

## **UN Global Compact Communication on Progress (COP)**

20.6.2019

## **A statement by the President and CEO of Ahlström Capital**

Ahlström Capital Group is a family-owned investment company that focuses its investment activity in industrial companies, real estate and forest. Ahlström Capital is one of the largest and most significant investment companies in Finland with a history of more than 160 years.

I am pleased to confirm that Ahlström Capital reaffirms its support for the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment, and Anti-Corruption. This is our first Communication on Progress report. The report describes our policies concerning the Global Compact's Ten Principles and how we implement and monitor them in practice. We continually aim to improve the integration of the Global Compact and its principles into our ownership model, culture, and daily operations. We have also made a commitment to share this information with our stakeholders.

The report covers Ahlström Capital Group including Ahlström Capital Oy, A. Ahlström Kiinteistöt Oy (in this report presented as real estate and forest business), Destia Group Oyj and Enics AG. Ahlström Capital's associated company holdings are excluded from this report. Information in this report covers the calendar year 2018 from January 1 to December 31.

Yours sincerely,

Lasse Heinonen  
President and CEO

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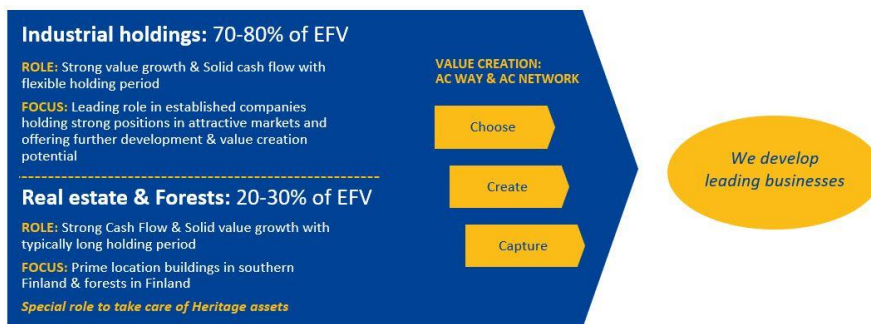
## Business Model

Business model descriptions are grouped according to three different businesses:

- Ahlström Capital (including A. Ahlström Kiinteistöt)
- Destia Group Oyj
- Enics AG

### Ahlström Capital

Ahlström Capital focuses its investment activity on industrial companies, real estate and forest. Ahlström Capital creates long-term shareholder value by actively developing its portfolio. The company's external fair value on December 31, 2018 was 887 meur with a revenue of 1,113 meur.



The industrial investments include substantial holdings in listed companies and direct investments in non-listed companies.

Ahlström Capital's real estate portfolio includes prime location buildings in Southern Finland with ca. 76 000 m<sup>2</sup> of real estate area altogether. The portfolio also includes heritage assets in Noormarkku and Kauttua. Forest assets are mainly located in Western Finland in the Satakunta region, and in Central and Eastern Finland. The total area of forests is ca. 33,000 ha. The real estate and forest business are managed by A. Ahlström Kiinteistöt Oy.

Ahlström Capital Oy is the parent company of Ahlström Capital Group. The company headquarters is located in Helsinki, Finland.

### Destia Group Oyj

Destia is a Finnish infrastructure and construction service company. The company designs, builds and maintains traffic routes, industrial and traffic environments, as well as complete living environments. Destia's services cover subterranean construction, extensive over-ground operations, and range from demanding foundation engineering projects to energy and engineer construction. In 2018, Destia's revenue was 550 meur and the company employed 1,658 people. All employees and operations are in Finland, but the company is investigating business opportunities in Northern Sweden and Northern Norway. Destia Group's headquarters is located in Vantaa, Finland.

Destia is a significant local player and infrastructure expert employer in various locations in Finland, also in rural areas. Destia has a large network of suppliers including material and service suppliers. Vast majority of their materials and services are purchased in Finland.

## Enics AG

Enics is a group of electronics manufacturing services (EMS) companies providing comprehensive life-cycle service solutions in the field of professional industrial electronics. In 2018, Enics' revenue was 543 meur. The Group has business units in China, Estonia, Finland, Slovakia, Sweden and Switzerland and in 2018 it employed 3,783 people. In 2018, the company had most employees (37%) in China and the rest (63%) in Europe. In Europe the biggest Business Units were in Estonia with 23% of the employees and Slovakia with 17% of the employees.

In 2018, Enics' supplier network consisted of 1,400 active suppliers, the 100 largest ones covering 80% of the purchases

The parent company Enics AG is a limited liability company incorporated in Switzerland, and the company headquarters is in Zürich.

Enics has been a member of United Nations Global Compact since 2012 and the company has produced Communication on Progress reports as its own entity. Since 2019, Enics progress is reported as a part of Ahlström Capital Group Communication on Progress report.

## Human and Labour 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.

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 labour

Principle 5: the effective abolition of child labour; and

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

### Assessment, policies and targets

Ahlström Capital considers labor principles based on accepted international laws and practices, such as those of United Nations' Universal Declaration of Human Rights, International Labor Organization and the United Nations Global Compact (UNGC) principles, as fundamental and universal in its business activities. Freedom to associate, collective bargain or form employees' responsible bodies are recognized and supported by Ahlström Capital.

Ahlström Capital Group has never intentionally used and will not knowingly use compulsory or child labor contradicting with international laws or local labor legislation.

Regarding human rights, most of Ahlström Capital Group's operations are in low risk countries according to Maplecroft Human Rights Risk Index 2017. Of the direct holdings, Enics has operations China and Slovakia which are countries with higher risks.

Enics has several processes to mitigate risks concerning human rights and labor rights. In interactions with its suppliers, Enics promotes and takes effort to ensure that human rights and fair labor principles are followed by them. Enics has created a Supplier Manual, which gives preconditions to suppliers. Enics conducts assessment of suppliers on regular basis using Supplier Self-Assessment and Supplier Assessment and Evaluation tools. Enics has created Conflict Minerals Statement to support Enics' initiative to support Human Rights in the war zone.

Enics' manufacturing sites are also regularly audited by customers to meet their sustainability requirements. Enics has received high ratings in the customer audits.

In the current market situation employee availability is challenging, especially in certain Enics locations, and using third-party service providers might expose to risks related to human rights. In order to mitigate these risks, Enics will conduct third-party (staff leasing companies) audits to make sure human rights principles are followed also down to the employee supply chain.

Ahlström Capital (including A. Ahlström Kiinteistöt), Destia and Enics all have Code of Conducts, and Enics has also a Supplier Code of Conduct. In addition, Destia has an Occupational Health and Safety Policy, and both Enics and Destia follow the requirements of occupational health and safety certificate, OHSAS 18001.

Ahlström Capital's forest business follows social responsibility requirements of *Programme for the Endorsement of Forest Certification (PEFC)*. PEFC is an international forest certification system promoting ecologically, socially and economically sustainable forestry.

In Ahlström Capital's real estate business, Destia and Enics human and labor rights are measured through various key performance indicators. For instance, lost time incidents and frequency are measured in all three entities. Near miss incidents are also measured in the real estate business and in Destia, and Destia has also paid special attention to measuring safety observations. Ahlström Capital's real estate business has a zero-accident target in construction and renovation projects. Both Destia and Enics measure and follow coverage of Code of Conduct trainings.

## Actions and outcomes

### Ahlström Capital specific actions and outcomes

In 2018, Ahlström Capital developed a written Code of Conduct, and trainings for all employees start in 2019. The Code of Conduct covers both Ahlström Capital Oy's and A. Ahlström Kiinteistöt Oy's (the real estate and forest business) management and employees. Ahlström Capital will launch in 2019 a whistleblowing channel, which will be managed by an external third-party service provider.

As a responsible investor, Ahlström Capital wants to improve its environmental, social and governance (ESG) impact and performance in its own operations and investments. Ahlström Capital has identified material ESG topics and they will be incorporated into the screening processes and business development work of our portfolio companies. ESG topics will be discussed and reviewed regularly in portfolio companies' board meetings.

In the real estate business, the occupational lost time incidents and near miss incidents are regularly reported in every construction and renovation project by the service provider. The report includes description of the incident, as well as the corrective actions on how the incident could have been avoided. In each project the use of protective and safety equipment is monitored by a construction supervisor nominated by A. Ahlström Kiinteistöt.

In the forest business sub-contractors are trained annually to update their knowledge and skills related to certificates and quality standards. All contracts are in written format and sub-contractors are reviewed annually. Forest business' own employees have regular safety trainings. Both A. Ahlström Kiinteistöt and Ahlström Capital conduct annual employee surveys. In 2018, A. Ahlström Kiinteistöt was one of the most inspiring workplaces in the small business category in Finland.

### Destia Group specific actions and outcomes

Destia's safety activities include systematic safety promoting practical work and introduction of the safety guidelines to all workers and sub-contractors. In 2018 Destia updated the personal protective equipment guidelines, the crisis communications guideline and the edge protection solutions guideline. The company

also expanded the TLY (Finnish abbreviation for Health, Safety, Environment, Quality, HSEQ) app to cover work machine overhauls.

In 2018, there was an increase in occupational safety observations. Destia recorded 2,001 occupational safety observations (number of observations) in 2018 compared to 1,036 observations in 2017, and 939 observations in 2016. Occupational accidents frequency (accidents per million working hours) decreased in 2018 to 5,8 (10,5 in 2017).

#### Enics specific actions and outcomes

Enics' Code of Conduct trainings have been a part of the introduction process for new employees in all Enics' locations since 2017. Code of Conduct e-trainings have been conducted in all locations for all employees, and they are mandatory for all new employees. Total of 217 employees completed the Code of Conduct e-learning in 2018, majority of them being newcomers. Enics has also created a harassment prevention process and in 2018 they run an internal harassment prevention campaign.

Enics started a Human Resources Procedure Audit in 2017 and continued this process in 2018. At the same time the company continues a project for harmonizing employee handbook.

Enics has had a whistleblowing channel in place since 2017 for internal reporting of misconduct ([business.ethics@enics.com](mailto:business.ethics@enics.com)). In 2018, there were no reported cases of misconduct through the whistleblowing channel. Other channels have brought five cases of misconduct, all of which have been reported and processed according to Enics guidelines.

Enics co-operates with employee unions in order to guarantee flexible workforce solutions, reasonable salary development and peaceful and steady working environment. Employee union or workers' council is established in each business unit. There is one meeting per year between local Management and Employee Representative Teams or Employee Union representatives in all of the business units.

So far approximately 75% of Enics Preferred Suppliers have signed Enics Commitment to Ethical Conduct of Business and Enics Code of Conduct.

Progress of actions will be reviewed and reported to Enics Executive Management Team by the dedicated UNGC team once a year. Implementation of global principles will be followed by nominated responsible person (UNGC team) twice a year.

In 2019, all of Enics' third-party suppliers will be audited from a Human Resource perspective and a new Occupational Health and Safety policy will be implemented and most of the employees will be trained.

Progress of actions and implementation of global principles in all entities of Ahlström Capital Group are reported to Ahlström Capital Management once a year.

## Environment

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

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

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

### Assessment, policies and targets

Ahlström Capital has environmental impacts through its infrastructure and building construction, real estate, forests and electronics manufacturing businesses. Conserving natural resources and supporting their sustainable use are therefore relevant for Ahlström Capital. Ahlström Capital does not have a group level policy for environmental management due to the varying nature of its holdings. Destia has its own environmental policy and Enics will develop one during year 2019.

Ahlström Capital properties are managed in an energy efficient manner and the aim is to get environmental certificates (e.g LEED and BREEAM) for all new properties and at least for one existing property.

Ahlström Capital promotes ecologically and economically sustainable forestry and takes into account multipurpose use of forests. Ahlström Capital's forests are included in various protection programmes, such as Natura 2000, and all forests have PEFC sustainable forest management certification.

Destia's environmental management system is compliant with the ISO 14001 standard. The system promotes environmental efficiency, as well as Destia's quality and environmental policies and the practical plans, measures and monitoring arrangements that are based on the policies. All of Destia's actions related to nature are aimed to prevent environmental damage and minimise the impacts of operations. Where possible, the company also strives to improve the condition of natural environments. Destia's operating principles, practices and goals also apply to all of the company's partners and subcontractors. Destia monitors its performance at the project level as part of its work with customers. Environmental risk management is a part of Destia's risk management system.

Enics' environmental activities and improvement of the environmental performance are carried out in compliance with local legislation and customer requirements as well as proactively finding ways to reduce resource usage. Enics' business units operate according to an environmental management system, and all units have the ISO 14001 certification. Environmental risks are evaluated in Enics' annual risk assessment and managed accordingly. Risks related to environmental contamination are managed with dedicated areas to manage potentially harmful chemicals to prevent leaking to the ground. Compliance to RoHS 3 (EU 2015/863) directive is a part of internal audit process.

Enics promotes its principles about the environment and technology towards suppliers through Enics Code of Conduct, Supplier Manual, Supplier Self Evaluation and Questionnaire and Supplier Assessment Process.

In the real estate and forests businesses of Ahlström Capital and in Destia environmental targets and key performance indicators have been set. Destia's aim is to improve its energy intensity (gigajoules/revenue MEUR) and customer rating of environmental issues management (scale 1-5). Ahlström Capital real estate aims for continuous improvement in energy efficiency of the properties. All new properties and at least one of the existing properties should have an environmental certificate (LEED, BREEAM). Real estate business has also set a target to utilize 100% of all the waste in Eteläesplanadi and Hankasuontie properties.

Forest business aims for 100 % certified forests, and at the moment all forests have PEFC sustainable forest management certification.

Enics will define environmental targets and key performance indicators during 2019.



## Actions and outcomes

### Ahlström Capital specific actions and outcomes

In two properties (Eteläesplanadi 14 and Hankasuontie 11 A) where waste disposal is managed by the owner, the waste utilization rate is regularly reported and monitored. Possibilities for using solar energy have been examined and the aim is to have solar panels in Hankasuontie property during year 2019. In the real estate business A. Ahlström Kiinteistöt has several improvement initiatives in energy or resource efficiency in existing industrial, commercial and residential properties.

The total amount of carbon stored in tree trunks in Ahlström Capital forests is 1,35 million tons. In 2018, Ahlström Capital piloted a new way of logging, with some forests now cut according to uneven-aged management, which offers an alternative to clear cutting. The method supports the multiformity of forests. All forestry activities are reported annually according to PEFC criteria.

### Destia specific actions and outcomes

In 2018, Destia implemented Siistix project to improve environmental cleanliness in projects and bases and installed NFC tags on vehicles to develop environmentally friendly operating practices. The company also developed landscaping measures for aggregates extraction areas and participated in the national campaign for bird nests (Miljoona linnunpönttöä). In addition, Destia organised an internal driving skills competition in order to promote more responsible driving.

Destia's environmental management is also evaluated by customers. In 2018, average rating was 4,2 (scale 1-5) compared to 4,0 in 2017. In 2018, Destia's energy intensity (gigajoules/revenue MEUR) also improved being 360 compared to 453 in 2017.

### Enics specific actions and outcomes

The company's focus on environmental development is to reduce waste continuously and enhance the recycling rate. All actions will reduce Enics' environmental footprint and reduce non-recyclable landfill waste. Thus, Enics continues to invest in environmental protective equipment, for example reducing waste creation. Additionally, Enics is working closely with customers to fulfill their strict environmental requirements and requirements beyond regulatory and legal requirements. Enics has also invested in less energy consuming lightning as well as in increased sourcing close to the production locations.

Enics has developed a Green Program and started implementing it in 2018. The company also started drafting an Environmental Policy, which will be ready in 2019. Enics has started systematic information sharing about environmental topics and conducted compliance trainings in 2018.

Enics has also implemented many other activities to manage environmental footprint. These activities include reduction of paper consumption (salary slips as electronic copies), implementation of automatic invoice handling systems to reduce mailing and storing of paper copies and utilizing Enics eLearning platform to reduce the need for traveling.

During 2019, Enics will evaluate suitable environmental KPIs. Progress of environmental actions will be reviewed and reported to Enics Executive Management Team by the dedicated UNGC team once a year.

Progress of actions and implementation of global principles in all entities of Ahlström Capital Group are reported to Ahlström Capital Management once a year.

## **Anti-Corruption**

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

### Assessment, policies and targets

Ahlström Capital Group is committed to conduct its business in a responsible and sustainable way. All businesses respect and follow local legislation and internationally recognized principles for combating corruption and bribery. Ahlström Capital is committed to conduct its business in a fair and ethical manner. The company avoids unfair restrictive trade practices, such as exchanging unlawful price or market information or concluding unlawful agreements with competitors. Ahlström Capital employees, either directly or indirectly, must not offer nor accept bribes or kickbacks of any kind. Anti-corruption is addressed in Ahlström Capital Code of Conduct, as well as in Destia's and Enics' Code of Conducts respectively.

Ahlström Capital's approach to implement the Code of Conduct is active, open and ethically sound. Ahlström Capital and its direct holdings aim to prevent violations against company values of each business and ethical principles set in the Code of Conduct by providing policies and instructions to follow. Ahlström Capital and its direct holdings expect their employees to avoid any conflict of interest and strongly opposes all forms of corruption.

Suppliers form an important and integral part of the total supply chain for Ahlström Capital. They are expected to conduct their business in compliance with the same high legal and ethical standards that Ahlström Capital and its direct holding themselves adhere to.

Transparency International's Corruption Perceptions index 2018 scores countries by their risk of corruption, 0 standing for 'highly corrupted' and 100 representing 'very clean'. According to this study, most of Ahlström Capital's operating countries score at least 70 points, with Finland, Sweden and Switzerland scoring all 85 points. Of the direct holdings, Enics has operations in China and Slovakia which are high and medium corruption risk countries.

Enics has solid processes to mitigate risks of corruption and bribery. In addition to mandatory Enics' online Code of Conduct training for all personnel, the management teams of Enics units as well as members of Enics Management Conference have been trained on the Code of Conduct and related topics. Anti-Corruption Policy has been part of induction for all employees since 2017.

In line with Enics Non-Compliance Procedure ("Procedure"), employees have the possibility to report any suspected or witnessed non-compliance or violation of Code of Conduct. The Procedure outlines the basic principles and process of reporting the suspected misconduct and for handling non-compliance reports, and the Procedure is implemented in all Enics Business Units. Local modifications are permitted when modifications are not diminishing the underlying principles or local legislation provides stricter requirements in the matters covered with the Procedure. The Procedure is mandatory to follow for all Enics' employees and representatives.

As for the supply chain responsibility, Enics conducts assessments of its' suppliers on a regular basis by using supplier self-assessment and supplier assessment and evaluation tools (Supplier Manual, Supplier Self Evaluation and Questionnaire, and Supplier Assessment Process). A majority of Enics preferred suppliers have signed the Supplier Commitment to Ethical Conduct of Business and Enics Code of Conduct agreements. These reflect the requirements that stem from the UNGC principles and anti-corruption initiatives. For new suppliers, supplier assessments are conducted, and labor principles and other compliance requirements are reviewed.

Enics has several key performance targets and indicators related to anti-corruption:

- Number of Board of Directors meetings of Enics mother company Enics AG as well as subsidiary companies in which anti-corruption matters are reviewed; target: once a year
- Number of action points from local management teams to promote Code of Conduct; target: 1-3 targets per BU/year
- Percentage of anti-corruption policy e-learning by end of 2019; target 50 %
- Number of F2F trainings organized in 2019; target 3
- Initiatives by compliance ambassadors; target 1-2 per BU

Destia's main reporting compliance breach is through supervisors. If someone observes a compliance breach, they must report the matter to their supervisors. In unclear situations, the procedure approved in Destia must be confirmed with the supervisor or internal audit in advance. Every Destia employee must report obvious breaches to internal audit. Every supervisor is responsible for ensuring that the employees and partners are familiar with the content of the guidelines and requirements for compliance with them. Familiarity with the ethical guidelines is part of induction and performance management.

#### Actions and outcomes

##### Ahlström Capital specific actions and outcomes

Ahlström Capital will launch in 2019 a whistleblowing channel, managed by an external third-party service provider. The company will also run Code of Conduct trainings to all employees.

##### Destia specific actions and outcomes

Destia runs several regular audits and the annual reviews. Auditing covers project audits, integrated management system audits and internal inspections. In 2018, Destia paid special attention to improve project management through deeper investigation in selected projects. No incidents of corruption were confirmed in 2018.

##### Enics specific actions and outcomes

Enics runs regular audits in different Business Units to ensure the compliance with the anti-corruption policy. In 2018 the company conducted a compliance survey in all business units and group functions.

Based on the results, the following actions will be taken to further promote the awareness and importance of anti-corruption as well as to increase the local compliance footprint during 2019:

- Renewal of Enics Code of Conduct and communication campaign; including creation of posters in local languages and compliance blog addressing important topics
- Trainings to selected Business Units
- Creation of online learning focusing on anti-corruption issues. The training will be made mandatory for all white-collar employees and other supervisor position holders.
- Launch of Compliance Ambassador program.
- A compliance screening tool to identify and assess possible compliance discrepancies in partners - launched in February 2019. Due diligence check will be done concerning: Customers, Suppliers, Consultants, sub-contractors

In addition, starting from 2019, compliance matters are reviewed yearly in Enics companies' Board of Directors. Enics has also promoted the management awareness, i.e. "tone at the top", by arranging training to management. Furthermore, Enics President and CEO (interim) has addressed the Code of Conduct topics in common global meetings.



Progress of anti-corruption actions are reviewed and reported to Enics Executive Management Team by General Counsel.

Progress of actions and implementation of global principles in all entities of Ahlström Capital Group are reported to Ahlström Capital Management once a year.