



**fine
hygienic
holding**

2018 Sustainability Report

Fine Hygienic Holding

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(UN Global Compact Communication on Progress – 2018)

This is Fine Hygienic Holding's 11th sustainability report, and it covers the period from January 1, through December 31, 2018. This report was prepared using the Global Compact principles based on the basic reporting level and will be published publicly during December 2019. 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 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 Continuing Support

This sustainability report is the first that has been compiled during my tenure as CEO and represents not only the efforts made throughout the last year, but also the culmination of years of environmental stewardship, social responsibility, and trying to make the world a better place. This year, we have reiterated our commitment to the UN Global Compact (UNGC) by making sustainable development a key focus of all our operations and setting a positive example for other companies and corporations within the sector.

Our operations are heavily influenced by our fundamental values, which perfectly complement 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. Despite our ambitious goal, we have a duty to the environment and our communities to operate in an environmentally and socially responsible and sustainable manner.



The first focus of our sustainability efforts is environmental protection. Today, we are environmental leaders, remaining the first paper mill in the Middle East to join the UNGC, and we have continued to deliver on our long-term commitment to the planet with bold new measures.

As a company that relies heavily on natural resources, we cautiously ensure that we manage the intake and output of our manufacturing process in an efficient and responsible way – pulp, for instance is the core component of our paper products, and we continue to source it exclusively from responsible and sustainable plantations.

A highlight of the year from an environmental perspective was the completion of our pilot water treatment project in Jordan. Given the Kingdom's water shortages, we began

treating the wastewater ourselves on-site, allowing us to recycle and reuse the precious resource and minimize wastage.

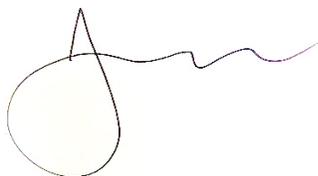
Furthermore, Al Nakheel Paper Mill in the UAE has processes in place to prevent accidental releases of chemicals and fuel tanks, along with safety precautions in handling chemical and hazardous waste in accordance to local laws and regulations. To stay compliant, we frequently report the effectiveness of eliminating noise, illumination, stack and gas emission, ambient noise, and improving air quality through certified third-party companies. These initiatives are indicative of not only our commitment to environmental stewardship, but of our use of innovation to find unconventional solutions to problems.

Fine's dedication to the environment is matched only by its devotion to the communities in which it operates. Our primary social effort is Khair Al Koura, an initiative based in a small town in Jordan which fosters sustainable development by teaching valuable skills to women and offering them income generating opportunities.

One community that we remain committed to serving is our very own. Our team is the true key to our success, and we will stop at nothing to help them grow, develop, and reach their full potential. This year, we have worked hard to further diversity and equality within our workforce, creating a welcoming and inclusive environment for all people. With a strong focus on gender equality, we have greatly increased the number of women on our leadership team to 30%, and installed an updated maternity leave policy that empowers women to start families while effectively furthering their careers.

While 2018 was a difficult year for the company in terms of revenue due to increasing pulp prices and economic instability in the region, our commitment to sustainability has helped us to continually upscale and improve our business, ensuring a bright and prosperous future for both the company and the markets in which we operate.

Guided by our values, our shareholders, our stakeholders, and our incredible workforce, FHH will continue to break through barriers, help others, and reach our full potential as we move forward towards realizing our vision.

A handwritten signature in black ink, appearing to read 'James Michael Lafferty'. The signature is fluid and cursive, with a large initial 'J' and 'M'.

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) specializes 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.”

As testament to FHH’s sustainability efforts, its products are made with 100% virgin tree pulp, which is provided by responsible suppliers that plant up to five trees for each tree used in the production process. In addition, Fine Baby received the prestigious “Pediatric Product of the Year” Award for 2018 from the pediatricians of the Medical Wellness Association; as the first and only product to receive such an award across all baby care categories.

Fine Hygienic Holding continues to push for the expansion of its presence and market leadership by out-innovating and out-maneuvering the competition: to date, the company serves over 75 regional and global markets across the Middle East, Africa, Europe, Asia, and the USA.

As an inevitable consequence of its efforts and commitment to unmatched quality, Fine Hygienic Holding was awarded the Chain of Custody Certification (CoC) award, which allows it to place the Forest Supervision Council (FSC) insignia on its packaging globally. In addition, the company was awarded with the ISO Quality Management System Certificate ‘ISO 9001:2008,’ the ISO Environmental Management System Certificate ‘ISO 14001:2004,’ and the Occupational health and safety assessment series certificate (OHSAS) 18001:2007.

FHH has also received the approval of the GCC Health Council, and has been included on the Jordan Customs Department’s Golden List. Fine was the first company in the Arab world to receive the German ISEGA certification, which recognizes its paper towel products as safe for use with food.

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 adhering to rigorous standards in the fields of human rights, labor, the environment, transparency, disclosure, good governance, and sustainability.

- **Our Approach to Corporate Social Responsibility**

FHH remains committed to promoting comprehensive, sustainable development throughout the countries and communities in which it operates. It has 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. FHH also prioritizes issues like health, wellbeing, and family, which it tackles 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**

FHH is 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.

FHH's integrated management systems and its Corporate Impact Index work hand in hand to optimize the usage of natural resources. This is especially important since FHH operates 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.

Accordingly, in 2018, we did not have any grievances related to human rights violations. Furthermore, we did not face any incidents of discrimination, violation of the right of association and collective bargaining, or child labor and force or compulsory labor, and based on this, none of our operations were subject to human rights reviews.

FHH has 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 are taken against any employee for raising concerns under the Code of Business Ethics and Workplace Diversity Policy.

FHH currently employs approximately 3,500 employees across more than 30 nationalities. We never allow race, color, gender, age, disability, nationality, sexual orientation, gender identity, 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 the reinforcement and recognition of positive behaviors and practices help ensure that each employee, from top-leadership to entry level, is working towards the same common goal, and share a bigger purpose.*

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.

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. To ensure the implementation of said practices, we introduced the FHH Females Network earlier this year, which is a female support group for addressing gender diversity issues. We use this platform to directly communicate with our female employees, share relevant announcements, and obtain feedback and opinions on various issues of relevance to them.

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 presentation of women in Leadership roles in FHH. In further aid of women empowerment, we signed an agreement earlier this year with Kalamntina, the Middle East’s first platform for female recruitment, to put a focus on hiring high caliber females.

We regularly measure, monitor, and report on the diversity of our workforce, evaluate trends, and identify areas for improvement. In this year’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, FHH recognizes its 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.

FHH strictly forbids use of child labor at any of its plants, facilities or operations; or, in any activity related to its 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.

FHH also conducts 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.

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, FHH believes that business growth and environmental stewardship go hand in hand. Fine's sustainability strategy and systems were 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 Fine's strategic goals, and the United Nations Sustainable Development Group 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 (GHG).

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 such as ISO 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 clusters. 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: *Not all waste product recycling takes place off-site however, as our home cluster in Jordan has successfully implemented a pilot wastewater recycling facility on-site. Jordan is the second water-scarce country on earth, so it was expedient to begin this undertaking there, though we hope to spread this project to our other clusters in the future.*

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 is conducting a study to install solar panels in our offices in Jebel Ali 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.

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 cluster to cluster, many of our general and local initiatives have shown great progress and achieved the desired result. For example, water conservation efforts in Egypt and Jordan paid dividends in 2018, reaching reductions of

7.3% and 15% respectively. In Jordan, fuel consumption for different purposes fell by 58%, while electrical consumption fell by 9%.

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: *During 2018, our Al Snobar Paper Mill in Jordan successfully installed a new natural gas line that helped decrease the operation's overall emissions by replacing harmful heavy fuels like kerosene and diesel with eco-friendly natural gases. This gas line also helped co-generate hot steam for industrial purposes, reducing the dependency on conventional boilers.*

Anti-Corruption Principles

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

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

Implementation: There is a strong whistleblowing culture at FHH, and mechanisms are in place for employees to safely and anonymously report in good faith any suspicious or unethical behavior they experience or become aware of, whether with colleagues or clients.

We will always ensure that 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.

This attitude towards whistleblowing is best summarized by the key phrase "When in doubt, **speak out.**"

FHH's 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.

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, FHH is 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.