



FILTRONA GLOBAL SUSTAINABLE PROCUREMENT POLICY

Version Control

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Filtrona Global Sustainable Procurement Policy

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1. Executive Summary

At Filtrona, we are committed to sustainability and environmental responsibility. As a global Cigarette Filters and Tapes company, Sustainable Procurement integrates sustainability into our procurement strategies and processes, considering environmental, social, ethics and economic parameters in our decisions. It contributes to the Group sustainability ambition and objectives. It is a source of **value creation** through improved company brand, risk mitigation, cost optimization, efficiency and revenue growth.

2. Scope

This policy applies to all procurement activities conducted by Filtrona worldwide. Sustainable Procurement may be integrated throughout the procurement process from sourcing strategy definition, Request for Information/Proposal/Quotation, supplier selection, contractualization, supplier evaluation to Supplier management of Direct materials and Indirect services.

3. Sustainable Procurement Definition

Sustainable Procurement is a comprehensive approach that integrates sustainability into our Procurement strategies and processes, considering the balance between three essential criteria: environment, social & ethics and economic.

Sustainable Procurement allows Filtrona to exercise influence beyond its own organization, using its buying power to drive its Suppliers towards a higher sustainability performance.

3.1. Environmental Criteria

a. Minimize Plastic Waste: We prioritize suppliers that demonstrate a commitment to reducing plastic waste. This includes those who actively promote recycling, use recycled materials, and employ innovative approaches to minimize plastic consumption.

b. Sustainable Materials: We seek suppliers who offer sustainable alternatives to conventional plastic materials, such as biodegradable, compostable, or bio-based materials. We will encourage the use of materials with lower environmental impacts throughout their lifecycle.

c. Energy Efficiency: We give preference to suppliers who prioritize energy-efficient manufacturing processes and demonstrate efforts to reduce carbon emissions.

d. Water Conservation: We consider suppliers that implement water conservation measures and promote responsible water management practices throughout their operations.



e. Pollution Prevention: We favor suppliers who have robust pollution prevention strategies in place, including the management of air emissions, wastewater treatment, and hazardous waste disposal.

f. Packaging Optimization: We work with suppliers to reduce excessive packaging and promote the use of recyclable or reusable packaging materials.

3.2. Social & Ethics Criteria

a. Labor Standards: Filtrona only engage with suppliers who adhere to international labor standards and promote fair and ethical working conditions. This includes compliance with applicable laws and regulations regarding working hours, minimum wages, child labor, forced labor, and worker safety.

b. Diversity and Inclusion: Filtrona encourage suppliers to embrace diversity and promote equal opportunities within their organizations.

c. Supplier Code of Conduct: Filtrona require suppliers to comply with our Supplier Code of Conduct, which outlines our expectations regarding social and ethical practices.

d. Human Rights: Filtrona does not tolerate any form of human rights abuses, including discrimination, harassment, or any other violation of basic human rights. Suppliers engaging in such practices will be disqualified from our procurement process.

3.3. Economic Criteria

In addition to the traditional economic parameters applied in procurement decisions, the Total Cost of Ownership (TCO) approach should be utilized and incorporate the value of sustainable strategies. This may include the TCO benefits of long term sustainability strategies such as low carbon sourcing, ethical sourcing, managing purchased volumes to buy only what is necessary, exploring alternatives, pursuing more sustainable technologies.

4. Benefits of Sustainable Procurement

4.1. Risk Mitigation

Sustainable Procurement improves our understanding of our global and complex supply chain.

Poor sustainability performance of our suppliers may entail significant negative impacts for Filtrona:

- Damage on Filtrona reputation and brand value,
- Fines or sanctions: non-compliance,
- Supply chain disruption risks.

In addition, it allows us to ensure our Suppliers' awareness and engagement regarding sustainability, and contributes to raising their maturity.

4.2. Performance and Value creation

Sustainable Procurement is a source of performance and value creation for the Group through:



- Improved company image,
- Cost reduction and efficiency,

- Revenue growth,
- Creation of a resilient supply chain

4.3. Continuous improvement and objectives

Filtrona continuously works towards improving its sustainability practices and outcomes, encouraging its supply chain to do the same.

The Procurement organization strives to align with the Group's ambitions and objectives and to limit the negative externalities of the procurement activities.

Filtrona Procurement organization works towards continuous improvement and can adopt specific objectives. This may, for instance, be linked to improved reporting of Co2 emissions, emission reduction targets or water consumption reduction.

5. Supplier Evaluation and Collaboration

a. Supplier Selection: Filtrona evaluate potential suppliers based on their environmental, social, ethics and economic criterias, as well as their ability to meet our quality, cost, and delivery requirements. Sustainability criterias can be added to select the supplier further to a RFP/RFQ, with a weight depending on the importance of sustainability stakes.

b. Collaboration: Filtrona actively engage with our suppliers to foster dialogue, share best practices, and promote continuous improvement in sustainability performance. Filtrona encourage suppliers to innovate and develop more sustainable solutions.

c. Supplier Performance Evaluation: Filtrona regularly assess and monitor our suppliers' performance in terms of sustainability and social responsibility. Suppliers will be expected to meet agreed-upon sustainability targets and demonstrate progress over time.

d. Corrective Action Plans: Corrective Action Plans are to be done with the objective of increasing the Sustainability critical suppliers' evaluation. It can be conducted through EcoVadis, training, third-party audits.

6. Compliance and Reporting

a. Compliance: All employees involved in procurement activities must comply with this policy and ensure that suppliers are aware of and adhere to its requirements.

b. Reporting: Filtrona maintain transparent and accurate records of our sustainability initiatives and progress. Regular reporting on our sustainable procurement practices will be provided to internal stakeholders, customers, and the public as appropriate.



7. Integration of sustainability in the procurement process

7.1. Sourcing strategy

Sustainability risks and opportunities should be a consideration in the sourcing strategy and process, taking into account for instance:

- Development of sustainable solutions
- Sustainability risk & opportunity analysis: Filtrona evaluate to understand the environmental and social impacts associated with the goods or services being procured over its whole life cycle, and assists in determining the specific sustainability issues, risks and opportunities that Procurement will have to address,
- Need analysis: when reviewing the need with internal stakeholders, consideration should be taken by the dedicated procurement team whether the need can be met by a more sustainable alternative (e.g.: reducing the demand by reviewing the real need, reducing the consumption, recycling or reusing products, avoiding air freight for goods' transportation mode for reducing CO2 emission),
- Market analysis: this allows assessing the capabilities of the supply market to support our sustainability needs, while providing the same or improved level of price, functionality, and quality of service, in order to evaluate if the sustainability criterion reduces or increases the level of competition and/or Filtrona buying power.

7.2. Request for Information (RFI) / Proposal (RFP) / Quotation (RFQ)

Procurement Management may require sustainability specifications, to address specific local or category impacts or strategy for instance.

The specifications should be defined in collaboration with internal stakeholders. They may address the goods or services themselves, the related production and delivery process, and/or the related supplier organization for instance.

7.3. Sustainability Clause

A specific Sustainability clause should be included in the main text of every new contract or agreement signed with Suppliers or in General Purchasing Terms and Conditions and/or Purchase Orders.

7.4. Payment Terms

Contractual payment terms must be compliant with local laws.

The respect of our contractual payment terms may be monitored by Procurement departments in collaboration with the Finance department, as not justified late payments can damage the business relationship and the company reputation.

Specific attention should be given to payment terms and late payment for SMEs (Small and medium-sized enterprises), as their treasury is a sensible topic. When requested by the Supplier, Filtrona affiliate



standard payemtn terms may be adapted, following a joint decision between Procurement and Finance, to facilittate the business with the Supplier.

7.5. Conflict Management

Filtrona entities should promote the use of negotiation, mediation, concilation, or arbitration to resolve any dispute with a Supplier. A dispute resolution process may be developed in the contract that outlines steps for resolution and assigns responsibilities for its facilitation.

7.6. Supplier relationship

During Business Reviews with suppleirs, sustaniability performance, initiated or projects may be included in the evaulation.

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