient operation



- We want to be agile and meet our customer demands and wishes.
- Our production is lean and we utilize circular economy in our operation. We minimize loss of resources.
- Through our activities we want to minimize our impact on environment.

### Target

- 100% of production waste recycled
- All used water will be purified and returned to nature

## Desired employer



- We want to ensure healthy and safety working environment.
- Engaged and happy employees are essential for our business and therefore we want to increase their satisfaction.

### Target

- Zero accidents (continuous target)
- Engagement program creation in 2022 including satisfaction survey

## Fossil carbon reductions



- We want to contribute to climate change mitigations by cutting down our own CO<sub>2</sub> emissions as well as emissions of our products. We want to be aware of the environmental impacts of our product during the whole lifecycle.

### Target

- Launch of carbon neutral product family in 2022 <sup>(\*)</sup>
- Life cycle assessment (LCA) has been calculated for all our product families
- 90% of our used energy is renewable energy

<sup>(\*)</sup> share of the Fossil CO<sub>2</sub> emissions are compensated

## Sustainable products



- Our products have low carbon footprint.
- We use sustainable raw materials.

### Target

- 90% of our raw materials are renewable or recyclable
- 100% fibre raw materials are certified (continuous target)
- 100% traceability of our products

# Managing sustainability

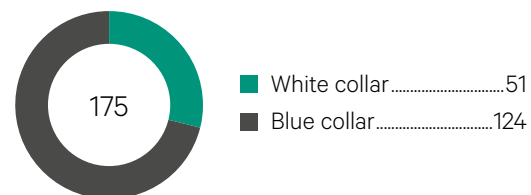
Our sustainability management system is based on Environmental Management System ISO14001, Quality Management System ISO9001 and Food Safety Management System ISO22000. Our main guiding policy is Operational policy which includes management, environment, quality, and food safety.

We are committed to follow all applicable laws and regulations. All our purchased and used raw materials fulfil our own sustainability requirements, food industry standards and are traceable. We use standardised processes and follow the delivery agreements.

# Desired employer

At the end of 2021 we had 175 employees at Pankaboard where from 14 work abroad and 18 fixed terms. At the end of 2021 13% of our employees were female and 87% male.

## Employees at Pankaboard



# Safe working environment

Safety of our employees is a key priority for us and the most important element of being a desired employer. We want to ensure healthy and safe working environment for all our employees and people visiting our mill and premises. We continuously develop our safety practices and actively build safety culture. Our ultimate goal is zero accidents, and we work hard to achieve it.

Our safety management system is described in Pankaboard's Safety manual. The development of our safety work and health and safety related topics are reviewed at least once a year by Pankaboard Management Team in management reviews.

We continuously follow our safety development through safety indicators such as work-related accidents, loss of work-days due to the accidents. We also measure safety observation and encourage our personnel to report any safety related shortages. All the accidents and observed safety improvement ideas are carefully investigated and corrective actions are planned and carried out. The accidents are also communicated with the personnel to prevent their recurrence.

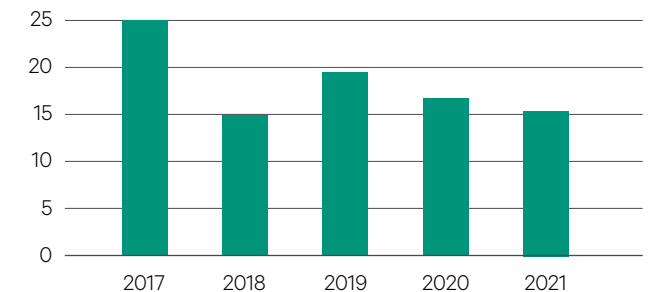
Our safety work is based on the risk management and the preventive safety work. Our factories are regularly reviewed

to identify any safety risks and safety improvements ideas. The employees are encouraged to report any safety issues, observed hazards and to share their safety improvement ideas by rewarding the best idea monthly with a paid day off.

In 2021 we were able to reduce the work-related accidents compared to the 2020. Two of the accidents resulted in four or more days sick leave. We have been able to keep the accident level low from 2016 onwards after implementing special measurements and procedures.

## Safety/ Lost time Accidents 2017-2021

Number of LTA/mio working h







All the new employees (Pankaboard's own and external employees) are instructed on safety working methods and principles. Own employees get specific safety trainings depending on their job description. All own employees need to perform safety training, fire-work training and first aid training.

## Engagement and well-being

We believe that meaningful assignments, clear responsibilities and a good work life balance are a basis for employee well-being. We want to create inspiring and rewarding working culture by encouraging our employees to work together and share their knowledge to find new ways to work, communicate and innovate. We provide different kinds of professional education possibilities for our employees based

on their own interests. We value professional leadership and personal development according to our operational policy. Our goal is to create a work culture that emphasizes performance among the personnel and to gain an entrepreneur spirit to our team.

We also believe that equal opportunities and mutual respect are vital in building well-being in our working community. We value diversity and treat all our employees fairly, regardless of age, gender, health, or other similar factors.

In order to maintain skilled personnel, personnel development and recruitment is crucial. All new employees go through a task-specific induction program. In addition, task-specific job guidance instructions are used to teach the new person the correct and safe ways to perform the job.

At Pankaboard we have a leisure committee focusing on coordinating free time activities supported by the company. We also support the physical well-being of our employees by supporting their sport activities monetarily.

## Agile and resource efficient operation

Pankaboard has two board machines located in Lieksa, Eastern Finland, in the efficient Pankakoski board mill

- BM2, trim width 3,060 mm, capacity appr. 65,000 t/a
- BM3, trim width 2,250 mm, capacity appr. 45,000 t/a
- The mill also has integrated groundwood pulp production and an integrated biofuel steam plant (outsourced)

Our whole operation is based on resource efficiency and circularity. Our main goal is to recycle all the production waste and all used water is purified and returned to nature. By saving resources and working efficiently we produce less waste, raw material usage is optimised, and valuable resources are not discarded.

### Energy efficiency

Cardboard producing process is energy intensive. The production processes require mainly thermal energy for drying of cardboard. At Pankaboard the thermal energy is generated at the mill by using mainly locally sourced biofuels, such as bark from the pulp wood and recycled fuels. The share of recycled fuel has been around 99% of total thermal energy consumption.

### Emissions to air

In 2021 an emission measurement was carried out by third party. According to the results the emissions meet the environmental permit limits.

Waste production

Circularity is the basis for everything we do. Our goal is to reach the highest material efficiency and thus reduce waste production. By using material side flows we can reduce the amount of materials discarded or burned. All the waste are sorted and if possible reused and recovered. For example, the fly ash from the biofuel boiler has been utilised in the structures of the field and noise barrier, for which there is a valid environmental permit. Materials that cannot be used in production are used to generate energy whenever possible. In the case of Pankaboard core processes, all combustible production waste formed in the production processes goes to energy production to the neighbouring biofuel steam plant, which provides steam to the production plant.

All production waste is reused or recycled.

Water usage and wastewater generation

In addition to CO<sub>2</sub> emissions, water usage and wastewater have the most impact on the environment. Raw water usage and wastewater are material in our cardboard production. In 2021, most of the water we use is used for production process. Currently there is no shortage of fresh water in Lieksa, Finland, where our mill is located. It is vital to invest in water efficient operations and constantly reduce freshwater usage. In our processes we follow circular economy by recycling the used water.

Our goal is also to reduce the freshwater intake 10% per production ton by 2024 (baseline year 2021) and to decrease the solid matter content of clarifying agent in the wastewater to 300 kg/d (in average). In 2021 we consumed 31 m<sup>3</sup> freshwater per production ton and the solid matter content of

clarifying agent in the wastewater was 360 kg/d (in average). To meet these targets, we have already planned actions and started to implement them.

We work closely with the environmental authorities and any deviations are reported to the authority in the monthly wastewater report.

2020-2021	
Raw water usage (m <sup>3</sup> /production ton)	-14%





# Sustainable products

Sustainability is at the core of Pankaboard's operations and products. All our products are from renewable materials and are recyclable. We have integrated principles on circular economy into our product development and processes. Our goal is to use sustainable raw material as efficiently as possible. We use only certified raw materials, and we prioritize renewable materials with low CO<sub>2</sub> footprint.

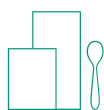
Pankaboard's production meets the key quality and environmental standards for the paperboard industry. The company is committed to continuous development of all processes. Pankaboard has a certified management system based on the following:

- Quality standard ISO9001
- Environmental standard ISO14001
- Food safety standard ISO22000 according to the HACCP-requirements.
- Pankaboard is committed to both major forest certification schemes:
  - The Programme for the Endorsement of Forest Certification PEFC
  - Forest Stewardship Council FSC® Chain of Custody and Controlled Wood

Certified management systems for the chain of custody of wood-based raw materials show that all the wood and fibre used in Pankaboard's products come from legal, sustainable and well-managed sources and are 100% traceable. In addition, currently two cartonboard grades have the inspected

board status of Nordic Ecolabelling and one cartonboard grade has both home and industrial compostability certifications.

## Pankaboard Product Categories



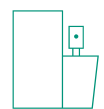
**Food packaging**



**Luxury beverage**



**Healthcare**



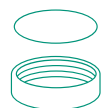
**Beauty care**



**Food service**



**Food underlays**



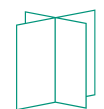
**Capseals**



**Rigid boxes**



**Picture frames**



**Displays & laminates**



**Coasters**



**Skin packaging**





## Product safety

Pankaboard products are clean and hygienic. All board grades produced by Pankaboard are manufactured from virgin fibres. Pankaboard is highly committed to product safety and its continuous improvement. All raw materials used in board production are approved for food contact. In the approvals, possible health risks have been considered. Also, Pankaboard's products are regularly tested against major European and US food safety regulations and are approved for food contact. In addition to pure and clean raw materials, the drying technology used on Cardboard machine 3 (Condebelt) makes the products microbiologically very pure thanks to the high temperature used in the drying process. Condebelt gives unique surface and strength properties to the board. Our product category PankaPlex (220-240 gsm) is also certified compostable both at domestic and industrial scale.

## Material efficiency

Material efficiency and reusing of materials are the key principles of our production. By reducing material usage, we are able to reduce our carbon footprint as well as reduce costs. 90% or more of the composition is organic fibre material. Only 10% or less is inorganic material, mainly minerals. Based on the composition, boards are classified as biodegradable.

Pankaboard's products are fully recyclable, and they can be reused as raw material several times. The groundwood

pulp gives favourable properties to the products as a result of the stiff and high-quality fibres. As a result of the high bulk, the amount of material can be minimized to reach the required thickness and stiffness requirements. This leads to light and sustainable products throughout the whole value chain in production and transportation.

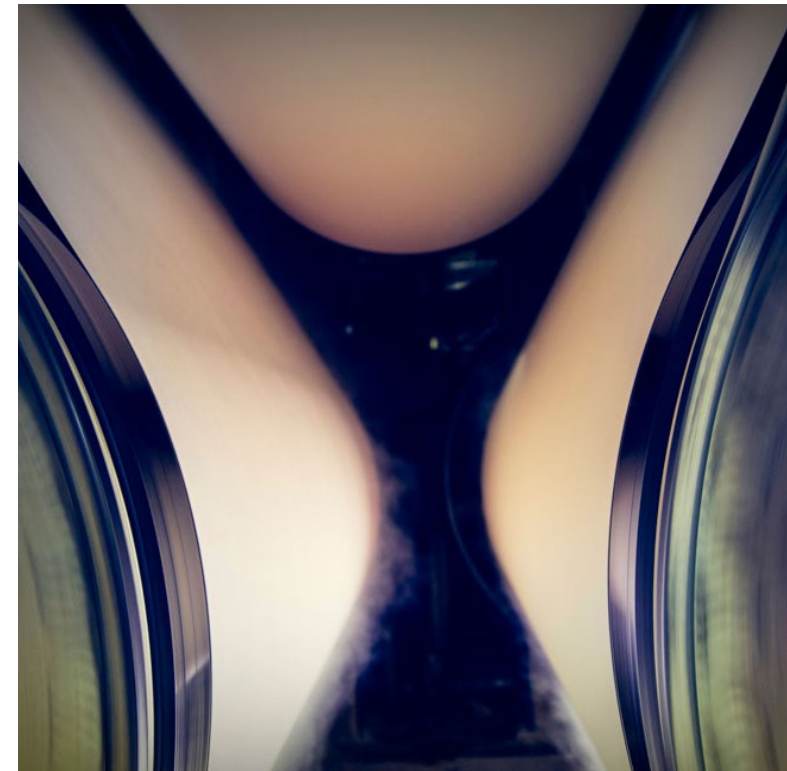
## Carbon reduction

As stated before, climate change is one of the biggest challenges the whole world is facing. We at Pankaboard are continuously trying to find ways to reduce our own carbon emission by improving energy efficiency, using renewable energy, enhancing material efficiency, and producing products with low carbon footprint.

Scope 2 emissions (meaning purchased energy) would be one of the biggest single CO<sub>2</sub> emission sources if the majority of our energy need would not be covered with CO<sub>2</sub> free energy. Our target is that 90% of our energy consumptions comes from renewable energy sources. Pankaboard's production is conducted through local wood sourcing in combination with the integrated biofuel steam plant.

In order to reduce our product's carbon footprint, we need to be aware of the CO<sub>2</sub> emissions profile of our products. In 2021 we started a LCA (life cycle assessment) project. This LCA study concerns five different Pankaboard high-quality specialty cartonboards, two of which are assessed on the product level and three on the product group level:

- Folding boxboards: PankaBrite (product level assessment)
- Folding boxboards: PankaLux (product level assessment)



- Woodpulp boards (product group level assessment)
- Specialties (product group level assessment)
- Solid bleached boards (product group level assessment)

A life cycle assessment has been conducted in 2022 to all our product families. Further on, during 2022 we have launched completely CO<sub>2</sub> free products (the fossil emissions are compensated). In this way we can offer our clients means to lower their own environmental footprint. More information is available at [www.pankaboard.com](http://www.pankaboard.com).



[www.pankaboard.com](http://www.pankaboard.com)