

# SUSTAINABILITY POSITION PAPER

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# INTRODUCTION

Arpa is a leading manufacturer of HPL panels for interior applications in kitchen and furniture around the globe.

Arpa's management and employees put License to Operate (LTO) first in their strategic priorities. LTO includes:

- The Health and Safety of employees and the local community
- Product compliance to meet all regulatory requirements
- Transparent reporting and appropriate behaviour by employees
- Sustainability and the preservation of the Environment

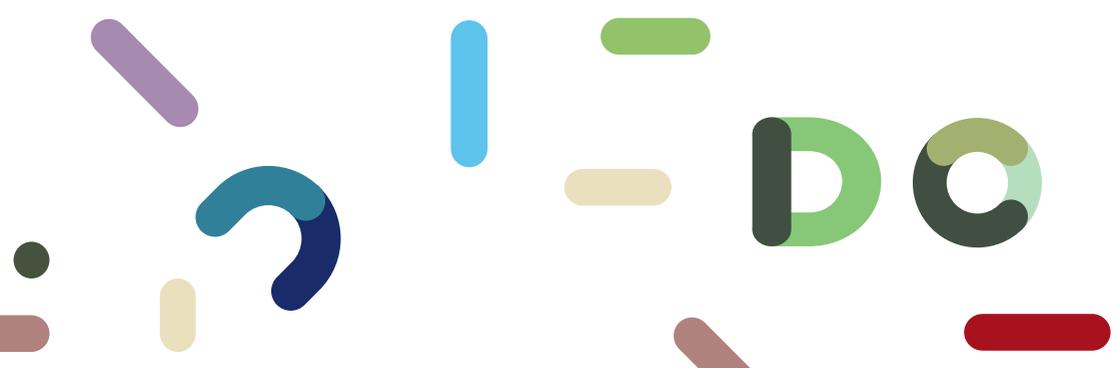
Whilst LTO is ultimately the responsibility of top management at Arpa, the commitment of all employees is also required to ensure that these issues are properly addressed.

Sustainability became part of Arpa's LTO strategy in 2010 following an initial survey of the environmental impact of the production site.

This paper covers 5 chapters:

1. Philosophy and Beliefs
2. Sustainability Policy
3. Measuring environmental impact
4. Progress
5. Improvement initiatives and targets

As an anchor and guideline to our efforts on sustainability, we have referred to the ISO 26000 norm, Guidance on Social Responsibility. Many of the topics that we consider to be our LTO priorities are already incorporated in this





ISO 26000 norm under one of the six so-called core subjects, ranging from “Human Rights” to “Community Involvement and Development”.<sup>1</sup> We have selected “The Environment” as the base for our sustainability efforts, which contains the next four topics:

- Prevention of pollution
- Sustainable resource use
- Climate change mitigation and adaptation
- Protection and restoration of the natural environment

tious targets, especially in waste and energy reduction. The reason to focus on these two main priorities is the importance of the raw materials in the environmental impact of Arpa.

This paper describes the environmental performance profile of the Company so far. The improvement process started in 201 and, year after year, the Company sets new ambi-

1) For more information about the ISO 26000 norm, see Appendix 1 and <http://www.iso.org/iso/home/standards/iso26000.htm>



# PHILOSOPHY AND BELIEFS

Transparent and standardized methodology to promote lasting improvement.

## **Common sense**

As in many of its business decisions Arpa will use common sense in addressing the topic of sustainable development. This implies avoidance of philosophies and dogmas and choosing to base the sustainability strategy on measurement of environmental impacts.

## **Objective and fact based**

Arpa believes in objective and fact based analysis and has performed a Life Cycle Analysis (LCA) to map its environmental footprint along the entire value chain. Though many different methods exist, Arpa believes that the Life Cycle Analysis, as described in ISO 14040 and ISO 14044, is currently the most objective and fact based method to measure its environmental footprint, that is available. This is supported by an increasing number of certifications relying on this methodology. Although it will pursue certification, this is not the backbone of Arpa's sustainability policy.

The Life Cycle Analysis for Arpa has been performed and validated by one of the leading consultants in the area of sustainable development, and will form the basis for all of Arpa's improvement initiatives. However, Arpa will continue to monitor alternative available methodologies and adopt ones that are understandable, transparent and standardized and that promote lasting improvements.

## **Integral part of business planning and review cycle**

To achieve change Arpa will set priorities based on its Life Cycle Analysis (LCA) and agree realistic but challenging targets. In line with other License to Operate topics, Arpa has integrated all sustainability issues into its rolling business planning and review cycle. This cycle consists of annual target setting in the budgeting round, a monthly management review of progress against KPIs and inclusion of sustainability in the annual report.



# SUSTAINABILITY POLICY

The basis of Arpa's sustainability policy is a strong belief that any change should start with the company itself.

Arpa's approach to sustainable development is framed by three basic principles:

## Do No Harm

Arpa's first task is to comply with the safety, product and sustainability regulations and guidelines set by the countries in which it operates. In addition, Arpa is looking for opportunities to minimize the impact of its operations and products.

## Do Good

The second element of Arpa's policy is that it strives to help its suppliers and customers realize their sustainability challenges. This means that Arpa looks for opportunities to maximize

the sustainability contribution of its products in the value chain, including their end-use, e.g. kitchens.

Moreover, Arpa will continue to look for opportunities and initiatives to support and promote longer term sustainable development beyond the direct scope of its current operations.

## Do Better

Finally, we believe new business opportunities will arise from sustainable development. Many sustainability challenges also constitute opportunities that make good business sense today and will allow us to continue to grow our business.



# MEASURING ENVIRONMENTAL IMPACT

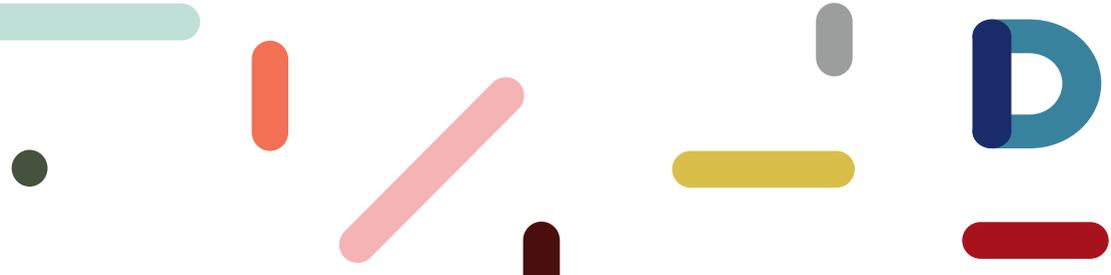
The most recent Life Cycle Analysis was performed with help of PE International, a leading consultant in this area, based on full year 2010 data.

The LCA analysis has been performed from a 'cradle-to-gate' perspective that basically looks at the total impact of the manufacturing footprint including the extraction and processing of raw materials as well as transport to the manufacturing site for all products produced by Arpa. The results are presented in the table below. The units are based on the production of 1 ton of Arpa HPL. The analysis excludes the effects during the use and end of life phase which have to be analysed on a specific product level.

Six key environmental indicators commonly agreed as most relevant were selected by PE International based on their inclusion in Environmental Product Declarations (EPDs). EPD's are the leading documents to publish sustain-

ability results. The LCA parameters included in EPDs cover emissions of substances with a negative impact on the environment (air, water and soil), emissions of greenhouse gases that contribute to climate change and depletion of energy resources both non-renewable and renewable. These indicators are listed and further explained in Appendix 2.

This analysis has made it clear to us that the majority of our environmental footprint is determined by our raw material inputs. Up to 70% of the energy in our products is allocated from the upstream raw material productions processes and transportation to our production site. The same holds for emissions leading to creation of acid rain (AP) and extinction of life in water (EP).

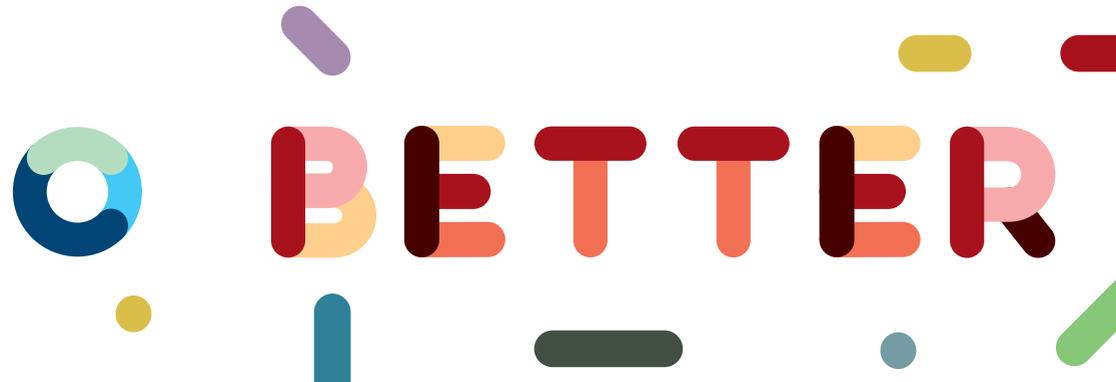


Per ton HPL	Environmental impact dimensions	Units	Total 2010 LCA	Raw material contribution	Arpa contribution
Emissions to air, water and soil	Acidification (AP)	Kg SO <sub>2</sub> -Equiv.	12.0	73%	27%
	Eutrophication (EP)	Kg P-Equiv.	1.9	86%	14%
	Photochemical Ozone creation (POCP)	Kg Ethene-Equiv.	1.4	61%	39%
Primary energy consumption and carbon footprint	Total Primary Energy	GJ	89	78%	22%
	Carbon footprint (GWP)	Kg CO <sub>2</sub> -Equiv.	2,800	48%	52%
	Renewable energy share	%	29	99%	1%

This year, more accurate information on the environmental profile of the Kraft paper became available. First analysis showed that the saturated Kraft core paper data from a leading supplier has a significant larger, and

thus worse, impact on Arpa's environmental-profile.

This effect has to be confirmed by the next LCA, whose results will subsequently be described in the next position paper.



# PROGRESS

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As mentioned before, the 2011 LCA led to two clear focal points for Arpa's sustainability efforts:

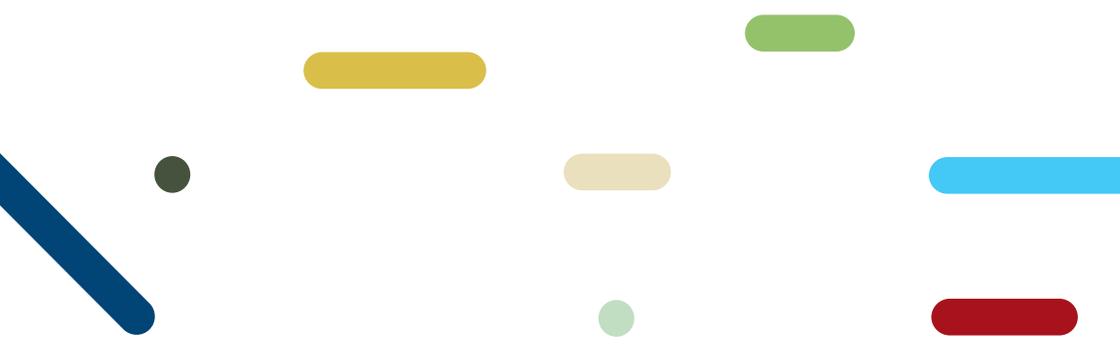
- Upstream contributions from raw material production and transport
- Primary energy use for Arpa's own production processes

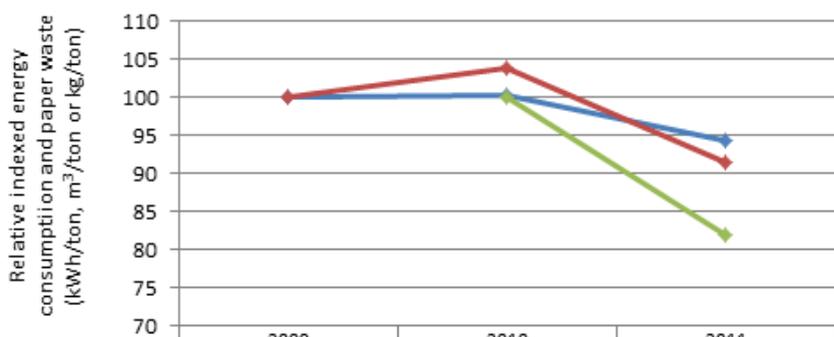
In performing the 2011 LCA, Arpa came to the conclusion that it needed more detailed information on each of these topics in order to successfully address them. For this reason, Arpa started by establishing detailed material, waste and energy balances for the Arpa manufacturing process. These material balances have led to an improved insight into material usage and waste reduction opportunities. As an example, the relative paper waste has been reduced by 19.1% since the end of 2010.

During the first half of 2012, this amount has reduced again by an additional 5.7%.

Regarding the second focal point, new information led to improved insight in energy usage and potential improvement opportunities. As the next chart shows, the relative electricity and gas consumption has been reduced by respectively 5.5% and 8.6% since the end of 2009. Halfway 2012, Arpa managed to decrease the relative gas consumption by another 5.9%, while the relative electricity consumption remained the same.

The next chart shows the trend of the relative energy and waste:





	2009	2010	2011
Relative Electricity consumption	100,0	100,4	94,5
Relative gas consumption	100,0	104,0	91,4
Relative paper waste		100,0	81,9

# IMPROVEMENT INITIATIVES

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## 2013-2015

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Until a new LCA is performed, Arpa will continue to focus on the two focal points set in 2010. The 2013-2015 improvement initiatives are consequently aimed at reducing the impact of raw materials and energy consumption.

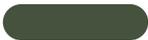
To ensure progress and positive impact on Arpa's environmental profile and thus LCA, Arpa has added the following list of targets to its business planning:  
Upstream contributions from raw material production and transport

- Reduction of the relative amount of waste (in kg/ton Arpa HPL) by 15% at the end of 2015 compared to end of 2011.

Primary energy consumption for Arpa's own production processes

- Reduction of the relative amount of energy (in GJ/ton Arpa HPL) by 8% at the end of 2015 compared to end of 2011, including replacing all office and factory lights by LED lights in 2013.

In addition to these operational targets, Arpa will focus on implementing the proper certification required in the market, such as FSC or PEFC certification. To assess the impact of the previous and the abovementioned initiatives, Arpa intends to perform a new LCA in 2013, based on full year 2012 data.



# APPENDIX 1

Guidance on Social Responsibility from ISO 26000 including the priority areas.

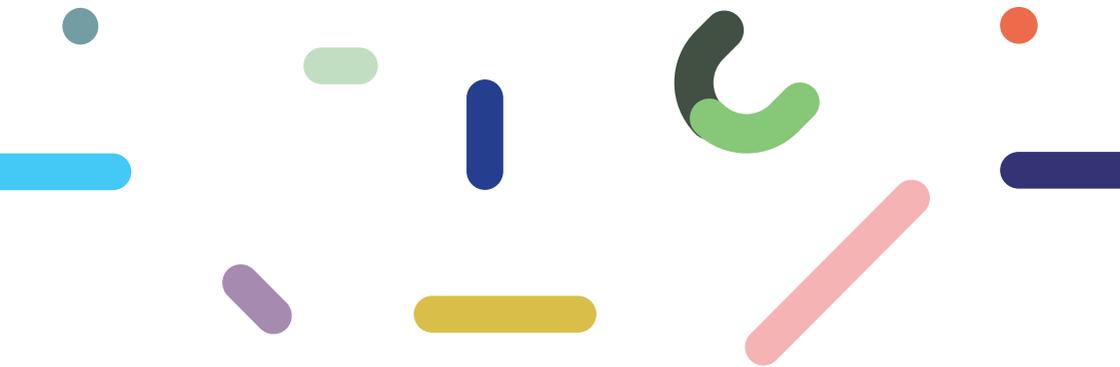
## Core subjects and issues

## Addressed in sub-clause

Core subject: Organizational governance	6.2
Decision-making processes and structures	6.2.3
Core subject: Human rights	6.3
Issue 1: Due diligence	6.3.3
Issue 2: Human rights risk situations	6.3.4
Issue 3: Avoidance of complicity	6.3.5
Issue 4: Resolving grievances	6.3.6
Issue 5: Discrimination and vulnerable groups	6.3.7
Issue 6: Civil and political rights	6.3.8
Issue 7: Economic, social and cultural rights	6.3.9
Issue 8: Fundamental rights at work	6.3.10
Core subject: Labour Practices	6.4
Issue 1: Employment and employment relationships	6.4.3
Issue 2: Conditions of work and social protection	6.4.4
Issue 3: Social dialogue	6.4.5
Issue 5: Human development and training in the workplace	6.4.7
Core subject: The environment	6.5
Issue 1: Prevention of pollution	6.5.3
Issue 2: Sustainable resource use	6.5.4
Issue 3: Climate change mitigation and adaptation	6.5.5
Issue 4: Protection and restoration of the natural environment	6.5.6



Core subject: Fair operating practices	6.6
Issue 1: Anti–corruption	6.6.3
Issue 2: Responsible political involvement	6.6.4
Issue 3: Fair competition	6.6.5
Issue 4: Promoting social responsibility in the sphere of influence	6.6.6
Issue 5: Respect for property rights	6.6.7
Core subject: Consumer issues	6.7
Issue 1: Fair marketing, information and contractual practices	6.7.3
Issue 2: Protecting consumers’ health and safety	6.7.4
Issue 3: Sustainable consumption	6.7.5
Issue 4: Consumer service, support, and dispute resolution	6.7.6
Issue 5: Consumer data protection and privacy	6.7.7
Issue 6: Access to essential services	6.7.8
Issue 7: Education and awareness	6.7.9
Core subject: Community involvement and development	6.8
Issue 1: Community involvement	6.8.3
Issue 2: Education and culture	6.8.4
Issue 3: Employment creation and skills development	6.8.5
Issue 4: Technology development	6.8.6
Issue 5: Wealth and income creation	6.8.7
Issue 6: Health	6.8.8
Issue 7: Social investment	6.8.9



# APPENDIX 2

## LCA environmental indicators.

### **Emissions parameters**

Acidification Potential (AP) gauging the effect of releasing acids into environment ultimately leading to phenomena like acid rain.

Eutrophication Potential (EP) measuring the effect of releasing excessive amounts of nutrients into surface water which reduces the oxygen content in the water and kills aquatic life.

Ozone Depletion Potential (ODP) measuring the effects of gas emissions ultimately leading to breaks in the earth's protective ozone layer with all the associated detrimental effects on life. Well-know but fortunately banned contributors to ozone depletion are CFC gasses.

Photochemical Ozone Creation Potential (POCP) gauging the emissions of gasses with

negative impact on the local environment resulting in the build up of summer smog.

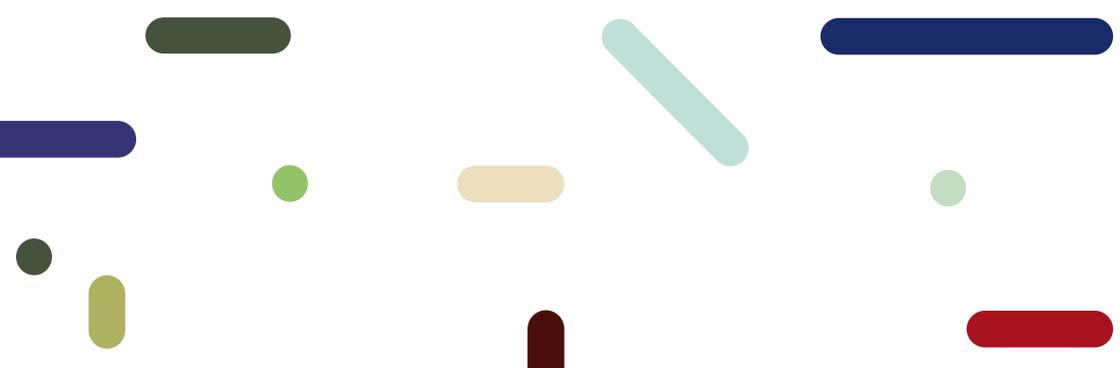
### **Climate change parameters**

Global Warming Potential (GWP) is the emission of greenhouse gasses leading to climate change. This dimension is also known as the carbon footprint and is measured in equivalent emission of carbon dioxide. Burning fossil fuels is the major source of GWP, but carbon capture in raw materials such as wood can off-set these emissions.

### **Resource depletion parameters**

Primary energy usage is the energy required to produce one unit of product.

Share of renewable energy providing the share of energy coming from renewable sources like sun and wind.



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