



Accelerating change for sustainable living

Sustainability report 2020

Content



Company	3
CEO's Review	3
Kotkamills in brief	5
Kotkamills highlights	6
Sustainability	7
Sustainability strategy and targets . . .	10
Stakeholders and materiality	12
Responsible partnerships	14
Responsible procurements	16
Our innovative circular economy model	17

Environmental responsibility	24
Economic responsibility	30
Social responsibility	34



s. 10
Key focus areas of sustainability



s. 19 Innovative products



CEO'S REVIEW

Working together to accelerate the change for good

While 2020 was an unusual and challenging year for Kotkamills, it was also successful. The year was characterised by coronavirus globally and industrial actions in forest industry in Finland. During coronavirus, the demand both for paperboard and laminating paper has been very good, even though the various shut-down measures have limited sales of cupboard, among others. Our mill has operated without interruption, also during the strike. 2020 was the best year in Kotkamills' history. The year ended with the offer from Europe's third largest manufacturer of folding boxboard, Mayr-Melnhof, to acquire Kotkamills as part of the Group.

We offer sustainable and recyclable solutions for life's different needs

The year got off to a promising start when we signed a significant collaboration agreement with Lavazza Professional in January. The ecological KLIX Eco Cup™ made from ISLA® food service board replaces the plastic cups previously used in beverage vending machines. Lavazza Professional is a frontrunner in bringing eco-friendly solutions to the sector, and it is ambitiously striving to implement a model of sustainability. In a changing world, collaboration partners like this are a good match with our vision of offering new and sustainable wood-based solutions for life's different needs.



Sustainability report 2020

Coronavirus and the closing of coffee shops and restaurants slowed the momentum product brand owners had in transitioning to more eco-friendly materials. Negotiations for ISLA® food service board slowed down. Nevertheless, the outlook is good; recyclability is necessary now and will be even more so in the years ahead.

The increased use of packaging during coronavirus powered the strong growth of our AEGLE® folding boxboard product portfolio, which includes barrier board products and basic folding boxboards.

Growing urbanisation and increased enthusiasm during the Covid era to build and redecorate has amplified the interest in Absorbex® laminating paper and high-quality sawn timber for demanding joinery and construction end uses.

All our products are eco-friendly, recyclable, and safe to use.

Responsibility is the foundation of profitable business

Profitable business is a basic prerequisite for our operations. We make sure that the company's profitability and competitiveness are preserved. We are aware of the far-reaching impacts that our economic and production activities have not only on the success of the mill, the employees, and our stakeholders, but also on the well-being of the surrounding community. Thanks to the good collaboration between mill management and the employees, Kotkamills did not participate in the strike when the sector's collective agreement was renegotiated early in the year. Nor did we participate in the forest industry lockout.

Solutions supporting a circular economy

In 2020 we established Kotkamills' sustainability organisation, headed by Saila Kettunen, Vice President, Sustainability and Communications.



bring significant savings, both economically and environmentally. In fact, during the year we have improved our pulp mill's production processes by modernising the pulp washing line, which, thanks to the closed cycle, makes our mill more energy efficient and further reduces emissions.

People come first

In everything we do, people come first. Our development work aims to create products that increasingly meet the needs of consumers and solve environmental challenges. We listen to end customers' wishes, we are alert to changes in the world, and we collaborate closely with our stakeholders. We combine the expertise of our own organisation with that of external partners. We fulfil our statutory obligations, and we require the same also from our collaboration partners.

At our mill we take care of ourselves, each other, and the multiple external stakeholders that are working with us. A safe work environment is the responsibility of every one of us. We perform our work with high quality and continuously develop our ways of working.

We are in constant dialogue with the surrounding community, particularly Kotka residents and local associations and operators. By engaging in a constant dialogue with community representatives and our stakeholders – product manufacturers, brand owners, consumers, environmental management and recycling companies, and companies using recycled materials – we accelerate change for a better, more sustainable, and eco-friendlier life.

Markku Hämäläinen, CEO



KOTKAMILLS IN BRIEF

Kotkamills promotes sustainable lifestyles, living, and consumption

Kotkamills Group specialises in the production of consumer board, laminating paper, and wood products. Kotkamills Group Oyj and its subsidiaries form the Kotkamills Group. In addition to the parent company, the Group comprises Kotkamills Oy and its subsidiaries Kotkamills Absorbex Oy and Kotkamills Wood Oy.

The Group's main brand names are the consumer board brands ISLA® and AEGLE® and the saturating base kraft paper brand ABSORBEX®. The production plants are located in Kotka.

Our key stakeholders include owners, employees, customers, suppliers, subcontractors, associations, the authorities and the media. We actively maintain open and constructive cooperation with all the stakeholders.

Employees

522

Group revenue

381 MEUR



The multinational equity investment company Open Gate Capital owned the operations of Kotkamills Oy until 2015 when the Finnish equity investment company MB Funds purchased the majority of Kotkamills' shares. The state-owned Finnish Industry Investment Ltd, Elo Mutual Pension Insurance Company, and investment company Nordic Mezzanine Oy became the other new owners along with the company's operating management. In December 2020 the Austrian Mayr-Melnhof Group signed an agreement to acquire the entire share capital of Kotkamills Group Oyj.



Highlights of Kotkamills' journey



7/2010
Kotkamills established, owner OpenGate Capital



10/2020
Kotkamills to become first-ever sustainability partner of Norwich City FC
The multi-year partnership will see Kotkamills work with the club to reduce the amount of plastic waste that is disposed of as a by-product of food and drink at Carrow Road football stadium and the Lotus Training Centre. The partnership is a part of the measures aimed at achieving the club's wider sustainability goals.

3/2015
MB Funds and company's operating management as owners of Kotkamills, Markku Hämäläinen appointed as CEO

2016
The innovative board machine started production



2019

01/2020
Collaboration agreement with Lavazza Professional
Lavazza Professional announced the new KLIX Eco Cup™, a special eco-friendly cup made from Kotkamills' ISLA® food service board, available in its KLIX® in-cup vending machines around Europe.



12/2020
Mayr-Melnhof Group signed an agreement to acquire the entire share capital of Kotkamills

SUSTAINABILITY

We promote change for sustainable living

Sustainability is an integral part of Kotkamills' operations and is at the core of our strategy. We want to be a trusted, agile, and successful partner that provides new and sustainable wood-based solutions now and in the future.



Management Policy

Kotkamills Oy is a professional, responsible and active player in its industry. We know our customers, we keep our promises and we are a flexible collaboration partner.

We care about people, the environment and results. We perform our work safely and with quality in mind. We are committed to continuously reducing the environmental impacts caused by our operations and to preventing the contamination of the environment. In all our operations, we take into account the principles of safety, continuous improvement and sustainable development, environmental aspects, energy efficiency, and effective laws and regulations. We require the same of our stakeholder groups as well.

We are initiators and innovators. We continuously carry out systematic development work to find new solutions and to meet customer requirements. We accept challenges and continuously develop our work methods. We reform and renew together.

We pay special attention to the work atmosphere, information security and to occupational and product safety, and we comply with good manufacturing practices. We aim at open interaction and communication, taking our employees and our stakeholders into account.

The company's management and employees are committed to these operating principles and to the continuous improvement of our company's operations. This Management Policy has been communicated to personnel, and it is available on the company's intranet. Operating principles are updated in conjunction with management reviews.

Kotkamills Oy's Board of Directors has approved this Management Policy on 18 January 2021.



Sustainability Principles

Kotkamills Oy is committed to managing and developing its business in a sustainable manner and focusing on economic, social and environmental aspects. We involve our stakeholders regularly to validate our sustainability agenda. We as a company and our products comply with and go beyond the requirements of national legislation and regulations. The continuous improvement of our sustainability management process is supported by an internal audit programme and third-party verification programmes.

Economic responsibility

- The foundation for responsibility is profitable and developing business.
- We want to be a trustworthy and value-adding company, employer, supplier, and cooperation partner.
- We contribute to a sustainable society through renewable raw materials, resource-efficient operations, and an innovative, environmentally sound yet affordable product portfolio for everyday construction and packaging purposes.
- We recognise and foster our impact as a significant local operator.

Environmental responsibility

- We are committed to responsible sourcing, engaging our suppliers to our procurement policies and to using fibres only from certified suppliers and sustainably managed sources.
- We mitigate our impact on the environment through low-impact manufacturing with an extensive focus on material efficiency and low water and air emissions.
- We promote circularity by utilising process side streams and recycled fibres and by providing easily recyclable consumer packaging materials.
- We advance low-carbon living through long-term carbon capturing products.

Social responsibility

- We adhere to ethical business practices, as stated in the Kotkamills Code of Conduct.
- We provide a healthy and safe workplace for our employees and contractors by improving working conditions.
- We supply safe products that comply with product-specific regulations for their intended use.
- We respect human rights through our privacy policy and equality in our operations.
- We use scientific methods to express our performance.
- Our communication is open and factually based.
- Our partnerships promote sustainable community and circularity.

The company's management team is responsible for the sustainability strategy and for the accomplishment of the sustainability performance.



Sustainability strategy

Sustainability is an integral part of Kotkamills’ operations and is at the core of our strategy. The goals set in our sustainability strategy are reflected in how we balance safety, climate, and circular economy issues, how we listen and respond to the needs of our stakeholders, and how we advance our sustainable economic growth.

We want to be a trusted, agile, and successful partner that provides new and sustainable wood-based solutions now and in the future. We also want to contribute to the achievement of the UN Sustainable Development Goals through our own operations.

The key focus areas of our sustainability work are ensuring well-being at work and a safe workplace, responsible sourcing, continuous development of low-emissions operations and circular economy solutions, profitable business enabling growth and development and offering products that promote responsible lifestyles.

The focus areas of our sustainability

Environmental impacts

- Responsible sourcing
- Low-impact production
- Resource efficiency



Economic impacts

- Profitability
- Production growth
- Production efficiency
- World-class, sustainable, plastic-free products

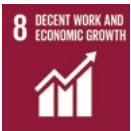


Social impacts










- Committed employees
- Well-being at work
- Safe work
- Attractive employer



Through our operations we are advancing the achievement of these UN Sustainable Development Goals:



Sustainability targets

KEY AREAS	KPI	TARGETS	THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)
Responsible Sourcing	Responsible suppliers and contractors	100% wood raw material from certified suppliers	
Low-impact manufacturing	CO ₂ emissions avoided	-25% (fossil) kgCO ₂ per produced tonne	
Resource efficiency	Utilization rate of own side streams (minimized waste)	Decreasing trend of waste ending up to landfills (landfilled waste per produced volume in tons)	
	Net Zero/Net Positive Fibre Balance	Fiber circulation (incl. saw mill by-products) covers the round wood use (pulp, round wood).	
Profitability	Profitability	See Economic impacts, p. 32	
Increase of production output	Increase of production output	See Economic impacts, p. 32	
World-class, sustainable, plastic-free offering	Share of barrier products in board production (%)	See Economic impacts, p. 32	
Well-being at work	Employee absenteeism	Average absenteeism rate below 3%	
Safe work	Number of LTI Frequency Rate (IFR)	Decreasing trend of 30% in incidents	

 Environmental impacts  Economic impacts  Social impacts

Materiality and key sustainability themes

For Kotkamills, it is important to engage in open discussion with owners, employees, and other stakeholders. Understanding their views and expectations plays a key role in successful and sustainable operations. We renew and transform together.

At the beginning of 2021 we carried out our first-ever comprehensive sustainability materiality survey to define the most relevant responsibility themes from the perspective of Kotkamills and its stakeholders.

The survey topics were selected based on megatrends impacting the business and on Kotkamills' responsibility themes. The online survey was sent to customers, collaboration partners, industry organisations, raw materials suppliers, employees, and representatives of the local Kotka community. The survey included multiple choice and open-ended questions about the responsibility themes of Kotkamills and its industry.

We received a total of 98 responses from different stakeholders, with employees accounting for the majority of the responses.

98% of the survey respondents assessed Kotkamills as a responsibly operating company. Based on the results received, the most material sustainability topics were identified support Kotkamills' sustainable business operations. The key environmental, social, and economic themes that emerged in all the responses were:

- Creating eco-efficient products
- Minimizing environmental impacts
- Innovative products and solutions
- Promoting circular economy
- Safe working environment
- Good leadership
- Well-being at work
- Compliance through the value chain



Material themes for stakeholders

Of the stakeholders, customers ranked the eco-efficient products, as well as a safe working environment as the most material themes. Collaboration partners particularly valued the development of innovative products and solutions and compliance through the value chain.

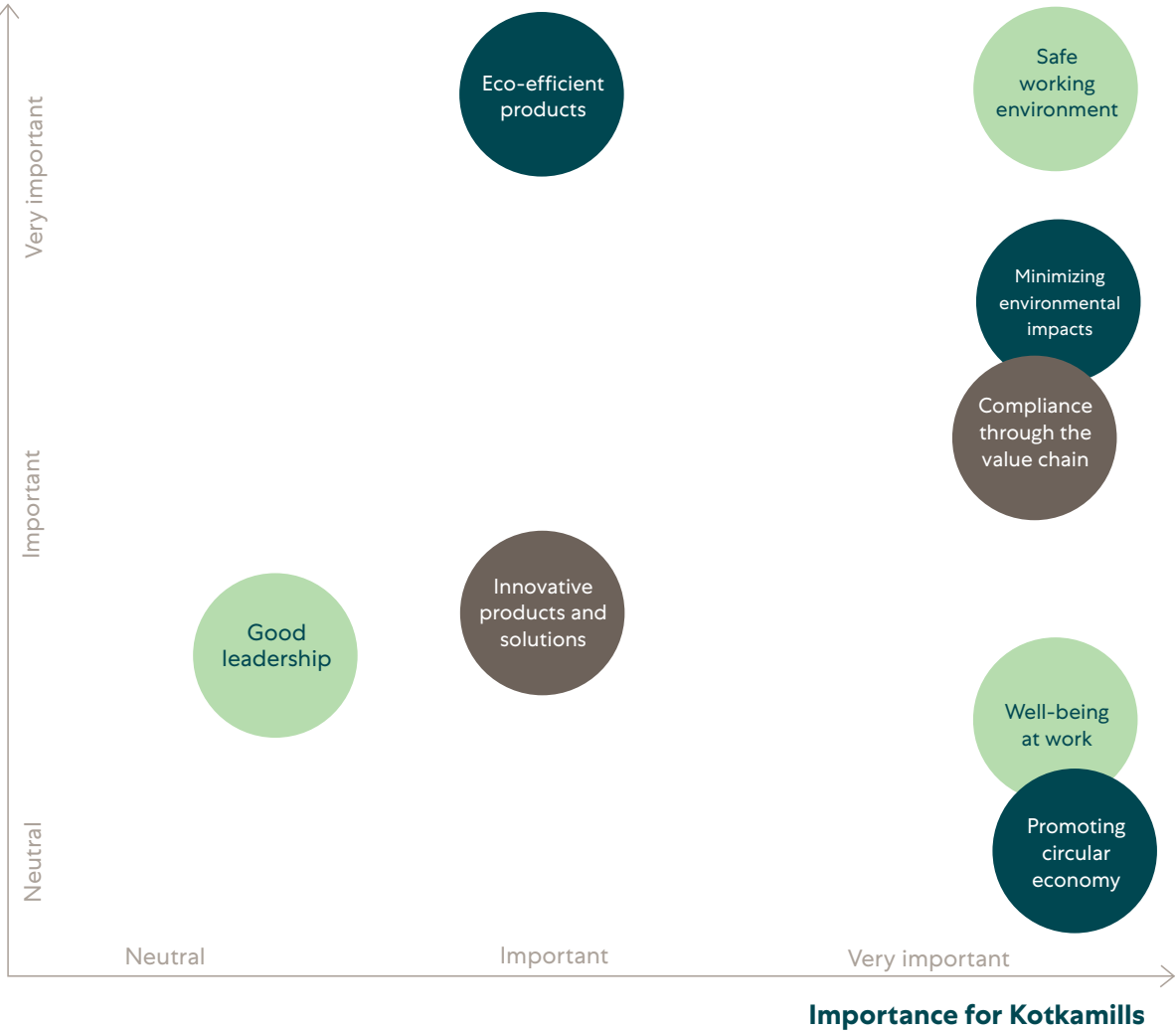
The sustainability themes considered equally important by raw material suppliers were the promotion of the circular economy, innovative and sustainable products, compliance with environmental and energy legislation, water stewardship, a safe working environment, work well-being, professional employees and good leadership, and economic competitiveness and risk management.

The employees considered the most material sustainability themes to be a safe working environment, well-being at work, good leadership, compliance with environmental and energy legislation, and water stewardship.

Kotka residents and local operators ranked the most material themes to be operations minimizing environmental impacts, and protection of air and water systems, long-term economic profitability and competitiveness, and anti-corruption and bribery.

The material themes identified by stakeholders align with Kotkamills' key sustainability areas. Based on the sustainability materiality survey we can sharpen and update our sustainability focus areas. At the same time Kotkamills is able to mirror the views and expectations that personnel and other stakeholders have regarding responsible ways of operating. The survey provided valuable perspectives that will help us to develop our sustainability work and communications to better meet the expectations of our key stakeholders.

Importance for stakeholders



■ Environmental impacts ■ Economic impacts ■ Social impacts

Responsible partnerships

Kotkamills is one of the biggest companies in the City of Kotka, both in terms of revenue and number of employees. Thus, in addition to international business, we have a significant and interactive role in the local economy. Our strategy requires us to continuously improve processes, cost efficiency, and product solutions. The right partnerships play an essential role in our sustainable development.

Our business models are based on the responsible use of renewable natural resources and offer solutions for global climate, circular economy and plastic waste challenges. Associations and initiatives supporting our goals have a significant role in promoting and advancing the development of eco-friendly solutions in an effective manner.

In 2020, development resources were targeted also to the 4evergreen collaboration, a cross-industry alliance promoting low-carbon and circular fiber-based packaging, and its ambitions to provide harmonized tools and guidelines for stakeholders. During the year we also joined the steering group of New Wood, a project raising awareness of the wood-based bioeconomy, and we received the 2021 Chairmanship of Paper Profile, providing environmental product declarations for pulp, paper, and paperboard products.

Kotkamills' charity team make regular charitable donations of the funds received from returning the mill's empty beverage bottles to the recycling station; one such charity is the South Kymenlaakso Animal Protection Association.



Well-being is important to us. That is why we support also physical activities and culture. The resources we allocate to the maintenance of recreational trails and ski tracks as well as to civic association activities support healthy lifestyles, offer opportunities for social interaction, and create new educational and communication channels for diverse clientele.

During the year we engaged in collaboration with several local players.

In April we donated face masks to the Social and Health Services in Kymenlaakso; we worked in collaboration with our Chinese partner to acquire the masks during the prevailing shortage. We also encouraged Kotka residents to get physically active and donated new duckboards for

the Santalahti nature trail in Kotka and sawdust for the Ruissalo cross-country skiing stadium to store snow.

To reduce marine litter, the fully recyclable Pikku Särki smart cup made from Kotkamills cupboard was introduced during Baltic Sea Day in August. A unique raffle code was printed on each cup using PackageMedia's modern digital solutions.

The 2020 Finnish Relay Championships were held in Kotka in August. As a responsible partner of the event, we recycled 23,500 single-use products made from AEGLE® and ISLA® cupboard for reuse at Kotkamills' recycled fibres plant and from there into Absorbex® kraft paper.

CASE: NORWICH CITY FC

Kotkamills to become first-ever sustainability partner of Norwich City FC

The British Norwich City Football Club wants to be a frontrunner in sustainability. Represented by Kotka native **Teemu Pukki**, the club became interested in Kotkamills and especially in the food packaging materials replacing plastic as one solution towards more sustainable operations.

Norwich City FC and Kotkamills signed a sustainability partnership agreement in January 2020. The aim of the agreement is to reduce the amount of plastic waste generated from food and beverage packaging at Norwich City FC's Carrow Road football stadium and Lotus Training Centre.

The partnership is an important part of the measures aimed at achieving the club's sustainability goals. In October 2020 Norwich City announced Kotkamills as their sustainability partner, the first ever in the club's history.

For fans, the change is visible through the adoption of fully recyclable paperboard cups and food containers as a replacement for containers made with plastic, as well through

the recycling and sustainability campaigns.

The target for the next three years is to recycle over 100,000 paperboard containers instead of disposing them in a landfill.

In addition to reducing plastic and waste volumes, Norwich City FC has invested also in energy efficiency and in systems to reduce water consumption. The club works actively to raise young players and fans to be environmentally conscious, e.g. with sustainability challenges and activities on its website.

The Club and its supporters play a significant role as frontrunners of sustainability and creating a more responsible disposal of items in the stadium and cultural ventures. Norwich City FC also acts as an example in sustainability for other football clubs in different divisions.

For Kotkamills, it's important to participate in promoting eco-friendly choices and to build a world that is less dependent on plastics.



The series of plastic-free takeaway packaging designed for Norwich City FC by Pyroll and PackageMedia is made from Kotkamills' board and was selected as one of the six finalists in the competition organised by the New Wood Project for wood-based bioeconomy products and solutions.

Responsible procurements

Our main procurement categories are wood and fibre raw materials, chemicals, logistics services, maintenance supplies and services, and energy. When selecting suppliers, we emphasise the willingness and ability to commit to Kotkamills' Code of Conduct, quality of products and services, and product safety. Financial soundness and commitment to social and environmental responsibility are the basis for our choice of suppliers. We value long-term supplier relationships and delivery reliability.

Our mill is located in a region that traditionally has the know-how needed by the industry, and we can utilise local suppliers' services, particularly in maintenance, contracting, and logistics. By choosing a local supplier we support local entrepreneurship and we reduce emissions caused by transports.

All suppliers and contractors working in our mill site must comply with our safety requirements. Safety is of utmost importance in all our operations, and we require our partners to take care of their safety with annual safety surveys, the results of which we monitor. Moreover, we have set various additional requirements related to the origin of wood and fibre as well as hygiene requirements for packaging and fibre materials, chemicals, and logistics.

We conduct supplier audits of different supplier groups on the basis of quality and criticality analyses as well as applicable standards. Our own employees are responsible for the audits based on their respective area of responsibility. We record any non-compliances and monitor corrective measures.



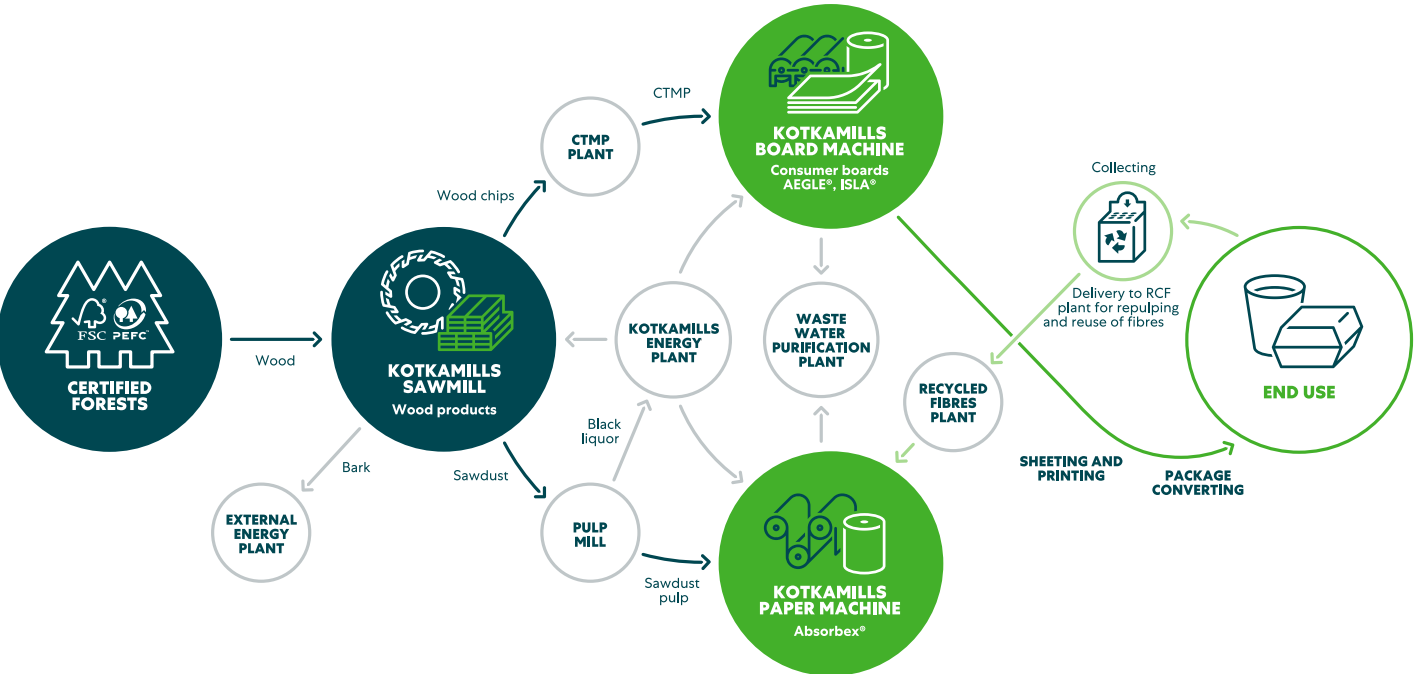
Chain of custody

Kotkamills is not involved in actual logging; we procure all wood raw material delivered to our mill from FSC® or PEFC™ certified suppliers. All the wood raw material we use is legally sourced in compliance with the requirements of the EU Timber Regulation. The procured wood is either certified (FSC® or PEFC™), or it meets the FSC Controlled Wood standard or the PEFC's Chain of Custody DDS requirements.

Our innovative circular economy model

Kotkamills consists of three separate but united business lines working together as a forerunner of the circular economy. Our integrated mill uses wood from sustainable sources efficiently throughout the different production phases. The sawdust created when sawing timber is utilised in the manufacturing of Absorbex® saturating base kraft paper. Woodchips, another by-product of sawmill, are used as a raw material for AEGLE® and ISLA® board grades.

Together with our local partners, we operate The Game Changer Loop. This closed cycle enables the collection and recycling of used tableware made from Kotkamills board. With the tailored collection bins, the fibre-based packages can be returned to our recycled fibre plant from which the fibres get a new life as Absorbex® Eco saturating base kraft paper. The Game Changer Loop concept serves as a circular economy blueprint for any operating environment and can be replicated anywhere in the world.



Efficient use of raw materials

The main raw materials used at the mills in Kotka are logs, pulpwood, sawdust, wood chips, purchased cellulose pulp, and recycled fibre. The total volume of wood used in 2020 was around 1.5 million cubic metres. Most of the wood raw materials are procured from Finland. Alongside wood, water is another important raw material. More than 99.9% of all the water used is surface water – in practice, river water or seawater. In fact, the most significant source of raw water for the mills in Kotka is the Kymijoki River, which flows into the Gulf of Finland, and from which the mill withdraws a significant part of the water needed in the production processes. A total of 13.7 million cubic meters of water was withdrawn from the Kymijoki River in 2020.

We aim to utilise and recycle the side flows and fractions generated at the mills in Kotka as efficiently as possible. The amount of landfilled waste is very small.

Logs arriving to the integrated sawmill are fully utilised. The by-products, like wood chips and sawdust, generated during the sawmill's log refining process are used to manufacture cellulose and semi-chemical pulp. Around 8% of the sawdust used to manufacture cellulose pulp comes from our sawmill. Similarly, about 32% of the wood chips used for semi-chemical pulp are from internal side streams.

Our production focuses on products that are from renewable sources, recyclable and long-lasting. The long lifecycle of our solutions, particularly Absorbex® laminating paper and sawmill wood products, helps to combat climate change through their ability to bind and store carbon.

Innovative and sustainable fibre-based products

Our vision at Kotkamills is to offer innovative and sustainable fibre-based solutions for different needs in life in the evolving world. Nearly 150 years old Kotkamills sawmill has been producing ecological high-quality wood products for demanding joinery and construction end uses.

We use the by-products from our sawmill – sawdust and wood chips – as raw materials for saturating base kraft paper and for our plastic-free board grades.

In the manufacturing of Absorbex® kraft paper, Kotkamills utilizes sawdust, the by-product of the sawmill industry. In the unique Kotkamills' process the sawdust is cooked into unbleached cellulose pulp, which is used to make the special paper for high pressure laminates, binding carbon in the products for decades.

Our mill started manufacturing consumer boards in 2016. The AEGLE® and ISLA® product ranges were strengthened in 2018 when we started manufacturing plastic-free board for food service and other packaging solutions. The moisture and grease resistance properties of these consumer boards are achieved during the production process with a water-based dispersion.

The cups, plates and straws made from the board do not contain plastics or harmful waxes. Thus, the products are easily recyclable and sustainable, and that is why many converters, brand owners and consumers have replaced plastic products and even plastic-coated board products with products made of AEGLE® and ISLA® boards.

We offer our customers around the world sustainable material solutions, and we produce them responsibly by using raw materials, energy, water, and other production-related resources efficiently. Our integrated mill utilises the raw material and side streams from processes very efficiently to minimize generated waste volumes. When we see a possibility, we work together with our partners to find new reutilization opportunities for unexploited side streams.



CASE: LAPPSET GROUP

High pressure laminate is resilient to wear and tear and a wide range of weather conditions

A Moomin-themed playground has been opened in Katariina Seaside Park in Kotka. Its centrepiece is the seven-metre-high Moomin House, which, together with the playground's swing, arched bridge, flowers and sea view, brings the popular Moomin stories to life. The Moomin characters created by author and illustrator Tove Jansson have delighted four generations of children and adults.

The high pressure laminate made from Absorbex® paper was used in building the Moomin House and the colourful flowers in the yard; it can withstand the activities of small climbers and sliders without suffering any damage.

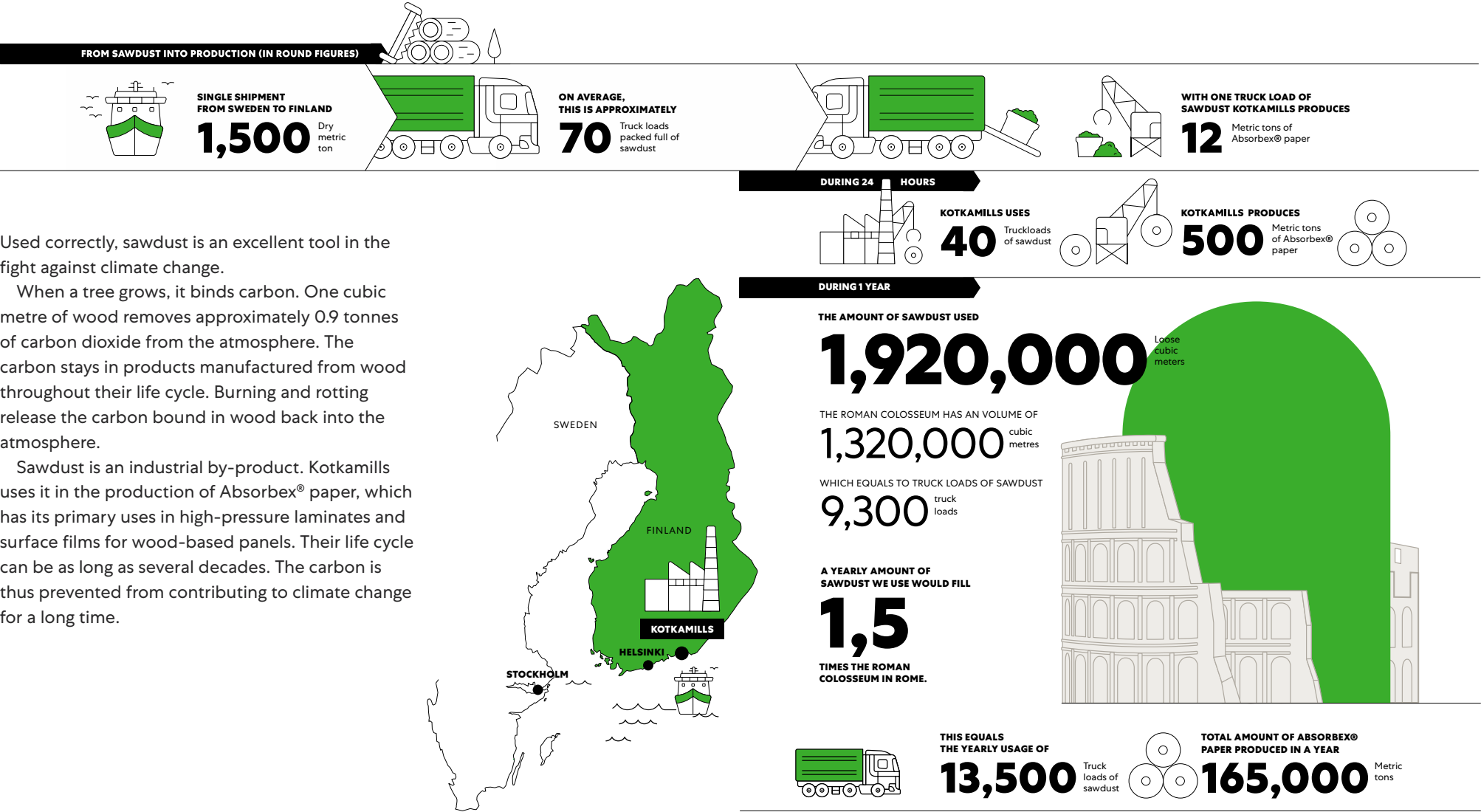
INFO

- Lappset Group Oy is one of the world's leading manufacturers of playground and outdoor sport equipment. It has subsidiaries in nine countries and international distributors in nearly 60 countries.
- The main raw material of high pressure laminates is saturating base kraft paper Absorbex.



“High pressure laminate is resilient to wear and tear and a wide range of weather conditions. It is important to us that the wood used to produce the laminates comes from sustainably grown forests. We use high pressure laminate in our products because of its versatility, durability, and efficient logistics”, says Matti Posti, Group Innovations Manager at Lappset Group Oy.

Laminate manufactured of Absorbex® paper binds carbon



Used correctly, sawdust is an excellent tool in the fight against climate change.

When a tree grows, it binds carbon. One cubic metre of wood removes approximately 0.9 tonnes of carbon dioxide from the atmosphere. The carbon stays in products manufactured from wood throughout their life cycle. Burning and rotting release the carbon bound in wood back into the atmosphere.

Sawdust is an industrial by-product. Kotkamills uses it in the production of Absorbex® paper, which has its primary uses in high-pressure laminates and surface films for wood-based panels. Their life cycle can be as long as several decades. The carbon is thus prevented from contributing to climate change for a long time.

Recyclable packaging and boards

Food packaging is needed all over the world to protect and preserve food products. Single-use food packages seem to be an inseparable part of our “on-the-go” lifestyle. The use of plastic in fibre-based packaging makes the packaging moisture and grease resistant, but it also makes them more difficult to recycle. In fact, often these products end up in a landfill or to be incinerated, and, in worst case scenarios, they lead to the accumulation of plastics in nature.

Since 2018, in addition to folding boxboard grades, Kotkamills has used its state-of-the-art technology to produce barrier boards for cups and food packaging end uses providing the markets a new sustainable material alternative. Developed by our company, the new water-based dispersion barrier products enable easy industrial processing as well as recycling of these packaging materials into recycled pulp, and further into new paper and board products. Our AEGLE® and ISLA® boards are easy to recycle, repulpable, and even industrially compostable.

The virgin wood fibre used in Kotkamills’ fully recyclable AEGLE® and ISLA® boards is sourced from PEFC™ or FSC® certified responsible suppliers. The main fibre raw material, surplus wood chips from sawmills, is being refined into a more valuable product by our operations. This not only improves our resource efficiency but is an economically feasible alternative. The chemicals used in our processes are commonly used in paper and board production and meet the strict requirements set for food safety.

Cups, plates, packaging, and straws made from Kotkamills board can be recycled along with normal paper and cardboard waste. The recyclability of our consumer boards have been assessed and verified in accordance with the generally accepted PTS Method RH:021/97 recyclability test. The fibre recycled from our boards is more economical than pulp from primary sources, so it strengthens the recycled fibre markets and, moreover, the circular economy systems. Our commitment is to collaborate with stakeholders to develop and boost recycling methods which enable materials to remain in circulation for as long as possible.



Industrial compostability certification for ISLA® Duo barrier board

- Industrial compostability certification was issued to ISLA® Duo barrier board in compliance with the European standard EN 13432
- The certification demonstrates that the biodegradability of the environmentally friendly ISLA® Duo is within the high European standards. The certificates issued to ISLA® Duo prove dedicated product development is paying off and strengthens Kotkamills’ position at the forefront of circular economy.

Nordic Swan Ecolabel for ISLA® Duo and ISLA® Base boards

- ISLA® Duo and ISLA® Base boards have met the strict environmental requirements set by the Nordic Swan Ecolabel. With the approval ISLA® boards can be used as a material for Nordic Swan Ecolabeled single-use products, particularly cups and plates.

CASE: LAVAZZA PROFESSIONAL

Trust is of critical importance to our success

Kotkamills and Lavazza Professional signed a significant cooperation agreement in February 2020.

Lavazza Professional replaced the plastic cups used around Europe in its KLIX® beverage vending machines with the new, eco-friendly KLIX Eco Cup™. The cups are made from Kotkamills' ISLA® food service board, the barrier property of which is based on a water-based dispersion process, eliminating the need for a separate polyethylene (PE) coating. The dispersions can easily be repulped, so the cups don't have to be processed at a specialized recycling mill; instead, they can be recycled with regular cardboard and paper recycling.

With the new KLIX Eco Cup™, Lavazza Professional is responding to customer and consumer demand to reduce the use of single-use plastic products for food and beverages and to replace them with easily recyclable board products that are manufactured using wood fibre sourced

from sustainably managed, PEFC™ accredited forests.

A Life Cycle Assessment has shown that using the new KLIX Eco Cup™ reduces environmental impacts by almost 2/3 compared to a standard paper cup.*

Working closely with both Kotkamills and Lavazza Professional from the start of the Klix Eco Cup program has been the British company Benders Paper Cups. Situated in North Wales, Benders manufactures all of the Klix Eco Cups, made from Kotkamills board.

The EU and Great Britain are actively discussing regulations and restrictions to reduce the amount of single-use plastic. Lavazza Professional and Kotkamills' shared target is to root environmentally friendly thinking and substantially increase recycling.

*KLIX Eco Cup™, compared to the traditional paper cup, which is most of the time predicted to end up being landfilled instead of recycled (LCA data from WSP July 2019, project reference 70054350 and November 2019, project reference 70054350-DEL-004).



Kotkamills' circular economy model and the KLIX Eco Cup™ – as one example of it – is one of the five finalists in the Ecopack Challenge arranged in conjunction with the Birmingham Packaging Innovations on 26.–27.2. The Kotkamills stand served coffee from Lavazza Professional's beverage vending machine using the KLIX Eco Cup™.

ENVIRONMENTAL RESPONSIBILITY

We aim to reduce environmental impacts

Environmental impact management, including climate change prevention, is one of our most significant sustainability themes. We aim to continuously reduce the environmental impacts of our operations through efficiency improving and emission reducing investments and innovations as well as through audits. In all our operations, we take into account the principles of sustainable development and applicable laws and regulations.



Raw materials and sources

An important raw material in our manufacturing of Absorbex® paper is recycled fibre, of which more than 22,000 tonnes was used in 2020 to the Absorbex Eco grade. Utilising recycled fibres does not only reduce the environmental impacts of the product, but also enables the application of circular economy concept where external material streams are utilised in an efficient way. We strive to efficiently and the best way possible utilise the waste and side streams generated during the various processing stages of the mill integrate.

The utilisation rate of side streams was over 97% in 2020. The majority of the mill's side streams consists of bark, which is used for energy, and purification plant sludge which is refined into nutrient fibre and then used for soil improvement. In 2020, the share of hazardous waste was less than 0.1%. The volume of landfilled waste was 2,400 tonnes. This waste stream mainly consists of green liquor sludge created in the manufacturing of cellulose pulp. The landfilled waste volume decreased by 4% compared to 2019.

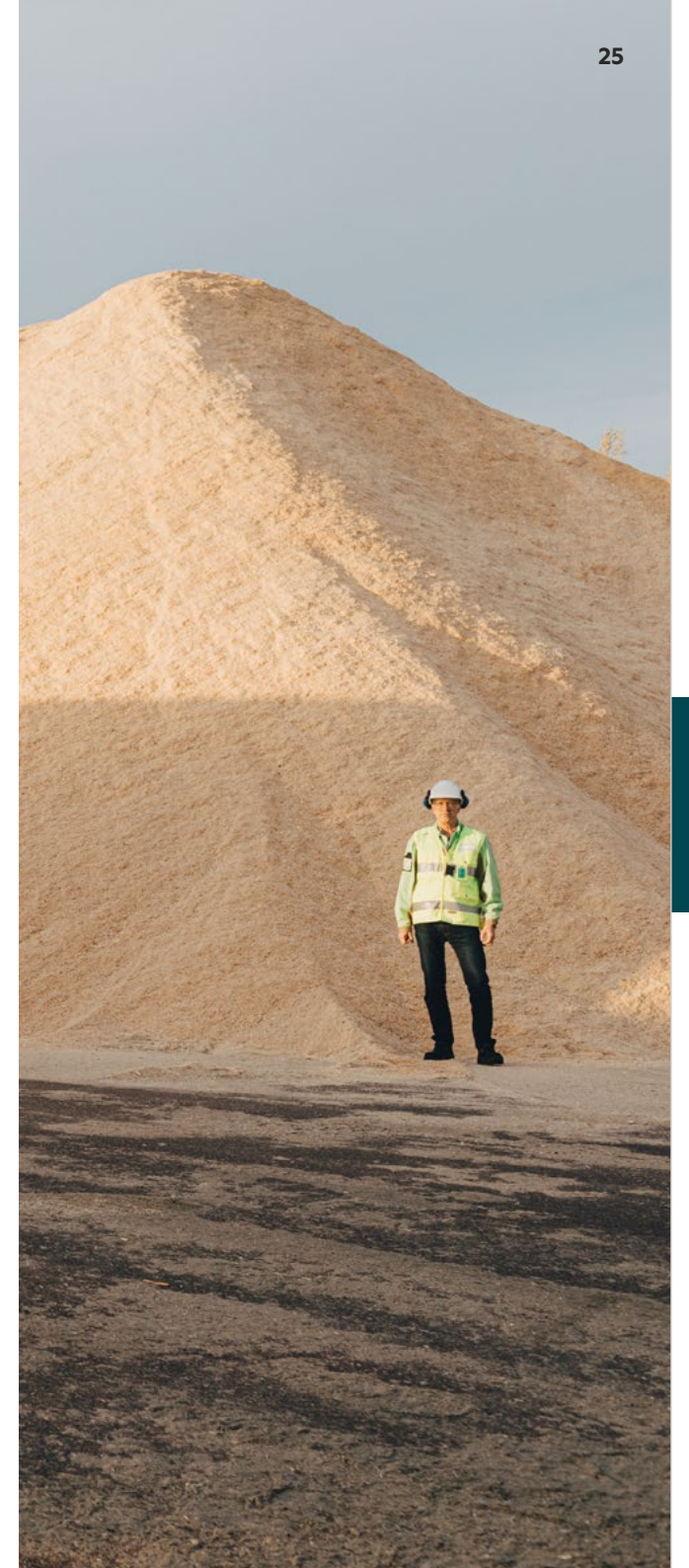
When assessing the environmental friendliness of our products, we take into account not only the manufacture of the product but also its environmental impact after use. An example of this is our fully recyclable, innovative barrier board, which can be easily recycled at any standard recycling mill close to its place of use. This allows the fibre to be circulated into many different products and end uses, which is not the case with plastic-coated products that often end up in a landfill or for incineration.

Plastic-free paperboard cups and plates used at Kotkamills are collected in dedicated containers. The containers are then taken directly to the mill's own recycled fibre treatment plant, where the cups and plates are made into recycled fibre. Paper machines use this fibre along with cellulose pulp as raw material for making laminating paper. This saturating base kraft paper is used to manufacture products, such as external and internal wall laminates, tables, kitchen counters, and other products with a long lifespan. Thus, the used cups and plates are recycled into products and bind and store carbon for years to come.

One good example of our circular economy way of operating is using the purification plant sludge as nutrient fibre. We utilise sludge from the wastewater purification plant for soil improvement and as fertiliser in farming fields.

We strive to do our part in mitigating climate change by seeking alternative solutions. With the help of nutrient fibre, we can increase the yield of the fields and at the same time perform an environmental action by sequestering carbon in soil instead of incinerating the sludge.

By recycling nutrients back into the fields, we not only reduced the carbon footprint, we also were able to replace 117 tonnes of industrially produced nitrogen and 26 tonnes of phosphorus used in fertilisers. In addition to nitrogen and phosphorous, a total of over 1,000 tonnes of potassium, calcium, and sulphur were sequestered in the soil in 2020.



Air protection

The control of sulphur and nitrogen oxide emissions to air is important in terms of especially local comfort and air quality. SO₂ and NO_x emissions weaken air quality through acid rain and soil acidification. Industrial particulate matter emissions are primarily an aesthetic adversity. CO₂ is a significant enabler of climate change.

Most of the emissions to air from the mills in Kotka originate in energy production. The most significant of these emissions are sulphur dioxide (SO₂), nitrogen oxide (NO_x), particulate matter (PM) and carbon dioxide (CO₂). Nitrogen oxides are mainly caused from the combined heat production at the power plant. In addition to carbon dioxide and nitrogen oxides are the most significant emissions to air from natural gas-based energy production.

Figures in 2020

The continuous development work in energy production and energy efficiency is reflected also in emissions to air figures. In 2020, particulate matter emissions from the mills in Kotka decreased by 8% to 12 tonnes, NO_x emissions decreased by more than 30% to 226 tonnes, and SO₂ emissions were cut in half to 10 tonnes. Fossil CO₂ emissions remained at the previous year's level and were 253,824 tonnes.

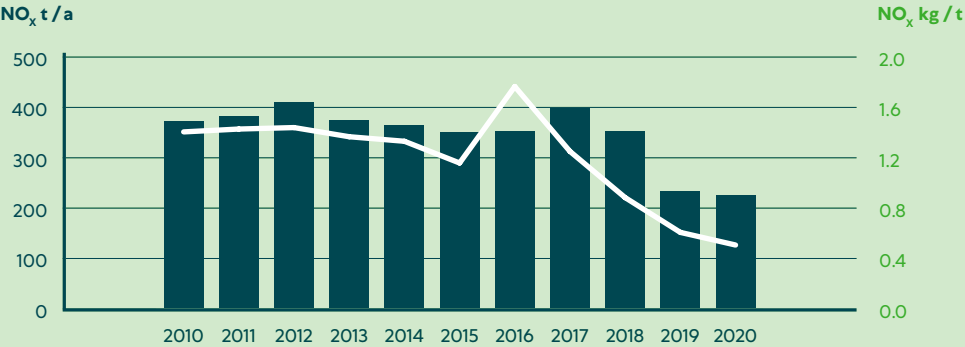
Especially NO_x and CO₂ emissions depend on the production level and thereby on the energy demand. Nitrogen oxide emissions decreased by about 3% compared to the previous year, despite the increase in production volumes. The decrease in SO₂ emissions continued in 2020, as emissions dropped significantly (by 55%) compared to 2019.

Proportionate to production, the amount of CO₂ into the air decreased by 10% compared to the previous year. The higher energy demand arising from the production volumes increased the absolute CO₂ load.

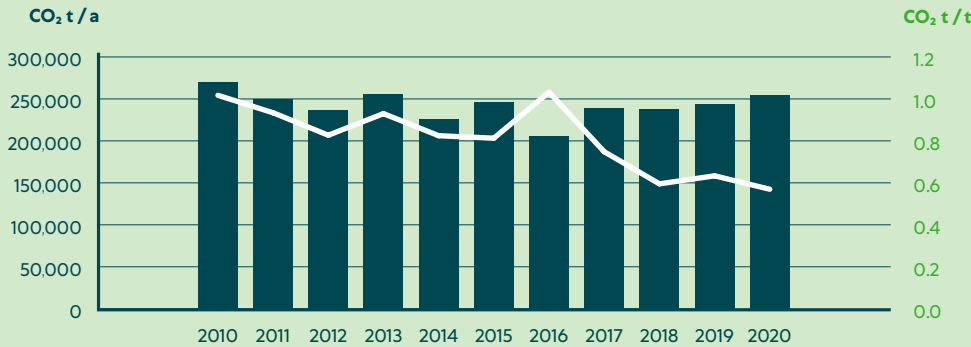
Strategic targets

Reducing carbon dioxide emissions as production volumes grow is part of our strategic targets. Kotkamills aims to reduce the CO₂(foss) emissions of each tonne of paper or paperboard produced by 25% by 2025 (from the 2020 level). Moreover, in 2021 Kotkamills will increasingly focus on investments in air protection.

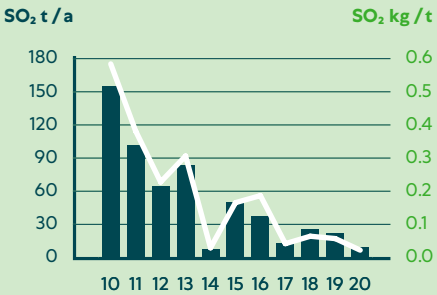
NITROGEN OXIDES NO_x



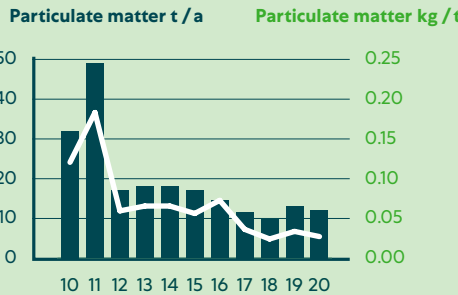
CARBON DIOXIDE CO₂



SULPHUR DIOXIDE SO₂



PARTICULATE MATTER PM



Water protection

One of the Kotkamills’ key environmental indicators is wastewater treatment performance. Water is used in the production processes of paper, paperboard, and pulp, and for cooling and producing steam. These processes at the mill create process water that has to be treated, i.e. purified, before it can be discharged into the water systems.

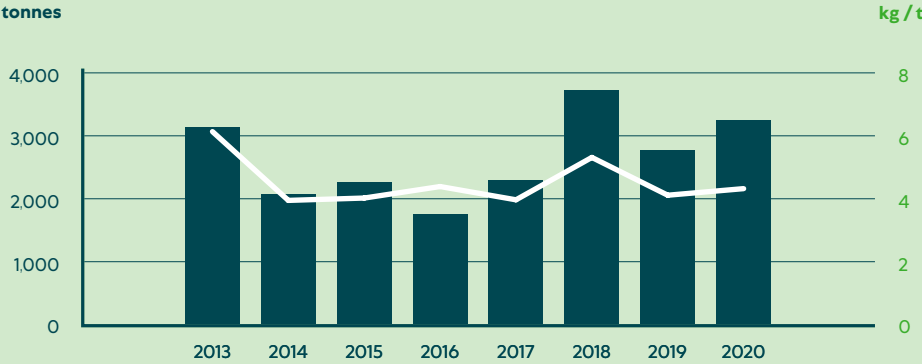
The purification plant’s key performance indicators are the water’s chemical oxygen demand (COD), nitrogen (N), and phosphorus (P) levels. The purpose of wastewater treatment is to purify the process water as effectively as possible so that the water discharged from the treatment plant is ecologically safe. Kotkamills’ wastewater purification plant treated 11,250,000 m3 of process water in 2020.

In wastewater treatment, deviations in the mill’s normal operations pose the greatest challenges. From early 2020 until the beginning of September, there was a clear improvement in the load levels of the purified water. However, in the months following the shutdown of the integrated mill, the purification plant had challenges particularly with the solid material and phosphorus. Proportionate to production, we were still able to remain at the 2019 level. Chemical oxygen demand (COD) was at 3,249 tonnes, phosphorus (P) 9.5 tonnes, and nitrogen (N) 82 tonnes in 2020.

Strategic targets

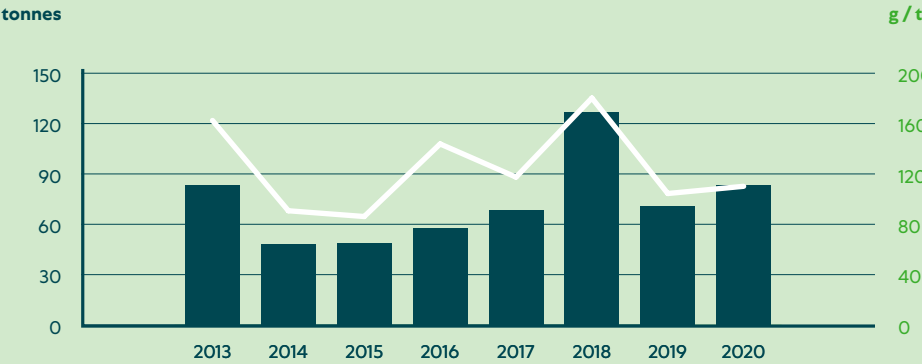
Water protection is important to us, and one of the focus areas of our strategy is to mitigate the environmental impacts on the Baltic Sea. That is why our goal is to reduce the COD of process water by 45% by 2025 (from the 2020 level).

CHEMICAL OXYGEN DEMAND (COD)

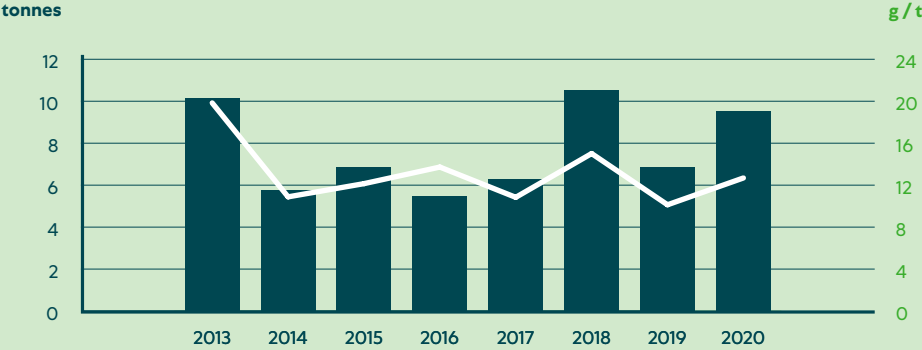


Includes the manufacturing of paper, paperboard and pulp

NITROGEN



PHOSPHORUS



Energy use

The operations of pulp, paper and board mills are energy-intensive. A lot of energy is used in the production of mechanical pulp, in drying, and in pump use, for example. The majority of the mills’ emissions to air are caused by energy production. The mills in Kotka are energy self-sufficient, both in terms of heat and electricity. The electricity self-sufficiency rate was 128% in 2020.

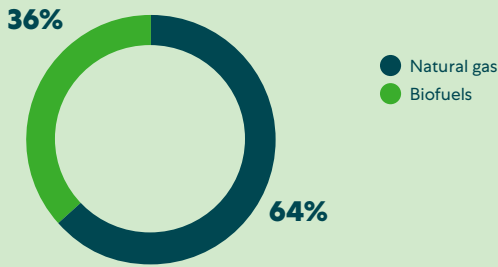
Improving energy efficiency and reducing energy consumption are among our most significant focus areas. The aim is to improve energy efficiency by developing existing processes to be more efficient and through investments in new technologies. In fact, monitoring energy efficiency and mapping development targets are part of continuous improvement. The proportion of biofuels in relation to our total energy production is 36% and mainly consists of black liquor burned in the recovery boiler.

The most significant energy-efficiency investments and measures in 2020 targeted the pulp mill’s modernisation projects. The old drum washing line was removed from use, and at the same time a significant modernisation was made to the mill’s DD washing line. This change enabled us to achieve improvements both in quality and energy efficiency. With these investments, the specific electricity consumption in pulp production decreased by as much as 20%.

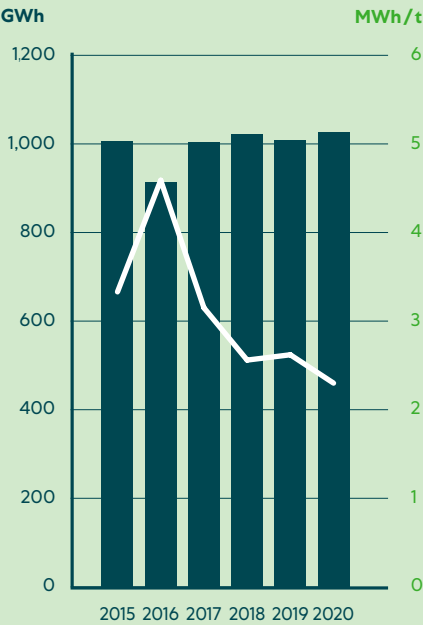
The improved energy efficiency has an impact also on primary energy demand. We achieved the energy efficiency targets set for 2020, and this is visible also in the 10% decrease in specific primary energy consumption. With the increase in production, the integrated mill’s total energy demand increased slightly. On the other hand, proportionate to production, the specific energy consumption decreased compared to 2019.

In terms of energy efficiency development, the sights are shifting to the second half of 2021 when the pulp mill’s modernisation will be continued with upgrading the second cooking line, the commissioning of the second phase of the new black liquor evaporator, and the commissioning of a new odorous gas treatment unit.

ENERGY CONSUMPTION

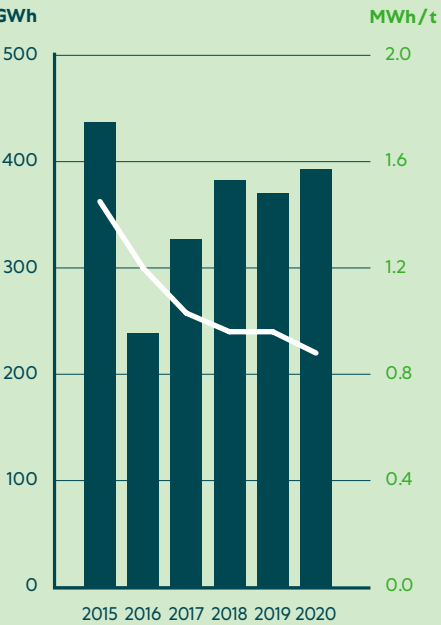


HEAT CONSUMPTION



Includes the manufacturing of paper, paperboard and pulp

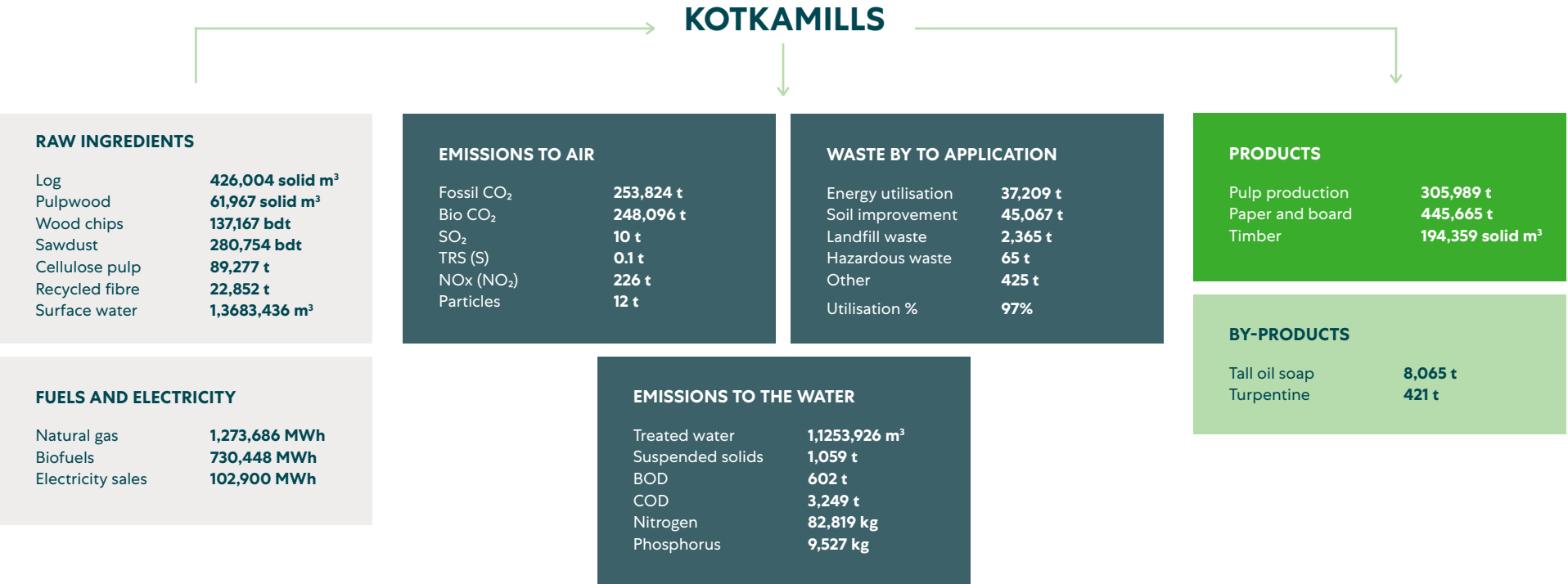
ELECTRICITY CONSUMPTION



Includes the manufacturing of paper, paperboard and pulp



Mill material streams



ECONOMIC RESPONSIBILITY

We create sustainable growth

Profitable business is a fundamental prerequisite for Kotkamills' operations and it enables the further development of the company. Kotkamills' economic responsibility means fostering and developing the company's profitability and competitiveness. In a broader sense, it means focusing on the economic impacts that operations have on all stakeholder groups, on a local scale and even beyond.



Economic added value

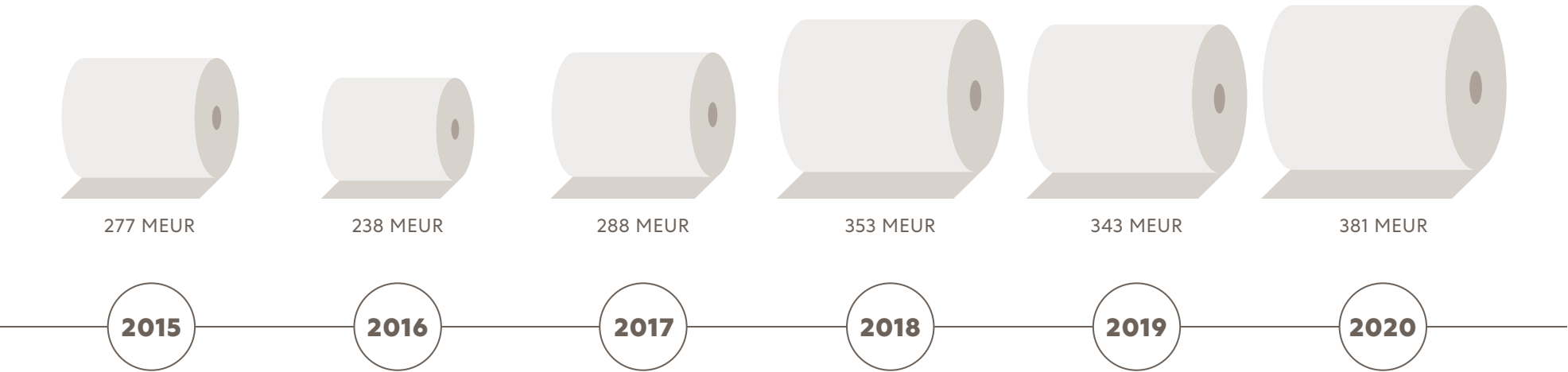
We generate direct economic added value for business mainly through product sales. Kotkamills' revenue in 2020 was EUR 381 million, more than 90% of which consisted of deliveries to countries other than Finland. Revenue was up by 11% from the previous year. The majority of the growth came from countries in Central Europe.

In 2020, Kotkamills distributed economic added value outside the company particularly in the form of various costs related to operations. These costs

consisted of wood raw material and fibre-based materials, such as cellulose pulp and recycled fibre, chemicals and extenders, electricity and natural gas, as well as a variety of services, such as logistics and servicing.

Additionally, the excellent earnings development enabled the company's operations to become more sustainable by increasing the amount of investments improving the resource efficiency of production (use of energy and raw materials).

Group revenue



Economic impacts

Profitable business is a fundamental prerequisite for Kotkamills’ operations and it enables the further development of the company. Kotkamills’ economic responsibility means fostering the company’s profitability and competitiveness.

Our goal is to increase our sales and production volumes and our production efficiency in all our business functions.

We want to offer consumers products that promote sustainability, and that is why one of the goals of the sustainability strategy is to increase market availability to sustainable, wood-based solutions and plastic-free products.

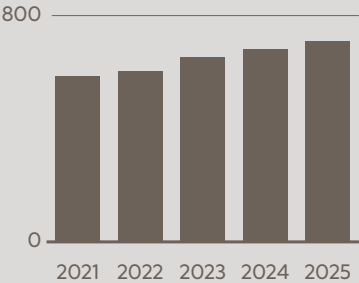
Our intention is to increase the share of plastic-free food service board in our production.

Through these and other actions we are taking – all of which aim to increase our production volumes and our resource efficiency – we strive to ensure that our business operations remain sufficiently profitable and competitive.

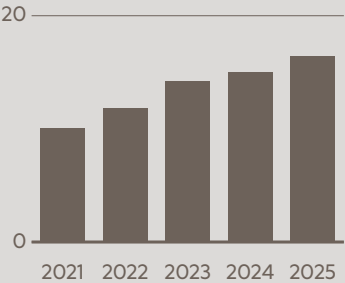
Fostering profitability and competitiveness has far-reaching impacts, for example, in terms of job preservation and in creating social well-being. Kotkamills wants to continue to be a reliable employer, supplier, customer and partner for all its stakeholders, both locally and globally.

INDICATION OF ECONOMIC TARGETS

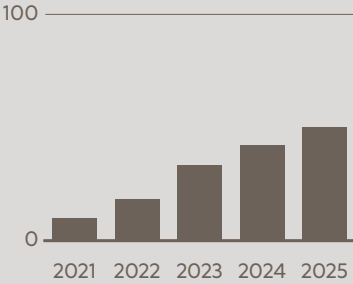
PRODUCTION VOLUME (1,000 t)



EBIT (%)



SHARE OF BARRIER PRODUCTS IN BOARD PRODUCTION (%)



Local impacts

Kotkamills strives to engage local and regional suppliers in its purchases whenever possible. In particular, we procure maintenance, contracting, and logistics services from local suppliers. The choice of suppliers is influenced by a number of factors, such as the price of the commodity and its operating and capital cost, delivery time, payment and other commercial terms and conditions, quality certifications, environmental aspects and certification, occupational safety performance and certification, product safety requirements, the management of wood fibre origin traceability (Chain of Custody), the supplier's desire and capacity to commit to Kotkamills' supplier specifications, as well as the level of the performance and decision-making guidelines (Code of Conduct) provided by the supplier to their personnel and to their own suppliers.

Kotkamills is a significant employer locally. In 2020, Kotkamills paid its employees EUR 34.6 million in salaries and remunerations, of which 96% went to employees in the Kymenlaakso region.

We comply with national legislation and generally accepted ethical standards in all our operations. The Group is regularly audited by customers, and these audits also often cover ethical values and modus operandi. No deviations from any ethical principles have been identified during these audits.

All forms of corruption or bribery are strictly prohibited. Kotkamills strives to ensure that its suppliers and partners operate in compliance with similar principles.



SOCIAL RESPONSIBILITY

People come first

We are a forest industry company, and responsibility and ethics are emphasised in everything we do. Our operations impact a broad range group of people and communities around the world, and that is why we are committed to maintaining a responsible and safe work environment. A healthy work community is our company's most important asset. We aim for top performances in everything we do – but always with safety as a priority. We want to be a reliable and interesting employer with committed and motivated employees.



PERSONNEL

We are proud of the work we do and the products we make

Motivated and committed employees are the cornerstone of our operations. It takes more than technology to transition to a world with less plastic – it takes people. People who care about each other, the environment, the future, and about what they are doing. Creativity and innovativeness grow where there is room to grow. We want to foster the well-being and development of our most important asset, our employees.

The central themes of social responsibility in the years ahead are a safe workplace, well-being at work, committed employees, and an interesting workplace. This is how we can be a responsible employer and build sustainable operations.

Competent personnel

At the end of 2020, Kotkamills Group had 522 employees. The number of employees has been gradually rising over the last five years. Women accounted for 23% of the personnel and men for 77%. Most of the employees (95.6%) were in a permanent employment relationship. Fixed-term employment relationships are used, for instance, when hiring substitutes for employees on parental leave or sick leave.

The average age of employees at the end of 2020 was 46 years. The average age for men was 46 years

and for women 44 years. The age structure is consistent throughout the various business operations and employee categories.

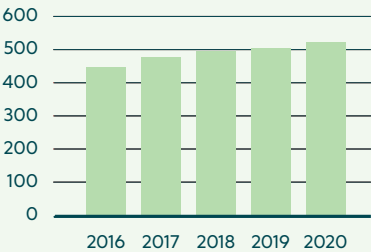
At the end of 2020, paper production and maintenance employees accounted for 51% of the total number of personnel, sawmill employees 10%, and specialists and white-collar workers 38%.

Motivated and committed employees

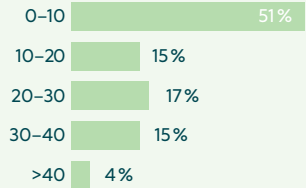
We are committed to the well-being of our employees. Smooth cooperation based on trust has been built with the personnel, management, and employee representatives. The building of the shared, interactive culture was visible also in 2020 in conjunction with the negotiations of the sector's collective labour agreement when a strike and walkouts were avoided in good spirit.

The Finnish paper industry has traditionally enjoyed long employment relationships. At the end of 2020, the average duration of employment of Group employees was around 11 years. The average duration of employment of paper mill employees was nearly 18 years; the average duration of employment of sawmill workers was around 15 years and white-collar employees about 11 years. 19% of the Group's personnel have been in an employment relationship for at least 30 years and 51% for less than 10 years.

NUMBER OF EMPLOYEES



DURATION OF EMPLOYMENT GROUPED BY YEARS



Personnel well-being

The pandemic era that cast a dark shadow on 2020 brought its own challenges to the health and well-being of the personnel. We reacted to it by securing the safety of our employees as well as possible. Many of the white-collar workers shifted to working remotely, and mobility in production areas was limited. Coronavirus info briefings were held regularly and guidelines were updated whenever there were changes in the situation. Training on remote working was arranged for white-collar workers. We also offered occupational health webinars for the entire personnel.

Our company has a physical activity committee that decides on the distribution of money allocated for personnel physical activities, including group workout sessions, events, and trying out different sports. Additionally, employees are eligible for personal fringe benefits to support their physical activities during their free time.

Industrial safety activities and occupational health services are arranged in line with legislation. In occupational health we emphasise preventive activities promoting well-being. All employees are also within the sphere of expanded occupational healthcare. All personnel groups are represented in the industrial safety committee, which regularly reviews issues related to work safety and work well-being. We conduct workplace surveys as needed and take into consideration exposure and other risks impacting the ability to work. Also regular health examinations are conducted in accordance with legislation.

Attractive employer

Kotkamills is regarded as an attractive employer, and we receive a lot of good applications for job vacancies and for summer jobs. We arrange recruitment training for supervisors so that the company has sufficient know-how for transparent and equitable recruiting. When employing, we focus on professional competence and motivation. We aim to attract the future labour force through collaboration with educational institutions and the development of employer image.



Personnel development

Being a frontrunner in an innovative business requires continuous development also from the personnel. Success requires continuous development of management and the employees. Competence development at Kotkamills is based on the know-how needed by the company and on the individual's own areas of interest. Training needs are constantly assessed by the supervisor, the individual employee, and the HR department. Degree-level studies are also supported and encouraged.

We invested approximately EUR 160,000 in training in 2020. The pandemic reduced in-person training, but we successfully offered our employees remote training opportunities. The total duration of the training provided was 3,665 hours, and the total number of participants was 323. In other words, around 61% of the employees participated in training provided during working hours.

Remuneration

Kotkamills has achieved salary equality. In particular, its paper and board production employees are subject to the collective agreement for the paper industry, which contains detailed provisions on salaries. The company adheres to the principle of equal pay for equal work. In 2020, the average annual salary of a paper mill employee was around EUR 53,000.

White-collar employees' salaries are also equal and fair. The basic salary for identical jobs is the same, with any differences being based on experience gained through the duration of employment. The average annual salary of a white-collar employee groups was around EUR 56,000. There are no differences between men's and women's basic salaries in identical jobs.

The company can pay monthly or annual performance bonuses. The performance bonuses paid in 2020 totalled around EUR 1,100 per employee. All employees participate in the remuneration system.

Initiative bonuses were paid to 56 employees, totalling around EUR 16,000.



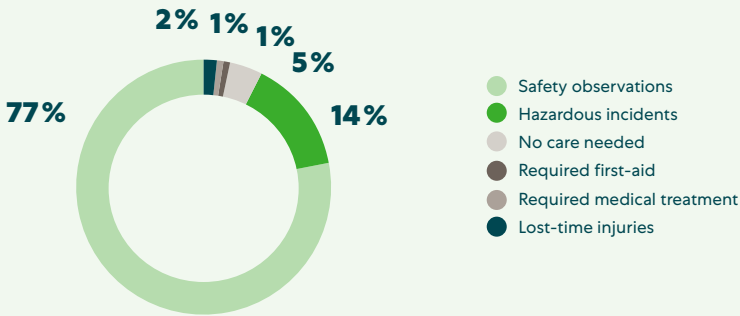
Safety is co-operation

Safety is an important basic cornerstone of our daily operations. We are committed to protecting people and the environment as well as our operations, assets, data, and brand from damages. Kotkamills' occupational health and safety system is certified and our operations are compliant with ISO45001 standards. We understand the risks related to our operations; under the principle of continuous improvement, we develop our operations to assess and manage risks.

Effective collaboration and open communication are essential to ensure safety. We achieve our goals for a safe workplace and we manage risks in collaboration with the entire personnel. We participate in the Zero Accident Forum, which is a safety collaboration network for member organizations.

Safety is one of the main themes of our sustainability strategy. Our target programme aims to reduce work injuries by 30 percent annually. We monitor and assess our safety results with safety indicators. The key performance indicators in assessing the results are 'Number of injury-free days' and 'Lost Time Injury Frequency Rate (LTIFR)'. In addition to our own employees, the safety reporting also covers our collaboration partners working at the mill. For high-risk work, a written risk assessment is always compiled together. The measures necessary to carry out the work safely are agreed upon in the assessment.

BREAKDOWN OF SAFETY REPORTS IN 2020



PROACTIVE SAFETY WORK

Occupational safety small group rounds	61
Management team safety rounds	24
Safety notifications (observations, hazardous incidents)	792

DAYS WITHOUT INJURIES

Department	Number of days since previous injury resulting in an absence Situation on 31.12.2020
Energy plant	630
Sawmill	146
Board machine	159
Mill services	247
Paper machine	198
Pulp mill	93
Laboratory	1877
Administration	722
Own Staff	93
Partners	121



Trust is of critical importance to our success

Responsibility and ethics are emphasised in our operations. As a forest industry company, our business operations impact a wide group of people and communities globally through our procurements, our products, and other operations. Trust is of critical importance to our success. We have made commitments to customers, partners, and the community.

Kotkamills' Code of Conduct (Code of Kotka) is based on the company's values and is also in alignment with the owners' ethical principles. These ethical principles are at the foundation of all our business activities. Ethical principles support business success, the goals of profitable operations, and employee well-being and success.

The Group's employees have reviewed the Code of Conduct to commit to these ethical principles at work and outside of work. Violation of the Code of Conduct is not accepted at any level.

By operating responsibly, we also secure the operations of our stakeholders. We are committed to responsible sourcing, and we expect the suppliers of goods and services to operate in line with our procurement policy and the Code of Kotka principles.

As a company, we encourage our employees and stakeholder representatives to ask questions and to point out shortcomings related to our operations. We regularly assess misconduct risks in our own operating environment. We investigate all misconduct reported in good faith; the reported violations are investigated and the necessary actions are initiated. As a company, we are committed to protecting the rights and privacy of all individuals who make a report in good faith, and we do not tolerate retaliation against an individual making the report.

We respect the privacy of individuals. We are committed to proper handling of the personal data of employees and stakeholders, fostering the privacy of registered data, keeping it confidential, and ensuring the rights of individuals.



Equal and equitable workplace for all

The general principle of the equality plan compiled by Kotkamills for 2020-2022 is to secure and promote the realisation of an equal and equitable workplace for all.

Our collaboration is built on a foundation of mutual trust, respect, and workforce diversity.

We respect the basic rights of employees

We respect, we recognise, and we value all people regardless of their background, age, gender, convictions or lifestyle choices. We welcome the expression of opinions by employees, and we take a positive approach to political and union activities. We do not tolerate the violation of national laws and regulations in or outside the work community.

We value diversity in the work community

We treat all members of our work community as equal, and all forms of discrimination within the work community are prohibited. Equal and fair treatment motivates everyone to do their best and strengthens trust in the work community. Diversity is an asset in our work community.

We support equal pay criteria

When hiring a new member to our work community, the individual's competencies and potential are the decisive factors. The individual's gender, age, sexual orientation, religion, or ethnic background is not a constraint on employment with our company. We support equal pay for work duties of the same level.

We enable career advancement

In our work community we support career advancement in all personnel groups, whenever possible. We actively encourage training for our employees, which enables career advancement. We are committed to promoting the well-being of our employees, and to maintaining and increasing their value in the labour market.



We prevent marginalisation by, e.g., cooperating with the Sotek Foundation, which promotes employment for people who are long-term unemployed, partially disabled, developmentally disabled, and others who have difficulties finding employment. Through the Foundation, Kotkamills offers jobs to people in a difficult employment situation and, at the same time, creates well-being for the entire local community.



Norskankatu 6, 48100 Kotka
Tel. +358 5 210 11
www.kotkamills.com