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hygienic
holding

2019 Sustainability Report

Fine Hygienic Holding

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(UN Global Compact Communication on Progress – 2019)

This is Fine Hygienic Holding's 12th sustainability report, and it covers the period from January 1, through December 31, 2019. This report was prepared using the Global Compact principles based on the basic reporting level and will be published publicly during August 2020. The data in the report pertains to the key sustainability aspects of our FHH operations and subsidiaries (where we exert full control while excluding joint venture and outsourced manufacturing) in Jordan, Egypt, Iraq, Lebanon, Morocco, KSA, and the UAE. The report is consolidated by the Corporate Communication Department at FHH's headquarters, and the accuracy of the data is confirmed by the related reporting departments. For any information, you may contact us at: info@finehh.com.

For more information about the Global Compact principles, please visit: <https://www.globalreporting.org/Pages/default.aspx>.

For more information about Fine Hygienic Holding, please visit: www.finehh.com.

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CEO Statement of Progress

For Fine Hygienic Holding, 2019 has been a year of change, progress and growth. As one of the leading companies in the hygienic industry, wellness has always been at the heart of what we do. We have always been committed to providing our consumers with superior products that provide not only good value, but also improve their lives, and in 2019 we took this commitment and amplified it, pivoting further into the Wellness category and acquiring a majority stake in Nai Arabia 100% Natural Beverages and producing a greater range of wellness-focused products such as Fine RX, our pharmaceutical-grade, sterilized 3 ply tissues that are enriched with a blend of lotion and decongestant oils, to help consumers breathe free and soothe nose irritation.

Though Fine is moving forward in pursuit of new and ambitious goals, we remain grounded in the core values which extend across all operations and aspects of the business, and perfectly align with the UNGC's sustainability goals, allowing us to tailor our approach to best serve people, the planet, and shareholders – without compromising our vision of becoming the shining star of the Arab FMCG business world.


I am pleased to present the 2019 sustainability report, showing the progress we have made in environmental stewardship and social responsibility over the past year and reaffirming our commitment to sustainability as an essential function of growth for the future, for both the company and the world. We seek to set a positive example for other companies and corporations within the industry by continuing to honor our commitment to the United Nations Global Compact (UNGC) as a key focus across all our operations.

Fine remained committed to the communities in which it operates. Our social responsibility efforts prioritize community engagement, highlighting problems and areas where it can make a real difference, and committing to long-term plans that result in long-term solutions. Our flagship CSR program, Khair Al Koura, is one of our proudest achievements as the first public – private partnership for a sustainable development program in Jordan, which focuses on empowering women and providing them with a sustainable income. Since its launch in 2007, the program, has now become completely self-sustaining and benefits over 6000 local citizens. In 2019 we continued with our literacy program in rural areas in Egypt to eradicate illiteracy there.

At Fine, we believe strongly in supporting all our communities, especially its very own. We continuously implement new initiatives such as our Corporate Wellness Program which focuses on encouraging all Fine employees to maintain their overall wellness by offering gym copayment, diet and nutrition awareness sessions, and team fitness challenges, in

addition to opening our world-class corporate fitness center in Dubai. In efforts to further diversity and equality within our workforce, we have installed updated maternity and paternity leave policies that equally enable to start families to effectively manage a healthy work/life balance while continuing to further their careers.

The progress we have made over the course of 2019 from our pivot further into the Wellness industry, to our unwavering sustainability practices, has been the product of unified effort and a shared vision, made possible by our incredible workforce, our shareholders and our stakeholders, all moving forward together to help FHH continue to upscale and improve our business, set new standards and reach new heights as we move forward to a brighter, more sustainable future.

A handwritten signature in blue ink, consisting of a large, stylized 'J' followed by a series of loops and a wavy line extending to the right.

James Michael Lafferty

Chief Executive Officer - Fine Hygienic Holding

About Fine Hygienic Holding

Considered among the top hygienic paper manufacturing groups in the world, Fine Hygienic Holding (FHH) is a Wellness company, specializing in sanitary product manufacturing and innovative hygienic solutions. Fine Hygienic Holding is committed to fulfilling its vision of becoming the leading provider of high-quality hygienic paper products and diapers, underscored by its continuous pursuit of becoming “the shining star of the Arab FMCG business world.”

With operations in Jordan, KSA, UAE, Egypt and Morocco, Fine Hygienic Holding continues to push for the expansion of its presence and market leadership by out-innovating and out-maneuvering the competition. From its uniquely sterilized tissue products, to skin-friendly baby and adult diapers, to the newest addition to the FHH Family, Fine Guard protective face mask and Nai Arabia 100% natural beverages, each and every day we help the wellness of millions of individuals and their families across the globe. This is FHH’s aim—to improve the lives of our region’s—and the world’s—consumers: to date, the company serves over 80 regional and global markets across the Middle East, Africa, Europe, Asia, and the USA.

FHH is deeply committed to the sustainability principles and sustainable development goals of the United Nations Global Compact. The company was the first paper mill in the Middle East to sign on to the UNGC, back in 2007, and is a founding member of the UNGC Jordan network. Fine works diligently to adhere to the compact’s 10 principles, which include upholding rigorous standards in the fields of human rights, labor, the environment, transparency, disclosure, good governance, and sustainability.

- **Our Approach to Corporate Social Responsibility**

We remain committed to promoting comprehensive, sustainable development throughout the countries and communities in which we operate. We have adopted a long-term strategy for CSR that aims to address wide-reaching development issues, with a particular focus on society empowerment, education and youth. We also prioritize issues like health, wellbeing, and family, which we tackle through a diverse array of programs, initiatives, and outreach activities that focus on the most urgent needs of local communities.

- **Our Sustainability Strategy**

At FHH, we believe that good corporate governance is a critical driver for long-term sustainable business performance. We execute our work with the utmost honesty and professionalism and are committed to our customers and consumers. To support this endeavor, we are committed to creating value for our communities, showing respect to all of our stakeholders, and working relentlessly to deliver what is expected of us and more.

- **The United Nations Sustainable Development Goals**

We are committed to preserving the environment through managing and reducing environmental impacts within different operations and locations, as well as managing natural resource consumption for maximum efficiency. To that end, we made sure to develop environmental management systems, which are embedded in our operations and our culture through our Group Standards Manual (GSM) and procedures. Our systems are certified under the ISO 14001 certification and undergo monitoring and periodic audits by internal and external parties to ensure compliance.

Our integrated management systems and its Corporate Impact Index work hand in hand to optimize the usage of natural resources. This is especially important since we operate in a region that is characterized by water scarcity. Accordingly, several initiatives and projects take place annually to reduce, reuse, and optimize the consumption of water. These initiatives are measured against a set of targets to monitor their effectiveness, and similar projects are being developed to manage energy use and reduce greenhouse gas emissions by FHH’s operations and fleet.

The Corporate Impact Index is an internally developed measure to assess FHH’s impact in terms of profit, planet, and people. The index aims to push for higher efficiencies across business units to create the optimum value for all stakeholders.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Assessment, Policy, and Goals: FHH is committed to adhering to human rights laws and condemns any related violations, including child labor and all forms of forced or compulsory labor. We support the right of collective bargaining wherever permissible by local laws and regulation.

As an active participant and signatory to the UN Global Compact, all our operations are prohibited from encouraging any form of child labor and/or forced or compulsory labor. Moreover, all our operations are audited on an annual basis to ensure their compliance with our labor practices requirements.

The guiding principles of our human rights policy are our Cultural Values, which dictate the minimum behavioral and social standards required for any member in our group. We constantly reinforce these positive behaviors and recognize those who take these principles to heart.

Our Cultural Values that embody these standards are as follows:

- We do the **right thing**. Always.
- We **embrace meritocracy** and **diversity**.
- “If we take care of the **people**, the **business** will take care of itself.

Implementation: We operate in countries that support the International Labor Organization (ILO), and are committed to achieving the goals of the ILO’s article CO29, addressing concerns regarding all forms of forced or compulsory labor. Furthermore, we comply with all local laws and regulations concerning forced or compulsory labor and collective bargaining.

All our facilities are required to abide by our Code of Business Ethics, which ensures their commitment to upholding human rights in all aspects of operations.

As for our suppliers, we work with several international suppliers, ranging from the European Union, North America to Japan, and Taiwan. We make sure our suppliers follow stringent local human rights regulations to ensure elimination of human rights violations; we verify this through our annual supplier sustainability index.

One of our major inspirations when drafting Fine's Code of Business Ethics was the Universal Declaration of Human Rights and you can find those principles of respect of Human Rights embedded in every word.

At FHH, we understand that people are at the core of what we do, and we understand that our responsibility to do the right thing is not limited to our employees but to all our business partners as well. Fine systematically evaluates and assesses existing and potential business partners to ensure that they adhere to international conventions and laws put in place to safeguard Human Rights.

Furthermore, to ensure the continuation of respect of those principles, educational seminars are put in place by the Legal & Compliance Department to bring awareness and educate our employees about the importance of upholding these values.

We are happy to report that the above policies have proven fruitful as we had zero cases of any Human Rights violations during 2019.

We have a zero-tolerance policy for discrimination, bullying, and harassment of any kind. We are committed to investigating and taking appropriate corrective actions in response to any violation to our 'Code of Business Ethics and Workplace Diversity Policy'. No reprisal or retaliatory action is taken against any employee for raising concerns under the Code of Business Ethics and Workplace Diversity Policy.

We currently employ approximately 3,100 employees across more than 25 nationalities. We never allow race, color, gender, age, disability, nationality, sexual orientation, gender expression, marital status, class, religion, politics, choice of individual style/language, or any other characteristics influence our judgement when it comes to recruitment, development, or growth opportunities.

We value the diversity that our employees bring to our work culture and believe that it is this diversity that drives us to succeed by generating new ideas, products, and services. It maximizes our ability to achieve our goals and gives us a sustained competitive edge. The following principles are important focus areas to achieving our diversity efforts:

- Accepting and respecting **individual differences**.

- Focusing on **substance** and not **style** (personal choices in grooming, body art, choice of words, and cultural variations).
- Providing a **welcoming** and **safe place** for everyone.
- Capitalizing on the **diverse backgrounds** and **experiences** of our employees.
- Doing what is right and **not tolerating harassment** or **discrimination**.
- Treating our employees with **dignity, respect, and fairness**.

Case Study: *FHH believes that core company values drive future success, and that through recognition and reinforcement of positive behaviors and practices, we ensure that each employee, from upper management to entry level, is working towards the same common goal, and sharing in a collective purpose.*

We encourage our employees to maintain their overall wellness through efforts such as our LiveWell Campaign which includes: DNA fit tests, blood tests, gym copayment, Nutrition and Diet awareness sessions and physical challenges such as the FHH Push Up Challenge to ensure that we have healthier, productive and motivated workforce across all levels.

Furthermore, we believe in the value of creating a healthy work-life balance, which is why we have taken measures by implementing the Working from Home Policy to help achieve the following:

- Increased Employee Value Proposition (EVP) through providing flexibility to employees to work remotely.
- Emphasizing employee work-life balance.
- Organizational readiness for crisis and force majeure circumstances.

In aid of our Workplace Diversity Policy, the compensation and benefits systems at FHH are constructed based on job value and position accountabilities regardless of gender, race, or nationality, whereby male and female employees handling similar jobs and accountabilities are equally compensated, taking into consideration individual performance and achievement. Moreover, our Pay Scale is designed to be competitive in various operating countries by regularly reviewing and updating our salary scales based on market survey results, maintaining our competitive stand and satisfying any regulations related to minimum wage pay.

From internships to senior executive positions, we do everything we can to make sure we attract, support and develop the best talent. We have developed strategic partnerships with international and local recruitment platforms such as LinkedIn. Moreover, we have adopted advanced technologies in our onboarding methods like

the VR. In addition to a world class Employee Engagement Calendar to increase employee engagement.

Our Leadership Team champions workplace diversity principles and incorporate such into their teams and management practices including training, career development, promotions, and employee recognition based solely on their performance, skills, and capabilities. We kicked off the first wave of the Shine with Purpose Female Managers Leadership Program in collaboration with leading global trainers. In addition, we conducted a Gender Equality Survey with around 70% participation rate from all FHH's Females followed by an action to support its great result.

In terms of talent acquisition, employee recruitment is conducted in an inclusive manner with policies in place to ensure no discrimination takes place. We apply merit-based hiring practices (Standard Assessment Scorecard and Panel Feedback), resulting in 26.7% of the Leadership Team who are directly reporting to our CEO to be females in executive levels, and having a factory in KSA that is fully led and managed by female employees – both being major steps towards increasing the representation of women in Leadership roles in FHH.

To accommodate our female employees, we have introduced end of 2011 a Ladies Day whereby female employees are entitled to a one-day paid leave per month without the need to submit a medical report. We were one of the first companies in our region to announce this benefit.

In May 2019 we implemented a world class Maternity Leave Policy, applicable to all employees, with flexible work arrangements for the working mothers which include: 16 weeks of maternity leave paid in full then additional 16 weeks unpaid, a work from home option, as well as a shift to part-time basis option and finally, a return to Work Policy at 60%, 80% or 100% of the working hours.

Additionally, in order to further promote gender equality and inclusivity, we implemented our Paternity Leave Policy, among the first of its kind in the region, that offers 3 weeks of paternity leave paid in full and an additional 1 week unpaid to provide support for new fathers.

The Human Energy (HE) department has kicked off its process digitization program, partnering with Oracle to use their solutions to bring fully automated HE processes to the organization. The new system has helped to facilitate an eco-friendlier and more efficient environment by cutting the use of paper, and its user-friendly, intuitive platform allows the HE team to ensure the highest level of performance, analysis and alignment among all HE departments and other FHH Functions.

We regularly measure, monitor, and report on the diversity of our workforce, evaluate trends, and identify areas for improvement. In 2019's Gender Equality Survey, 87.84% of our female employees believed that there is equal treatment amongst men and women within FHH companies.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Assessment, Policy, and Goals: As per applicable laws and regulations, we recognize our employees' right to participate in labor unions, and to negotiate their needs with management at the corporate or national level. We have regular communication and alignment with unions and employees to coordinate and ensure mutual benefits for all parties.

We strictly forbid use of child labor at any of our plants, facilities or operations; or, in any activity related to our business. Similarly, we prohibit the use of forced or involuntary labor, and condemn the unlawful use of immigrant labor.

Our grievance and appeal systems, along with our Corporate Integrity Hotline, were developed to address work-related issues and concerns such as:

- Breaches of **Policy, Cultural Values, and Code of Business Ethics**.
- Issues directly related to employment, including **unfair treatment**, which is perceived to have a detrimental effect on an individual or their work environment.
- Maintaining a culture of **commitment** towards **integrity**, and towards conducting business in an **ethical manner**.
- Ensuring compliance with **internal and external laws and regulations**.
- **Setting benchmarks** for our employees' ethical behavior.

Implementation: We also believe in the importance of effective communication with all employees, which is accomplished by ensuring the availability of various communications channels such as *Town Hall* meetings, suggestions systems, grievance systems, and our Corporate Integrity Hotline.

We also conduct regular awareness sessions on these systems to ensure that all employees are aware of them and will use them efficiently.

In accordance with Child Labor Laws, we ensure strict compliance with minimum age for employment as prescribed by the applicable law of the country. In any event, as a matter of company policy and in order to support effective abolition of child labor, no person employed by the company or engaged in any work related to the business of the company can be less than 18 years of age.

Under no circumstances would we coerce any individual into serving the company by use of aggression, threat or force, or any other means whatsoever. Without exception, we shall not employ services of any immigrant residing illegally in the country and not having the requisite visa or permit allowing him or her to take legitimate employment in the country.

Another measure the company has implemented to ensure the respect of labor laws is the establishment of a hotline where employees can report any transgressions whilst being protected by complete confidentiality. The Legal & Compliance Department then takes the necessary measures to investigate the reported incident and ensure that no violations are taking place at the workplace against any of the employees.

We are happy to report that the above policies have proven fruitful as we have had zero cases of any labor law violations in 2019.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Assessment, Policy, and Goals: While recognizing the ecological responsibility that befalls large-scale manufacturers, we believe that environmental stewardship is an essential part of business growth. Our sustainability strategy and systems are designed to protect the environment, conserve its natural resources, and counteract any negative environmental impact with positive and productive initiatives.

Fostering sustainability is critical to our strategic goals, and the United Nations Sustainable Development Group (UNSDG) provides a valuable framework to realize them. The production of hygienic paper products requires a great deal of natural resources, as well as a great deal of energy. The shortage of water and clean energy in the region makes the careful conservation of resources a necessity for us, which is why sustainability and efficiency are so central to our approach to environmental stewardship. In line with these efforts, our Jordanian facilities are supplied with natural gas in place of more environmentally harmful fossil fuels, effectively reducing greenhouse gas emissions.

Our high standards are not only applied to ourselves, but to our partners. This is the function of our Suppliers Sustainability Index (SSI), a comprehensive matrix for assessing and monitoring the environmental impact of our suppliers which ensures that our own efforts are not undone by the actions of our partners.

The harmful byproducts of the manufacturing process — primarily waste and greenhouse gas emissions — are another key priority and are addressed by a number of productive and widespread initiatives, enacted both at a policy level and at the employee level. Our talented and highly motivated staff are the driving force behind our entire sustainability strategy, and their involvement is what makes it possible.

A comprehensive account of our Environmental Sustainability Policy can be found on our website and contains a set of clearly defined goals that provide a matrix to implement and measure our overall performance. They are:

- Sustainable Forestry and Intelligent Resource Management
- Recycling and Waste Management
- Production and Operations
- Eco-friendly Raw Materials
- Efficient Water Conservation Practices
- Facilities Powered by Natural Gas
- Commitment to International Standards Related to Environment

Implementation: Senior management evaluates performance at regular management review meetings, and policy is analyzed on an annual basis. Our environmental performance is audited by third parties on a yearly basis in order to improve our performance and implement proper activities that comply with the requirements of best environmental practices.

While environmental policy is set at a company-wide level, implementation is managed on a more localized scale, with different projects manifesting in different national operations. A more localized approach encourages and inspires our workforce to engage with environmental stewardship personally, which is further augmented by annual training and awareness initiatives. Furthermore, each cluster is more agile and can adapt to the specific requirements of that country — however core eco-friendly practices are universal.

One such practice is the usage of 100% virgin pulp, the core component of hygienic paper products, which is provided by responsible, sustainable plantations and pulp providers. Our adherence to the Supplier Social Responsibility (SSR) program ensures that the materials we use are environmentally renewable, and our continued commitment to this goal has led to Fine’s certification by international organizations, like the Forest Stewardship Council.

Another universal practice is our Zero Waste Sent to Landfills policy, wherein everything we dispose of is sent to recycling facilities for other manufacturing activities. Hazardous waste has been almost entirely eradicated, and what negligible amounts remain are responsibly disposed of.

Case Study: *The pilot on-site wastewater recycling initiative, which was implemented in 2018 at our home site in Jordan, has successfully helped reduced the waste of the finite resource. Since 2018, freshwater consumption for the paper making process in our Jordan operation has dropped 15%.*

In terms of operation efficiency, conservation efforts are driven by the minimization of pulp, energy, and water consumptions across all levels of our manufacture. We are already the industry leader in minimizing water usage, and we continue to look for new ways to conserve resources. Our UAE division has begun work on a co-generation project for energy saving that will have a major impact on our energy cost reduction, serving our business while also protecting the environment.

The other raw materials in our production process besides pulp are also protected by our SSI, ensuring their provision is both sustainable and eco-friendly. We also ensure their disposal into the environment will not be harmful to soil, water, or air.

We are committed to ensuring that all operations and activities are fully compliant with all current waste management legislation, by employing effective waste management practices to identify the most efficient methods to reduce the production of waste and to maximize the re-use or recycling of waste material. Our operations throughout the region work with trusted third-party contractors to ensure that the vast majority of the waste we generate is recycled for other uses, including the hazardous waste.

Case Study: *Our UAE operation, Al-Nakheel Hygienic Paper Manufacturing, has long term contracts with a group of certified service providers with whom the waste management activities are carried out inside and outside the operation round the clock. Waste Management covers mainly the managing and monitoring of waste including segregation, collection, transport, and recycling or disposal.*

To ensure that our environmental measures are correctly implemented and accurately recorded, our different facilities and business units are ISO 14001: 2015 certified, while our paper mills are ISO 50001: 2011 certified. Our Paper Mill in Egypt was the only mill in the country to have participated in the pilot phase of the “Product Environmental Footprint” project with the United Nations Industrial Development Organization (UNIDO) and the European Union (EU). As a result of the study that aligns the mill’s environmental footprint with the European market standards, our company was awarded for its commitment to improving resource efficiency, environmental management, and performance in manufacturing across a product’s life cycle.

Measurement of Outcomes: Our environmental performance is closely monitored and evaluated on an annual basis, with certification provided by independent external auditors. Our monitoring is also certified by ISO 14001:2015 a part of our integrated management systems.

While results vary from area to area, many of our general and local initiatives have shown great progress and achieved the desired result. For example, sealing water

recycling measurements in the UAE operations has resulted in a reduced consumption by 10%. Water conservation efforts in Egypt and Jordan progressed in 2019, reaching reductions of 7.3% in Egypt, and in Jordan, reducing the consumption of freshwater the paper making process by 15%. Fuel consumption for different purposes fell by 58%, while electrical consumption in Egypt in tissue converting plants by 16% compared to 2018.

The effectiveness of actions undertaken within environmental parameters are reviewed and considered by top management, and the measured outcomes play an important part in determining potential future policy changes.

Case study: *Our Al Bardi Paper Mill in Egypt has implemented energy efficiency measures which help to reduce the overall emissions, monitoring all electrical and thermal consumptions in all facilities and operations working according to ISO 50001, and utilizing turbines for producing electricity using only natural gas, that helped in decreasing our operations' emissions effect on the environment as well as using the generated hot steam for industrial purposes instead of running boilers.*

Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Assessment, Policy, and Goals: We are fundamentally opposed to corruption in all its forms and have a series of policies and values in place to oppose them. Our employees are trained and constantly reminded of our values and how to fight corruption and embrace transparency.

Implementation: We have a zero-tolerance policy for corruption in any shape or form. The Code of Business Ethics clearly defines the guidelines that employees should adhere to and sets policies to guide them on how to proceed should they ever find themselves uncertain about which course of action they should take.

Internally, we have developed a whistleblowing policy for the employees to report any suspected illegal activity and an investigation policy regarding the reported infractions. Any proven cases of violations of anti-corruption policies are immediately terminated with legal action taken against them soon thereafter. Our Anti-corruption Compliance Program is continuously reviewed to ensure improvement and to prevent similar occurrences in the future.

We are dedicated to ensuring our employee's anonymity is safeguarded and the information they share is maintained in full confidence. Any such concerns will be investigated thoroughly and objectively by the Chief Compliance Officer, and the employee will not face any negative judgement or harassment.

The attitude towards whistleblowing we encourage at Fine is best summarized by the key phrase "When in doubt, **Speak out.**"

Our Code of Business Ethics contains comprehensive descriptions of bribery, facilitation payments, and other forms of corruption and unethical behavior, as well as tips on how to spot such actions and what to do in aforementioned situations. In 2019, 5 whistleblowing reports were submitted to the Legal & Compliance Department.

Measurement of Outcomes: FHH is focused on monitoring and reviewing effectiveness of its Anti-corruption Policy through the following:

- **FHH's Code of Business Ethics (CoBE)**

For training and communication purposes, we are committed to organizing roadshows, company-wide training, and mandatory annual testing on our Anti-corruption Compliance Program, which is completed by all employees including the Chairman and CEO of the group, as part of FHH's CoBE.

- **FHH's Whistleblowing Policy**

Through FHH's Whistleblowing Policy, we encourage our employees to come forward and report their concerns about any wrongdoings without fear of being dismissed or victimized.

- **FHH's Investigation Policy**

To ensure fairness with our employees, we have established a policy for the effective management of investigations.

- **Termination of and legal action against violators**

Actions taken by FHH against violators help establish that misconduct is taken seriously.

Our Anti-corruption Compliance Program is reviewed regularly to ensure improvement and to prevent future occurrences.