

# Forest Policy

NET ZERO BY 2050





# Protecting and restoring nature; Avoiding deforestation

Forests cover up to 31% of the global land and since 1990, over 420 million hectares have been lost through land use conversion chiefly for agricultural expansion. Hence deforestation and forest degradation are taking place at an alarming rate which is accelerating the ongoing loss of biodiversity and jeopardizing human livelihoods<sup>1</sup>.

Forests play a vital role in the ecosystem, while fostering human well-being and providing economic benefits. Halting deforestation and maintaining forests, restoring degraded lands, expanding agroforestry, and the sustainable use of forests while building greener value chains remain essential forest-based pathways for tackling emerging global challenges<sup>2</sup>.

Forests and trees provide vital goods and ecosystem services, despite being undervalued in economic systems, and are crucial for mitigating climate change since they are huge global carbon sinks. Therefore, it is in our hands to let forest ecosystems evolve and thrive so we can keep benefitting from the multiple provisions they offer, while contributing to the **Sustainable Development Goal (SDG) 15: Life on Land**. At Puig, we are contributing to Target 15.2, which aims to promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

Forests have immeasurable value for Puig, as we rely on forest-related raw materials, mainly timber for our packaging and palm oil as an ingredient of some of our products. As a family business, we have long recognized the importance of forests and the biodiversity they hold while also committing to protecting the rights of local communities and the livelihoods that depend directly on them. By actively protecting and restoring nature for a more respectful and sustainable world, we aim of to leave a better world for future generations.

<sup>1</sup>The State of The World's Forests 2020 <https://www.fao.org/state-of-forests/en/>

<sup>2</sup>The Global Forest Goals Report 2021 <https://www.un.org/esa/forests/wp-content/uploads/2021/08/Global-Forest-Goals-Report-2021.pdf>



# Our achievements

Over the 100 years we have been operating as a family business, we have integrated new societal and environmental concerns to our purpose. A long-term forest strategy is key for alignment with our family's mandate: to position ourselves as a reference in sustainability in the industry in which we operate, acting decisively to maximize our impact.

At Puig, we prioritize the consumption of materials that come from sustainably managed forests or fields. That is why we introduced the requirement of FSC<sup>3</sup> certification in all the products of forest origin that we acquire, the RSPO<sup>4</sup> certificate for palm oil suppliers and SAI<sup>5</sup> for alcohol production.

Protecting the environment is an integral part of our business and, therefore, we have the goal of purchasing paper and cardboard products from suppliers that procure fiber from well-managed and sustainable sources.



Over the course of our Sustainability Program thanks to measures such as eco-designing products, reducing the consumption of materials, increasing the transparency of the supply chain of our raw materials, and protecting and restoring ecosystems these measures have led to the following achievements regarding forest's ecosystem integrity:

- Puig ensures that paper and cardboard products are validated with the FSC certification program.
- The vast majority of products derived from palm oil purchased by Puig have the RSPO certificate.
- Puig has a biodiversity roadmap that reflects a high level of commitment and the strategic importance of addressing biodiversity-related issues. Our Biodiversity Strategy complements the Nature Stewardship pillar of our 2030 ESG Agenda to lay the groundwork for becoming a nature-positive company.
- The Puig team organizes visits to the forests of raw material suppliers (Tier 2 suppliers) and our certified direct suppliers of manufactured timber products (Tier 1 suppliers) in the Nordic countries to learn about companies' forest cultivation and maintenance strategies and ensure that they comply with Puig's sustainability standards.
- Puig supports the Spanish organization Fundación Empresa y Clima (FEC)<sup>6</sup> to obtain information on a low-carbon economy, mitigation strategies and adaptation to the effects of climate change.

<sup>3</sup> Forest Stewardship Council (FSC) is a forest management certification ensures that the forest is managed in a way that maintains biological diversity and enhances the lives of the locals and employees while still guaranteeing economic viability.

<sup>4</sup> Roundtable on Sustainable Palm Oil (RSPO) is an internationally recognized standard for assuring sustainable production of palm oil and palm kernel oil across the supply chain.

<sup>5</sup> Sustainable Agriculture Initiative (SAI) is an international initiative that ensures farmers successfully implement sustainable practices and guarantee the 100% natural origin of the alcohol production.

<sup>6</sup> FEC: Climate and Business Foundation.



# Our requirements

Preserving forests is key to maintaining biodiversity, and at Puig we seek to have the least possible effect on natural resources. Our aim is to positively impact biodiversity. For this reason, we focus on the circularity of our products, protecting and restoring nature, and the origin of our raw materials among other strategic lines that involve building a more sustainable value chain, directly engaging with suppliers and meeting recognized international standards. In this way, we aim to ensure that the extraction and manufacturing of our key raw materials does not participate in processes of deforestation and/or conversion of ecosystems forestry.

Our forest strategy is integrated in the pillars of the 2030 ESG Agenda, where we define the following requirements and how to meet them:

## A. PROMOTING CIRCULARITY

We apply circular economy measures in the life cycle of our products to reduce the consumption of timber products by reducing the volume of material used for packaging. We are also accelerating the transition to cleaner, natural ingredients and materials, which reflect our sustainability commitment.

### *How we will achieve it*

- Accelerate transition towards clean and natural formulation.
  - 100% of formulas Clean@Puig.
- Reduce weight and/or volume of packaging.
  - 20% packaging volume reduction.
- Boost adoption of sustainable materials in packaging.
  - 100% of packaging complies with at least one of the following criteria:
    - 30% of eco-components within packaging.
    - 80% product recyclability.
    - Refillable system.
- Promote circular economy and end of life principles.
  - 100% products assessed with internal LCA<sup>7</sup>.

<sup>7</sup>LCA (Life-cycle assessment): methodology for assessing environmental impacts associated with all the stages of the life cycle of the products.







## B. ZERO DEFORESTATION IN OUR SUPPLY CHAIN OF KEY RAW MATERIALS

To reverse deforestation and the degradation of forests and biodiversity in general, our forest strategy aims to achieve zero net deforestation in our supply chain by:

### *Traceability and Certification*

The traceability and certification of key raw materials, guaranteeing the preservation of ecosystems and the use of regenerative agriculture practices. We require that those suppliers with sustainable material certifications do not participate in the deforestation of forests, nor have they had major impacts on ecosystems or societies due to their activity. In addition, Puig maintains business relationships not only with its direct suppliers, but also with secondary suppliers to be able to learn first-hand how the management of forests and crops is carried out to obtain our forest resources.

We work with our suppliers to reduce their impact in our value chain and guarantee both traceability and certification of ingredients and materials.

### *How we will achieve it*

100% traceability and certification following the highest standards for key raw materials (cardboard, palm oil and alcohol). All the paper and cardboard products purchased by the company will be FSC-verified by 2030, and palm oil suppliers will be RSPO-certified. Through these actions, we are guaranteeing the preservation of ecosystems and the use of regenerative agriculture practices and ensuring that the resources used have no link to deforestation, while preserving working standards.



## ***Stakeholder Engagement and Transparency***

We engage with our suppliers to improve transparency and collaboration on environmental issues since we know they are a key part of achieving our zero-deforestation ambition. We encourage suppliers to implement best practices in terms of social, economic and environmental sustainability, introducing sustainable criteria for the evaluation and prioritization of direct and indirect suppliers and forest-related questions.

With these objectives, we involve our clients and suppliers in reducing the environmental impact derived from the extraction of timber products and other forest resources, and we have an ongoing awareness campaign to promote more sustainable consumption and its reuse and recycling.

We promote education throughout the value chain. We develop training programs for our staff so they can be ambassadors and activators of our sustainability commitments.

We have launched the **Supplier Evaluation Campaign** in collaboration with EcoVadis<sup>8</sup> and Sedex<sup>9</sup>, which allows us to monitor the ESG performance of our suppliers. We also assess their performance through our Puig Integrated Management System, which integrates Quality Management, Good Manufacturing Practices, the Environment and Occupational Health and Safety. An Internal Audit Program is drawn up annually, which includes audits of suppliers of raw materials, packaging material and subcontracted third parties. Among the aspects audited are the availability of environmental certifications, membership or otherwise of the EcoVadis evaluation system, as well as practices and processes for environmental protection. In addition, all suppliers must provide required relevant information and accept our Ethical Code and the Sustainable Suppliers Policy as part of the internal on-boarding process, which enables us to register suppliers in an efficient and transparent way.

Finally, we engage suppliers on the CDP Supply Chain program in order to gather information on overall environmental performance.

## ***How we will achieve it***

Working with direct and beyond first-tier suppliers to support and improve their capacity to comply with our forest-related requirements by:

- Offering training and technical assistance.
- Supporting suppliers in setting their own no deforestation/conversion free commitments across their entire commodity operations.
- Supporting suppliers in developing public time-bound action plans with clear milestones.
- Assessing +90% inventory and +80% non-inventory purchasing volume by 2030, and working to increase traceability of our key raw materials.
- Introducing a nature-risk assessment process.
- Monitoring our deforestation/conversion footprint.
- Implementing verification systems to ensure sustainable practices .



<sup>8</sup> EcoVadis is an assessment system for managing the sustainability performance of the entire value chain.

<sup>9</sup> Sedex is a data platform for supply chain assessment helping businesses manage sustainability practices.



### C. NATURE STEWARDSHIP

We innovate in the conservation of biodiversity throughout the value chain to generate a positive or neutral impact on biodiversity.

Our offsetting programs will enhance natural climate solutions that will generate substantial co-benefits for biodiversity, forests and water quality, which are related to the SDGs. To offset our emissions, we have been involved in promoting forest-related projects, including some REDD+ projects that monitor illegal deforestation.

In addition, through insetting initiatives, we promote conservation projects for ecosystems and natural habitats involved in our value chain.

*How we will achieve it*

- Land footprint mapping quantification of the impacts of the whole value chain on biodiversity.
- Collaborate with conservation or restoration projects through offsetting.
- Scan the value chain to identify potential opportunities for insetting programs linked to restoration and regeneration projects (e.g., regenerative agriculture with key suppliers).
- Adhering to international initiatives such as **Act4nature International**, and the **Science Based Targets Network**.
- Work towards implementing a nature positive strategy.







## D. REPORTING

We want to inspire our value chain and other companies in achieving these requirements. That’s why we work to report clearly and transparently each of our achievements on an annual basis. We actively participate and collaborate with other companies, institutions and initiatives dedicated to protecting forests.

### *How we will achieve it*

We are going beyond legal requirements to meet these goals, aligning our strategy with the most demanding international standards and working to maximize our contribution to the **Sustainable Development Goals (SDGs)**. We adhere to the **United Nations Global Compact** and uphold our commitment to the 10 universal principles of the United Nations, which address issues of human rights, social rights, anti-corruption and the environment; we analyze and systematize the risks and opportunities derived from nature for our organization following the recommendations of the Task Force on **Nature-related Financial Disclosures (TNFD<sup>10</sup>)**; we will disclose our Non-Financial Information following the GRI Standard 304: Biodiversity; and we consolidate our commitment to transparency and measures that reduce our environmental impact by completing the **CDP<sup>11</sup> Forest** questionnaire each year starting in 2022 for timber and palm oil; and we evaluate our ESG performance on the **EcoVadis** and **Sustainalytics<sup>12</sup>** platforms.

<sup>10</sup> The Taskforce on Nature-related Financial Disclosures is a risk management tool and disclosure framework for organizations to report and act on evolving nature-related risks.  
<sup>11</sup> Carbon Disclosure Project (CDP) is a non-profit organization that operates a global disclosure system for investors, companies, cities, states and regions to manage their environmental impact.  
<sup>12</sup> Sustainalytics provides analytical environmental, social and governance (ESG) research, ratings and data to institutional investors and companies.



# Policy management



The ESG Team is responsible for Puig's global forest strategy through the review of all the environmental indicators related to the usage of forest commodities linked to our direct or indirect activity.

The Chief Sustainability Officer (CSO) can also directly influence the company's global strategies in order to guarantee that Puig's requirements and targets are maintained with all issues related to forests in a transversal way, in all the strategies applied or approved on a companywide level.

Through ongoing monitoring of 2030 ESG Agenda initiatives related to nature and ESG Risk control, we ensure that there are no inconsistencies in the activities carried out by the company.



