



REIMAGINE
2030

TRANSFORMATIVE GROWTH. SUSTAINABLE INNOVATION.

Kruger Products 2022 Sustainability Report

Sustainable Innovation





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About This Report

The 2022 Sustainability Report from [Kruger Products Inc.](#) (“KP” or the “Company”) describes the performance and management approach of the Company in key areas of environmental, social and economic sustainability.

Performance data covered in this report reflects the 2022 calendar year and previous calendar years where stated. The data covers metrics primarily related to KP’s manufacturing operations, which are in Canada and the United States - deviations from this boundary are identified within the report, data tables and footnotes. Explanations are provided, where available, for any deviations. Performance data aligns with relevant laws, regulations and recognized voluntary standards. Where appropriate, we report performance normalized to metric tonnes of production for a given year. All dollar values are expressed in Canadian dollars unless otherwise indicated. We launched our sustainable development plan, “Reimagine 2030,” in 2021 and use the 2009 calendar year as a baseline for greenhouse gas (GHG) emissions and water consumption, and the 2020 calendar year as a baseline for third-party certified fibre and virgin plastic packaging.

This report has been prepared in reference to the Global Reporting Initiative (GRI) Universal Standards (2021). It is also informed by the Sustainability Accounting Standards Board (SASB) Household and Personal Products Standard, and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). A GRI, SASB and TCFD index can be found in the Appendices.

This report has been reviewed by key members of KP’s Leadership Team, including the CEO and General Counsel.



Message from Dino Bianco

CHIEF EXECUTIVE OFFICER

Welcome to our **2022** **Sustainability** **Report**

As Canada's leading manufacturer and a growing North American supplier of quality tissue products, we are guided by our mission to "Make Everyday Life More Comfortable." When our Company's leadership came together in 2018 to officially put this mission down in writing, our primary consideration was communicating our purpose as a company that sells tissue products.

It encapsulated our relationship with our consumers and what our products do for them. However, over the past couple of years, our mission has taken on a deeper meaning. We've realized comfort represents more than a physical state; there's an emotional element to it as well. For our customers and consumers, this means comfort in knowing they're buying a locally made product from an ethical company dedicated to environmental stewardship, social progress and strong governance. We've also put a lot of thought into what comfort means beyond the consumer experience and how it relates to our employees and communities, which has led us to broaden the mission's focus and strengthen elements like belonging, caring for each other, and committing to wellness and mental health. Our thinking about sustainability also continually evolves and, with each step in our journey, KP's sustainability vision becomes more integrated into our overall business policies and strategy.

When we launched Reimagine 2030 - our ten-year strategy to grow as a company while minimizing our impact on our planet - we began a decade of transformative growth and sustainable innovation by setting targets in four key areas: fibre, plastic packaging, climate change and water usage. And we continue to build on those commitments, pushing ourselves to think bolder and to do more through collaboration and innovation.

"Our thinking about sustainability also continually evolves and, with each step in our journey, KP's sustainability vision becomes more integrated into our overall business policies and strategy."



We've invested \$25 million in artificial intelligence at our new state-of-the-art Sherbrooke, QC plant, where we've created a digital twin of our supply chain to streamline operations. Also, at Sherbrooke, we completed the construction of a new \$8.1 million cogeneration steam pipeline, reducing our dependence on fossil fuels. Additionally, through a partnership with Kruger Energy, we accessed two 100% electric semi-trailer trucks in 2022, among the first all-electric Class 8 vehicles operating in Canada.



“At KP, we understand that our stakeholders are concerned about the environment and our shared future. We hope they take comfort in the fact that sustainability is integrated into who we are, and our vision for the Company and for sustainability are one and the same.”

These technological investments are crucial to reaching our goals, but our people are the real source of our innovation. One shining example is the development of our sustainably focused Bonterra™ brand, which launched in February 2022. Bonterra incorporates several of our Reimagine 2030 commitments – the products are made in Canada from responsibly sourced certified recycled paper, manufactured in a carbon-neutral manner and wrapped in plastic-free packaging.

Our culture of respect and collaboration reflects who we are as a company, as does our commitment to diversity, equity and inclusion. Our differences make us stronger, and we strive to help our employees achieve their personal and professional best. This commitment extends to our communities as well. In 2022, we enhanced our community hockey program, the Kruger Big Assist, with an eye towards making Canada's national winter sport more diverse and inclusive.

At KP, we understand that our stakeholders are concerned about the environment and our shared future. We hope they take comfort in the fact that sustainability is integrated into who we are, and our vision for the Company and for sustainability are one and the same. We define success as progress in both areas and will not sacrifice one for the other. We still have much to accomplish and challenges to be met, but we remain steadfast in our belief that we will achieve our goals. Through commitment, collaboration and innovation, we are reimagining what our world can be through 2030 and beyond.

Regards,

Dino Bianco, Chief Executive Officer



Q&A with Steven Sage

VICE PRESIDENT, SUSTAINABILITY

In 2022, KP's VP of Sustainability, Steven Sage, was among ten leaders in sustainability from around the globe to receive the inaugural SEAL Sustainability Leadership Award. The award honours top executives in sustainability, environmental health and safety, and corporate social responsibility. Here, Steven discusses KP's progress towards our Reimagine 2030 targets and how we're getting there.



Q. In 2021, KP launched Reimagine 2030 and set a number of environmental targets, including a commitment to 100% third-party certified fibre. What exactly does this type of third-party certification guarantee? Why does the Company believe it's important?

Managing supply chain risk is very important to us and our customers. Third-party certifications assure our customers that the fibre we use to produce our products is sourced from sustainably managed forests or verified recycled material. They can feel confident that their purchases are responsibly made from forest to product to shelf. In 2022, 85% of our fibre was certified by the Forest Stewardship Council® (FSC®), our preferred certification, while the remainder was certified by the Sustainable Forestry Initiative (SFI) and the Programme for the Endorsement of Forest Certification (PEFC).

Q. KP also committed to reducing its GHG emission intensity by 25% from its 2009 benchmark. What steps is KP taking to meet this target? Are there any new developments concerning GHG emissions?

One exciting new development is that we calculated our Scope 3 emissions for the first time in 2022, to better understand our impact throughout our supply chain. This work was done by our new Corporate Sustainability Manager, a position we added in 2022, and we look forward to working together as we refine these metrics in future years. Our new cogeneration steam project at our Sherbrooke, QC plant came online in the fall of 2022 and will reduce our emissions by 14,000 MT annually, significantly contributing to our reduction target. In addition, our Crabtree, QC and New Westminster, BC plants expect to achieve ISO 50001 certification in 2023, joining our Gatineau, QC plant, which was certified in 2019. Overall, through 2022 we've reduced our GHG emission intensity by 13%, from 2009 levels.





Q. KP set a lofty goal for water consumption intensity, committing to a reduction of 50% against the 2009 benchmark. What measures has the Company taken so far to achieve that goal?

In our manufacturing facilities in Sherbrooke and Memphis, TN, we use a process called Through-Air Drying (TAD), which, over the last two or three decades, has become a second industry standard technology for producing the premium quality products consumers expect. The TAD papermaking technology uses less fibre and significantly less water than traditional papermaking equipment. We've also made investments in water efficiency equipment. The tradeoff with TAD is that the process requires more energy than the conventional technology, Light Dry Crepe (LDC), which increases greenhouse gas emissions. So that's a balance, and we've had to step up our emission-reduction efforts to offset the increase from the TAD equipment.

Q. The fourth key environmental target is a 50% reduction in virgin plastic packaging intensity in KP's branded products against a 2020 benchmark. The launch of the new plastic-free Bonterra™ brand will help in that respect. What other steps is the Company taking?

We're currently evaluating how we will achieve this target, and exploring various strategies including downgauging, eliminating unnecessary packaging and utilizing alternative materials, including those with recycled content. Matching our desire for reductions with available solutions is always the challenge, although efforts to accommodate the increasing number of companies trying to reduce their plastic consumption are growing. We're proud to be a signatory to the Canadian Plastics Pact and an active member of their flexible packaging working group. We believe strongly in their vision of a circular economy for plastic, in which plastics stay in the economy and out of the environment.

“We’re actively engaged in sustainability initiatives across the whole breadth of the Company – including both our public targets and many internal initiatives – and we’ll continue pushing ourselves to do more throughout the decade.”

Q. Overall, is KP on track to meet its 2030 targets?

The short answer is yes, and then some. We've been at this for a long time, for more than a decade, and we've addressed most of the low-hanging fruit. We're now working on the more complex challenges that require greater investment, innovation and commitment. We're actively engaged in sustainability initiatives across the whole breadth of the Company – including both our public targets and many internal initiatives – and we'll continue pushing ourselves to do more throughout the decade.



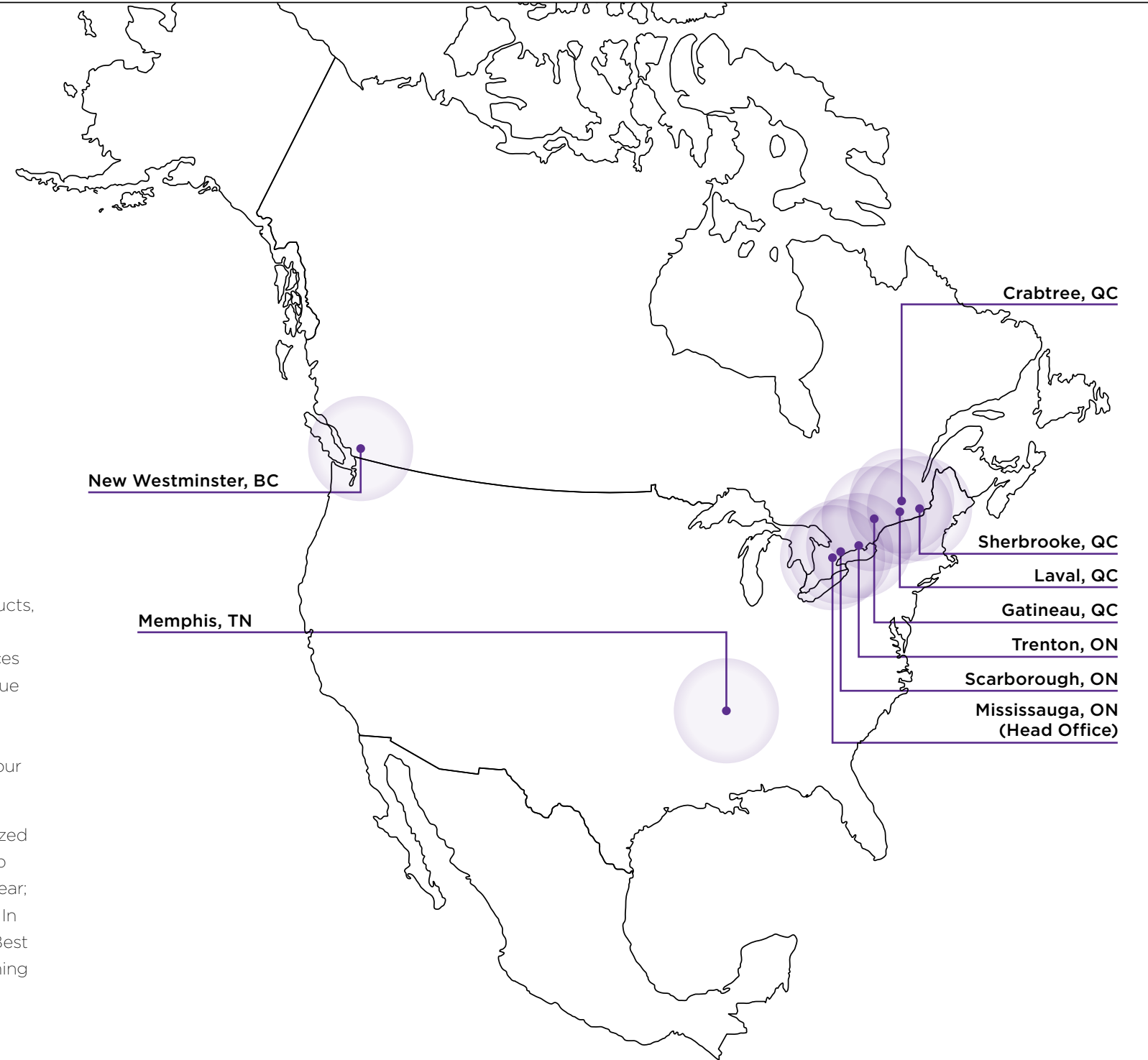


About Us

Headquartered in Mississauga, Ontario, KP is Canada's leading manufacturer of quality tissue products for household, industrial and commercial use across North America. We serve the Canadian and U.S. consumer markets with well-known brands such as Cashmere®, Purex®, SpongeTowels®, Scotties®, Bonterra™ and White Cloud®. Our Away From Home commercial products division distributes a wide range of tissue products and solutions to diverse industries, including food service, hospitality and healthcare.

KP's nine manufacturing plants are in areas geographically aligned to the natural resources required to make our products, and close to key population centres. Our manufacturing facilities include eight plants across three Canadian provinces (Québec, British Columbia and Ontario), representing a tissue manufacturing capacity of 44% of Canada's total output, and a U.S. manufacturing plant in Tennessee. We employ approximately 2,800 people at these manufacturing sites, our corporate headquarters and regional sales offices.

Over the years, our sustainability efforts have been recognized by a variety of organizations. In 2022, we were named a Top Greater Toronto Area Employer for the tenth consecutive year; we achieved Bronze Level Parity Certification from Women In Governance; and we ranked as one of *Corporate Knights'* Best 50 Canadian Companies for the fifth consecutive year, coming in at #5, our best showing to date. KP was recognized with top-quartile scores on green revenue, waste productivity, CEO-to-average worker pay ratio, employee turnover and executive racial diversity.



Mission

Making everyday life more comfortable

Vision

To be the most trusted, best loved tissue company in North America

Values

Entrepreneurship, Family Spirit, Commitment, Integrity, Customer Focus



Our Business

\$1.7B

Revenue

2,800

Dedicated Employees

9

Production Facilities



ACHIEVEMENTS

Cashmere® #1 Bath Tissue in Canada¹

Purex® #1 Bath Tissue in Western Canada¹

Scotties®[®] #1 Facial Tissue in Canada²

SpongeTowels® #2 Paper Towel in Canada³

¹ KP calculation based on MarketTrack database for the Bathroom Tissues category for the latest 52 weeks ending December 31, 2022 time period. Copyright © 2023, Nielsen Consumer LLC.

² KP calculation based on MarketTrack database for the Facial Tissues category for the latest 52 weeks ending December 31, 2022 time period. Copyright © 2023, Nielsen Consumer LLC.

³ KP calculation based on MarketTrack database for the Paper Towels category for the latest 52 weeks ending December 31, 2022 time period. Copyright © 2023, Nielsen Consumer LLC.

Canada Consumer Products

Products: Branded and private-label bathroom tissue, facial tissue, paper towels and paper napkins for consumer household use.

Brands: Cashmere® and Purex® bathroom tissue, Scotties® facial tissue, SpongeTowels® paper towels, and Bonterra™ bathroom tissue, paper towels and facial tissues for consumer household use.

Retail Customers: Grocery, drug, mass merchandisers, club stores, drug stores and convenience stores.

United States Consumer Products

Products: Branded and private-label bathroom tissue, facial tissue, paper towels and paper napkins for consumer household use.

Brands: White Cloud® bathroom tissue and paper towels are sold at retailer locations across the United States.

Retail Customers: Grocery, drug, mass merchandisers, club stores and home improvement stores.

Away From Home Division (AFH) Products

Products: Branded and private-label bathroom tissue, facial tissue, paper towels, paper napkins, wipers, hand care and dispensing systems for commercial and industrial use across all major market segments in Canada and the United States.

Brands: Embassy®, White Swan®, Chalet and Metro.

Segments: Food services, property management, healthcare, manufacturing, education and lodging.



How We Create Value

Reimagine 2030

Strategic Pillars

Products Empower

Reduce the environmental impact of our products and packaging without sacrificing quality or consumer comfort.

Our Commitments

- Create products made from responsibly sourced materials.
- Reduce the use of plastic packaging.
- Develop sustainable product solutions through research and innovation.

Reimagine 2030 Goals

Fibre and Forests

Maintain use of 100% third-party certified fibres.

Packaging

Reduce virgin plastic packaging in branded products by 50%.

Innovation

Invest in new technologies and processes to reduce our environmental impact, including the development of innovative product solutions.



Planet Conscious

Minimize our impact on the land, water and air while continuing to grow our business.

- Reduce GHG emissions through energy efficiency, climate mitigation technologies and fuel switching.
- Decrease water consumption and improve water quality.
- Reduce operational waste by utilizing circular economy principles in manufacturing.

Climate Change

Reduce Scopes 1 and 2 emissions intensity by 25%.

Water

Reduce water consumption intensity by 50%.

Waste

Maximize waste diversion through reduction and reuse initiatives.



Reimagine 2030

Strategic Pillars

Employee Impact

Cultivate a workplace where every employee feels inspired to do their best work, supported to achieve their aspirations and empowered to make their desired impact.

Our Commitments

- Provide the safest possible workplace for employees.
- Nurture an open, transparent and innovative environment where voices and ideas are heard.
- Foster a culture of diversity, equity and inclusion.
- Invest in employee training and development.

Reimagine 2030 Goals

Health and Safety

Achieve a 0.5 OSHA Total Incident Rate by 2025.

Diversity and Culture

Continued DE&I training and relaunched Kruger Products Women's Network.

Training and Development

Provide training programs through a variety of methods, including on-the-job instruction, eLearning, special projects, etc., to foster a continuous improvement environment.



Community Embrace

Develop relationships and engagement initiatives that make everyday life in our communities more comfortable.

- Align philanthropic and partnership initiatives with issues that impact our communities and are important to our employees.
- Encourage and support employee volunteering.
- Engage with local communities where we operate to be good neighbours.

Community Investment/Employee Volunteering

- Invest in our communities through partnerships with local and national charities and employee volunteering.
- Develop a strategic framework to guide our community investment efforts and support our mission at the corporate, regional and local levels.

Community Relations

Engage with local communities and respond to feedback to improve relationships.





Materiality

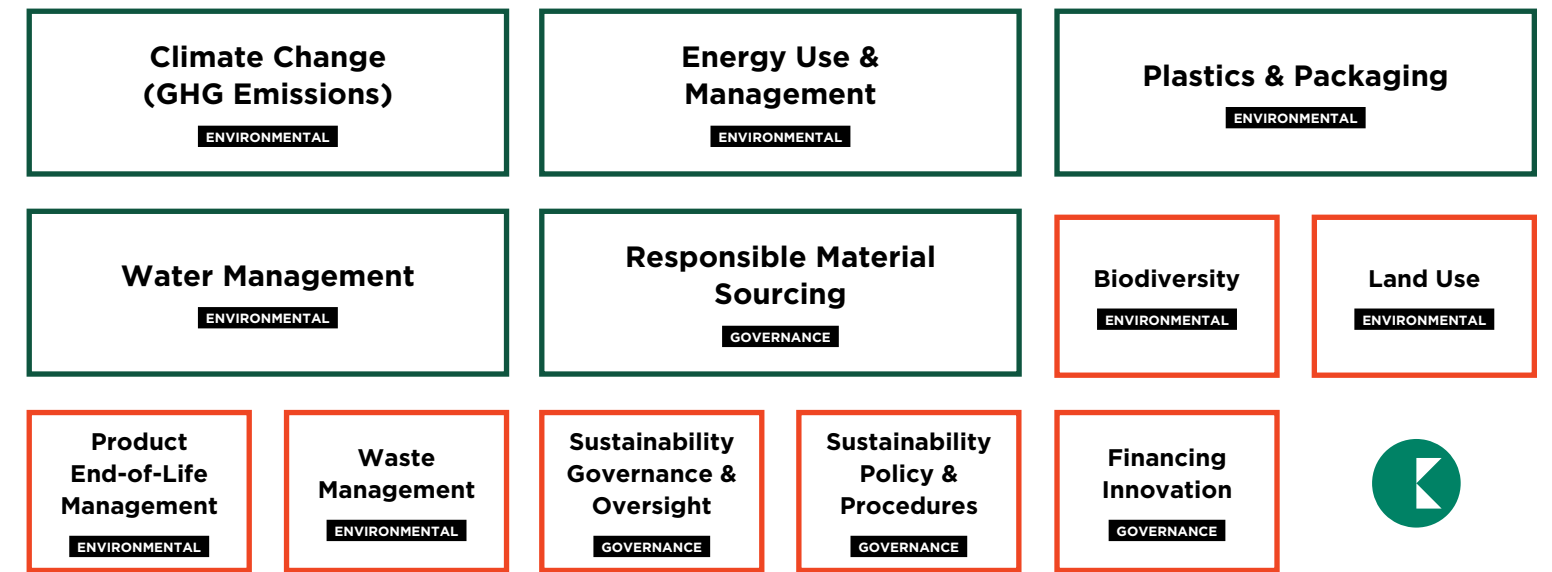
Kruger Products last conducted a full materiality assessment in 2015. In 2022, we engaged a third-party advisor to complete a desktop-based assessment to validate our major priorities. Our goal was to identify the topics we would address in our Sustainability Report, based on the priorities of our company and key stakeholder groups, including the following:

- KP executives
- Major customers
- Consumers
- Regulators and governments
- Environmental non-governmental organizations (ENGOs)
- Investors and financial stakeholders

We identified the sustainability topics of greatest importance to unique stakeholder groups by reviewing recent research. Feedback from Kruger Products' executives, regulators and governments was derived from Reimagine 2030 interviews conducted in 2020. Major customer observations were derived from questionnaires sent to several customers, and consumer insights were derived from 2020 Canada and USA Ipsos research. ENGO materiality data was derived from FSC, SFI and PEFC chain of custody standards, and investors and financial stakeholder priorities were derived from relevant SASB, GRI and TCFD Standards and Frameworks.

Through this process, we found that Kruger Products executives believed sustainability issues should be integrated within the company's corporate governance structures and overall strategy to enable organizational change. For customers, beyond core concepts such as climate change and biodiversity, there were growing concerns about product sustainability throughout the entire product life cycle, from the responsible sourcing of raw materials to the reuse and recycling of materials in manufacturing and packaging. Water-related topics such as reducing water pollution and consumption were most important to Canadian and American consumers. Federal and provincial policy development suggests that regulators and governments largely prioritize environmental issues over social and governance-related topics. Given their domain, ENGOs prioritize environmental protection and stewardship throughout the supply chain and product life cycle. Investors and financial stakeholders place importance on a variety of topics across E, S and G that are aligned with established disclosure frameworks.

We are also planning to re-engage with these and other important stakeholders in the coming years, as part of a materiality assessment.



Top Sustainability Issues and Stakeholder Priority Map

	PRIORITY	KP EXECUTIVES	MAJOR CUSTOMERS	CONSUMERS	REGULATORS/ GOVERNMENT	ENGOs	INVESTORS & FINANCIAL STAKEHOLDERS
ENVIRONMENTAL	Biodiversity	■		●	●	●	
	Climate Change (GHG Emissions)	■		●	●		●
	Energy Use & Management	■	●	●	●		
	Land Use	■			●	●	
	Plastics & Packaging	■			●		
	Pollution	■					●
	Product End-of-Life Management	■		●			
	Waste Management	■			●		
SOCIAL	Water Management	■			●		●
	Customer Experience	■					
	Employee Engagement	■					
	Equity, Diversity & Inclusion	■					●
	Occupational Health & Safety	■			●		
GOVERNANCE	Talent Attraction, Retention & Development	■					
	Sustainability Governance & Oversight	■	●				●
	Sustainability Policy & Procedures	■	●				
	Financing Innovation	■	●				
	Responsible Material Sourcing	■	●	●	●		●
	Risk Management	■					●
	Supply Chain Management	■					●
Transparency	■					●	

■ Highest Priority Issues ■ High-Priority Issues ■ Priority Issues to Manage ● Key Stakeholder Priorities



Awards/ Recognition 2022

CORPORATE

[Canada's Best Managed Companies](#)
for fifth consecutive year, Gold Member

[CN EcoConnexions Partnership Award for Sustainability](#)

[Corporate Knights' Best 50 Corporate Citizens in Canada](#)
for fifth consecutive year, ranked #5

[Greater Toronto's Top Employers](#)
for tenth consecutive year

[Women In Governance](#),
Bronze Level Parity Certification

MANUFACTURING

Gala Reconnaissance Estrie
[Entreprise manufacturière](#)
[Performance et rayonnement international](#)
Sherbrooke, QC plant

Lauréat 2022 de la catégorie Proaction
[Grands Prix de la CNESST](#)
Crabtree, QC plant

MARKETING

[Canadian Grocer 2nd Annual Impact Awards](#),
Community Service for Kruger Big Assist

[Product of the Year Canada](#), Household Paper Towel,
SpongeTowels UltraPro®

[Best New Product](#), Household, SpongeTowels UltraPro®

CUSTOMER

Ranked #1 Canadian Packaged Goods Supplier by Retail
Customers, Industry Survey

London Drugs 2022 Outstanding Partner of the Year
Award – Sustainability

McKesson 2022 Vendor of the Year Award – Sustainability

RJ Schinner Inaugural Supplier Visionary Award,
Away From Home Division

Restaurant Depot Supplier of the Year,
Away From Home Division

INDIVIDUAL

[Golden Pencil Industry Award](#), Michel Manseau,
SVP & General Manager, Canadian Consumer Business Unit

[Pulp & Paper Canada's Top 10 Under 40](#), Adam Sears,
Converting Division Manager

[Canadian Grocer Star Women in Grocery](#), Susan Irving,
Chief Marketing Officer

[SEAL International Sustainability Leader Award](#),
Steven Sage, VP Sustainability

Memphis Business Journal HR Impact Awards,
Public Company, Aarthi Kalyan, HR Generalist, KTG USA

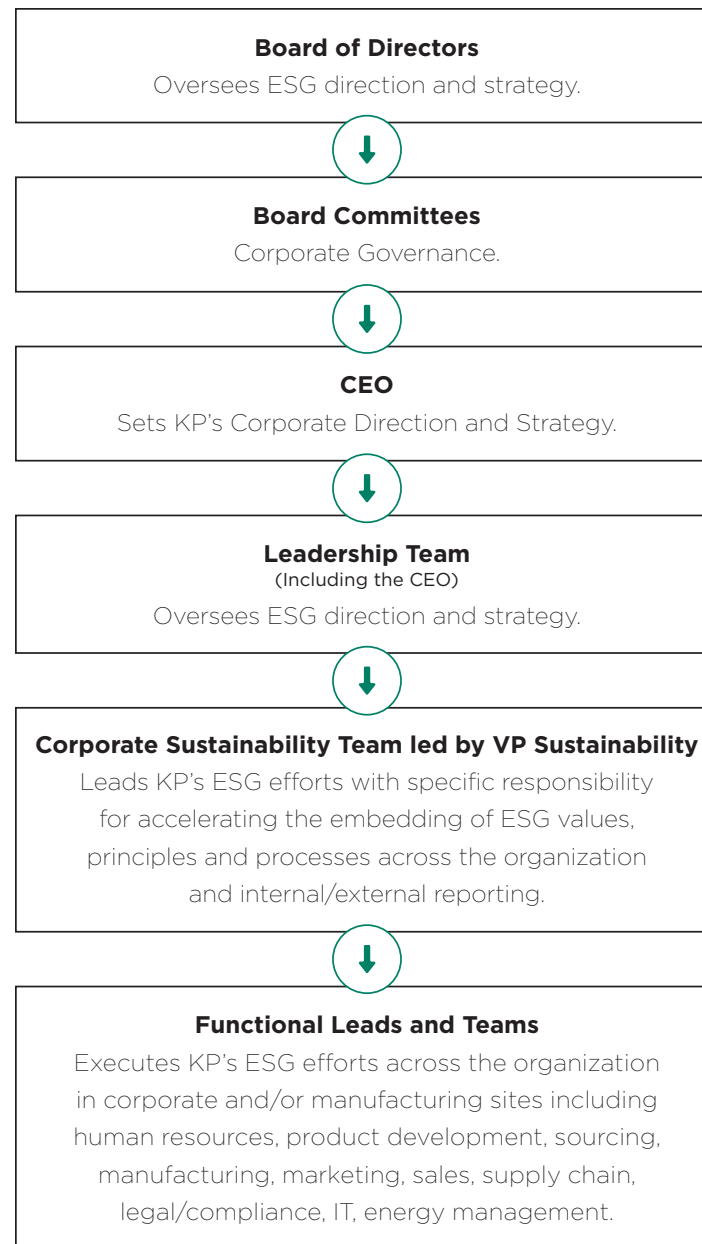


Governance

KP is a private company, with [Kruger Inc.](#) as our majority shareholder (86.28%) and the remaining shares (13.71%) held by [KP Tissue Inc.](#), a TSX publicly traded corporation, as of January 1, 2023.



ESG Governance



Board of Directors

KP's Board of Directors has oversight of our environmental, social and governance (ESG) policies and practices. KP has a ten-member Board comprising four external directors – including three independent directors – and six members from parent company Kruger Inc.'s management team, including KP's CEO. The four external members of KP's Board also comprise the four-member board of KP Tissue. Kruger Inc.'s Chair and CEO is KP's Board Chair.

The Board's mandate includes specific duties and key responsibilities, such as Board organization, selection, retention and succession, strategic oversight, risk evaluation, financial matters and internal controls, disclosure to shareholders and others, policies and procedures, and monitoring and oversight. In performing many of these duties and responsibilities, KP relies on services provided by Kruger Inc. pursuant to an Administration Agreement between the parties.

In 2022, KP increased the depth and frequency of the Board's oversight of our ESG policies and practices, which includes risks, disclosure, investments and progress. We also enhanced internal collaboration and created more defined ESG roles and responsibilities. Members of the Board's Governance Committee regularly review our overall risk assessments and performance and recommend them to the Board for review, modification (if necessary) and approval. We are currently at the initial stages of incorporating climate-related risks and opportunities into the Boards' risk assessment. These have

been articulated historically in self-reporting through the CDP disclosure and previous sustainability reports. Looking ahead, the Governance Committees and Board in 2023 will be developing climate mitigation strategies in alignment with the Company's risks.

Leadership Team

Kruger Inc.'s Chair and CEO, Joseph Kruger II, is also KP's Board Chair. KP's Leadership Team is led by our CEO, who, along with the Company's other top leadership, is responsible for executing our ESG Strategy. Our Vice President of Sustainability leads the development of the strategy, which aims to reduce KP's environmental footprint, supported by cross-functional teams across the organization. Other members of the Leadership Team include the Chief Financial Officer, Chief Marketing Officer, SVP & GM Consumer Business Canada, SVP & GM Consumer Business USA, SVP & GM AFH Business, SVP General Counsel & Corporate Affairs, SVP Supply Chain & Operational Excellence, and Corporate VP Technology & Product Development.

The Leadership Team is responsible for the Company's operational management, including the development and execution of the organization's mission, values and strategy. From a sustainability perspective, the Leadership Team reviews key environmental and social performance progress quarterly and engages in the development, execution and support of various sustainable development activities by cross-functional teams comprised of corporate and plant employees.



KP Leadership Team



Ethics/ Integrity

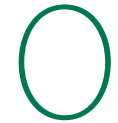
KP operates under several policies developed by Kruger Inc. and/or KP, and governed by KP's Leadership Team. These policies are regularly reviewed and updated as necessary. We actively adhere to these policies to ensure we comply with applicable laws and regulations. In terms of environmental regulations, these include, but are not limited to, the Québec Cap-and-Trade System and various recycling stewardship programs run by provincial governments in Canada.

Kruger Inc. developed and released its initial Code of Ethics in 2011. The policy was updated for KP and approved by our Board in March 2021. This policy guides how we conduct our business, providing various rules and guidelines for ethical business practices and procedures, ensuring we comply with all applicable laws and regulations of all countries where we conduct business. The General Counsel & Corporate Secretary holds ongoing responsibility for maintaining and enforcing the policy, which applies to all employees, officers and directors of KP.

Our Code of Ethics includes human rights and anti-corruption policies. It reinforces our commitment to diversity, equity and inclusion (DE&I), our employees' health and safety, and reducing our impact on the environment. For the reporting period, there have been no incidents of corruption or anti-competitive behaviour.

Additionally, KP's facilities operate under a proprietary Environmental Management System (EMS), and we report our climate and forestry impact and risks annually to CDP. The Company's progress on our sustainability efforts is published annually on our website, along with the following policies:

- [Code of Ethics](#)
- [Environmental Policy](#)
- [Fibre Procurement Policy](#)
- [Supplier Code of Conduct](#)



incidents of corruption or anti-competitive behaviour





Reimagine 2030

We launched Reimagine 2030 – KP’s 10-year sustainable development plan – in 2021, with high aspirations. Since then, we’ve been working hard to better understand our impact and identify and implement creative solutions to help us achieve our targets.



We have increased our Board of Directors’ oversight of the Company’s sustainability policies and procedures; expanded the identification of environmental risks; increased the number of material disclosures we make, including measuring and disclosing Scope 3 GHG emissions for the first time; invested in new technologies; and launched a new sustainable brand. Perhaps most importantly, we have embedded sustainability in most decisions and actions we take as a company, making it an even more essential piece of our overall business strategy.

Guided by our vision to be the most trusted, best loved tissue company in North America, the four-pillar strategy initially established four new quantitative targets to be achieved by 2030:

25%
reduction in our Scopes 1 and 2 GHG emission intensities¹

50%
reduction in our water consumption intensities¹

50%
reduction in virgin plastic packaging intensities in our branded products²

100%
utilization of third-party certified fibres in the manufacturing of our products²

Building on our accomplishments of the previous decade, Reimagine 2030’s long-term horizon enables us to aim higher, develop more impactful targets and undertake the investments needed to succeed. In addition to the above targets, KP monitors and annually discloses our performance in the following areas: energy consumption by type, Scopes 1, 2 and 3 GHG emissions, water effluent discharge, waste generation and diversion, fibre consumption by type and packaging components by type. Moreover, we will continue to add new specific targets throughout the coming decade.

Our Reimagine 2030 strategy is built on the belief that we can grow our business while positively impacting the planet – a delicate balance, to be sure, but one we are committed to achieving. Responsible environmental stewardship can no longer be viewed as a nice thing companies do when it’s convenient: it is an economic imperative. The global threats of climate change, biodiversity loss and natural resource depletion are accelerating at alarming rates that, if continued, will threaten the entirety of the global economy and the livelihoods of billions of people. The urgency of these crises has led to increasing calls for businesses to lead in creating solutions to our collective ecological and social challenges – government requirements are increasing, standards set by the financial community are tightening, and the expectations of our customers and employees are rising. At KP, we aim to rise to the challenge, continually pushing ourselves to do more and be greater as we continue towards transformative growth and sustainable innovation.

“Responsible environmental stewardship can no longer be viewed as a nice thing companies do when it’s convenient: it is an economic imperative.”



Mark Holbrook, Chief Financial Officer

¹ Versus 2009 Baseline.

² Versus 2020 Baseline.



Road to Reimagine 2030 Timeline

<p>2008</p> <p>Sustainability identified as key strategic priority by Leadership Team</p>	<p>2010</p> <p>First program – Sustainability 2015 – launched with eight public targets using 2009 benchmarks</p>	<p>2012</p> <p>First report to CDP Climate Questionnaire</p> <p>Heat recovery project begins operations at Gatineau, QC plant to reduce GHG emissions by 14.5% annually at maturity</p> <p>Convened first of eight annual Leaders in Sustainable Thinking industry roundtable to discuss collaborative sustainability solutions</p>	<p>2014</p> <p>Heat recovery project begins operations at Crabtree, QC plant to reduce GHG emissions by 6% annually at maturity</p>	<p>2016</p> <p>Final 2015 results published</p> <p>Second program – Sustainability 2020 – launched with four public targets</p> <p>Awarded Walmart Canada’s Sustainability Vendor of the Year</p>	<p>2018</p> <p>Recognized for first time as one of Canada’s Best 50 Corporate Citizens by <i>Corporate Knights</i></p>	<p>2020</p> <p>Achieved 100% fibre third-party certified</p>	<p>2022</p> <p>Gatineau, QC plant begins supplying effluent heat to Zibi community, creating first district energy system in North America</p> <p>Cogeneration project at Sherbrooke, QC begins, to reduce GHG emissions by 32% annually at maturity</p> <p>Additional resource hired – Corporate Sustainability Manager</p> <p>Ranked #5 on Canada’s Best 50 Corporate Citizens by <i>Corporate Knights</i></p> <p>VP, Sustainability recognized with inaugural SEAL global sustainability leader award</p> <p>Bonterra – company’s first sustainability-focused product line – introduced</p> <p>Sherbrooke, QC plant begins twin digital AI project, reducing GHG emissions</p>
<p>2009</p> <p>Dedicated resource hired – VP, Sustainability</p> <p>Benchmark data collection</p> <p>First in pulp & paper and in Canada biogasification system begins operations in New Westminster, BC to reduce emissions by 50% annually</p>	<p>2011</p> <p>First public reporting of results</p> <p>First Canadian tissue manufacturer to earn FSC® chain of custody certification</p>	<p>2013</p> <p>First sustainability report published to GRI standards</p> <p>Offer one of the largest portfolios of third-party certified tissue products in North America</p>	<p>2015</p> <p>Conducted first stakeholder engagement project to identify key materiality issues</p>	<p>2017</p> <p>Recognized as one of Canada’s Future 50 by <i>Corporate Knights</i></p>	<p>2019</p> <p>Earned SFI/PEFC chain of custody certification</p> <p>Gatineau, QC plant achieves ISO 50001 certification</p> <p>Began reporting to CDP Forestry questionnaire</p> <p>Second heat recovery project begins operations at Crabtree, QC plant to reduce GHG emissions by additional 9% annually at maturity</p>	<p>2021</p> <p>Final 2020 results published</p> <p>Launched Reimagine 2030 with four public targets</p> <p>Sustainability becomes a pillar in new KP corporate strategy</p> <p>First Canadian tissue company to join Canada Plastics Pact</p> 	<p>2023</p> <p>Two electric trucks begin operations for internal transfers between Crabtree, QC and Laval, QC warehouse, saving 380 MT CO₂e annually</p> <p>First sustainability report published to TCFD and SASB standards</p> 





Progress Against Commitments and Targets

Our Strategic Pillars	Focus Areas	Our Commitments and Targets	2030 Target Status	Our Progress Towards Reimagine 2030	Reference
Products Empower	Fibre and Forests	<p>Use 100% third-party certified fibres.</p> <p><i>Expand our green product offerings.</i></p> <p><i>Support sustainable forestry practices.</i></p>	✔ Achieved	<p>85% of fibre is FSC®-certified, 13% PEFC-certified and the remaining 2% is SFI-certified.</p> <p>158 products are FSC®-certified, 59 Away From Home commercial products are certified by ECOLOGO and 19 products are SFI-certified.</p> <p>“B” grade on the CDP Forestry assessment.</p>	Pages 20-22
	Packaging	<p>Reduce virgin plastic packaging in branded products by 50% by 2030.</p>	🔴 In Progress	<p>Approximately 90% of packaging material by weight is fibre-based and fully recyclable.</p> <p>Reduced virgin plastics intensity in branded products packaging by 2.8% since 2020 baseline.</p>	Pages 24-25
	Product Innovation	<p><i>Invest in new facilities and innovative, resource-efficient technologies to enhance product sustainability and quality for our consumers.</i></p>		<p>Launched sustainably focused Bonterra™ brand, which is made in Canada using recycled paper, carbon neutral manufacturing and wrapped in plastic-free packaging.</p> <p>Invested \$25 million in artificial intelligence at the new Sherbrooke, QC plant.</p>	Pages 23 and 25
Planet Conscious	Climate Change	<p>Reduce Scope 1 and Scope 2 emissions intensity by 25% by 2030.</p> <p><i>Invest in energy efficiency.</i></p> <p><i>Continue to explore fuel switching opportunities.</i></p>	🔴 In Progress	<p>Reduced Scopes 1 and 2 GHG emissions intensity by 12% from a 2009 baseline.</p> <p>Calculated Scope 3 emissions from 11 sources.</p> <p>Sourced two 100% electric semi-trailer trucks that will eliminate 150,000 litres of fossil fuel annually.</p> <p>Completed construction of a new \$8.1 million cogeneration steam pipeline at Sherbrooke to reduce dependence on fossil fuels and invested more than \$1 million to fund two efficiency projects.</p>	Pages 27-29
	Water	<p>Decrease water consumption intensity by 50% by 2030.</p>	🔴 In Progress	<p>Reduced water consumption intensity by 39% between 2009 and 2022 through process efficiencies and new technologies.</p> <p>Reduced Biochemical Oxygen Demand (BOD) by 46% since 2020.</p>	Page 30
	Waste	<p><i>Reduce operational waste.</i></p> <p><i>Utilize circular economy principles in manufacturing.</i></p>		<p>Reused 91.3% waste rather than sending it directly to landfill in 2022.</p> <p>Biosolids to heat recovery at Sherbrooke cogeneration plant.</p>	Page 31



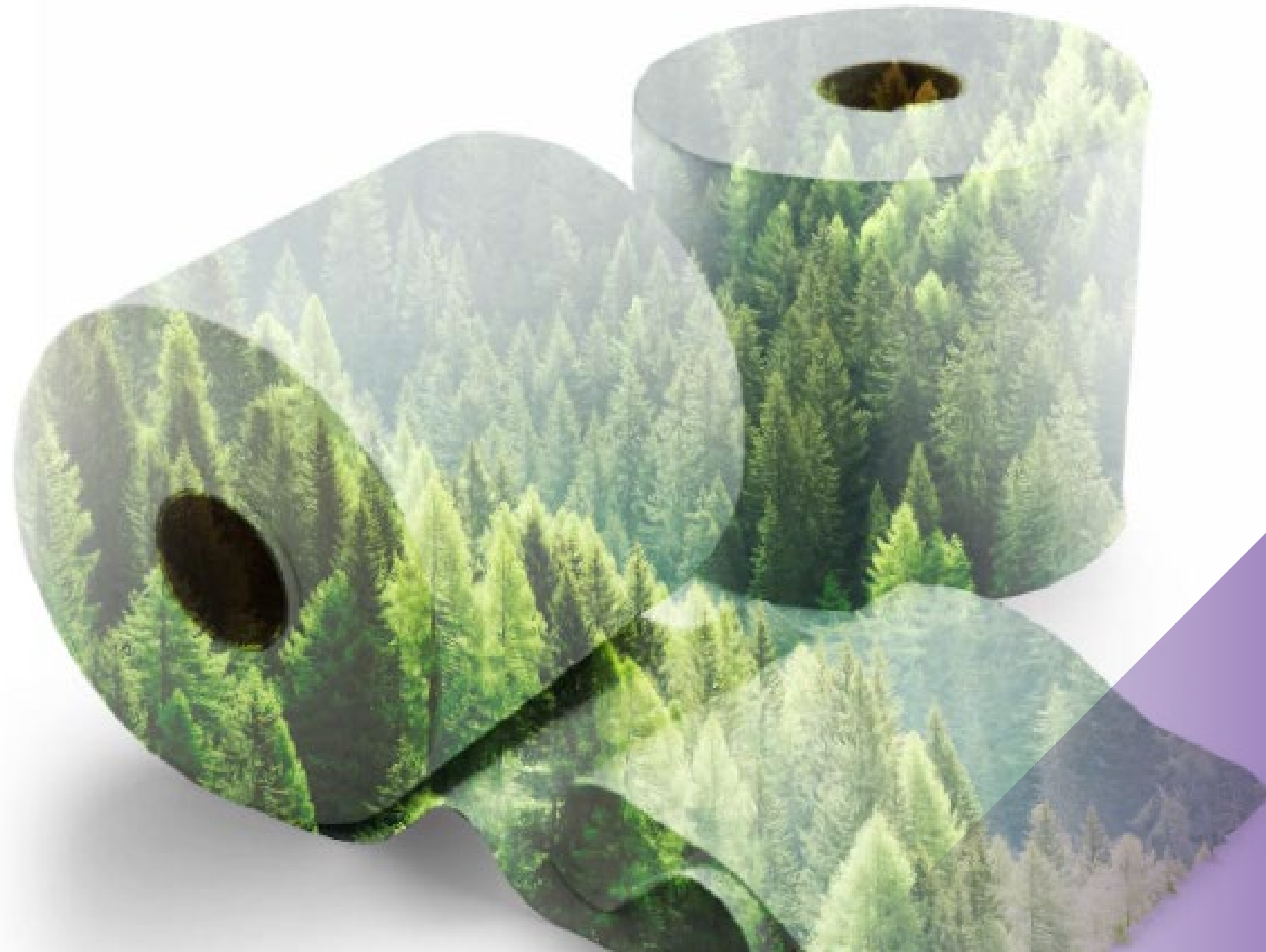
Our Strategic Pillars	Focus Areas	Our Commitments and Targets	2030 Target Status	Our Progress Towards Reimagine 2030	Reference
Employee Impact	Health and Safety	Achieve a 0.5 TIR by 2025. <i>Support the safety and well-being of employees.</i> <i>Promote safe working environments, competitive wages and respect of workers' rights.</i>	🔴 In Progress	Achieved a TIR of 1.37, a 65.8% improvement over 2015 baseline. Introduced a new Personal Wellness Account and implemented a hybrid work model for our Corporate Office. Offered subscription to Headspace meditation app and comprehensive benefits package, including parental leave, hybrid work policy and a defined contribution pension plan for salaried employees.	Pages 34-35
	Diversity and Culture	<i>Create an inclusive and empowering environment for all employees through our Diversity, Equity and Inclusion Strategy and various initiatives.</i>		46% of Managers, 20% of the Leadership Team and 20% of the Board of Directors are women.	Pages 35-36
	Training and Development	<i>Invest in our employees through training opportunities and development programs to help employees reach their full potential.</i>		Over 1,550 eLearning training hours completed by salaried employees in 2022. 61 employees completed Lean Six Sigma Certification, and 53 are in progress. Active career development and succession planning and bi-annual performance reviews.	Pages 35 and 37
Community Embrace	Community Investment	<i>Invest in our communities through partnerships with local and national charities, and employee volunteering.</i>		Donated more than \$600,000 to over 40 hockey communities across Canada through the Kruger Big Assist initiative. Partnership with 4ocean and One Tree Planted.	Page 40
	Employee Volunteering	<i>Volunteer activities are organized at the site level to support local communities.</i>		Organized three food drives at our office in collaboration with The Mississauga Food Bank. Supported the Big Brothers Big Sisters "back to school" campaign with the donation of 100 backpacks/Cashmere bags filled with school supplies, Scotties facial tissues, Sponge Towels and a free product coupon for parents. Raised \$3,420 at our annual Movember event.	Page 41
	Community Relations	<i>We support a number of national organizations and local initiatives to give back to the communities we work in, to make everyday life more comfortable.</i>		Supported more than 45 local organizations. Top 5 contributor to breast cancer cause; annual Cashmere Collection fashion show supporting breast cancer awareness Have provided in-kind product donations to Ronald McDonald House Charities Canada since 1990. We Care - sending kids with disabilities to summer camp since 1999.	Pages 40-41



PILLAR 1

Products **Empower**

Creating products made from responsibly sourced materials that minimize our impact on the environment and reduce our use of plastic.





Our Commitments

Packaging

Reduce virgin plastic packaging materials in our trademark brand products by 50%¹

Fibre & Forests

Maintain 100% third-party certified fibre in our products

Product Innovation

Continually work to enhance our products and improve our sustainability performance through dedicated research and innovation



As the Canadian tissue market leader and a growing North American supplier, it is our responsibility to lead by example. Deforestation and plastic pollution are two of society's most pressing environmental challenges, representing a threat not only to the natural world but to the health and well-being of people everywhere and the global economy. At KP, we are committed to reducing the environmental impact of our products and packaging without sacrificing quality or consumer comfort. By investing in innovation and maintaining long-term relationships with responsible suppliers, we are increasing the circularity of our packaging and supporting sustainable forest ecosystem management. We also offer one of the largest third-party certified portfolios of bathroom tissue, facial tissue, paper towel and napkin products in North America, with 237 products. And in 2022, we marked one of our proudest achievements to date: the launch of our new, sustainably focused Bonterra™ brand. Made in Canada using 100% recycled fibre, produced through carbon-neutral manufacturing and packaged in plastic-free packaging, Bonterra represents our 2030 product sustainability goals delivered to the retail shelf. The brand also speaks to who we are as a company: an innovative industry leader with a mission to minimize our environmental impact while we make everyday life more comfortable.

Our Third-Party Certified Products

158 products

Forest Stewardship Council®

59 products

ECOLOGO®

19 products

Sustainability Forestry Initiative

1 product

Green Seal

¹ Versus 2020 Baseline.



Fibre & Forests

Forests are vital to life on Earth, purifying the air we breathe, filtering the water we drink and acting as an essential buffer against climate change. They provide a home to many of the world's plant and animal species, as well as natural resources that support the lives of local communities and serve as the source of many of the products we use every day. While KP does not own or manage our forests, we understand that our business, and the larger economy, depends on healthy, sustainable forests.

KP's use of forest resources represents our greatest opportunity for improving our environmental impact, and we remain committed to sustainable fibre sourcing and responsible forest ecosystem management. To achieve these goals, we've developed long-term relationships with vetted pulp suppliers, most of which date back over a decade. In addition to various other criteria for selection, we require all of our pulp suppliers to be third-party certified and to adhere to our Fibre Procurement and Supplier Code of Conduct policies.

In 2022, 18.5% of our fibre came from recycled sources – primarily sorted office waste – from Canada and the U.S. Overall, we sourced 68% of our virgin fibre from Canada, while the remaining 32% was sourced from Brazil, where certification of our suppliers by the Forest Stewardship Council® (FSC®) assures us and our stakeholders that none of our fibre comes from the Amazon rainforest.

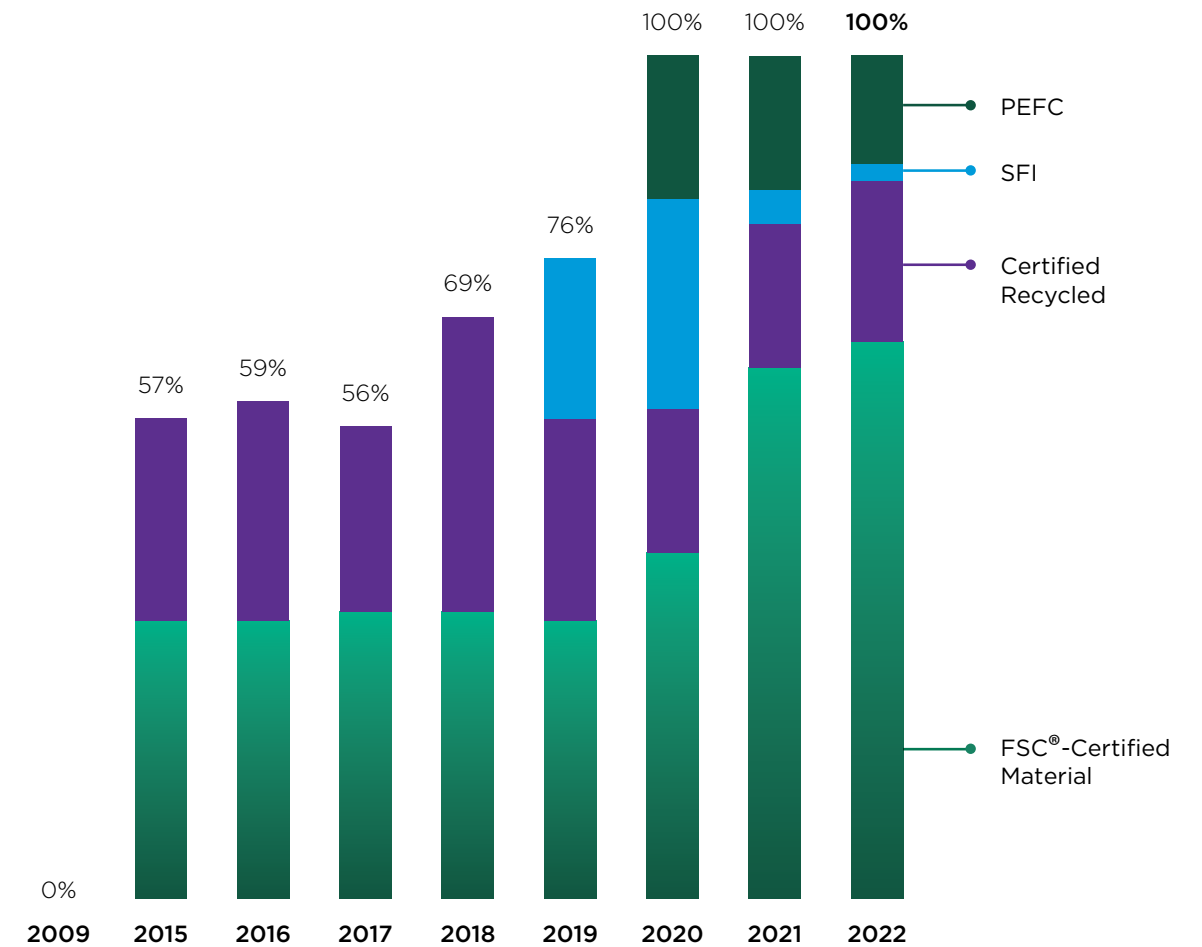
We have also begun to analyze the climate risks that could impact our supply chain, such as the increasing prevalence of wildfires. In 2019, we began completing the CDP Forestry questionnaire, which provides a framework for companies to measure and manage forest-related risks and opportunities, transparently report on progress, and commit to proactively restoring forests and ecosystems. In 2022, we achieved a "B" grade on our CDP Forestry assessment, our highest mark to date, and received our highest marks yet for traceability and consumption/production data. The B grade matches the paper products and packaging sector average and exceeds the overall North American and global averages, which are both C.

Most importantly, in 2022, we maintained our Reimagine 2030 goal of 100% third-party certified fibres in our products, a level of environmental responsibility we will continue to strive for throughout the decade, even as our business grows.

18.5%
of our fibre came from recycled sources

Our Performance

SUSTAINABLE FIBRE CONSUMED



KP utilizes sorted office waste as its primary input in creating recycled fibre. The waste is de-inked and pulped in our Crabtree, QC plant.



Our Third-Party Fibre Certifications

At KP, our commitment to sustainability is more than words; it's a matter of trust. With the corporate sustainability world rife with greenwashing, we want our customers and other stakeholders to feel confident that we are taking meaningful action. To that end, we have chosen to have the fibre we use in our consumer products certified by the most respected and credible third-party certification systems available to our industry: the FSC®, the Programme for the Endorsement of Forest Certification (PEFC) and the Sustainable Forestry Initiative (SFI). Additionally, many of our Away From Home commercial products are certified by ECOLOGO, globally recognized as North America's largest, most respected environmental standard and multi-attribute certification, measuring environmental impact by five key life-cycle criteria: resource consumption, energy consumption, wastewater quality, aquatic toxicity and solid waste generation.

Our commitment to third-party certification has been an essential part of our sustainability effort. KP was the first Canadian tissue manufacturer to earn FSC® chain of custody (COC) certification in 2011, and we earned PEFC and SFI COC certifications in 2019. We achieved our target of 100% third-party certified fibre a year later and continue to maintain that level of excellence, with 85% of our fibre FSC®-certified, 13% PEFC-certified and the remaining 2% SFI-certified.



COC certification verifies that materials are handled correctly at every stage of production, from harvest to finished product. It ensures none of our fibre is sourced from illegally logged forests; genetically modified trees; high conservation value forests threatened by forestry industry activity; areas where civil or traditional rights under laws, agreements or treaties recognized by governmental authorities are violated; (natural or primary) forests being converted to plantations or non-forest uses; and areas where any ILO Core Conventions, as defined in the ILO's 1998 Declaration on Fundamental Principles and Rights at Work, are violated.

Our third-party certification programs are overseen by Preferred by Nature, a certification body that holds, manages and audits our certifications to ensure we are in keeping with the stated standards. Preferred by Nature has historically provided oversight of our FSC® certifications and, beginning in 2023, that role will extend to all our third-party fibre certifications.

Moreover, the accountability and transparency they provide are essential to who we are and who we aim to become: North America's most trusted, best loved tissue company.

85%
of our fibre is FSC®-certified



Forest Stewardship Council®

One of the most highly respected international certifications, FSC®, is our preferred third-party fibre certifier. Over the last decade, we have steadily increased the percentage of our fibre that carries the FSC® certification. In 2022, 85% of our fibre was FSC®-certified, an increase from roughly 60% in 2020. The FSC® COC certification ensures that our products come from responsibly managed forests and other controlled sources, that they are sourced from certified suppliers and that recycled fibre is verified. FSC® is the only certification supported by major international, national and local/Indigenous organizations, such as Greenpeace, the World Wildlife Foundation, the Sierra Club of Canada, ForestEthics, The Nature Conservancy and the David Suzuki Foundation.



Programme for the Endorsement of Forest Certification

PEFC is a leading, nonprofit global alliance of national forest certification systems that promotes sustainable forest management through independent third-party certification. As an umbrella organization, PEFC endorses national forest certification systems developed through multi-stakeholder processes tailored to local priorities and conditions. PEFC fibre inputs contribute to SFI-certified products.



Sustainable Forestry Initiative

The SFI COC is an accounting system that tracks forest fibre content from harvesting through end-product manufacturing, allowing KP to substantiate to customers that our products are made using certified forest content.

SPOTLIGHT: Bonterra™ –

Delivering *Reimagine 2030* to the Retail Shelf

In February 2022, KP launched our new Bonterra™ brand, an innovative sustainability-focused product line that delivers our corporate sustainability targets to the retail shelf, including bath tissue, paper towel and facial tissue products. Made in Canada from responsibly sourced, certified recycled paper, our Bonterra brand is wrapped in colourful plastic-free packaging, and its manufacturing emissions are offset by purchasing third-party verified carbon credits, making the brand's production carbon neutral.

Already turning heads, Bonterra won Grocery Innovations Canada's 2022 Best Sustainable Product Award and two Awards of Distinction in Package Innovation: Sustainable Design from PAC Global in 2023. Additionally, Bonterra Paper Towels won Canada's 2023 Best New Product Award in the Better-For-The-Environment Paper Towel category from BrandSpark International.



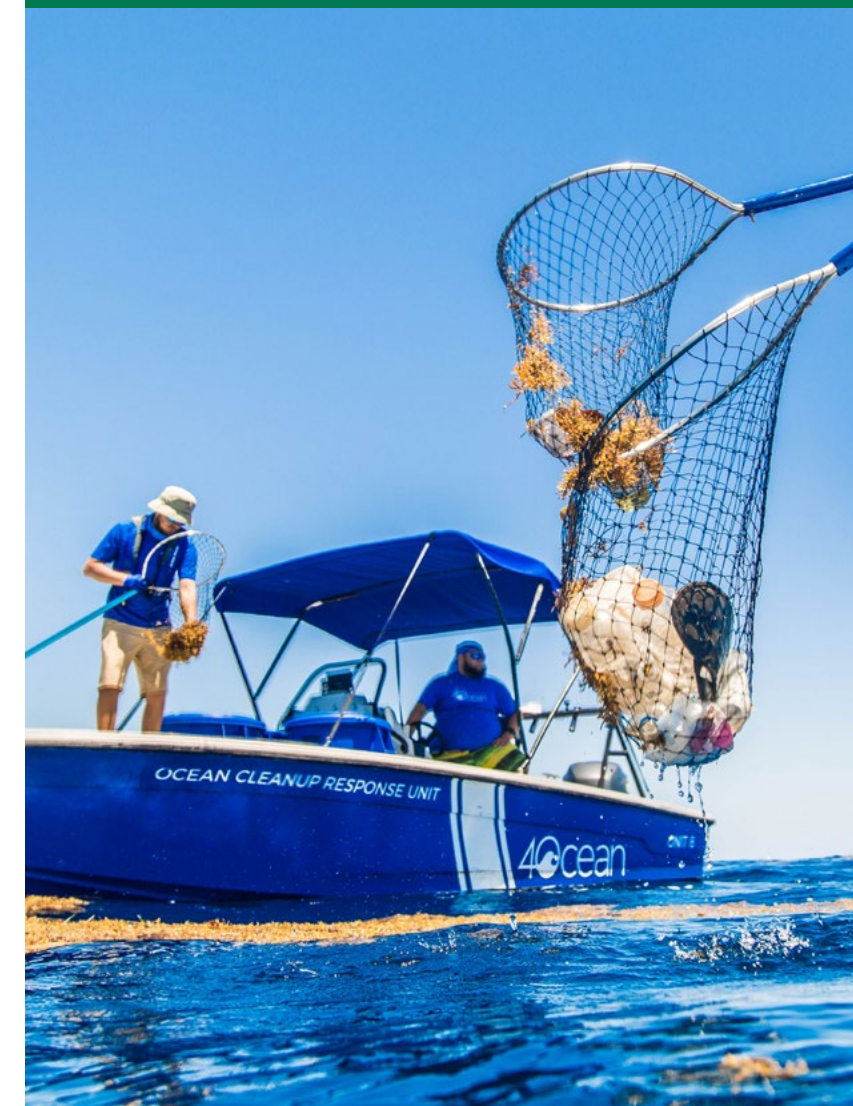
The effort to create Bonterra was collaborative, bringing together a cross-functional team of experienced, creative KP personnel from departments across the Company, including product development, sustainability, manufacturing, marketing and others. Working together for two years, the team's dedication and ingenuity – along with our investment in innovative equipment, materials and processes – led to the development of a product line in which we all take pride.

To achieve plastic-free packaging, we replaced the low-density polyethylene (LDPE) plastic commonly used for bath tissue and paper towels with a durable, heat-sealable recyclable paper that contains environmentally friendly ink, dyes and glue. We also replaced the facial tissue poly "windows" with a fibre-based paper solution. Wrapping Bonterra bath tissue and paper towels in recyclable paper instead of flexible plastic wrap involved modifications to our production equipment, and required our technology, manufacturing and procurement teams to work together to research, procure and test various materials.

Replacing flexible plastic packaging with paper has a considerable impact. Fewer and fewer jurisdictions in Canada and the U.S. accept flexible plastic for recycling, so most of it ends up in landfills. Plastics, in general, are also a substantial contributor to global GHG emissions. In 2019, plastics accounted for 3.4% of global GHG emissions, 90% of which came from their production and conversion from fossil fuels. Moreover, using locally sourced recycled fibre both in Bonterra products and in Bonterra facial tissue packaging, versus bamboo that would require ocean freight transport from Asia, means we are avoiding significant Scope 3 emissions in our products' life cycle.

While replacing plastic packaging with paper reduces the product's overall carbon footprint, the manufacturing of Bonterra products does produce GHG emissions, which we offset by purchasing third-party certified carbon credits. The verified carbon credits were purchased from Ostrom Climate and generated from the Great Bear Forest Carbon Project, an Improved Forest Management project located on the Pacific coast of British Columbia. The project is owned and developed by First Nations living within the project area, represented by the Coastal First Nations and the Nanwakolas Council.

Bonterra is also a proud partner of 4ocean to fund the removal of 10,000 pounds of plastic from the ocean annually and of One Tree Planted to plant at least 30,000 trees annually.



Packaging

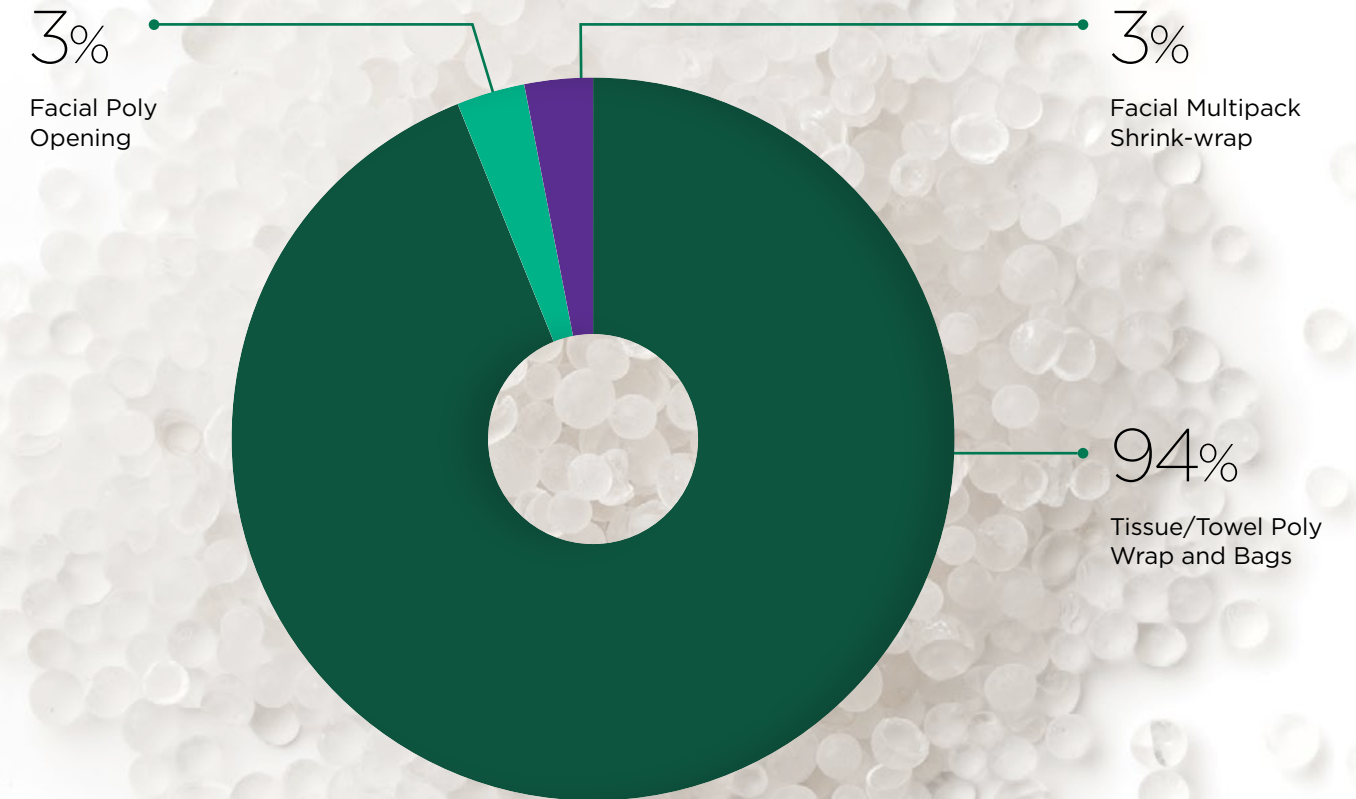
Since beginning our sustainability journey over a decade ago, KP has worked hard to reduce the amount of virgin plastic we use in our packaging. We believe it is our responsibility as a leading consumer packaged goods company to address the problem of plastic waste and to play a leading role as our industry shifts towards a circular economy. Growing public awareness around plastic pollution has fuelled increasing regulations across the globe and demands for corporate accountability from customers and governments alike. Still, plastic consumption and waste remain a pressing global problem. Through our Reimagine 2030 targets, we committed to doing our part to reduce our own plastic packaging and contribute to creating a new circular economy for the industry.

We set a plastic packaging reduction target for the first time and are making some initial progress. From 2020 to 2022, we reduced our virgin plastic packaging intensity in our brand products by 2.8%, by introducing our new Bonterra brand's zero-plastic packaging and through downgauging or reducing thickness of the plastic film used in other products. That decrease comes on top of a 24% reduction between 2009 and 2020 in total plastic packaging material by weight.

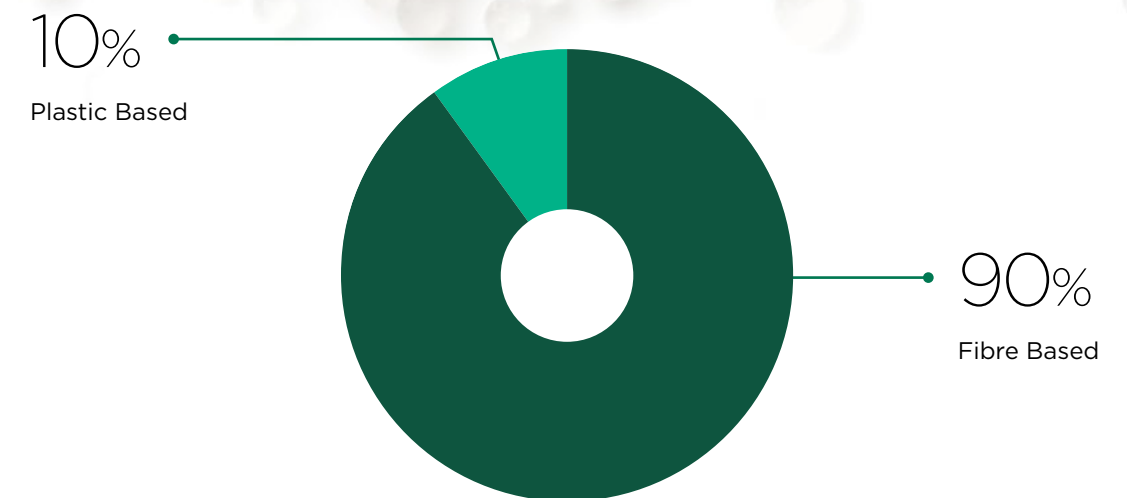
Approximately 90% of our packaging material by weight was fibre-based in 2022; the majority of which was made from primarily recycled materials and is 100% recyclable, including our bath tissue and paper towel cores, facial tissue cartons, shipping cases and select Away From Home commercial products packaging. The remaining 10% is comprised primarily of LDPE, of which 94% (by weight) is used as poly film for bath tissue and paper towel products, 3% for the poly window opening in facial tissue packaging and 3% as shrink-wrap film for multiple packs of facial tissue.

As regulations related to the use and disposal of plastics evolve and intensify in jurisdictions across Canada and the United States, we continue to actively collaborate with industry peers and government leaders to ensure our compliance, reduce our own impact and address this complex challenge. In April 2021, KP became the first tissue manufacturer to sign onto the Canada Plastics Pact (CPP), joining industry partners, governments and civil society partners united behind a vision for a circular economy for plastic. KP is also actively engaged in the CPP's Flexible Working Group.

TRADEMARK BRAND PLASTIC PACKAGING



PACKAGING MATERIAL DISTRIBUTION BY TYPE





Our Plastic Footprint

In 2022, KP used approximately 4,500 metric tonnes of plastic packaging, representing about 10% of our total packaging material by weight. The plastic used for our trademark branded products represents approximately 30% of our total plastic used, while the remainder is used for products we manufacture for third-party private-label brands and commercial Away From Home markets.

We continue to pursue a range of strategies to reduce our plastic packaging:

- Evaluating opportunities to eliminate or downgauge existing packaging materials.
- Working with our procurement teams and suppliers to explore potential new packaging solutions suitable for our operations, including recycled materials and plastic alternatives.
- Optimizing product packaging to improve efficiency and enhance product quality. Beyond our company target, we will also work with our customers to identify opportunities to support their plastic reduction efforts through our private-label products.

2.8%

reduction of our virgin plastic packaging intensity in our brand products between 2020 and 2022

Innovation

We believe our role as an industry leader extends to innovation. Innovation is key to our sustainability efforts and our commitment to helping lead the broader industry towards a more sustainable future. To that end, we are committed to investing in our products, technology and processes to ensure we grow our business, improve our efficiency and reduce our environmental impact.

“Innovation is critical to both sustainability and quality. If you don’t innovate and push the limits on your production processes, you’ll never be able to improve your company’s sustainability and quality position, or its position in the industry.”

Chuck Stewart, Corporate Vice President, Technology & Product Development

At our Sherbrooke plant, we’ve invested \$25 million in artificial intelligence (AI) to create a digital twin of our supply chain that will boost operational efficiency and agility. Working with Canada’s AI supercluster, Scale AI, as well as various public and private sector partners, the digital twin project consists of developing a virtual model of the plant’s supply chain and using real-time data, augmented with predictive and prescription AI capabilities, to improve overall performance. The use of AI will optimize all touchpoints within the supply chain, from the procurement of raw materials to customer delivery, and will factor in planning, equipment maintenance logistics and risk management. As a result, we’ll lower GHG emissions, increase energy efficiency and reduce waste.

Additionally, we continue seeking other innovative ways to improve our product sustainability. We’re exploring the viability and sustainability of alternative non-wood fibres and post-consumer recycled plastic for packaging. We know innovation lies at the heart of how we will achieve the ambitious goals we’ve set for ourselves and our products.



Sherbrooke, QC plant, commissioned in 2021



PILLAR 2

Planet Conscious

Minimizing our impact on the land,
water and air to do our part to create
a more sustainable world.



Our Commitments

25%

reduction in our intensity-based GHG emissions¹

50%

reduction in our water consumption intensity¹

As a business dependent upon natural resources, KP is compelled to be a responsible steward of the environment. Much has changed since we began our sustainability journey 13 years ago. The public has woken up to the environmental crises we all face – climate change, biodiversity loss, plastic pollution – and our awareness has grown along with them. Under the leadership of our CEO, we have made sustainability a key pillar of our overall business strategy. Since beginning our journey more than a decade ago, we have made significant progress; we look forward to making continued improvements in the years ahead.

Climate Change and Emissions

Reducing our GHG emissions has been one of our top priorities since we launched our first sustainability program in 2010. Through 2022, we reduced our Scopes 1 and 2 GHG emissions intensity by 12% from a 2009 baseline. Moreover, we have begun tracking and calculating our Scope 3 emissions for the first time – beginning with our 2021 emissions – from 11 sources, including purchased goods and services, all forms of transportation, and waste. The three categories comprising the largest share of Scope 3 emissions were purchased goods and services at 28%, end-of-life treatment of our sold products at 20.8%, and transportation and distribution at 27%. Our 2022 absolute Scopes 1 and 2 emissions were verified with limited assurance by PwC.

¹ Versus 2009 baseline.

Additionally, in 2022, we continued our mapping energy-related projects – current and planned – needed to achieve our climate targets. Since 2018, our investments combined with government grants total \$29.6 million, resulting in a total estimated emissions reduction of 35,370 MT GHG.

Our climate-related investments in manufacturing for 2022 include enhancement projects at three of our plants in Québec: a boiler combustion optimization project in Gatineau, a boiler economizer project in Lennoxville and a new cogeneration steam pipeline in Sherbrooke. Additionally, on the transportation side, we are utilizing two 100% electric semi-trailer trucks through a partnership with Kruger Energy.

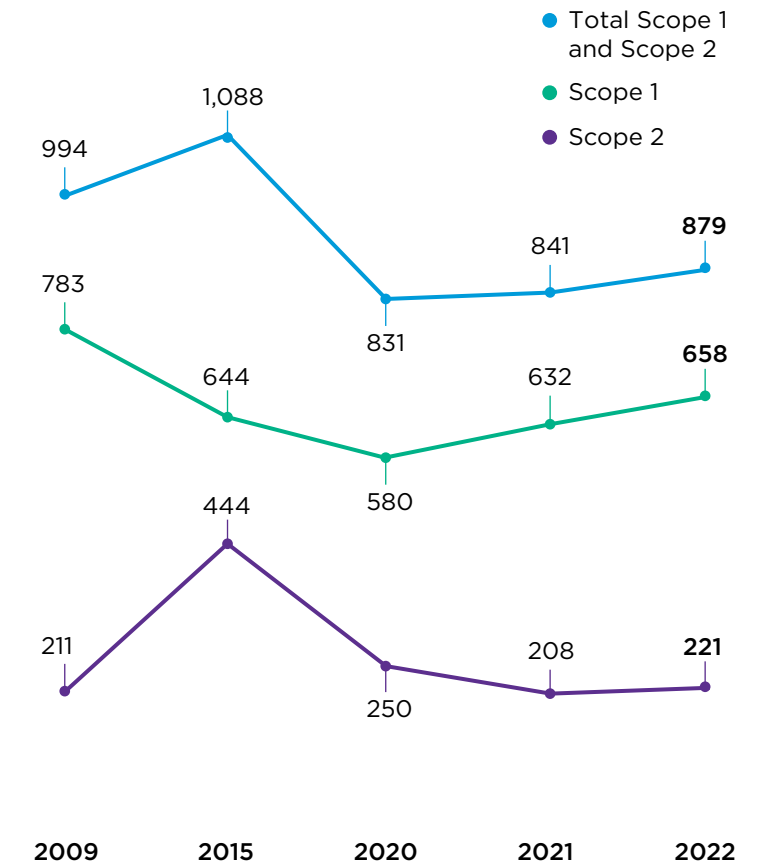
Tackling Scope 3 emissions is an enormous task for any company, including KP, and an example of how the expectations companies face concerning mitigating climate change have evolved over the last decade. The development of science-based climate targets, the net-zero goal and increasingly stringent regulatory requirements have made emissions reduction more challenging. It also makes our actions more meaningful, something we welcome as a trusted industry leader committed to doing our part to create a more sustainable world.

Our Performance

ABSOLUTE GHG EMISSIONS (MT CO₂e)



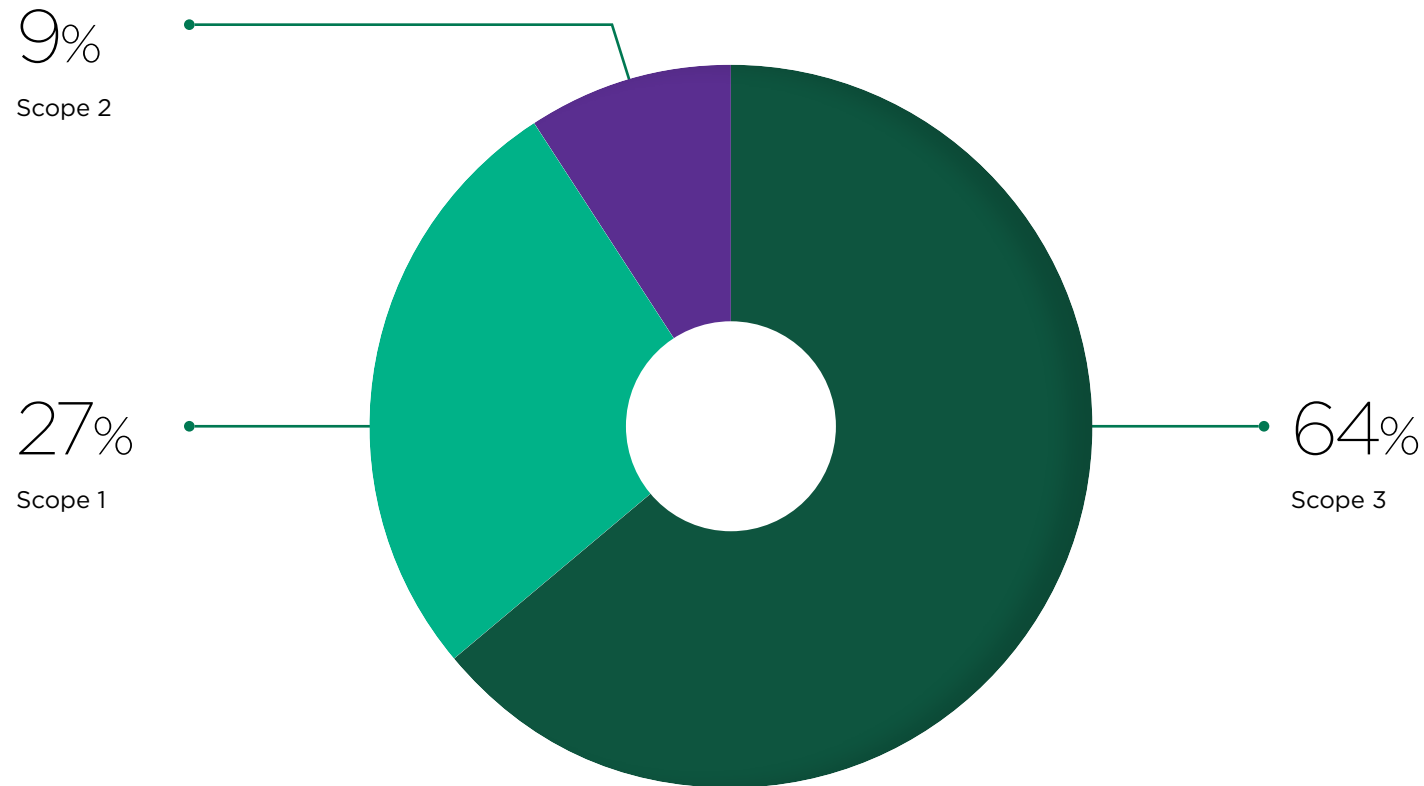
INTENSITY-BASED GHG EMISSIONS (KG CO₂e/MDMT)





Our Performance

GHG EMISSIONS BY SCOPE (MT)



Manufacturing

Within our manufacturing operations, our climate change mitigation efforts focus on improving energy efficiency, deploying GHG mitigation technologies and fuel switching. Our industry depends on high amounts of energy, so replacing fossil fuel-based energy with renewable sources, such as bio-fuel, is necessary to reduce our GHG emissions. Across our operations, 4% of our total energy consumption is derived from renewable sources, and we will continue to explore ways to increase our renewable energy use.

Biogas at Sherbrooke

In 2022, we completed the construction of a new cogeneration steam pipeline at our new state-of-the-art Sherbrooke plant. We invested \$8.1 million in a kilometre-long pipeline that carries steam derived from biomass from a cogeneration facility owned by Kruger Energy. Replacing natural gas with biomass will result in an estimated annual emissions reduction of 14,000 MT GHG. The initial Sherbrooke plant, commissioned in early 2021, is expected to produce 70,000 MT of bathroom tissue and paper towels annually at maturity. Additionally, in June 2022, we broke ground on a Sherbrooke expansion project, which includes building an additional tissue plant on an adjacent site to begin paper manufacturing in 2024. Representing further investments of \$351.5 million, the second project will deliver on the Company's vision to make Sherbrooke a major premium-quality tissue product manufacturing hub in North America.

Energy Efficiency

We also make regular investments in energy management to continually improve our facilities' performance. In 2022, we invested more than \$1 million to fund two efficiency projects: a boiler combustion optimization project at our Gatineau plant and a boiler economizer project at our plant in Lennoxville. Together these enhancements will result in an estimated emissions reduction of 650 MT GHG at maturity. Looking ahead, we will continue to upgrade our facilities in 2023 by adding two ISO 50001-certified Energy Management Systems, one at our Crabtree plant and one at our New Westminster, BC plant. This will bring our total number of ISO 50001-certified facilities to three, the other being our Gatineau plant.

“Many people think that if you invest in these technologies, it costs more. But that’s not true. It costs less afterwards to produce the same amount. There’s nothing cheaper than the energy you don’t buy.”

Francis Fournier, Kruger Inc.'s Corporate Director, Green Technologies



Transportation

As Canada's largest tissue products manufacturer, we have manufacturing facilities across Canada – including the only plant in Western Canada – and the U.S., serving customers in all provinces and states. Transporting our products from our manufacturing facilities to our end customers is vital to our business; and we know transportation is a significant contributor to GHG emissions. We continue to make improvements to our transportation efficiency through increasing cube utilization on shipments, resulting in improved logistics and shipping efficiencies, and increasing the use of lower carbon-emitting modes of transportation, such as rail.

While we do not own or operate our own transportation and logistics network, we have both a responsibility and the opportunity to contribute to moving towards a low-carbon and sustainable transportation system. In 2022, we entered into a partnership with Kruger Energy, securing the use of two 100% electric semi-trailer trucks, which have started to carry materials and tissue products between our Crabtree plant and our Laval warehouse. These are among the first all-electric Class 8 vehicles operating in Canada and the first in the Canadian tissue industry. Their use will eliminate 150,000 litres of fossil fuel annually.

Transportation is also tracked and calculated as part of our Scope 3 emissions. In 2022, our upstream and downstream transportation and distribution emissions comprised approximately 36% of our total emissions. We remain committed to improving our transportation network's efficiency and reducing our transportation-related GHG emissions.



150,000 litres
of fossil fuel eliminated annually

12%
reduction in our Scopes 1 and 2 GHG emissions intensity from a 2009 baseline

14,000 MT
reduction in GHG emissions annually by replacing natural gas with biomass¹

¹ Applies to cogeneration site only.



Water

At KP, it is our responsibility to be good stewards of the watersheds – the rivers, streams, lakes and aquatic ecosystems – that our facilities and communities rely on. While none of our manufacturing plants are in water-scarce regions, we are committed to ensuring the water resources near our operations remain sustainable, healthy ecosystems.

Over the last 13 years, we have made significant progress in reducing the water we use – decreasing our water consumption intensity by 39% between 2009 and 2022. We achieved this through process efficiencies and new technologies, such as integrating TAD machines in our Sherbrooke and Memphis plants, which use significantly less water than conventional tissue manufacturing processes.

In addition to reducing our consumption, nearly all the water we use is returned to the environment after treatment.

Water Quality

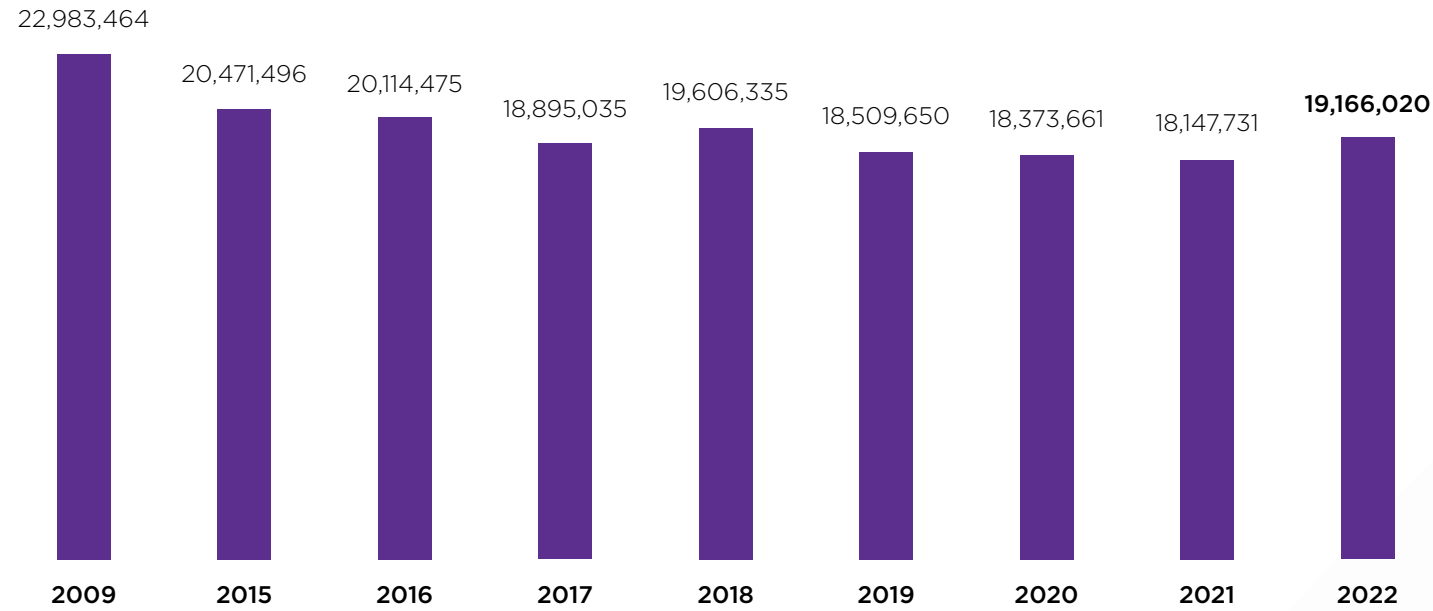
To ensure that the water discharged back into the environment meets high water-quality standards, we operate water treatment equipment at all our facilities. Teams at each of our sites monitor water effluent discharges on an ongoing basis, and we report our performance to meet regulatory requirements. At our plant in Crabtree, our wastewater treatment facility also provides water treatment services for the entire town. We have made significant progress in reducing the water effluents discharged from our facilities, including reducing our Biochemical Oxygen Demand (BOD) by 46% since 2020, a key water quality metric. In the coming years, we will continue to seek ways to enhance our wastewater treatment processes to go above and beyond compliance, complete site-specific wastewater treatment audits and develop improvement plans.

39%

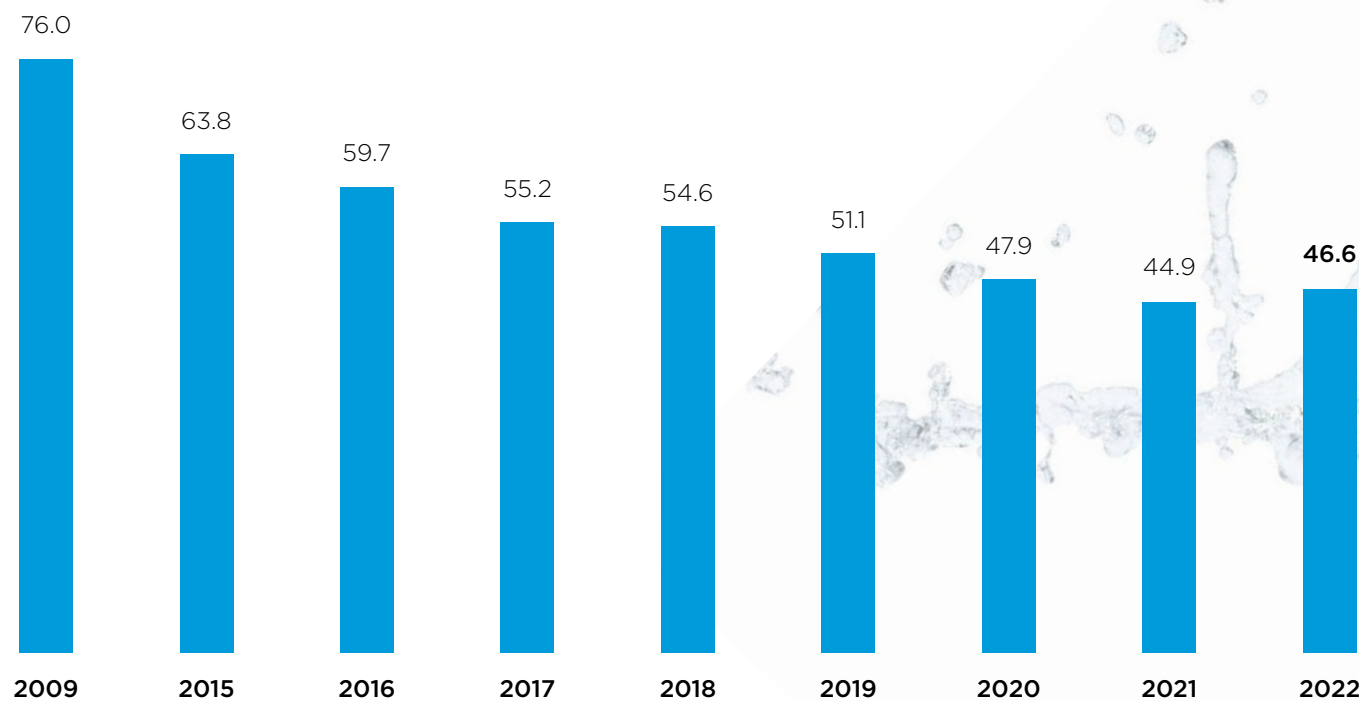
reduction in our water consumption intensity between 2009 and 2022

Our Performance

ABSOLUTE WATER CONSUMPTION (m³)



TOTAL WATER EFFLUENT INTENSITY (m³/MDMT)



We will continue to seek ways to enhance our wastewater treatment processes to go above and beyond compliance.



Waste

At KP, we take a circular approach to waste management, focused on resource efficiency to reduce waste, and recover and reuse materials. The vast majority of the waste we produce is known as "broke" waste, the excess pulp and scraps that accumulate during the paper manufacturing process. By recovering and reusing this material, we've been able to achieve a waste diversion rate of 90% or greater each year since 2015. In 2022, we reused 91.3% of our waste rather than sending it to landfill.

We also work with suppliers and partners who share our commitment to sustainability. For instance, we use responsibly sourced wood pallets for storing and transporting goods across our operations, and through a partnership with the supplier of the pallets, we reuse and pool them to minimize waste.

In 2022, we enhanced our waste reporting by site, calculating each type of waste generated at each plant and where it ends up. This includes a breakdown of all recyclables – cardboard, glass, plastic, etc. – along with organics and landfill waste. We

also encourage individual facilities to participate in programs available in their area and to come up with their own creative solutions. At our manufacturing facilities in Crabtree and Gatineau, organic materials, including the plant's fibre waste slurry, are collected for composting and used on local farms. And during a third-party waste audit of our New Westminster plant in 2022, the auditor identified a number of recycling programs in place, including organics collection, and cited examples of industrial symbiosis, such as the plant's collection of waste dust, which is sent to a cat litter manufacturer.

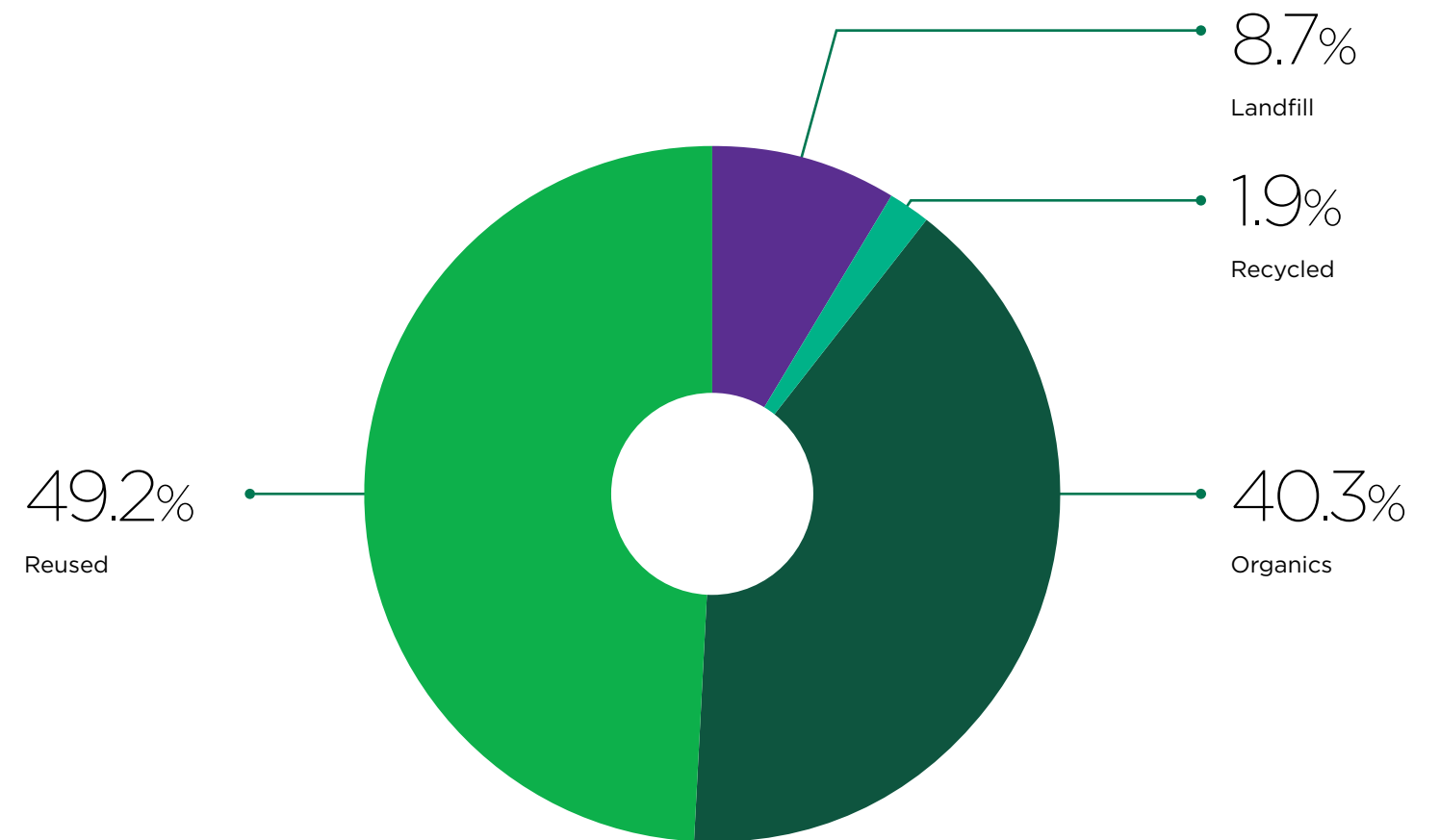
Being a responsible waste manager is not only the right thing to do but it is increasingly a government requirement. Across Canada, stewardship and extended producer responsibility (EPR) programs are increasing. Under EPR programs, producers of products and packaging bear responsibility for ensuring those products and packages are appropriately managed at the end of their life cycle. At KP, we aim to stay ahead of such requirements, by proactively developing a circular waste management system that keeps waste in the economy and out of the environment.

91.3%

of waste recovered or recycled in 2022

Our Performance

WASTE BY TYPE



WASTE MANAGEMENT DIVERSION

WASTE	UNIT	2022
Total Generated	Metric Tonnes	102,209
Recovered or Recycled ¹	Metric Tonnes	93,364
	% of Total	91.3%
To Landfill	Metric Tonnes	8,845
	% of Total	8.7%

¹ Includes organic, recycled and reused materials diverted from landfill.



PILLAR 3

Employee Impact

Cultivating our workplace practices so that every employee feels inspired and supported to achieve their aspirations and make their desired impact.



Our Commitment to Our Employees

Provide the safest possible work environment for our people.

Nurture our open, transparent and innovative environment where voices and ideas are heard.

Strengthen our culture of diversity, equity and inclusion, and foster a sense of belonging for our employees.

Grow capabilities and help our people reach their fullest potential through meaningful experiences, learning development, resources, mentoring and coaching that bring out the greatness in all of us.

Our people are our greatest strength, and we remain committed to ensuring that KP is a place where everyone can let their greatness shine. Our company culture is one of respect and collaboration, where we continually strive to meet the needs of our evolving workforce, celebrate our differences and work to become stronger together. This commitment to our employees is reflected in our health and safety record, progressive benefits and policies, robust Diversity, Equity and Inclusion (DE&I) program, and investment in employee training and development. It is also reflected in our low voluntary turnover rate, which in 2022 was 6.34% across our organization and 2.09% for our corporate positions.

In 2022, we were recognized as one of Greater Toronto's Top Employers for the tenth consecutive year, and we achieved Bronze Level Parity Certification from Women In Governance. This year and every year, we are committed to making KP a place where our employees know that their safety and well-being are our top priorities, and that it's also a place where everyone is encouraged to develop and grow.

In 2022, we were recognized as one of Greater Toronto's Top Employers for the tenth consecutive year.



Without the passion and commitment of our employees, we would not be a leader in our industry. Our people fuel the innovation that drives our business growth and sustainability progress, and we continue to engage them in our Reimagine 2030 efforts. The two-year effort to create our sustainable Bonterra brand represents just one example of our employees' engagement in, and dedication to, the Company's sustainability mission.

Led by KP's Marketing Manager responsible for sustainably focused brands, the cross-functional team dedicated to the brand's development consisted of personnel from departments across the Company, including product development, sustainability, manufacturing and marketing. During the process, the team became a cohesive unit, collaborating to foster new ideas and tackle challenges. We are inspired by the creativity, ingenuity and hard work of this team, whose collaborative effort embodies KP's family spirit - a culture where we work, learn and grow together, and bring out the best in each other.

"I feel so fortunate to be trusted with this incredible learning opportunity and given the support required to help the Bonterra project succeed. This experience has taught me that our collaborative environment makes Kruger Products a truly special place to work, and I am so grateful to everyone who helped make this project possible and enhanced my development along the way."

Sonia Menara, Marketing Manager, Environmental Brands



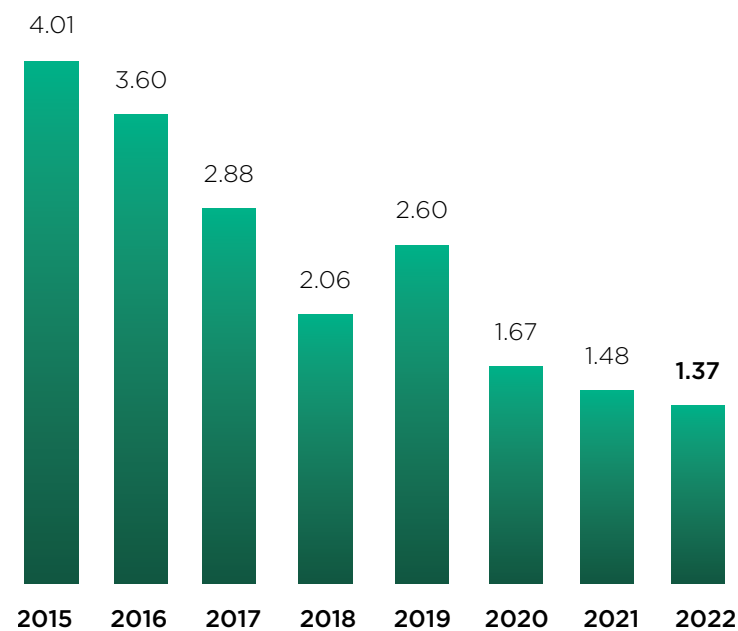
Our Health & Safety Commitments

KP's commitment to health and safety creates a work environment that ensures our employees, contractors and visitors return home safely to their loved ones every day. Our comprehensive approach focuses on workplace and environmental health and safety, including our employees' and communities' physical and emotional well-being. All KP facilities comply with corporate safety guidelines under our company-wide Environmental, Health and Safety (EH&S) standards, and teams regularly share best practices to ensure a safe work environment.

In 2015, KP had a 4.01 Occupational Safety and Health Administration (OSHA) Total Incident Rate (TIR), which caused the organization to take notice and reprioritize health and safety. Since then, our TIR has improved significantly. In 2022, we achieved a TIR of 1.37, a 65.8% improvement over our 2015

baseline. We accomplished this by increasing management oversight of health and safety at each manufacturing plant, creating safety committees and involving all employees to create a robust safety-first culture. Our goal is to achieve a 0.5 TIR by 2025, and we'll keep working on it until we get there.

TOTAL INCIDENT RATE (TIR)



65.8%

improvement in our OSHA
Total Incident Rate since 2015

— Lead by example and have clearly defined roles, responsibilities and expectations for everyone.

— Establish relevant tools and processes to support compliance with regulations and obligations.

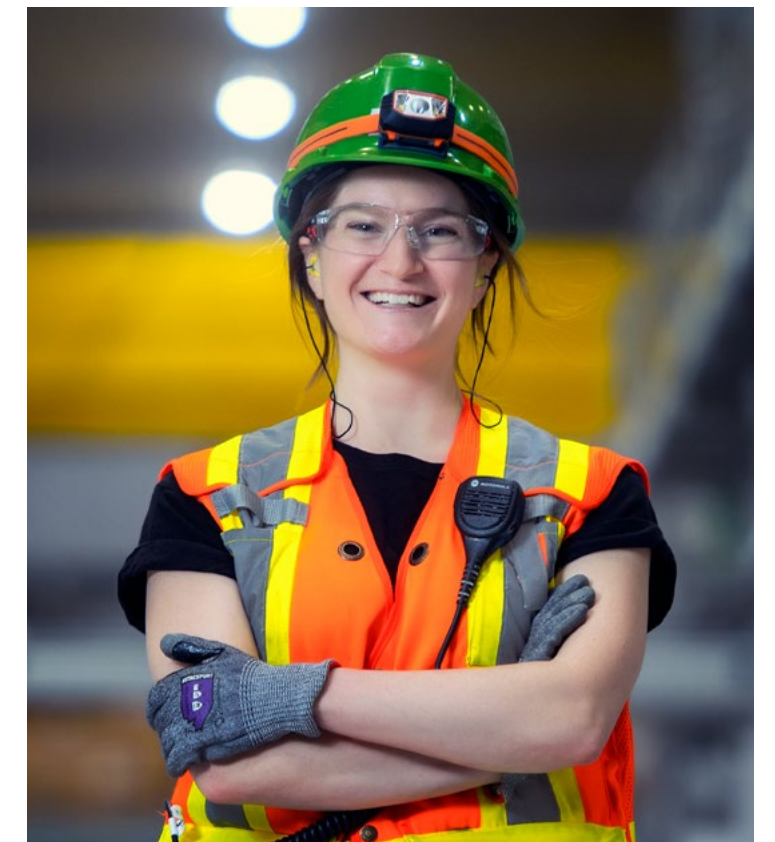
— Identify hazards, evaluate risks and put in place adequate layers of protection by using a hierarchy of controls.

— Empower our people to ensure they participate in identifying and implementing preventive and corrective measures and action.

— Allocate the necessary resources to minimize risks in the workplace.

— Emphasize vigilance and intervention to look out for one another and encourage safe behaviour.

— Improve management practices, set meaningful and achievable targets, communicate expectations, measure progress and continually improve.





Living and Working Well

KP fosters an inclusive and collaborative culture that empowers our employees to do great things and prioritizes their well-being. As a fourth-generation family business, family always comes first with us. We proudly offer a variety of family-friendly benefits, such as generous parental leave, summer hours from May to September and financial support for summer camp enrollment for our salaried employees.

These benefits help provide our people with an essential component of creating a rewarding workplace environment: flexibility. Flexibility allows us to be our best selves by helping employees manage work-life responsibilities effectively. Before the Covid-19 pandemic, 23% of our employees worked remotely 100% of the time. However, following the pandemic period during which all of our corporate employees transitioned to working from home, we decided to make a flexible work option available to our corporate employees permanently. In 2022, we introduced a new hybrid work model in our Corporate Office, which offers employees a flexible blend of in-office and remote work. Having the option to work remotely part of the time provides employees with additional flexibility, results in less commuting and aids in reducing our Scope 3 GHG emissions by approximately 300 MT annually.

Additionally, in 2022, we introduced a new Personal Wellness Account, through which all salaried employees receive \$300 at the start of each year, which they can use towards various health and wellness initiatives, such as fitness, nutrition, mental health, and sporting activities and equipment. We also gave all salaried employees free access to Headspace, a wellness app, and to Dialogue, an app that provides virtual access to doctors and nurse practitioners.

At KP, we firmly believe in transparency and creating a space where employees are heard, valued and able to influence change. To that end, we provide a variety of opportunities for our workforce to stay connected as an organization and engage with the company leadership and department management, including in-person and virtual company-wide Town Hall meetings with the CEO; smaller, in-person Town Halls with plant leaders; and Breakfast with the CEO introductory meetings for new employees.

Because employee feedback is essential to enhancing our engagement programs, we also encourage and request feedback through one-on-one meetings, team meetings, annual performance reviews and confidential surveys. Most recently, our 2021 Engagement Survey for all salaried employees resulted in action plans for each KP department and its teams for 2022. These action plans aimed to improve the quality of work life, enhance employee engagement initiatives, and better employee and Manager/colleague working relationships. The overall engagement score was 80% for the survey.

Transition Assistance

Our commitment to our employees' well-being extends to those times when we have to make difficult decisions. In January 2023, we shut down certain older and inefficient production assets at our Memphis plant, including a Light Dry Crepe paper machine and six converting lines, reducing the plant's papermaking capacity by 25,000 MT. The shutdown of these older assets will improve our operating efficiencies and have a positive impact on the profitability of our Memphis operations; however, 165 employees were impacted by this decision. To help ease the transition, these employees received severance pay and employment transition support.

Diversity, Equity and Inclusion

At KP, we are committed to ensuring we have diverse teams that reflect the communities, customers and consumers we are privileged to serve. KP's workforce brings this to life, not just in what they do, but also in how they do it. We truly believe that the variety of skills, backgrounds, perspectives and talent across our workforce contribute to the high performance of KP's teams and make the Company a great place to work. KP kicked off our first DE&I program in 2018, which we updated and created a strategic roadmap for in 2019. As part of that strategy, we committed to annually disclose the diversity metrics of our Leadership Team and Board of Directors in our annual Sustainability Report.

In 2022, we introduced a new DE&I development program mandatory for all people managers, also offered to all employees in the organization on our e-learning platform. One of our training program offerings this year focuses on "conscious inclusion" to raise awareness on unconscious bias in our thoughts, acts and behaviour. We also held various DE&I-related events throughout the year, including our first-ever Pride event to celebrate our LGBTQ employees. And we launched a new "Lunch Around the World" initiative, sponsoring lunches featuring food and education from various countries chosen by employees.

We believe each individual brings greatness to our diverse Company, and together, we breathe life into our values, embrace new ideas and innovation, and drive our business forward.

**We See
Greatness in
You – your
differences
make us
stronger.**



SPOTLIGHT:

KP's Women's Network

Vision | To create a community where women can connect, thrive and grow.

Mission | To make everyday life more comfortable by advancing how all women work and live.

Our women's network is an integral part of our DE&I framework, which aims to inspire and support women by sponsoring development, coaching and networking opportunities throughout the year. Focused on women's issues in the workplace and beyond, the network was formed many years ago in our corporate functions, but in 2022 we began an expansion to include our various manufacturing facilities in Canada and the U.S. Women tend to be underrepresented in manufacturing, so we are proud to expand this opportunity for personal and professional growth to a broader pool of women across the organization.

The network offers initiatives such as "Lean In Circle" sessions, a series of events held eight times a year that centres around "what works for women at work" and provides an opportunity for the participants to further their personal growth, learn and connect. The Network also sponsors panel discussions featuring industry leaders, including an annual event celebrating International Women's Day (IWD) each March. In 2023, the Network hosted an IWD event on the topic of #EmbracingEquity, featuring keynote speaker Pina Sciarra, Managing Director of Accenture Canada, followed by a panel discussion featuring Diane J. Brisebois, President and CEO of Retail Council of Canada; Kelly McCarten, Chief Growth Officer of Brizi Inc.; and Eva Salem, Vice President Marketing and Brands, Canadian Tire.

"The KP Women's Network was created to build a community where women can connect, thrive and grow."

Susan Irving, Chief Marketing Officer

To celebrate 2023 International Women's Day, our head office hosted an event for employees featuring industry leaders who shared their career journeys and personal insights on the benefit of mentorship and networks, the importance of celebrating achievements and the need to take action: inspiring us all to collectively #EmbraceEquity today and every day.



Learning and Development

We recognize the potential of our employees and prioritize their development. To that end, KP has built a Talent Management Framework that defines the programs we deliver to support our employees and allow them to reach their full potential. Our learning and development programs aim to strike a balance between each individual's interests and needs, and what the organization needs from a skills or capabilities perspective. Along with training programs that empower employees to own their development and career, we provide varied career experiences at KP that offer additional learning and advancement opportunities.

We also provide training initiatives that align with our Reimagine 2030 targets. For example, through our Operational Excellence Training program, we are supporting Lean Six Sigma Certification in waste reduction for our key operational leaders. The program focuses on streamlining waste management processes and preventing defects in the system through problem-solving. In the Lean Six Sigma program – which uses data to improve processes and performance in a range of industries – certification is divided into six levels, each indicating the professional's skills, experience, knowledge of Six Sigma principles and role in a project. The levels, which correspond to martial arts belts, start with white and advance to master black belt.

Heading into 2022, we evolved our performance management approach through the launch of our new coaching for growth and leading versus managing mindset programs for team leaders, which teach skills such as measuring success, coaching others, behaviour change management, and cultivating and maintaining the employee-Manager relationship. In April 2023, we introduced a new Employee Development Month that will include virtual conferences, and in-person and virtual workshops led by development planning experts. We are also enhancing our KP eLearning platform, a self-service career and development portal on our employee intranet that offers 24/7 access to more than 1,100 self-directed courses available in English and French. These easy-to-use courses vary across many operational and leadership topics, providing a broad selection of options for each employee's unique development needs. Over 1,550 eLearning training hours were completed by salaried employees in 2022.

Additionally, we have launched the KP leadership accelerated management program (KP LAMP) to focus on the development of future leaders and deepen the pipeline of successor talent. We will continue enhancing our many employee support initiatives to nurture our people and teams, including a comprehensive mentoring program. Our shared future is full of exciting possibilities.

1,550+ hours

invested in eLearning training by salaried employees in 2022

KP fosters an inclusive and collaborative culture that empowers our employees to do great things and prioritizes their well-being.

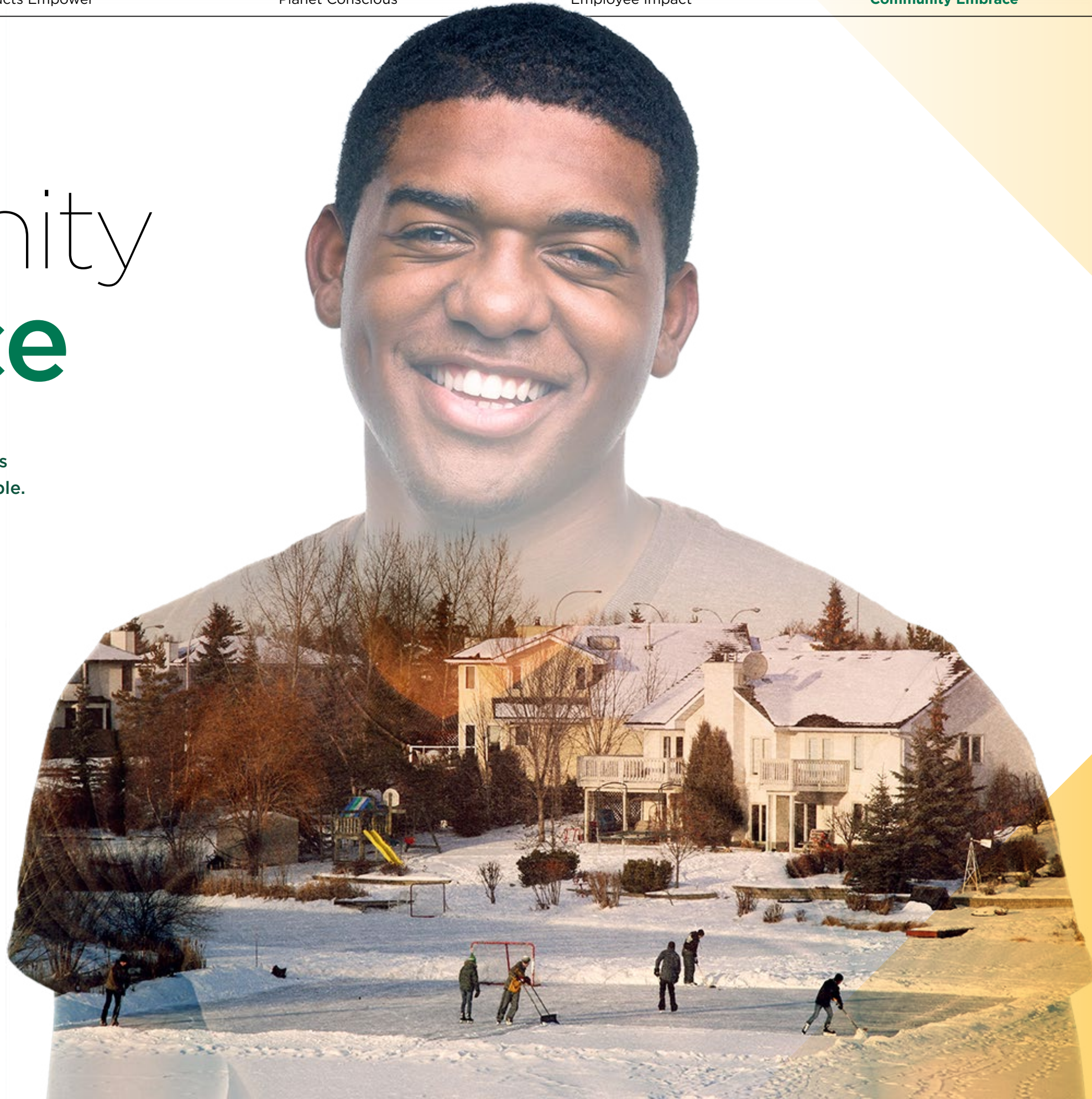




PILLAR 4

Community Embrace

Creating engagement with the impact that makes everyday life in our communities more comfortable.





Making a difference in the lives of our community is a privilege. By leading with kindness, we align ourselves with the philanthropic endeavours important to our communities, consumers and employees, particularly in cancer research, children's health, environmental conservation and women's sports. We give back on a corporate level through several well-established partnerships and team up with our employees to support causes that are important to them and their neighbours. We are proud that our employees are engaged in these initiatives and appreciate the impact of our contributions. Between our Head Office and our manufacturing facilities, we create significant positive change both locally and nationally. Moving forward, we aim to build on our strong foundation and develop a strategic framework to guide our community investment efforts and support our mission at the corporate, regional and local levels.



Kruger Products' award-winning Cashmere Collection has been an ardent supporter of Canada's fashion design community and the breast cancer cause since the collection's debut in 2004. Over nearly two decades, KP has supported the Canadian Breast Cancer Foundation (CBCF) - now part of the Canadian Cancer Society (CCS) - and the Quebec Breast Cancer Foundation (QBCF), and the Company remains one of CCS's top five national sponsors. As Canada's top-selling tissue brand, Cashmere reflects KP's commitment to providing the finest quality Canadian-made tissue products to consumers, while supporting causes that improve the lives of all Canadians.

Photo Credit: Justin Wu



Canadian Cancer Society



Quebec Breast Cancer Foundation

SPOTLIGHT:

The Kruger **Big Assist**

With our company mission of making everyday life more comfortable, we believe that sport is a critical foundation for building healthy and happy communities.

The Kruger Big Assist was developed in 2020 to help make hockey more accessible by providing financial assistance to Canadian families. In 2021, we completed the inaugural year of the Kruger Big Assist by donating \$200,000, split among 20 minor hockey associations across the country, to offset the cost of hockey registration fees and help families in need to keep their kids on the ice. In 2022, we donated another \$200,000 to 15 minor hockey associations, and one of those recipients was awarded the "Second Assist" grant – an additional \$50,000 donation to help them build a more diverse, equitable and inclusive future for the sport. The winner is chosen based on their plans to grow participation in the game, as well as inclusion and equity within their community. Additionally, in 2023, KP continued the program and committed another \$200,000 to six hockey associations across Canada.

To date, KP has donated more than \$600,000 to over 40 hockey communities across Canada, helping to make Canada's game more financially accessible for kids. The program was recognized by *Canadian Grocer* with a 2022 Community Service Impact Award.

"Thank you for your support of our organization's work to create a safe, diverse and welcoming hockey program. We have grown again from 300 to over 400 participants this year, thanks to the Kruger Big Assist!"

Cape Breton Blizzard Female Hockey Association,
2022 Big Assist Recipient



National Sponsorships and Partnerships

- **Scotties Tournament of Hearts** sponsor since 1981, supporting women's curling – the longest sponsorship of women's amateur athletics in Canada
- **Ronald McDonald House Charities Canada** since 1990
- Sending kids with disabilities to camp through **We Care Canada** since 1999
- Supporting breast cancer research through the **Canadian Cancer Society** since 2005, and the **Quebec Breast Cancer Foundation** since 2017
- Official Paper Product Sponsor of the **National Bank Open** presented by Rogers since 2012
- **Crohn's and Colitis Canada** Gutsy Walk 2014–2022
- Official Tissue Partner of the **NHL** since 2018
- **Kruger Big Assist** since 2020
- Committing to planting at least 30,000 trees in Canada annually through **One Tree Planted** since 2022
- Committing to removing 10,000 pounds of plastics annually from oceans, rivers and coastlines through **4ocean** since 2022





Employee Volunteering

KP encourages our employees to act as positive stewards, ambassadors and volunteers in their communities by donating time to charities or causes they are passionate about. Together, we support more than 45 local organizations addressing our community's needs. These include United Way, Movember, hospitals, food banks, women's shelters, youth shelters, Big Brothers and Big Sisters, holiday charitable drives, softball and hockey leagues, suicide prevention services, Special Olympics and many others.

We've also instituted a program where our manufacturing plants celebrate workplace safety milestones by donating funds to their community. When a plant achieves 250,000 consecutive hours of work without a recordable incident, KP provides \$2,500 for donation to a charity of the plant's choosing. A plaque is also given to the site to recognize their exceptional performance. In 2022, we donated a total of \$20,000 as a result of safety milestones achieved at our Memphis, Gatineau, Crabtree, Sherbrooke and Scarborough ON plants.

\$20,000

donated in 2022 as a result of safety milestones achieved

Community Relations

As a leading consumer products company with manufacturing sites in multiple communities across Canada and the U.S., we understand that our company can play an integral role in improving the livelihoods of the communities where we operate. Cultivating long-term relationships within these communities is important to us.

Gatineau

In 2022, we continued our ongoing community development project with Zibi, a 34-acre waterfront community straddling Ontario and Quebec. Through this project, our Gatineau plant provides excess energy used to heat the homes at Zibi, helping to make it the National Capital region's first zero-carbon-emission community, and the first in North America to use post-industrial waste heat in a master-planned community. Zibi's own energy-sharing network allows the community to recover some energy from its office buildings, which contributes to heating its residential buildings. However, KP provides the bulk of the community's winter heating, via an energy recovery from the KP Gatineau site's process water. From October 2022 through March 2023, Zibi required 2,900,000 kWh (10,440 GJ) of energy for heating, more than 2,000,000 kWh (7,200 GJ) of which came from KP's heat waste. In total, the Zibi Community is estimated to prevent 4.4 kilotonnes of GHG emissions each year.

Sherbrooke

We are currently assessing noise levels at our Sherbrooke plant after receiving a notice of non-compliance from the Québec Ministry of Environment (the "Ministry") in November 2022. The notice stated that the noise levels at the plant exceed the limits set by the Ministry and the *Environmental Quality Act*, and the Ministry requested that measures be implemented to ensure the plant is in compliance with the requirements. While we believe Sherbrooke's noise levels are within the set limits, KP management is reviewing the noise measurement reports prepared by the Ministry, and we will implement additional noise abatement measures if necessary.

Our Sherbrooke plant was honoured in 2022 with the Sherbrooke Chamber of Commerce and Industry's Manufacturing Business Award and the International Visibility Citation Award. These awards attest to Sherbrooke's impact, both in terms of economic benefits and job creation. Commissioned in February 2021, the project helped to create some 1,700 direct and indirect jobs during the construction phase, and the plant currently employs 180 workers. Additionally, we engaged with the community during the project's development so that they felt informed and included throughout the process. Regular communications with the surrounding neighbourhood and local government, including meetings and newsletters, were incorporated into the efforts.

Most recently, KP has announced that we will be the prestige partner of the Québec Winter Games 2024 in Sherbrooke! This is a natural partnership given our close ties to the city and its community as well as the values put forward by the Games and its young athletes.

Through our various efforts, we continually strive to make everyday life in our communities more comfortable.

Kruger Products Gatineau employees collect funds for BASE, a local foodbank and support services organization, to help families celebrate the holiday season.

By leading with kindness, we align ourselves with the philanthropic endeavours important to our communities, consumers and employees.





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PERFORMANCE INDEX:

OPERATIONS

ENERGY CONSUMPTION ¹	Unit	2022	2021	2020*	2015	2009 Benchmark
Natural Gas	Gigajoules	5,311,348	5,083,660	4,431,956	4,053,601	4,271,830
	% of Total	62%	63%	63%	61%	65%
Grid-Supplied Electricity	Gigajoules	2,818,823	2,724,954	2,311,861	2,187,507	1,992,136
	% of Total	33%	34%	33%	34%	31%
Biomass	Gigajoules	341,089	334,991	321,023	355,002	15,977
	% of Total	4%	4%	4%	5%	0%
Cogeneration	Gigajoules	76,752	0	0	0	0
	% of Total	1%	0%	0%	0%	0%
Other (Diesel, Oil, Propane)	Gigajoules	32,948	32,283	22,517	31,392	287,585
	% of Total	0%	0%	0%	0%	4%
Total	Gigajoules	8,580,959	8,175,888	7,087,356	6,627,502	6,567,528
	GJ/MDMT Produced	20.85	20.22	18.48	20.67	21.72
Energy from Renewables	% of Total	4%	4%	4%	5%	0.1%
GREENHOUSE GAS EMISSIONS¹						
Absolute CO ₂ e Scope 1 (Direct)	Metric Tonnes CO ₂ e	270,749¹⁰	255,752	222,530	206,732	240,589 ⁹
Intensity CO ₂ e Scope 1 (Direct)	kg CO ₂ e/MDMT Produced	658	632	580	644	796 ⁹
Absolute Location-Based CO ₂ e Scope 2 (Indirect)	Metric Tonnes CO ₂ e	91,171¹⁰	84,258	96,044	142,432	61,655 ⁹
Intensity Location-Based CO ₂ e Scope 2 (Indirect)	kg CO ₂ e/MDMT Produced	221	208	251	444	204 ⁹
Absolute Total CO₂e Scopes 1+2	Metric Tonnes CO ₂ e	361,920¹⁰	340,010	318,574	349,164	302,414 ⁹
Intensity Total CO₂e Scopes 1+2	kg CO ₂ e/MDMT Produced	879	841	831	1,088	999 ⁹
Absolute Market-Based CO ₂ e Scope 2 (Indirect)	Metric Tonnes CO ₂ e	61,908	61,536	53,018	N/A	N/A
Absolute Total Scope 3	Metric Tonnes CO ₂ e	647,879	611,914	-	-	-



PERFORMANCE INDEX:

OPERATIONS

SCOPE 3 CATEGORIES	Unit	2022	2021	2020*	2015	2009 Benchmark
Purchased Goods and Services	Metric Tonnes CO ₂ e	180,622	168,737	-	-	-
Capital Goods	Metric Tonnes CO ₂ e	31,207	20,672	-	-	-
Fuel- and Energy-Related Activities	Metric Tonnes CO ₂ e	75,763	74,590	-	-	-
Up-Stream Transportation and Distribution	Metric Tonnes CO ₂ e	58,384	55,624	-	-	-
Waste Generated in Operations	Metric Tonnes CO ₂ e	13,998	13,251	-	-	-
Business Travel	Metric Tonnes CO ₂ e	801	379	-	-	-
Employee Commuting	Metric Tonnes CO ₂ e	3,930	3,487	-	-	-
Up-Stream Leased Assets	Metric Tonnes CO ₂ e	2,013	1,940	-	-	-
Downstream Transportation and Distribution	Metric Tonnes CO ₂ e	176,002	170,853	-	-	-
Processing of Sold Products	Metric Tonnes CO ₂ e	1,489	3,306	-	-	-
End-of-Life Treatment of Sold Products	Metric Tonnes CO ₂ e	103,630	99,075	-	-	-
Intensity Scope 3	kg CO ₂ e/MDMT Produced	1,574	1,513	-	-	-
CAC EMISSIONS¹						
NO _x	Metric Tonnes	314.0	290.3	278.5	-	-
SO _x	Metric Tonnes	47.3	54.1	64.9	-	-
TPM ²	Metric Tonnes	87.4	83.7	82.0	-	-
VOCs ³	Metric Tonnes	18.1	17.0	15.8	-	-
CO	Metric Tonnes	325.1	308.2	288.2	-	-

**PERFORMANCE INDEX:**

OPERATIONS

WATER¹		Unit	2022	2021	2020*	2015	2009 Benchmark
Absolute Effluent Hydraulic Flow		m ³	19,166,020	18,147,731	18,236,999	20,471,496	22,983,464
Intensity Effluent Hydraulic Flow		m ³ /MDMT Produced	47	45	48	64	76
EFFLUENT DISCHARGES^{1,7}							
BOD		Metric Tonnes	650	1,463	1,196	-	-
Suspended Solids		Metric Tonnes	2,090	4,573	4,872	-	-
COD ⁴		Metric Tonnes	1,220	9,153	6,847	-	-
AOX ⁵		Metric Tonnes	9	14	6	-	-
P ⁶		Metric Tonnes	4	4	0	-	-
WASTE¹							
Generated		Metric Tonnes	102,209	93,276	57,008	45,390	-
Recovered		Metric Tonnes	93,364	84,195	51,737	40,711	-
		% of Total	91%	90%	91%	90%	-
To Landfill		Metric Tonnes	8,845	9,082	5,271	4,679	-
		% of Total	9%	10%	9%	10%	-



PERFORMANCE INDEX:

PRODUCTS

FIBRE CONSUMED	Unit	2022	2021	2020*	2015	2009 Benchmark
Purchased Recycled	Air-Dried MT	2,336	3,501	3,782	6,264	7,026
	% of Total	1%	1%	1%	2%	3%
Produced Recycled	Air-Dried MT	74,113	59,295	60,455	77,066	78,921
	% of Total	18%	16%	16%	24%	27%
Purchased Virgin	Air-Dried MT	328,268	312,357	308,422	236,917	181,091
	% of Total	81%	83%	84%	74%	64%
Produced Virgin	Air-Dried MT	-	-	-	-	16,833
	% of Total	-	-	-	-	6%
Total	Air-Dried MT	404,717	375,153	368,877	320,247	283,871
Fibre per QCs	Lbs/QCs	13.43	12.66	12.86	-	-
FSC®-Certified Material	% of Total	66%	63%	41%	33%	0%
Certified Recycled	% of Total	19%	17%	17%	24%	0%
Non-Controversial Sources	% of Total	15%	20%	42%	43%	0%
CERTIFIED PRODUCTS						
UL ECOLOGO (UL 175)	No. of Products	59	51	56	55	93
Forest Stewardship Council®	No. of Products	158	196	212	126	-
Sustainable Forestry Initiative	No. of Products	19	18	29	-	-
Green Seal	No. of Products	1	1	1	1	1



PERFORMANCE INDEX:

PRODUCTS

CERTIFIED PAPERMAKING	Unit	2022	2021	2020*	2015*	2009 Benchmark
ISO 9001	% of Total Production	100%	89%	100%	100%	-
PACKAGING MATERIAL						
Total Packaging Materials	Metric Tonnes	48,383	47,331	47,915	-	-
Total Packaging per Case	Pounds/QCs	1.61	1.60	1.67	-	-
Total Fibre-Based Packaging	% of Total	90%	90%	89%	-	-
Total Branded Plastic Packaging	Metric Tonnes	1,558	1,628	2,082	-	-
Plastic Packaging per Branded Case	Pounds	0.150	0.147	0.155	-	-
PRODUCTION						
Paper	MDMT	411,608	404,421	383,477	320,613	302,414
Total Finished Cases	QCs (000s)	66,418	65,327	63,397	-	-
Branded Finished Cases	QCs (000s)	22,823	24,411	29,646	-	-



PERFORMANCE INDEX:

SOCIAL

HEALTH AND SAFETY	Unit	2022	2021	2020*	2015*	2009 Benchmark
OSHA	Total Incidence Rate	1.37	1.48	1.67	4.01	-
Lost Work Days	No. of Days	401	986	506	907	-
Fatalities	No. of Employees	0	0	0	0	-
LEADERSHIP DIVERSITY						
Women in Board Roles	% of Total	20%⁸	20% ⁸	20% ⁸	25%	-
Women and Visible Minorities in Senior Leadership Roles	% of Total	25%	36%	22%	10%	10%
Women in Management Roles	% of Total	25%	24%	37%	-	-

* Includes Trenton and Scarborough, ON Converting plants data.

¹ Manufacturing operations only. Recovered materials includes organics, reuse and recycled.

² For certain emission sources, an emission factor for TPM (total particulate matter) was not available. In these instances, PM₁₀ or Filterable PM is used to represent TPM.

³ For certain emission sources, an emission factor for VOC (Volatile organic compound) was not available. In these instances, TOC (total organic carbon) or NMTOC (non-methane organic compound) is used to represent VOC.

⁴ Does not include New Westminster, BC plant.

⁵ Only Gatineau and Crabtree, QC plants included.

⁶ Only Crabtree and Lennoxville (Sherbrooke), QC plants included.

⁷ Does not include Scarborough and Trenton, ON and Sherbrooke, QC.

⁸ Includes KPT and KGP Combined Boards.

⁹ Values adjusted in 2023.

¹⁰ [Limited assurance by PwC.](#)

MDMT=Machine Dried Metric Tonnes



SASB

SUSTAINABILITY DISCLOSURE TOPICS
AND ACCOUNTING METRICS

SASB Standard	Topic	Accounting Metric	Category	Unit of Measure	Code	2022 Disclosure Response
Household and Personal Products	Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with high or extremely high baseline water stress	Quantitative	Thousand cubic metres (m ³), Percentage (%)	CG-HP-140a.1	0% of our water is from regions with high or extremely high baseline water stress. Total water withdrawn: 23,277,728 m ³ Total water consumed: 4,111,708 m ³
		Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	CG-HP-140a.2	2022 Sustainability Report – Planet Conscious, page 30
	Product Environmental, Health and Safety Performance		Revenue from products that contain REACH substances of very high concern (SVHC)	Quantitative	Reporting currency	CG-HP-250a.1
		Revenue from products that contain substances on the California DTSC Candidate Chemicals List	Quantitative	Reporting currency	CG-HP-250a.2	Kruger Products proactively gathers chemical composition information for raw materials used in manufacturing for product safety analysis and checks against legally restricted substances relevant to the product form and country of sale to ensure compliance. We ensure our products meet all applicable laws and regulations, including those of the California Safer Consumer Products (SCP) Program. Kruger Products does not manufacture or market any Adopted Priority Products (product-chemical combinations) or identified Pre-regulatory Priority Products subject to the SCP regulations.
		Discussion of process to identify and manage emerging materials and chemicals of concern	Discussion and Analysis	n/a	CG-HP-250a.3	Suppliers are required to submit an input questionnaire for materials they supply that contain potentially hazardous materials.



SASB

SUSTAINABILITY DISCLOSURE TOPICS
AND ACCOUNTING METRICS

SASB Standard	Topic	Accounting Metric	Category	Unit of Measure	Code	2022 Disclosure Response
Household and Personal Products	Packaging Life-cycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable and/or compostable	Quantitative	Metric Tonnes (t), Percentage (%)	CG-HP-410a.1	2022 Sustainability Report – Performance Index, page 47
		Discussion of strategies to reduce the environmental impact of packaging throughout its life cycle	Discussion and Analysis	n/a	CG-HP-410a.2	2022 Sustainability Report – Q&A with Steven Sage, pages 6-7 ; Products Empower, pages 23-25
	Environmental and Social Impacts of Palm Oil Supply Chain	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book and Claim	Quantitative	Metric Tonnes (t), Percentage (%)	CG-HP-430a.1	n/a
	Activity Metrics	Units of products sold, total weight of products sold	Quantitative	Number, Metric Tonnes (t),	CG-HP-000.A	2022 Sustainability Report – Performance Index, pages 46-47
		Number of manufacturing facilities	Quantitative	Number	CG-HP-000.B	Kruger Products has nine manufacturing plants. 2022 Sustainability Report – About Us, page 8



GRI 2

GENERAL DISCLOSURES 2021

GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response																																			
THE ORGANIZATION AND ITS REPORTING PRACTICES																																					
2-1	Organizational details	<p>Kruger Products Inc. (Kruger Products) is a private company with Kruger Inc. as our majority shareholder (86.28%) and the remaining shares (13.71%) held by KP Tissue Inc., a TSX publicly traded corporation as of January 1, 2023. We are headquartered in Mississauga, ON, Canada, with operations across Canada and the U.S.</p> <p>2022 Sustainability Report – About Us, page 8; Our Facilities, page 71</p> <p>Kruger Products website – About Us</p>																																			
2-2	Entities included in the organization's sustainability reporting	Kruger Products Inc. All financial statements are by KP Tissue Inc., which owns a stake in Kruger Products Inc.																																			
2-3	Reporting period, frequency and contact point	The Kruger Products 2022 Sustainability Report covers activities from January 1, 2022 to December 31, 2022. For more information, clarification or to provide any comments, please contact Steven Sage, VP of Sustainability, via email at sustainability@krugerproducts.ca .																																			
2-4	Restatements of information	In 2022, we recalculated base year emissions. Previously, the calculations did not include our Away From Home division acquisitions; they had only been added to our 2016 emissions total. This raises our base year total to 302,414 MT, up from 300,545 MT, and our baseline intensity to 999 (kg/MDMT), up from 994 (kg/MDMT).																																			
2-5	External assurance	<p>No external assurance was conducted for the 2022 Sustainability Report.</p> <p>Limited external assurance was performed for our absolute Scopes 1 and 2 emissions by PwC.</p>																																			
ACTIVITIES AND WORKERS																																					
2-6	Activities, value chain and other business relationships	<p>Kruger Products specializes in manufacturing and packaging bathroom and facial tissues, paper towels and napkins for the consumer at home and for commercial away-from-home use.</p> <p>Markets served include Canada and the U.S. We source material from Canada, the U.S. and Brazil in accordance with our Supplier Code of Conduct and Code of Ethics.</p> <p>2022 Sustainability Report – About Us, page 8; Our Facilities, page 71</p> <p>Kruger Products Code of Ethics, page 14</p> <p>Kruger Products website – About Us</p>																																			
2-7	Employees	<p>Kruger Products employs approximately 2,839 full-time employees as of December 31, 2022.</p> <table border="1"> <thead> <tr> <th></th> <th>Male</th> <th>Female</th> <th>Total</th> <th>Unionized</th> <th>Non-Unionized</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Canada</td> <td>1,856</td> <td>452</td> <td>2,308</td> <td>1,628</td> <td>1,211</td> <td>2,839</td> </tr> <tr> <td>U.S.</td> <td>420</td> <td>111</td> <td>420</td> <td>57%</td> <td>43%</td> <td>100%</td> </tr> <tr> <td>Total</td> <td>2,276</td> <td>563</td> <td>2,839</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Percentage</td> <td>80%</td> <td>20%</td> <td>100%</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Given below is a breakdown of our workforce:</p>		Male	Female	Total	Unionized	Non-Unionized	Total	Canada	1,856	452	2,308	1,628	1,211	2,839	U.S.	420	111	420	57%	43%	100%	Total	2,276	563	2,839				Percentage	80%	20%	100%			
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GRI 2

GENERAL DISCLOSURES 2021

GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response
GOVERNANCE		
2-9	Governance structure and composition	2022 Sustainability Report – Governance, page 13 ; Performance Index (Social), page 48
2-10	Nomination and selection of the highest governance body	Three-member committee with two independent directors. 2023 Management Information Circular , pages 7–11 KP Tissue Inc. website – Corporate Governance
2-11	Chair of the highest governance body	Kruger Inc.'s Chair and CEO, who is also the majority shareholder, is Kruger Products' Board Chair.
2-12	Role of the highest governance body in overseeing the management of impacts	Kruger Inc.'s and Kruger Products' Boards of Directors oversee Kruger Products' ESG Strategy, disclosure and ESG risks (including risks relating to climate change). The Governance Committees are responsible for reviewing Kruger Products' ESG risk assessments and performance against objectives and provide related reports and recommendations, where appropriate, to the Boards. 2022 Sustainability Report – Governance, page 13 ; TCFD Index – Governance, page 62
2-13	Delegation of responsibility for managing impacts	Kruger Products' CEO and Leadership Team have responsibility for the execution of the ESG Strategy. Kruger Products' Vice President of Sustainability leads the development of the strategy to reduce the Company's environmental footprint, supported by cross-functional teams across the organization. 2022 Sustainability Report – Governance, page 13 ; TCFD Index – Governance, page 62
2-14	Role of the highest governance body in sustainability reporting	KPI's Chief Executive Officer reviews the annual sustainability report to ensure it meets the Board's objectives, including all material topics, and provides input and final approval before the report is released.
2-15	Conflicts of interest	Kruger Products Code of Ethics , page 15
2-16	Communication of critical concerns	2022 Sustainability Report – Community Relations, page 41 Kruger Products Code of Ethics , pages 8 and 25
2-17	Collective knowledge of the highest governance body	The Kruger Products VP of Sustainability presents updates on the Company's performance versus public targets, as well as critical sustainability issues facing the Company, to the Board of Directors and key senior leaders bi-annually. The VP of Sustainability also presents sustainability risks for inclusion in their regular evaluation of Company risks and mitigation activities to the Governance Committee.
2-19	Remuneration policies	2023 Management Information Circular , pages 11–21
2-20	Process to determine remuneration	2023 Management Information Circular , pages 11–21



GRI 2

GENERAL DISCLOSURES 2021

GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response
STRATEGY, POLICIES AND PRACTICES		
2-22	Statement on sustainable development strategy	2022 Sustainability Report – Message from Dino Bianco, pages 4–5 ; How We Create Value, page 10 ; Progress Against Commitments and Targets, pages 17–18
2-23	Policy commitments	2022 Sustainability Report – Governance, page 13 ; Ethics/Integrity, page 14 ; Reimagine 2030, pages 15–16 ; Progress Against Commitments and Targets, pages 17–18 ; Products Empower, pages 19–25 ; Planet Conscious, pages 26–31 ; Employee Impact, pages 32–37 ; Community Embrace, pages 38–41 Kruger Products Code of Ethics Kruger Products Environmental Policy Kruger Products Fibre Procurement Policy Kruger Products Supplier Code of Conduct
2-24	Embedding policy commitments	2022 Sustainability Report – Governance, page 13 ; Ethics/Integrity, page 14 ; Reimagine 2030, pages 15–16 ; Progress Against Commitments and Targets, pages 17–18 ; Products Empower, pages 19–25 ; Planet Conscious, pages 26–31 ; Employee Impact, pages 32–37 ; Community Embrace, pages 38–41 Kruger Products Code of Ethics
2-26	Mechanisms for seeking advice and raising concerns	Kruger Products Code of Ethics , pages 7–11
2-27	Compliance with laws and regulations	There were no incidents of non-compliance detected in 2022.
2-28	Membership associations	Kruger Products is a signatory to the Canada Plastics Pact and a member of Food, Health & Consumer Products of Canada and the Forest Stewardship Council (FSC).
STAKEHOLDER ENGAGEMENT		
2-29	Approach to stakeholder engagement	Kruger Products engages with stakeholders on an ongoing basis. Engagement ranges from conducting customer and consumer research to engaging in dialogue and developing strategic partnerships with environmental and humanitarian organizations. In addition, we communicate progress to the shareholder and investment communities through our annual financial and customer reporting, investor and shareholder meetings, analyst-sponsored conferences and the distribution of our sustainability reporting content. Stakeholders have a significant interest and/or impact on areas that are most material to our company. Our key stakeholder groups include investors, non-governmental organizations (NGOs), customers, consumers, employees, potential employees, suppliers and local communities. Engagement includes annual meetings, one-on-one interviews, engagement surveys, education or marketing campaigns, earnings calls or shareholder resolutions, risk assessments and audits, volunteering programs, media relations and customer questionnaires. 2022 Sustainability Report – Materiality, page 11
2-30	Collective bargaining agreements	57% of Kruger Product employees are covered by collective bargaining agreements.



GRI 3

MATERIAL TOPICS 2021

GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response
STAKEHOLDER ENGAGEMENT		
3-1	Process to determine material topics	2022 Sustainability Report – Materiality, page 11
3-2	List of material topics	2022 Sustainability Report – Materiality, page 11

GRI 200

ECONOMIC

GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response
205 ANTI-CORRUPTION		
3-3	Management of material topics	2022 Sustainability Report – Ethics/Integrity, page 14 Kruger Products Code of Ethics , page 12
205-1	Operations assessed for risks related to corruption	For the reporting period, there have been no incidents of corruption.
205-2	Communication and training about anti-corruption policies and procedures	In 2022, we provided Code of Ethics training to all employees with computer access. As part of the annual Code of Ethics training, employees were required to read, understand and comply with the Code of Ethics, which includes ensuring compliance with all anti-bribery and anti-corruption laws. Kruger Products Code of Ethics , page 12
206 ANTI-COMPETITIVE BEHAVIOUR		
3-3	Management of material topics	2022 Sustainability Report – Ethics/Integrity, page 14 Kruger Products Code of Ethics , page 21
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Kruger Products believes that operating with integrity and high ethical standards is crucial to successful business operations. For the reporting period, there have been no incidents of anti-competitive behaviour.



GRI 300

ENVIRONMENTAL

GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response
301 MATERIALS		
3-3	Management of material topics	2022 Sustainability Report – Products Empower, pages 19–25 Kruger Products Fibre Procurement Policy Kruger Products Environmental Policy Kruger Products Supplier Code of Conduct
301-1	Materials used by weight or volume	In 2022, the weight of materials used was 4,556 metric tonnes of plastic and 448,021 metric tonnes of pulp and paper.
301-2	Recycled input materials used	In 2022, 24.7% recycled input materials were used in the manufacturing process.
302 ENERGY		
3-3	Management of material topics	2022 Sustainability Report – Planet Conscious, page 28 Kruger Products Environmental Policy
302-1	Energy consumption within the organization	2022 Sustainability Report – Performance Index (Operations), page 43
302-3	Energy intensity	In 2002, the energy intensity ratio for Kruger Products was 20.69 GJ/MDMT of paper (Machine Dried Metric Tonnes).
302-4	Reduction of energy consumption	In 2022, multiple projects resulted in reductions in energy consumption. This included a decrease of 10,000 GJ of energy usage as a result of the boiler optimization, a 6,500 GJ reduction through the boiler economizer and a 306,000 GJ reduction through the use of cogeneration steam.
303 WATER AND EFFLUENTS		
3-3	Management of material topics	2022 Sustainability Report – Planet Conscious, page 30 Kruger Products Environmental Policy
303-3	Water withdrawal	In 2022, total water withdrawn was 23,277,728 m ³ .
303-4	Water discharge	2022 Sustainability Report – Performance Index (Operations), page 45
303-5	Water consumption	In 2022, total water consumed was 4,111,708 m ³ .



GRI 300

ENVIRONMENTAL

GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response
305 EMISSIONS		
3-3	Management of material topics	Kruger Products calculates its emissions using the GHG Protocol's operational control approach. Sources for emissions factors include NRCAN and eGRID. The source for GWP rates is the IPCC sixth Assessment Report. 2022 Sustainability Report – Planet Conscious, pages 27-29
305-1	Direct (Scope 1) GHG emissions	Calculations for direct (Scope 1) GHG emissions include CO ₂ , CH ₄ and N ₂ O. 2022 Sustainability Report – Performance Index (Operations), page 43
305-2	Energy indirect (Scope 2) GHG emissions	Calculations for energy indirect (Scope 2) GHG emissions include CO ₂ , CH ₄ and N ₂ O. 2022 Sustainability Report – Performance Index (Operations), page 43
305-3	Other indirect (Scope 3) GHG emissions	Calculations for Scope 3 GHG emissions include CO ₂ , CH ₄ and N ₂ O. 2022 Sustainability Report – Performance Index (Operations), pages 43-44
305-4	GHG emissions intensity	2022 Sustainability Report – Performance Index (Operations), pages 43-44
305-5	Reduction of GHG emissions	In 2022, multiple projects resulted in reductions in GHG emissions. This included a 239 MT decrease in emissions as a result of the boiler optimization, a 321 MT reduction in emissions through the boiler economizer and a 14,000 MT reduction in emissions through the use of cogeneration steam.
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x) and other significant air emissions	2022 Sustainability Report – Performance Index (Operations), page 44
306 WASTE		
3-3	Management of material topics	2022 Sustainability Report – Planet Conscious, page 31
306-1	Waste generation and significant waste-related impacts	In 2022, Kruger Products avoided sludge in landfill by reusing it in farmers' fields and in the cogeneration facility.
306-2	Management of significant waste-related impacts	To prevent waste generation, we reuse sludge, recycle metal and wood, reuse the broke in our manufacturing process and try to recapture as much as possible. All waste-related data is collected by waste vendors and by the site staff (broke and sludge). 2022 Sustainability Report – Planet Conscious, page 31
306-3	Waste generated	2022 Sustainability Report – Planet Conscious, page 31 ; Performance Index (Operations), page 45
306-4	Waste diverted from disposal	2022 Sustainability Report – Planet Conscious, page 31 ; Performance Index (Operations), page 45
306-5	Waste directed to disposal	2022 Sustainability Report – Planet Conscious, page 31 ; Performance Index (Operations), page 45



GRI 400

SOCIAL

GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response																																																																		
401 EMPLOYMENT																																																																				
3-3	Management of material topics	2022 Sustainability Report – Employee Impact, pages 32-37 Kruger Products Code of Ethics																																																																		
401-1	New employee hires and employee turnover	In 2022, Kruger Products hired 541 new employees, and total turnover numbered 477. Given below is a breakdown by gender, age, country and region. <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th></th> <th style="text-align: right;">New Employee Hires</th> <th style="text-align: right;">Employee Turnover</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td></td> <td style="text-align: right;">541</td> <td style="text-align: right;">477</td> </tr> <tr> <td rowspan="2">Gender</td> <td>Female</td> <td style="text-align: right;">115</td> <td style="text-align: right;">96</td> </tr> <tr> <td>Male</td> <td style="text-align: right;">426</td> <td style="text-align: right;">381</td> </tr> <tr> <td rowspan="6">Age</td> <td>19–25</td> <td style="text-align: right;">88</td> <td style="text-align: right;">63</td> </tr> <tr> <td>26–35</td> <td style="text-align: right;">169</td> <td style="text-align: right;">144</td> </tr> <tr> <td>36–45</td> <td style="text-align: right;">155</td> <td style="text-align: right;">140</td> </tr> <tr> <td>46–55</td> <td style="text-align: right;">93</td> <td style="text-align: right;">80</td> </tr> <tr> <td>56–65</td> <td style="text-align: right;">33</td> <td style="text-align: right;">41</td> </tr> <tr> <td>66–70+</td> <td style="text-align: right;">3</td> <td style="text-align: right;">9</td> </tr> <tr> <td rowspan="2">Country</td> <td>Canada</td> <td style="text-align: right;">336</td> <td style="text-align: right;">257</td> </tr> <tr> <td>U.S.</td> <td style="text-align: right;">205</td> <td style="text-align: right;">220</td> </tr> <tr> <td rowspan="8">Region</td> <td>AB</td> <td style="text-align: right;">2</td> <td style="text-align: right;">1</td> </tr> <tr> <td>BC</td> <td style="text-align: right;">21</td> <td style="text-align: right;">25</td> </tr> <tr> <td>MB</td> <td style="text-align: right;">1</td> <td style="text-align: right;">-</td> </tr> <tr> <td>NB</td> <td style="text-align: right;">-</td> <td style="text-align: right;">1</td> </tr> <tr> <td>NS</td> <td style="text-align: right;">1</td> <td style="text-align: right;">-</td> </tr> <tr> <td>ON</td> <td style="text-align: right;">107</td> <td style="text-align: right;">101</td> </tr> <tr> <td>QC</td> <td style="text-align: right;">204</td> <td style="text-align: right;">129</td> </tr> <tr> <td>U.S.</td> <td style="text-align: right;">205</td> <td style="text-align: right;">220</td> </tr> </tbody> </table>			New Employee Hires	Employee Turnover	Total		541	477	Gender	Female	115	96	Male	426	381	Age	19–25	88	63	26–35	169	144	36–45	155	140	46–55	93	80	56–65	33	41	66–70+	3	9	Country	Canada	336	257	U.S.	205	220	Region	AB	2	1	BC	21	25	MB	1	-	NB	-	1	NS	1	-	ON	107	101	QC	204	129	U.S.	205	220
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	U.S.	205	220																																																																	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits that are standard to full-time employees include life insurance, healthcare, disability and invalidity coverage, parental leave and retirement provision. Other benefits include a personal wellness account and accidental death and dismemberment insurance. These benefits apply to any province, state or country where Kruger Products employs people.																																																																		



GRI 400

SOCIAL

GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response																														
401 EMPLOYMENT																																
401-3	Parental leave	<p>In 2022, a total of 34 employees took parental leave.</p> <table border="1"> <tr> <td>Employees entitled to parental leave</td> <td>Male</td> <td>2,284</td> </tr> <tr> <td></td> <td>Female</td> <td>555</td> </tr> <tr> <td>Employees who took parental leave</td> <td>Male</td> <td>27</td> </tr> <tr> <td></td> <td>Female</td> <td>7</td> </tr> <tr> <td>Employees who returned to work after parental leave</td> <td>Male</td> <td>27</td> </tr> <tr> <td></td> <td>Female</td> <td>2 (5 still on maternity leave)</td> </tr> <tr> <td>Employees who returned to work after parental leave ended (who were still employed 12 months after their return to work)</td> <td>Male</td> <td>25</td> </tr> <tr> <td></td> <td>Female</td> <td>2 (5 still on maternity leave)</td> </tr> <tr> <td>Return-to-work and retention rates</td> <td>Male</td> <td>93%</td> </tr> <tr> <td></td> <td>Female</td> <td>100%</td> </tr> </table>	Employees entitled to parental leave	Male	2,284		Female	555	Employees who took parental leave	Male	27		Female	7	Employees who returned to work after parental leave	Male	27		Female	2 (5 still on maternity leave)	Employees who returned to work after parental leave ended (who were still employed 12 months after their return to work)	Male	25		Female	2 (5 still on maternity leave)	Return-to-work and retention rates	Male	93%		Female	100%
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402 LABOUR/MANAGEMENT RELATIONS																																
3-3	Management of material topics	<p>Most Kruger Products employees are unionized, and relations would be governed by collective agreement.</p> <p>Kruger Products Code of Ethics</p>																														
402-1	Minimum notice periods regarding operational changes	<p>At Kruger Products, between two and four weeks' notice is provided, on average, to salaried employees and their representatives before the implementation of significant operational changes. The notice period and provisions are specified in collective agreements for organizations with collective bargaining agreements.</p>																														
403 OCCUPATIONAL HEALTH AND SAFETY																																
3-3	Management of material topics	<p>2022 Sustainability Report – Employee Impact, page 34</p>																														
403-1	Occupational health and safety management system	<p>Kruger Products has established an Environmental, Health and Safety (EH&S) Management System that covers full-time employees, temporary employees and contractor workers at our manufacturing sites and offices. Our workplace activities include the manufacturing and distribution of consumer packaged products, the administration of our operations, and the sale and marketing of products to customers. The EH&S Management System requires sites to comply, at a minimum, with local legal and regulatory expectations and established Kruger Products best practices where those may be greater. Our EH&S Management System is structured in alignment with recognized management system standards such as ISO 45000, including but not limited to an EH&S Policy, root cause analysis, job safety risk analysis, corporate guidelines, standardized procedures and systems, risk assessment, regular governance meetings, monitoring, operational control, evaluation of application regulations, legal watches, etc.</p>																														



GRI 400

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GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response
403 OCCUPATIONAL HEALTH AND SAFETY		
403-2	Hazard identification, risk assessment and incident investigation	Kruger Products' EH&S Management System requires a Risk Inventory to be developed and maintained, including safety hazards/regulatory requirements, associated risks, documented controls following the hierarchy of controls, and an overall risk reduction/improvement plan. The quality of the Risk Inventory and associated components is assessed through a maturity assessment process, in combination with regulatory evaluation and quarterly watches. The outcomes are used to determine the level of risk reduction achieved and the maturity of the risk management process. We expect all employees and temporary and contract workers to speak out and report all workplace injuries, illnesses and hazards. The reporting process typically includes an electronic tool that enables teams to investigate and follow up on reported events. Our employees, temporary workers and contract workers are expected to follow and comply with Kruger Products' safety procedures and to report and stop any work situations that they believe could cause injury or illness to themselves or others. Incident investigations utilizing a recognized root cause analysis process must be completed for all work-related fatalities, permanent/temporary injuries and illnesses, reportable injuries and illnesses, near misses and first aid. The outcomes of the investigation are used to develop corrective actions, leveraging the hierarchy of controls to prevent the reoccurrence of similar events – including global actions, when needed, to help avoid similar repeated root causes – and improving the occupational health and safety management system.
403-3	Occupational health services	As part of the corporate EH&S Strategy, our goals, priorities and actions are based on compliance and caring. This includes standards that identify, control, and mitigate risks and standards to ensure a safe work environment, promote the health of our employees and prevent illness. We conduct medical surveillance for employees identified as potentially at risk of exposure to a health hazard, acting in alignment with local legislation and ensuring that controls and mitigation measures are implemented as needed. Employee medical health data is managed and stored in compliance with local laws and Kruger Products' privacy policy. All employees are required to complete an ethics training course on a yearly basis.
403-4	Worker participation, consultation and communication on occupational health and safety	At Kruger Products, we have a combination of trade union and works council agreements that range from local to corporate. EH&S is a common topic in these agreements and is subject to negotiation, consultation or information sharing, depending on the country. Typical subjects in these agreements involve H&S standards, training, PPE, hazard and incident reporting, risk assessment, worker participation, problem solving (Kaizen) and investigations. Trade unions, works councils, employee representatives and other joint committees are also commonly engaged in these programs and audits. The frequency of meetings and employee communications varies by location and agreement and typically includes the organization's performance on health and safety.
403-5	Worker training on occupational health and safety	Kruger Products' EH&S Management System requires health and safety awareness training regarding policies, risks, regulatory requirements, employees' and workers' roles in contributing to a safe work environment, and the implications of not conforming to safety rules and procedures/practices. Furthermore, our EH&S Management System requires a documented training program that includes a training needs assessment to identify and address key health and safety training required for all employees, temporary workers, contract workers and visitors. Training specific to the employee's, temporary worker's and/or contract worker's duties includes controls for managing health and safety risks, standard operating practices and emergency response procedures.



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GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response
403 OCCUPATIONAL HEALTH AND SAFETY		
403-6	Promotion of worker health	We facilitate access to non-occupational medical and healthcare services for our employees. We provide work-life balance programs and benefits to connect employees with the company values inside and outside of work, including a hybrid working model that includes a mix of in-office and work-from-home days. The Employee & Family Assistance Program through LifeWorks offers free and confidential professional support. Services include but are not limited to improving nutrition, weight management, separation and divorce, childcare services, credit and debt management, and much more. We drive the program all year round, but especially during mental health month in May, and when onboarding staff or managing labour relations challenges. Each year, salaried employees receive \$300 in their Personal Wellness Account to use towards holistic health initiatives, including mood-boosting activities, outdoor sports, gym memberships, hypnotherapy, home gym equipment, smoking cessation treatments, etc. A Dialogue App subscription is made available to all salaried employees. This app connects employees and their immediate family members to live Facetime with a physician who can provide virtual consultations and prescribe medication. The Headspace App subscription, available for all salaried employees, guides and supports everyday mindfulness and meditation for stress, anxiety, sleep, focus, fitness and more. We also organize monthly social events and catered lunches at the corporate head office to celebrate diversity, equity and inclusion (called Lunch Around the World, where we celebrate and learn about a different culture and its cuisine each month).
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	All Kruger Products sites have an EH&S Management System in place, including a risk assessment matrix, regulatory audit and legal watch to capture all applicable changes to investigation procedures, root cause analysis and corrective action, self-evaluation of the H&S maturity, joint committees allowing collaboration of risk identification, contractors management, pre-job safety analysis and, of course, PPE management. Each site has specific procedures and work instructions on critical programs such as LOTO, confined space, working at height, lift truck operation, electrical safety, breaking line, etc. Finally, regular monitoring and audit process are in place at several levels of the organization to ensure the right governance and tracking of key performance indicators.
403-8	Workers covered by an occupational health and safety management system	Kruger Products' EH&S Management System covers the 2,500 employees on site and in the offices, as well as the contractors present on site. Our EH&S management is audited at each site on several topics, including operational control critical procedures (e.g., LOTO, confined space, working at height, PPE, breaking line, job safety risk analysis, etc.). This audit comprises self-evaluation that all sites conduct, and gaps are addressed via annual plans. Our EH&S Management System is not audited or certified by an external party. Kruger Products sites are not certified in any ISO 45001 (H&S) or ISO 14001 (Environmental) management systems. However, we have a third-party regulatory audit pertaining to the application of EH&S regulations.
403-9	Work-related injuries	In 2022, there were 35 recordable work-related injuries (mostly finger, hand and back injuries) during a total of 5,000,000 hours worked. There were no fatalities as a result of these work-related injuries. High-consequence injury could be related to LOTO, machine guarding, blades and ergonomics for our operations. Risks are determined through risk assessment, applicable regulation, inspection and audit, self-declaration and root cause analysis. Of these risks, machine guarding, blades and ergonomics are the ones that have contributed to injury during the reporting period. Each recordable event, including first aid and near misses, is investigated through a credible root cause analysis process to eliminate hazards and minimize risks using the hierarchy of controls. The TIR and severity rates have been calculated based on 200,000 hours worked. All data has been compiled following international best practices.
2022 Sustainability Report – Performance Index (Social), page 48		



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GRI Disclosure Number	GRI Disclosure Name	2022 Disclosure Response
403 OCCUPATIONAL HEALTH AND SAFETY		
403-10	Work-related ill health	There were 36 cases of work-related ill health during the reporting period noted above, with a TIR of 1.37. There were no fatalities among employees for the reporting period. Potential hazards are identified using a systematic risk assessment process and matrix. Each event includes a root cause analysis (RCA) to achieve a better understanding of why it occurred and to help prevent similar events from happening in future. Once the RCA is completed, corrective actions based on the hierarchy of controls are implemented when required.
404 TRAINING AND EDUCATION		
3-3	Management of material topics	2022 Sustainability Report – Employee Impact, page 37
404-1	Average hours of training per year per employee	For salaried employees, roughly 10 hours of training is required per year. This includes training on our Code of Ethics, cybersecurity, diversity, equity and inclusion, etc. The training is completed through Litmos, an online learning platform. Gender does not play a factor in the calculation of our training hours.
404-2	Programs for upgrading employee skills and transition assistance programs	We use a platform called Empower for performance management and development planning. Employees are required to create their personal development plan in Empower each year and regularly revisit the plan with their Manager to discuss progress, learning initiatives and opportunities for growth. April is Personal & Career Development Month at Kruger Products. This month includes workshops, one-on-one support with development planning from Human Resources, guest speakers, how-to videos and guided learning sessions, podcasts and book clubs focused on personal growth, etc. Voluntary training is also offered through our learning management platform, Percipio, on various subjects, including understanding the business, data analysis, managing execution, leading people, being authentic and open, teamwork and collaboration, etc. Employees can enroll in courses and receive certificates and badges for completion. We offer a tuition reimbursement program to provide employees with financial support in their studies with recognized and registered colleges, universities and other academic institutions. Employees can apply, and forms are provided to employees and submitted through Human Resources. Reimbursement is paid upon a passing mark through Concur. We partner with Korn Ferry to create specialized education programs for executive learning and training, such as job evaluation training, compensation management, etc. We partner with a third party that is a leader in transition support to provide coaching, post-termination transition plans, career planning, post-retirement career counselling, etc. We also use a Lean Six Sigma training program to grow problem-solving capability within the organization. Thus far, we have certified 55 yellow belts with 40 in progress, five green belts with four in progress, and one black belt with nine in progress.
404-3	Percentage of employees receiving regular performance and career development reviews	100% of all salaried employees, regardless of gender, receive objective-setting coaching at the start of each new year, a mandatory mid-year performance review, and a mandatory year-end performance and development review. This is done through the Empower online platform.
405 DIVERSITY AND EQUAL OPPORTUNITY		
3-3	Management of material topics	2022 Sustainability Report – Employee Impact, pages 35–36
405-1	Diversity of governance bodies and employees	2022 Sustainability Report – Performance Index (Social), page 48
411 RIGHTS OF INDIGENOUS PEOPLES		
3-3	Management of material topics	
411-1	Incidents of violations involving rights of Indigenous peoples	We know of no incidents involving rights of Indigenous peoples in our organization during the reporting period.



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GOVERNANCE: DISCLOSE THE ORGANIZATION'S GOVERNANCE AROUND CLIMATE-RELATED RISKS AND OPPORTUNITIES.

a. Describe the board's oversight of climate-related risks and opportunities.

At Kruger Products, climate-related issues are integrated into the following governance mechanisms:

1. Monitoring and overseeing progress against goals and targets for addressing climate-related issues;
2. Monitoring implementation and performance of objectives;
3. Overseeing major capital expenditures, acquisitions and divestitures;
4. Reviewing and guiding business plans;
5. Reviewing and guiding risk management policies;
6. Reviewing and guiding strategy.

The Board has general oversight of the issues and works with the Governance Committee to approve material topics. The Leadership Team at Kruger Products is responsible for any related actions and builds out solutions, which are then approved by the Board. Our Board completes a bi-annual review of strategy, risks and climate-related objectives to ensure the Company is on track to meet our climate-related targets. Long-term planning, including capital requirements, is determined by management and approved for immediate or future spending. Depending on the cost of the project, approvals may be required by the CEO, CFO, CMO and relevant department's SVP or VP, and any major capital expenditures would require approval by the Board.

2022 Sustainability Report – Governance, [page 13](#)

b. Describe management's role in assessing and managing climate-related risks and opportunities.

Kruger Products' Chief Executive Officer (CEO) and the Vice President (VP) of Sustainability are responsible for assessing and managing climate-related risks and opportunities and reporting to the Board on climate-related issues semi-annually. Our Chief Risks Officer (CRO) is responsible for assessing climate-related risks and opportunities and reports to the Board annually. Our Energy and Procurement Managers manage climate-related risks and opportunities and report to the Board quarterly. The Safety, Health, Environment and Quality Committee at Kruger Products also manages climate-related risks and opportunities and reports to the Board quarterly.

The CEO chairs a Sustainability Committee, which covers areas including manufacturing, sales, marketing, technology, distribution, sustainability, environment, human resources and procurement. The Sustainability Committee develops sustainability targets across various areas, including energy, emissions, water, and health and safety, and monitors plans implemented throughout the organization to achieve these targets. The Sustainability Committee reports annually to the broader Leadership Team and the Board. The VP of Sustainability leads the day-to-day operations, planning and reporting of sustainability initiatives.

2022 Sustainability Report – Governance, [page 13](#)



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STRATEGY: DISCLOSE THE ACTUAL AND POTENTIAL IMPACTS OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON THE ORGANIZATION'S BUSINESSES, STRATEGY AND FINANCIAL PLANNING WHERE SUCH INFORMATION IS MATERIAL.

a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.

At Kruger Products, the short term is defined as 0-5 years, the medium term is 5-10 years, and the long term is 10-30 years. Traditionally, we have focused on the short term for identifying and implementing projects focused on climate change, including energy and water reduction projects and GHG reduction efforts. For large carbon reduction projects, planning on a short-term horizon ensures that we are utilizing the best technologies available, and costing remains as accurate as possible. Our first sustainability program, Sustainability 2015, and its follow-up, Sustainability 2020, followed this timeline.

In 2021, we launched Reimagine 2030, which sets our sustainability targets for 2030 versus our 2009 baseline year. Initiatives over the next ten years will impact the longer horizon. These initiatives require systemic changes to how we operate and will have the greatest potential for improving our footprint significantly. We continuously monitor trends, regulations and technological improvements to help map our long-term vision of how the Company could operate in the long term. This includes projecting how the Company could achieve carbon neutrality by 2050 and the reductions in energy consumption or fuel switching required to achieve this goal.

We have identified the following climate-related risks as having the potential to have a substantive financial or strategic impact on our business. For climate-related opportunities, while we have identified areas as having the potential to have financial or strategic impact, we are currently unable to realize them.

Table 1:

Type	Climate-Related Risks/ Opportunities	Risk/Opportunity Identified	Time Horizon
Transition risks	Policy and legal	Carbon pricing mechanisms	Short term
	Market	Fuel and transportation costs	Short term
	Market	Supply chain	Short term
	Market	Certified sustainable materials	Short term
	Policy and legal	Mandates on and regulation of existing products and services	Medium term
Physical risks	Acute	Flood (coastal, fluvial, pluvial, groundwater)	Short term
	Acute	Wildfires	Medium term
	Chronic	Heat stress	Long term
Opportunities	Energy source	New technologies	Short term
	Products/services	Plastic packaging	Short term
	Resource efficiency	Fibre and water	Short term



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b. Describe the impact of climate-related risks and opportunities on the company's businesses, strategy and financial planning

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Our strategy has been influenced by climate-related risks and opportunities. We are currently investigating how to develop a transition plan to align with a 1.5°C scenario and are actively investigating how we can develop a roadmap and set of recommendations for the Board to consider.

Table 2:

Risk/Opportunity Identified	Potential Financial Impact	Description of Impact
RISKS		
Carbon pricing mechanisms	Increased direct costs	<p>Evolving cap and trade schemes by various provinces (applicable specifically to our British Columbia and Québec paper manufacturing facilities) increase our operating costs. The potential financial impact can vary between \$1.8 million and \$5 million. The lower estimate is based on the projected increase in the Québec cap and trade GHG cost by 2030. It covers two of our facilities (Crabtree and Gatineau) that currently fall under the reporting obligation but excludes our third facility, which will be subject to 2023 reporting, and our facility in British Columbia. The higher estimate includes these facilities at a high level.</p> <p>We have dedicated resources working towards minimizing the impact of carbon pricing through carbon reduction projects. As we expand our operations, we are also evaluating opportunities to include renewable energy solutions as part of our energy profile to reduce energy-related carbon emissions. New opportunities might include solar, wind or biomass projects, etc., depending on location.</p> <p>2022 Sustainability Report – Delivering Reimagine 2030 to the Retail Shelf, page 23</p>
Fuel and transportation costs	Increased indirect (operating) costs	<p>Historically, we have seen an increase of approximately 5% to 10% in logistics costs year over year due to supply chain issues, fuel price increases and carrier cost increases. The potential financial impact can vary between \$7 million and \$10 million. In 2022, we accessed two 100% electric semi-trailer trucks to move materials between our warehouses. This could pave the way for reducing our risk of transportation cost increases due to petroleum fuel price increases.</p> <p>2022 Sustainability Report – Transportation, page 29</p>
Supply chain	Decreased revenues due to price increases	<p>We assess the potential risk for primary materials costs to increase based on current and potential world events. Higher tariffs or price increases can impact bottom-line profits, which could be a material issue to investors.</p>
Certified sustainable materials	Decreased revenues due to reduction in demand	<p>Consumers are becoming more concerned about the sustainability of the products they buy. One of the strengths of our brands is that all of the fibre used in the products is certified through FSC, PEFC or SFI. If the supply of certified sustainable material diminished to the point where we could no longer offer third-party certified products, we may lose more eco-conscious consumers to competing and fully certified brands.</p> <p>2022 Sustainability Report – Fibre & Forests, pages 21–22</p>



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Risk/Opportunity Identified	Potential Financial Impact	Description of Impact
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RISKS

Mandates on and regulation of existing products and services	Increased direct costs	There is a requirement to disclose emissions on-package to increase the visibility of emissions performance on products for consumers, which would require all packaging to be updated. We currently have 150 stock-keeping units (SKUs), and the estimated cost for printing plates and for creative work is ~\$5,000/SKU.
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Flood (coastal, fluvial, pluvial, groundwater)	Decreased revenues due to reduced production capacity	All of Kruger Products' operations are located on bodies of water, primarily rivers. Risks of flooding from extreme weather could temporarily close facilities and potentially make it difficult or risky for employees to reach facilities. In addition, road closures could affect our ability to transport goods to market in a timely manner. The potential financial impact of this risk varies between \$89 million and \$343 million. This estimate was created by assuming revenue is proportional to production – so a facility with 16% of our production would contribute 16% to total revenue. The model assumes a worst-case scenario where production is reduced to zero for a calendar year for our smallest and largest manufacturing sites.
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2022 Sustainability Report – Our Facilities, [page 71](#)

Wildfires	Increased direct costs	Our business is significantly dependent upon access to pulp to manufacture tissue products, and we are currently sourcing this pulp from the Canadian and Brazilian wood basins. Significant fires could disrupt market pulp supply and increase costs while decreasing the availability of the source material itself.
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Heat stress	Increased direct costs	Rising temperatures could potentially affect the fibre supply chain from pulp manufacturers. Higher temperatures could affect tree growth adversely, resulting in less supply closer to manufacturing facilities and higher costs. The impact has yet to be quantified financially, but we would expect to deal with higher costs due to the need to source fibre from alternative suppliers.
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OPPORTUNITIES

New technologies	Decreased indirect (operating) costs	In the past, we have installed a biomass energy generation facility that uses otherwise unusable biomass to produce energy. Our latest manufacturing facility will utilize steam from a cogeneration plant operated by our affiliate to reduce carbon emissions.
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2022 Sustainability Report – Planet Conscious, [pages 27-28](#)

Plastic packaging	Increased revenues through demand for products	Many of our retail customers and consumers demand greater transparency and a greater expectation of initiatives to reduce plastic packaging material. While 90% of our packaging material by weight is fibre-based, made from recycled material and recyclable, the remaining 10% is made from plastic – primarily oil-based polyethylene. We are evaluating alternatives to offset this material, reducing carbon emissions and providing an innovative solution within the North American market.
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2022 Sustainability Report – Packaging, [pages 24-25](#)

Fibre and water	Decreased indirect (operating) costs	The new Sherbrooke facility uses TAD technology that reduces fibre and water usage.
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2022 Sustainability Report – Q&A with Steven Sage, [page 7](#)



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c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We currently do not use climate-related scenario analysis to inform our strategy and are investigating how to develop a transition plan to align with a 1.5°C scenario. This is due to a lack of resources and internal expertise in the subject area, but as our organization is growing, and with the addition of subject matter experts and guidance from our consultants, we aim to begin this work in the near term to help the business understand climate risks and adequately plan for the future.

RISK MANAGEMENT: DISCLOSE HOW THE ORGANIZATION IDENTIFIES, ASSESSES AND MANAGES CLIMATE-RELATED RISKS.

a. Describe the organization's processes for identifying and assessing climate-related risks.

At Kruger Products, we have a process for identifying, assessing and responding to climate-related risks. Risk management is integrated into a multi-disciplinary company-wide risk management process covering our direct operations. The frequency of assessment is more than once a year and covers short-, medium- and long-term risks.

b. Describe the company's processes for managing climate-related risks.

Table 3:

Risk Type	Climate-Related Risks	Description of Process to Identify, Assess and Manage Risks
Transition risks	Policy and legal risks	<p>Kruger Products understands applicable laws and regulations and has implemented internal policies and procedures to ensure compliance. In addition, a Corporate Environmental Management System (EMS) has been implemented, contributing to Kruger Products' efforts at mitigating this risk. This is supported by external audits performed on a three-year cycle by a recognized firm and the sharing of best practices between sites. We continually monitor and review emerging and developing regulations to prepare for scenarios where changing regulations may impact our business operations. Regulatory reviews are primarily of Canadian and U.S. law, as these are the countries where we manufacture our products. Failure to comply with relevant environmental laws and regulations poses the threat of fines to the business. Our dedicated team monitors and reports on legislated metrics, such as water quality and GHG emissions under cap and trade for our Québec manufacturing, to ensure we remain compliant.</p> <p>To reduce our risk and expenses under a cap and trade environment, we are focused on energy efficiency projects and alternative fuel sourcing for facilities under these regulations to minimize our GHG emissions to the greatest extent possible. These include utilizing steam from the cogeneration power plant operated by our affiliate and a heat recovery mechanism in Québec that is projected to save 22,500 MT CO₂e per year at a projected cost of \$6 million.</p> <p>2022 Sustainability Report - Message from Dino Bianco, pages 4-5</p>
Technology risks		We continuously monitor improvements in energy efficiency technology to ensure new facilities operate as efficiently as possible. The Energy Manager and local engineering teams at Kruger Products continuously monitor the market and attend trade shows to learn about emerging technologies and best practices that could help improve our energy efficiency and carbon reduction plans.



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Risk Type	Climate-Related Risks	Description of Process to Identify, Assess and Manage Risks
Transition risks	Market risks	<p>IPSOS research showed there is customer demand for environmentally friendly products. As consumers become more environmentally conscious, we want to ensure we have products that align with their lifestyle decisions. We are trying to fulfil that demand with products that meet expectations. Through our Bonterra™ brand, we strive to create products with a reduced environmental impact, including a reduced carbon footprint and reduced plastic waste versus traditional product lines. We plan to take learnings and wins from these product launches and integrate them into our other product offerings long term.</p> <p>Since we exclusively use third-party logistics suppliers to move our goods internally and externally, we focus on three areas to manage risks:</p> <ol style="list-style-type: none"> 1. Increasing cube optimization by loading more product onto each truck to reduce the total number of truck shipments required; 2. Increasing the amount of intermodal via rail versus over-the-road shipments; and 3. Route optimization to ensure our products travel only as far as needed to reach our customers.
	Reputation risks	<p>Kruger Products' customers, competitors and NGO groups may determine that Kruger Products does not meet their definition of sustainable practices, which could reduce sales and have negative reputational consequences. Based on actions against competitors, customer inquiries and other market reactions, we have made business decisions such as becoming FSC®-certified to reduce these risks. This is a shifting target, so we always look at current trends to stay ahead. We are committed to achieving our 2030 sustainability goals to validate our commitment to the environment, maintain or improve our current third-party certifications, and validate our emissions and targets in the short term.</p> <p>2022 Sustainability Report – Reimagine 2030, pages 15-16; Fibre & Forests, pages 21-22; Climate Change and Emissions, pages 27-28</p>



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	Risk Type	Climate-Related Risks Description of Process to Identify, Assess and Manage Risks
	Physical risks	<p data-bbox="1858 504 3008 614">Acute risks Extreme weather events such as floods, cyclones and other natural disasters can occur and are out of the control of Kruger Products. These events could cause adverse effects on business operations and/or financial results if supply chains are disrupted or manufacturing facilities are physically or operationally damaged.</p> <p data-bbox="1858 635 3008 776">Our facility sites were chosen to minimize the risk of flooding during the purchasing phase. Our manufacturing sites are spread out throughout Canada, with one site in Memphis, the highest producing site, accounting for 22% of production. This means a worst-case scenario at our most active manufacturing site, we would see roughly a 22% reduction in revenue-generating capacity plus cost to rehabilitate the manufacturing operation.</p> <p data-bbox="1858 796 2377 836">2022 Sustainability Report – About Us, page 8</p> <hr/> <p data-bbox="1858 856 3008 997">Chronic risks We recognize that long-term climate change could directly impact the availability of wood fibre and the stability of manufacturing operations, as well as disrupting the price and/or availability of energy required for our operations. If fibre availability was impacted by a lack of forest growth or reduced access to potential fibre sources, we would expect that the market price for this fibre would increase.</p> <p data-bbox="1858 1018 3008 1159">As part of our planning to address this risk, we are investing in R&D to research the potential of utilizing alternatives to wood fibres for our products through studies to gauge product quality and cost of production. Finding an appropriate substitute for our tissue product could reduce our risk of climate-related disruptions to wood fibre sourcing.</p>
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.		We are currently at the initial stages of incorporating climate-related risks and opportunities into the Board's risk assessment. These have been articulated historically in self-reporting through the CDP disclosure and previous sustainability reports. Looking ahead, in 2023 the Governance Committees and Board will be developing climate mitigation strategies in alignment with the Company's risks.



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METRICS AND TARGETS: DISCLOSE THE METRICS AND TARGETS USED TO ASSESS AND MANAGE RELEVANT CLIMATE-RELATED RISKS AND OPPORTUNITIES WHERE SUCH INFORMATION IS MATERIAL.

a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Kruger Products tracks the following metrics to monitor climate-related risks and opportunities:

Table 4:

Category	Metrics
Operations	<ol style="list-style-type: none"> 1. Energy consumption 2. GHG emissions (Scope 1, 2 and 3) 3. Water 4. Waste
Products	<ol style="list-style-type: none"> 5. Fibres consumed 6. Certified products 7. Packaging materials 8. Paper production and converted cases

2022 Sustainability Report – Reimagine 2030, [pages 15–16](#); Performance Index (Operations), [pages 43–45](#)

b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

In 2022, total Scope 1 emissions were 270,749 MT CO₂e and Scope 2 emissions were 91,171 MT CO₂e. Total Scope 3 emissions were 647,879 MT CO₂e. This is the second year that we have calculated our Scope 3 emissions, which improved on the data coverage from our initial calculation. Given below is a summary of our Scope 3 emissions calculation methodology.

Table 5:

Scope 3 Category	Calculation Methodology
Purchased goods and services	We collected Scopes 1 and 2 data from 54% of our pulp suppliers via sustainability reports or other public-related disclosures. While we recognize that this category is for all purchased goods, we have only calculated the emissions impact of our pulp, packaging and chemicals, which make up the majority of our product spend. We plan to expand the completeness of this number in the years to come. For our packaging procurement, we utilized the spending method, and the U.S. Environmental Protection Agency (EPA) provided emissions factors for the composition of the materials.
Capital goods	We utilized the spend-based method and EPA-provided emissions factors based on the project type.
Fuel- and energy-related activities	Based on industry information on activities A, B and C in this category <ol style="list-style-type: none"> A. Upstream emissions of purchased fuels B. Upstream emissions of purchased electricity C. Transmission and distributed (T&D) losses



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Scope 3 Category Calculation Methodology

Upstream transportation and distribution	We have accounted for the transportation of raw pulp from our suppliers to our production sites as well as the storage of upstream materials. Transportation emissions were calculated using the World Resources Institute (2015) – GHG Protocol tool for mobile combustion (Version 2.6). Facility emissions were calculated using the U.S. Energy Information Administration (EIA) database, using expected natural gas and electricity consumption based on facility type and size. We then used local emission factors with the percentage of the facility our products occupy to determine our emissions contributions.
Waste generated in operations	75% of the waste materials are tracked by our waste service companies using the EPA waste type emission factors. The remaining 25% is tracked internally because it is made up of manufacturing end products that are not reused (paper broke).
Business travel	Our travel partner Concur provides total business travel emissions by travel mode and the distance our employees travelled in the reporting year.
Employee commuting	Based on a Statistics Canada finding , we used an average distance travelled for each employee to reach each of our operating sites and used the average fuel efficiency for cars using the latest information available from the International Energy Agency (IEA) .
Upstream leased assets	We are using actual facility sizes with location-based emission factors but using EIA estimates for electricity and natural gas use based on the facility type and size.
Downstream transportation and distribution	Our finished goods transportation partner has an online dashboard that tracks weight, distance and carbon emissions for each of our trips. We have also accounted for the storage of finished goods, but only 33% of our storage partners have responded to our request. Using the IEA database, we calculated emissions using expected natural gas and electricity consumption based on facility type and size. We then used local emission factors with the percentage of the facility our products occupy to determine our emissions contributions.
Processing of sold products	We are currently using industry averages and plan to improve our reporting accuracy by collecting value chain partner Scopes 1 and 2 data for subsequent reports.
End-of-life treatment of sold products	Suppliers provide us with the weights of packaging material on a yearly basis. Using EPA emissions factors based on weight type, this works out to 22% of the emissions. The other portion of the data is the materials we produced, which are tracked internally. Using the EPA emissions factors for weight type, this works out to 78% of this category's emissions.

2022 Sustainability Report – Performance Index (Operations), [pages 43-45](#)

c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

We set a company-wide target in 2022 to reduce our Scopes 1 and 2 emissions by 25% by 2030 (relative to the 2009 baseline). To achieve this target, we continue to invest in energy efficiency projects, including a biogas generator, heat reclamation and emerging technologies as they become cost effective, and plan to utilize the cogeneration facility operated by our affiliate. This past year, we achieved a 12% reduction from our baseline, which means we are 48% of the way to achieving our target.

In 2009, we set a company-wide intensity target as part of our plastic waste reduction initiative – while the goal is to reduce virgin plastic usage, it will also impact our Scope 3 emissions. This target pertains only to our branded products and their plastic packaging. We plan to achieve this target by using less virgin plastic in our packaging, introducing a percentage of post-consumer recycled plastic as well as using paper packaging. We are progressing towards our 2030 target, and to date have achieved 2.8% of the target relative to the base year of 2020.

2022 Sustainability Report – Q&A with Steven Sage, [pages 6-7](#); Climate Change and Emissions, [pages 27-28](#)



OUR FACILITIES

LOCATION	PRIMARY FUNCTION(S)	ANNUAL PAPERMAKING CAPACITY (MT) ¹	PRIMARY FINISHED PRODUCTS PRODUCED	TOTAL NO. OF EMPLOYEES ¹	THIRD-PARTY CERTIFICATIONS
Crabtree, Québec, Canada	<ul style="list-style-type: none"> Papermaking Converting De-inking and Pulping (Recycled) 	91,000	<ul style="list-style-type: none"> Bathroom Tissue Paper Towels 	602	ISO 9001:2015 FSC® CoC SFI/PEFC CoC ECOLOGO GMP CT-PAT
Gatineau, Québec, Canada	<ul style="list-style-type: none"> Papermaking (Laurier) Converting (Richelieu) 	93,000	<ul style="list-style-type: none"> Bathroom Tissue Facial Tissue Paper Napkins Paper Towels 	400	ISO 9001:2015 ISO 50001:2011 FSC® CoC SFI/PEFC CoC ECOLOGO GMP CT-PAT
Lennoxville (Sherbrooke), Québec, Canada	<ul style="list-style-type: none"> Papermaking 	24,000	N/A	49	ISO 9001:2015 FSC® CoC SFI/PEFC CoC ECOLOGO CT-PAT
Memphis, Tennessee, United States of America	<ul style="list-style-type: none"> Papermaking Converting 	110,000 ³	<ul style="list-style-type: none"> Bathroom Tissue Facial Tissue Paper Towels 	531 ³	ISO 9001:2015 FSC® CoC SFI/PEFC CoC GMP
Mississauga, Ontario, Canada²	<ul style="list-style-type: none"> Corporate Head Office 	N/A	N/A	289	FSC® CoC SFI/PEFC CoC UL ECOLOGO
New Westminster, British Columbia, Canada	<ul style="list-style-type: none"> Papermaking Converting 	61,000	<ul style="list-style-type: none"> Bathroom Tissue Facial Tissue Paper Towels 	382	ISO 9001:2015 FSC® CoC SFI/PEFC CoC GMP CT-PAT
Scarborough (Toronto), Ontario, Canada	<ul style="list-style-type: none"> Converting 	N/A	<ul style="list-style-type: none"> Paper Napkins 	131	FSC® CoC UL ECOLOGO ECOLOGO
Sherbrooke, Québec, Canada	<ul style="list-style-type: none"> Papermaking Converting 	70,000	<ul style="list-style-type: none"> Bathroom Tissue Paper Towels 	253	ISO 9001:2015 FSC® CoC UL ECOLOGO GMP
Trenton, Ontario, Canada	<ul style="list-style-type: none"> Converting 	N/A	<ul style="list-style-type: none"> Bathroom Tissue Facial Tissue Paper Napkins Paper Towels 	202	FSC® CoC UL ECOLOGO GMP
Totals		379,000		2,839	

¹ As of December 31, 2022.

² Includes sales offices in Bentonville, Arkansas, USA and Laval, Québec, Canada as well as individual home offices across the USA and Canada.

³ Reduced by 25,000 MT on January 13, 2023 due to LDC shutdown affecting 165 employees.



We welcome feedback from our stakeholders. For more information, clarification or to provide any comments, please contact:

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