

1 April 2012 - 31 March 2013

Domsjö Fabriker

Sustainability Report



We have great faith in the future

Since April 2011, Domsjö Fabriker has been a part of the Indian conglomerate the Aditya Birla Group, the world's biggest manufacturer of viscose fibre. This provides us with security and good prospects for continued, positive growth. This is important in a world where the number of competitors is increasing and demand for our main product, speciality cellulose, shows a long-term growth trend, although it can vary from one year to the next.

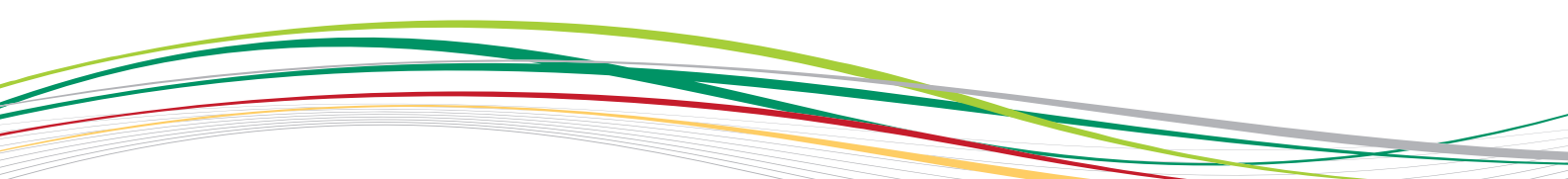
We invest on an ongoing basis to increase and rationalise production, which is necessary for our success in the long term. But our success is of course also good for the region as a whole, for everyone from forest owners to our own employees, for suppliers, the economy at large, the municipality and the county. A study has shown that every employee at Domsjö generates three additional jobs in the Örnsköldsvik region.

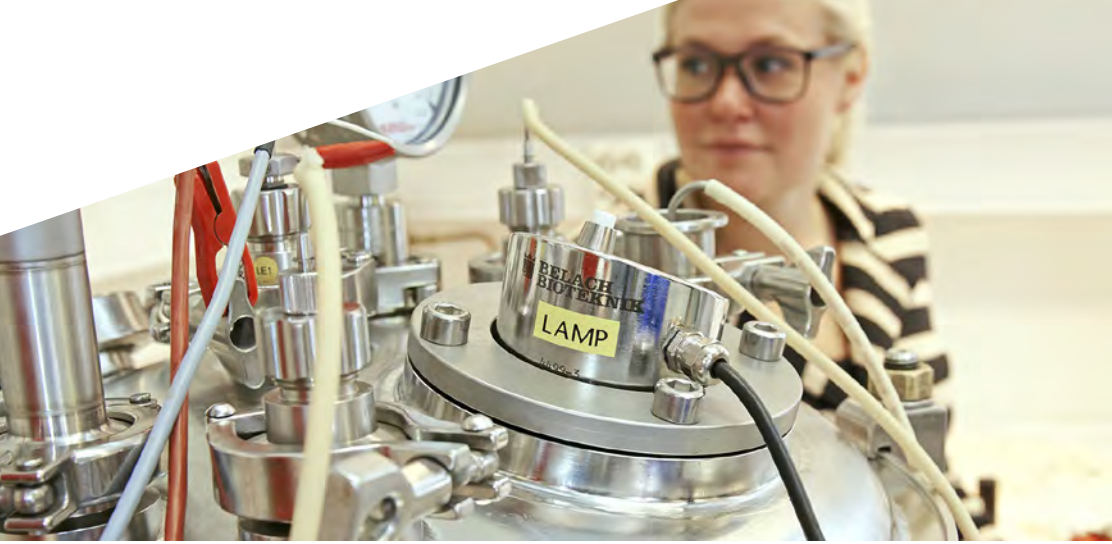
We are aware that our business activity affects the surrounding environment in various ways and we therefore work to minimise its impact. It is important that the outside world can feel secure about our business, which is why we strive to achieve a high level of transparency when it comes to environmental issues. One element of this transparency is this Sustainability Report, another one is that it is always possible to contact us.

One of our business goals is that we shall care for the environment and use raw materials and energy efficiently. We shall utilise as much as possible of the raw material by also creating valuable products from the process's side streams. If there is anything that cannot be refined, we use it as energy. Put briefly: We make more out of the wood!

Our financial year runs from 1 April until 31 March of the following year, so the figures in this report relate to 1 April 2012 until 31 March 2013. I hope you find this report informative.

Lars Winter
CEO, Domsjö Fabriker





Domsjö Fabriker, one of the world's few biorefineries

For more than a decade now, Domsjö Fabriker has been one of the world's few biorefineries. For us, the word 'biorefinery' means that we bring forest resources into the mill in the form of roundwood and use the wood to produce speciality cellulose, lignin, bioethanol, biogas, bio-resin, carbon dioxide, etc. In many cases our products replace other products that are made from oil, a raw material that is not renewable. As one of the first biorefineries, we have paved the way for other companies that are now also starting to produce various green products, primarily various forms of bioenergy, from forest resources.

You encounter our products more often than you'd think

For example, if you've bought clothes made of viscous fabric, medicine tablets, ketchup, paint, windscreen washer fluid, sausages or dog food, there's a good chance you've encountered us. Not that we produce any of these or similar products, but our customers and their customers do. And it's all based originally on spruce and pine trees that, in contrast to oil, are renewable resources.

Our customers may be found virtually all over the world, with the largest proportion actually being in Asia, where about 80 per cent of our specialist cellulose is sent. Our customers use the cellulose to manufacture viscose for the textile industry, for use in various textiles. In environmental terms, viscose has a major advantage over cotton, as growing cotton usually involves large volumes of pesticides and requires artificial irrigation, which is not needed in our forests. Cotton growing also competes with land that is needed to produce food. In a world with an increasing population, viscose will be an increasingly important material for textiles to meet demand for clothes. Most of our forest resources come from Sweden, with the rest being imported mainly from the Baltic States.

DomInnova, our spearhead into the future

There is continuous development under way within our various product areas, with everything from further developing the processes to finding new applications. To enable us to keep at the forefront of developments, we have for a few years now had our own innovation unit: DomInnova. This unit is a centre of competence for cellulose and performs three main tasks: assume responsibility for ensuring that the speciality cellulose meets our customers' current and future requirements, develop speciality cellulose for new applications and develop more biorefinery products.

Biorefinery partnerships

We have a wide-ranging development partnership with companies and institutes of higher education within the biorefinery cluster that is led by SP Processum. Through this partnership and its offshoots, both national and international, we benefit from and share experiences with our partners in the field of biorefineries. We are convinced that this enables us to develop new products and identify new product opportunities more quickly in what has so far been treated as waste or, at best, as energy.

Qualified, committed staff

There are around 400 people working at Domsjö Fabriker, of whom 75 per cent blue-collar workers and 25 per cent are white-collar workers. The proportion of women among employees is 18 per cent. We are striving to increase the proportion of women. Domsjö has a relatively high number of employees retiring, and new employees are gradually being hired so that the competence of older employees can be passed on to new employees in time. 44 employees were hired in 2011 and 37 in 2012.

Material balance

Raw materials

- Timber 1.2 million m³sub
- Chemicals
 - Sodium hydroxide 17,400 tonnes
 - Hydrogen peroxide 6,500 tonnes
 - Sulphur 13,000 tonnes

Thermal energy

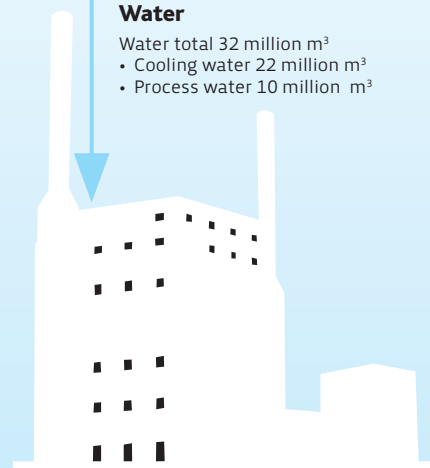
- Total 1,160 GWh
- Recovered liquors 900 GWh
- Biofuels 200 GWh
- Sulphur 50 GWh
- Oil 10 GWh

Electrical energy

- Total 240 GWh
- Electricity generation back-pressure power 30 GWh

Water

- Water total 32 million m³
- Cooling water 22 million m³
- Process water 10 million m³



Production

- Speciality cellulose 188,000 tonnes
- Bioethanol 13,000 tonnes
- Lignin 74,000 tonnes
- Biogas 9,600 tonnes
- Bio-resin 4,400 tonnes

Emissions to water

- COD 10,000 tonnes
- Suspended solids TSS 900 tonnes
- Nitrogen 150 tonnes
- Phosphorus 10 tonnes
- Cooling water 22 million m³
- Treated process water 10 million m³

Emissions to air

- Sulphur dioxide 200 tonnes
- Nitrogen oxides 302 tonnes
- Dust 103 tonnes
- Carbon dioxide
 - Biogenic 48,500 tonnes
 - Fossil 2,400 tonnes

Waste

- Utilised/recycled 18,800 tonnes
- Landfill 1,100 tonnes
- Hazardous waste 52 tonnes

The figures relate to 01/04/2012 until 31/03/2013

Environment, health and safety in new organisation

Since 2013, Domsjö has had a joint organisation for issues relating to health, safety, the environment and quality, in order to work on these issues in a more structured way. The intention is to improve the activities in these areas on an ongoing basis. One important concept is process safety, which involves identifying risks of sudden emissions of energy or chemicals.

Emissions to water and air

Water is drawn from the Moälven river and used in the process in many ways. Domsjö's water requirements correspond to around 7 per cent of the river's average water flow. The waste water from our process, as from the whole Domsjö industrial estate, is treated in several stages before being released into the Moälven river. Emissions to water consist primarily of oxygen-depleting substances, as well as suspended solids, nitrogen and phosphorus. Emissions to air consist mainly of sulphur dioxide, nitrogen oxides, dust and carbon dioxide.

Problems with Legionella

In 2010, a total of five people were taken ill in the Domsjö area, two of them seriously, with Legionella. A DNA analysis conducted by the Swedish Institute for Infectious Disease Control traced the source of the infection to the aerobic part of Domsjö Fabriker's bio-treatment plant. An application was therefore lodged to shut down the treatment process in question during the summer period, and this was granted by the Swedish Land and Environment Court.

In December 2012, another person, a resident of Domsjö, fell ill with Legionella. Despite intensive care in hospital, this person died. According to the Swedish Institute for Infectious Disease Control, the probable source of the infection was the aerobic stage in Domsjö Fabriker's bio-treatment process. The company therefore applied immediately to the County Administrative Board to shut down the stage in question of the bio-treatment process, which was approved in the form of a ban on operating the aerobic stage.

The consequence of this shutdown is partly an increase in emissions of oxygen-depleting substances (COD) into the Moälven river, and partly some problems with odour, which was perceived as being unpleasant by local residents. The odour problem has been reduced during the year, while the higher level of COD emissions remains. Despite the increase in emissions, they are considered to be at a level that has only a marginal effect on the environmental situation in the bay. Samples taken following the shutdown indicate that the level of Legionella bacteria is negligible in both the Moälven river and Örnköldsvik Bay, all the way out to Skomarhamn and Nötbolandet.



Withdrawal of environmental permit application

In September 2011, an environmental permit application was submitted to the Swedish Environmental Court for a new permit to operate the mill. One important precondition for the application was the gasification plant being planned at the time to manufacture bio-methanol and bio-DME from sulphite black liquor. The decision not to follow through with these plans meant that the conditions for the environmental permit application had changed, so it was withdrawn. It is our ambition to submit a new application during 2014.

Bioenergy is our primary energy source

Most of Domsjö's steam requirements are met by burning liquor residues in the recovery boilers. The rest of the energy is produced by Övik Energi from the incineration of biofuels, bark, wood chips, bio-resin and biogas. During the year 1,167 GWh were consumed, 99.4 per cent of which was generated by various biofuels.

The noise situation

Domsjö has not met the condition set of 50 dBA during the night time, and a major project was therefore carried out to reduce the noise. In the course of the project, silencers were both replaced and installed at a number of sources of noise. The outcome is that we now comply with the 50 dBA requirement.

Waste to landfill

During the year, 94 per cent of all waste was recycled or utilised in some other way. 1,120 tonnes, corresponding to 5.6 per cent, went to landfill. The old landfill site at the Gålnäs Industrial Estate has been closed down and an extensive sealing process is under way there. One of the layers is a sealed layer consisting of green liquor sludge and ash from our own process. The outcome of this sealing process will be a green area. A new landfill, which meets all requirements in terms of a sealed base and drainage, is now in operation.

Environmental events during the year



Health & Safety

A safe workplace is important

Our aim is that all employees and others working within the area shall feel safe at work, which is why we take a serious view of the fact that there was an increase in the number of accidents during the year. One important element of work on safety is that even incidents that might cause accidents are reported and rectified.

Reduction in sick leave

The overall level of sick leave, including accidents and occupational injuries, fell from 2.94 to 2.59 per cent, relatively low figures for the industry. The Health Index, i.e. the number of employees without a single day of sick leave during the year, was 58, about the same as in the previous two years.

Rehabilitation and follow-up

Domsjö invests seriously in early rehabilitation. The faster an employee can be rehabilitated, the easier the reintegration process will be. The individual's own manager is always responsible for rehabilitation, and support is available from the HR Department and specialists within the occupational healthcare service. Rehabilitation is adapted to the needs of the individual, so it varies. The general rule is to act quickly and take the right action. The initial aim is that the person in question shall return to his or her previous position, if necessary with the aid of adaptations to the job, tools or working hours. The next option is to relocate the person within the company if possible.

Domsjö Fabriker in society

Domsjö as an employer

Domsjö plays an important role as an employer in the region, both directly and indirectly. 81 new people have been hired in the last two years, 2011-2012. Depending on the kind of vacancy we have, we receive a lot of applications, which we interpret as confirmation that Domsjö is an attractive employer where people recognise opportunities for interesting jobs in a successful company.

Placements from many sources

In order to help unemployed young people to get into the labour market, Domsjö has become involved in Swedbank's "Young Jobs" initiative. Through this scheme, six young people were given a three-month placement during 2012, giving them experience of the workplace and enhancing their opportunities to find a job or an interest in gaining further qualifications. During the same year, more than 40 young people were given holiday work or summer jobs. Several education courses include practical placements, and during the year we offered placements to both upper secondary school students and those studying Umeå University's Process Operator course, as well as a number of other post-upper secondary courses.

Domsjö in the media

Domsjö makes relatively frequent appearances in the media, which is important for us when it comes to presenting our business and its importance, both within our own industry and within the local economy. We are therefore always open and accessible to the media, and of course also to the general public. There was evidence of how our business also attracts international attention when the Discovery Channel contacted us to make a TV programme in their series "How Do They Do It?" about how wood is made into fabric. The programme was broadcast in autumn and winter 2012-2103 in several languages and in many countries.

We actively support education

A large number of professions are represented at Domsjö, many of them with a technical orientation. It is therefore important that today's school students take an interest in technical subjects in order that they can in future find work with us or with one of Örnsköldsvik's other companies that specialise in technology. We are involved in and support the municipal college of technology KomTek, Nature and Technology Days as well as The Forest in School activities. We also welcome both study visits and students on placements.

Sponsorship

Domsjö's sponsorship aims to enhance the company's image as sustainable and innovative, with a high level of responsibility and social engagement. Sponsorship must benefit both Domsjö and whoever is being sponsored. Domsjö is the main sponsor of Örnsköldsvik Gymnastics Club. A number of local sports clubs are supported to a lesser extent, and there is some cultural and humanitarian sponsorship. The ice hockey team Modo Hockey is sponsored in the form of a box at the Fjällräven Arena. When it is not being used for business entertainment, it is available to employees.

The Aditya Birla Group develops rural areas in India

Wide-ranging social work has been carried out within the Aditya Birla Group for many years now, primarily in rural areas of India. These activities cover five areas that between them aim to develop model societies that can then stand on their own feet. The five areas are education, health, sustainable society, infrastructure and social conditions. The projects therefore involve the creation of schools, hospitals, water supplies, road-building and power supplies. The programme also includes projects to enhance the status of women.





Domsjö Fabriker AB
SE-891 86 Örnsköldsvik
Tel. +46 (0)660-756 00
www.domsjo.adityabirla.com