

Pulp Sourcing Policy of MI Demo Ltd

Effective: 24.9.2021

Summary

MI Demo Ltd is a 50/50 joint venture between Japanese ITOCHU Corporation and Metsä Spring Ltd, the innovation company of Finnish Metsä Group. MI Demo operates a demo plant in Äänekoski, Finland, which produces, from wood pulp, only one product, the Kuura[®] staple fibre. In other words, the Kuura fibre is a Man-Made Cellulosic Fibre (hereinafter also MMCF) made out of Finnish wood.

The demo plant is integrated to Metsä Fibre's bioproduct mill in Äänekoski, i.e. the pulp used by MI Demo is so-called 'paper-grade pulp' and supplied to MI Demo by a direct pipe from the said bioproduct mill. Metsä Fibre is also part of Metsä Group. Importantly, **MI Demo has only one source of pulp, i.e. the bioproduct mill in Äänekoski.**

Moreover, **Metsä Fibre procures, in turn, its wood only from Metsä Forest**, which is also a part of Metsä Group.

MI Demo is also a part of Metsä Group and thus, follows the various policies specified and implemented by Metsä Group as a whole. The parent company of Metsä Group is a cooperative named Metsäliitto Cooperative. It has over 100,000 owner-members, all forest owners in Finland.

MI Demo is committed to playing a leadership role in the MMCF industry and will work with

- i. our only pulp supplier Metsä Fibre,
- ii. Metsä Fibre's only wood supplier Metsä Forest, and
- iii. Canopy

in order to promote sustainable forest management and the protection of ancient and endangered forests. More specifically, MI Demo supports the production of MMCFs & fabrics from wood pulp that is not sourced in ancient and endangered forestsⁱ, such as the Canadian and Russian Boreal Forests; Coastal Temperate Rainforests; tropical forests and peatlands of Indonesia, the Amazon and West Africa, or endangered species habitat. Moreover, MI Demo does not use any wood pulp that comes from illegally logged forestsⁱⁱ, or from tree plantationsⁱⁱⁱ established after 1994 through the conversion or simplification of natural forests.

The following principles apply to all MMCFs, including but not limited to rayon, viscose, lyocell, modal and trademarked product lines that are produced by our company. This commitment addresses our own operations as well as our pulp (and wood) procurement practices. This policy supports principles that result in long-term environmental, social and economic benefits.

Scope of Commitment

All of our operations, including companies we control, manage and/or have an investment in – will be in compliance with this policy.

We will source our pulp only through suppliers that are transparent, traceable and comply with this policy (Note: MI Demo has and plans to have only one supplier of pulp, i.e. Metsä Fibre).

If suppliers contravene these criteria, we will first engage them to change practices and then re-evaluate our relationship with them if we find that fibre is coming from sources that do not meet this policy.

Conservation of Ancient & Endangered Forests and Intact Forest Landscapes

MI Demo supports a future that does not use ancient and endangered forest for the production of wood pulp, including dissolving pulp, with the further purpose of converting the pulp into MMCFs. We will, therefore:

- Source pulp only from Metsä Fibre;
- Until further notice, source pulp specifically only from Metsä Fibre's bioproduct mill in Äänekoski, Finland;
- Make sure that the wood used for producing the pulp by the Äänekoski bioproduct mill is only supplied by Metsä Forest and only from the area around Äänekoski;
- Follow actively that Metsä Forest's policy, to only source at minimum FSC controlled wood, holds; and
- Use ForestMapper to assess the risk level of their pulp supply and to make responsible sourcing decisions.

Recognizing, respecting and upholding human rights and the rights of communities

We will request that our suppliers (Metsä Fibre and Metsä Forest) respect the Universal Declaration of Human Rights and acknowledge indigenous and rural communities legal, customary or user rights to their territories, land, and resources. To do so, we request that our suppliers (Metsä Fibre and Metsä Forest) acknowledge the right of Indigenous People and rural communities to give or withhold their Free, Prior and Informed Consent (FPIC) before new logging rights are allocated or tree plantations are developed, resolve complaints and conflicts, and remediate prior human rights violations through a transparent and accountable grievance mechanism and mutually agreeable dispute resolution process.

Innovative and Alternative Fibre Development

We will collaborate with Canopy, innovative companies, research organisation and suppliers to explore and encourage the development of fibre sources that reduce environmental and social impacts. We will especially focus on finding alternative and more sustainable wood pulp sources to replace the use of dissolving pulp in production of MMCFs.

Advocacy for Conservation Solutions

MI Demo will work toward identifying opportunities to support conservation solutions and sustainable forest management.

Forest Certification

Only around 10% of the world's forests are certified, but today approx. 87% of the wood used by Metsä Group has international PEFC™ or FSC® forest certification. This is an excellent

forest certification level in our industry.

In 2012, Metsä Group was issued FSC group certification and after that the forest owners, including owner-members of Metsä Group's parent company Metsäliitto Cooperative, have been able to join Metsä Group's FSC group certificate and thus, get their forest holdings FSC certified. Moreover, Metsä Group is also offering its PEFC group certificate to the owner-members.

Subsequently, MI Demo accepts pulp from forests that are responsibly managed by either FSC or PEFC, but has a preference for FSC sources. As part of Metsä Group, MI Demo promotes forest certification very broadly and actively participates in its development internationally.

Transparency, Traceability and Verification

Metsä Group's wood tracing systems are certified and verified according to PEFC and FSC Chain of Custody requirements. Furthermore, they both are, in turn, verified by third party independent auditors and include requirements for acceptable sources of wood, documentation, internal control, definition of the certification share in products and its' communication to customers.

MI Demo will ensure the transparency & traceability of its own operations and supply chains by clearly stating, on its website, the origin of its pulp raw material. More specifically, the wood that Metsä Group uses, including the wood that is processed to the pulp that MI Demo is using to make its MMCF product, is 100% traceable, meaning that Metsä Group can trace the pulp supply chain back to the original forest areas.

In addition, MI Demo will work with independent third-party auditors to ensure our supply chain remain free from Ancient and Endangered Forests and other controversial sources.

Reduction of the Greenhouse Gas Footprint

Recognizing the importance of forests and peatlands in storing and sequestering carbon, MI Demo will support initiatives that advance forest conservation and forest management approaches that i) reduce climate emissions and ii) maintain storage and sequestration values, such as avoiding a) new drainage canals and b) harvesting peatlands and other moist areas in summer.

One of Metsä Group 2030 Sustainability Targets is increasing the amount of carbon stored in forests by 30% (in hectares) from the 2018 level. Metsä Group promotes sustainable forest management, which is key to increasing the carbon storage of forests.

MI Demo will also use Life Cycle Assessment (LCA) to assess, from time to time, the Global Warming Potential of producing Kuura fibre (the first results are available at www.kuura.io).

Pollution Prevention

Pulp and MMCF manufacturing are resource-intensive processes that can lead to air and water emissions that impact overall environmental quality. This policy does not address these other critical environmental issues. However, we will invest in and use the cleanest pulp and MMCF production technology.

Communication

We recognize the benefit of creating environmental awareness among our customers, employees and peers. As such, we will highlight our environmental efforts on our website and in public communications.

MI Demo Ltd

Contact person:

Heli Kuorikoski, CEO (heli.kuorikoski@metsagroup.com)

ⁱ A map of Ancient and Endangered Forest, as well as their definition, can be found at:

<https://canopyplanet.org/tools/forestmapper/app/>

ⁱⁱ Legal forest management is forestry that complies with all applicable international, national and local laws, including environmental, forestry and civil rights laws and treaties.

ⁱⁱⁱ Plantations are areas that have been “established by planting or sowing using either alien or native species, often with few species, regular spacing and even ages, and which lack most of the principle characteristics and key elements of natural forests.” Plantations established prior to 1994 are often FSC certified.

(<https://ca.fsc.org/preview.fsc-glossary-of-terms-fsc-std-01-002.a-833.pdf>)