

# **ALBANY** *INTERNATIONAL*

**SUSTAINABILITY  
REPORT**  
BRAZIL

**2013**

## Throughout this Sustainability Report, the following definitions and/or abbreviations may be used:

“Albany International Corp” may be referred to as “AIC”, “the corporate parent”, “we”/“our” or “the Company”.

“Albany International Brazil - Indaial” and “Albany Brazil” and “AIB” refer to Albany International Tecidos Técnicos Ltda.

“Aspect” as used herein means a subject covered by GRI G4 Reporting Guidelines.

“Material Aspects” as defined in the GRI G4 means those aspects that reflect on an organization’s significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of stakeholders and which, taken together as whole, comprise the scope of this Report.

“Indicators” as defined in the GRI G4 means information given on the economic, environmental and social performance or impacts of an organization related to its Aspects.

“Aspect Boundary” refers to the description of where impact occurs for each Material Aspect.

“Impact” means a significant economic, environmental or social effect occurring within an Aspect Boundary.

### Company Information

Albany International Tecidos Técnicos Ltda  
350 Colorado St

### Indaial – Santa Catarina – Brazil

ZIP Code: 89130-000  
Phone: +55 (47) 3333.7500  
Albany International Tecidos Técnicos Ltda (referred to herein as “Albany International Brazil – Indaial” or “Albany Brazil”) is the Brazilian affiliate of Albany International

Corp., a global supplier to customers in paper, aerospace and relates industries.

Website: [www.albint.com](http://www.albint.com)

Contact point (G4-31)

Albany International Brazil – Indaial is available to provide further information and/or receive comments on this Report by contacting:

Michele Stahnke – Marketing Coordination

E-mail: [albany.brasil@albint.com](mailto:albany.brasil@albint.com)

Phone: +55 (47) 3333.7500

### Credits

Coordination: Marketing Team from Albany International Brazil – Indaial  
GRI Consultancy: SESI/SC

Photos: Image Base from Albany International Corp.

Graphic Project: SESI/SC

Albany International Brazil – Indaial is thankful to all the employees involved directly or indirectly in gathering the information found in this Sustainability Report.

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Joseph Morone

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G4-1

Almost from its inception in 1975, Albany International Brazil (AIB) has been a leader in the global Albany organization, and never more so than today.

From operational excellence to product quality, from community engagement to a stellar safety record, Albany International Brazil epitomizes the mission, objectives and values of our company. On so many fronts, AIB sets the standard of performance for the rest of Albany International. It is no wonder that it has been recognized as the best clothing supplier by the Brazilian Pulp and Paper Technical Association 12 times since the annual award was established in 2002.

Now, AIB has set a new standard for our company by compiling and producing the first sustainability report in the history of Albany International. As you read this report, you will learn that AIB has made substantive strides in four key areas of sustainability performance and impact: economic, environmental, social, and governance, including:

- Creation of a Supplier's Code of Conduct that includes formal assessment of criteria related to the environment, labor practices, and human rights compliance.
- Reduction of energy and water consumption.
- Forming partnerships that seek to preserve the biodiversity of the rain forest surrounding the Indaial plant.
- Engagement with the community in social responsibility projects, including sponsorship of and active participation in Junior Achievement.

I am confident that this sustainability report will be the first of many from Albany International Brazil, and to my colleagues at AIB, congratulations to your continuing commitment to your community, your customers, each other, and of course, the environment.



# REPORT PROFILE AND DEFINED TERMS USED IN REPORT (G4-32)

This Report is modeled on the GRI G4 Guidelines in accordance with the Core model. Information has been assembled and presented in full alignment with the goals and objectives of the GRI.

AIB endeavored to create and publish this Report because it shares GRI's belief that a sustainable global economy should combine long-term profitability with ethical behavior, social justice and environmental care.

Albany International Tecidos Técnicos Ltda ("Albany Brazil" or "Albany International Brazil – Indaial" or "AIB") is in the unique position of having created this Report as a subsidiary of a parent corporation rather than a stand-alone entity. As such, some of the required disclosures, particularly the General Standard Disclosures, will reference our parent company, Albany International Corp.. In these instances, it is expected that stakeholders will understand the relationship between the two entities.

This Report is the first sustainability report to be prepared by any affiliate of Albany International Corp. The full analysis and approval of the Report's contents took place at Albany International Brazil - Indaial under the direction and leadership of the Marketing Director, Plant Manager, Controller and HR Manager, with the full support of AIC's Corporate Legal, Compliance and Communication teams, along with the President and CEO of AIC, Joseph G. Morone. (G4-48)

For other required metrics, or "*Specific Standard Disclosures*", the information is provided at the subsidiary level of Albany International Brazil – Indaial in order to provide more relevant and specialized information. For matters such as investment in local communities or energy consumption and biodiversity, it is more appropriate to use the data most pertinent to Albany International Brazil – Indaial.

While this Report reflects only the activities and sustainability initiatives of Albany International Brazil – Indaial, for matters of corporate governance, financial performance, overall market activity, product responsibility and ethics, some of the required "*General Standard Disclosures*" include information that relates to Albany International or AIC as a whole. As a publically traded company, the information related to the corporate parent is more robust for these matters. For example, Albany International Brazil – Indaial would not have a separate Board of Directors or different ethical values than its corporate parent. Additionally, describing AIC's product mix overall will give more context to Albany Brazil's specific activities within that mix.

This Report attempts to address the General Standard Disclosures first and then explores the unique and significant sustainability data (General Specific Disclosures) collected by Albany International Brazil-Indaial

on its activities in 2013. There is, however, some overlap between the sections. To the extent feasible, this Report indicates which Standard Disclosure requirement it is addressing in each section. These references correspond to the Index at the end of the Report.

This Report covers Specific Standard Disclosure activities at Albany International Brazil – Indaial from January 1<sup>st</sup> to December 31<sup>st</sup>, 2013. The General Standard Disclosures pertain to AIC for the same time period.

# GENERAL STANDARD DISCLOSURES

## (G4-3/ G4-4/ G4-5/ G4-6/ G4-7/ G4-8/ G4-9)

### HISTORY

AIC is the parent company of Albany International Brazil –Indaial. Founded in 1895, in Albany, New York, USA, AIC is currently headquartered in Rochester, New Hampshire, USA. AIC is a publicly traded (NYSE:AIN) multinational organization with facilities in 11 countries around the world. The business employs about 4,000 employees worldwide.

(AIB is located in Indaial, Brazil, and employees about 330 people. More information is provided in Section 4 of this Report.)

AIC is a global advanced textiles and materials processing company with two core businesses:

- Machine Clothing is the world’s leading producer of custom-designed fabrics and belts essential to production in the paper, nonwovens, and other process industries. Machine Clothing is used in the formation and transport of the paper sheet through the paper machine, having significant impact on the quality of the paper, the efficiency of a machine and productivity. These custom-designed engineered fabrics, made from monofilament and synthetic fiber materials, are used to produce all grades of paper, from lightweight sanitary tissue to heavyweight container board.
- Albany Engineered Composites (“AEC”) is a rapidly growing supplier of highly engineered composite parts for the aerospace industry. When designing new parts with customers, AEC blends together its core technologies as best fits part function and specifications. In addition, AEC develops new and emerging technologies to support needs for lightweight composites that are otherwise not being met by the market.



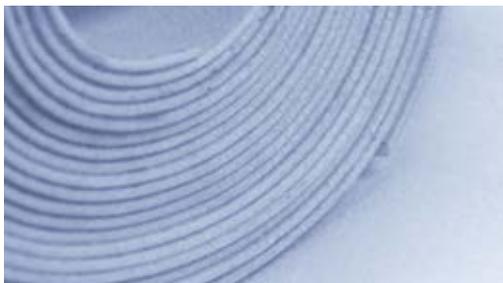
## MARKETS (G4-4)

### Paper and Pulp Industry – Machine Clothing Overview

A world leader in the production of Machine Clothing essential to the paper and pulp industry, AIC offers the following products:



**Forming Fabrics:** are used in forming section of pulp and paper machines. As the forming fabric moves, the paper sheet is formed and the initial water removal occurs. The forming fabric is custom-designed for each machine, position and paper grade, and Albany provides a full range of fabrics for all machines and grades.



**Pressing Fabrics:** in the press section of a pulp and paper machine, additional water is removed from the newly formed sheet. As with forming fabrics, Albany offers a full range of fabrics, with or without a seam, for each press position and paper grade to provide greater water removal, reduction of energy consumption and better sheet quality in the production process.



**Drying Fabrics:** the dryer section removes the bulk of the water from the paper sheet. The fabrics hold the sheet tightly in contact with the heated dryer cylinders, where a great volume of water is removed by evaporation. AIC is an industry leader in the design and application of a variety of dryer fabrics to increase drying rate and improve runnability.

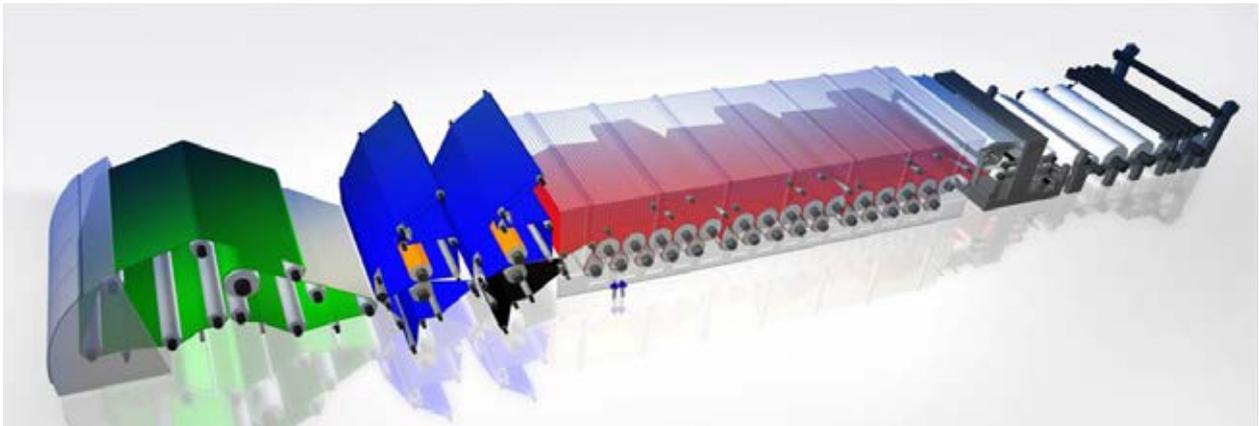


**Process Belts:** in some press sections, a shoe press is employed to increase sheet dryness. This press requires specialized impermeable belts. Albany Brazil offers its customers shoe press belts in various designs as required for the press and paper/board grade produced.



**Fiber Preparation:** within the line of fiber preparation for the paper industry, AIC offers customized fabrics and belts for all the different and necessary demands or requirements of equipment in the pulp and paper industry such as pulp presses, industrial mud presses, and cellulose washers, amongst others.

A brief discussion of some of AIC's specific technologies follows below: (G4 – EN27)



## ● Forming

(G4 – EN27)

**FINEPRINT XP:** fabric used in machines that produce paper for printing and writing. The fabric provides the combination of high fiber support (FSI = Fiber Support Index) for good formation and retention, with dryness gains after initial formation.

## ● Pressing

**SEAMTECH 500-2:** a unique press fabric used in pulp machines in the last presses, aiming to increase the specific surface of the pulp sheet, with reduction in the consumption of energy in sheet drying.

## ● Drying

**SPIRALTOP:** a specially designed nonwoven fabric that not only provides greater sheet contact area, but also "air pumping" to reduce dryer pocket moisture. Developed for high-speed machines, it also improves the sheet stability, is durable, and runs cleaner than woven dryer fabrics.

## ● Shoe Press Belts

**VENTABELT XT:** a family of shoe press belts with engineered grooves to maximize sheet water removal.

FINEPRINT XP, SEAMTECH 500-2, SPIRALTOP and VENTABELT XT are all trade names of AIC.

## Other markets

Other Markets in which AIC participates include:

### Corrugator Board Machines

AIC provides a complete range of belt and lagging products that provide consistency and quality board production.

### Textile Finishing Industry

AIC offers custom fabrics used in many textile finishing processes: compactors, calendars, and sanforizing machines.

### Nonwovens Market

AIC offers custom-designed fabrics and belts for the nonwovens market.

### Fibre Cement

AIC designs and manufactures custom fabrics for this industry segment.

### Building Products

AIC produces a range of fabrics and belts for the production of cellulose boards (MDF, MDP, OSB) and glass fiber mats.

### Tannery

AIC produces custom fabrics and belts specifically for the drying, stretching and engraving of leather.

## Aerospace

AIC's wholly owned subsidiary, Albany Engineered Composites, designs and manufactures highly engineered composite parts for the aerospace industry.





## GOVERNANCE

Albany International Corp. is committed to conducting its business with integrity and according to the highest ethical standards, in accordance with the laws and regulations to which its activities are subject. The maintenance of high governance standards is supported by comprehensive processes and policies, communications, and training.

*Board Leadership Structure.* Since becoming a public company in 1987, Albany has at times operated under a traditional U.S. board leadership structure (with the roles of Chief Executive Officer and Chairman combined), while at other times the positions of the Chairman and the top executive officer have been separated.

The Board of Directors expects the Chairman of the Board to function as a liaison and independent conduit between the members of the Board and AIC's Chief Executive Officer

between meetings of the Board, and to preside over meetings of, and provide leadership to, the non-management members of the Board. The Chairman is also primarily responsible for setting Board meeting agendas, in cooperation with the Chief Executive Officer and Secretary.

(Other responsibilities of the Chairman are described in the Company's Corporate Governance Guidelines. The Chairman is also empowered to delegate some of these duties, in his or her discretion, to a Vice Chairman.)

The AIC Board engages in an annual self-evaluation process to determine whether the Board is discharging its responsibilities and operating effectively, and to consider changes in membership, structure, or process that could improve performance. While we believe that the current Board leadership structure is appropriate for AIC at the present time, it is possible that alternative Board leadership structures, including those that combine the offices of Chairman and Chief Executive Officer, could be appropriate for the Company under different circumstances.

AIC's Chief Executive Officer reviews directly with the Board, at each regularly scheduled quarterly meeting, the most significant top-level enterprise risks facing AIC and the processes by which AIC mitigates such risks. This top-level review is directly supported by periodic formal review by senior management of all significant enterprise risks, facilitated by the Chief Financial Officer. The Board requests management, from time to time, to supplement this top-level review with a more detailed analysis of one or more specific risks, selected by the Board, and plans to mitigate that risk. The Board also reviews management's annual operating plan and strategic plan to ensure that they are consistent with, and appropriately address, AIC's risks and risk management processes. AIC's Audit Committee is responsible for assisting the Board in its oversight of the risk management processes. The Audit Committee periodically reviews and discusses with management AIC's internal audit department and the independent auditors, the adequacy of the processes by which AIC handles risk assessment, and risk management. The Committee receives periodic reports from AIC's finance department regarding liquidity and other financial risks; from the finance and internal audit function regarding internal control risks; and from the finance, legal, and internal audit departments regarding processes for addressing fraud, legal, and compliance risks, and the adequacy of AIC's disclosure controls and procedures. The Audit Committee also reviews and discusses with management the risk factors disclosed by AIC in its periodic filings with the Securities and Exchange Commission before such filings are made.

Although the Board oversees AIC's risk management, day-to-day management of risk remains the responsibility of management.

*Director Independence.* The Corporate Governance Rules of the New York Stock Exchange ("the NYSE Rules") provide that a company of which more than 50% of the voting power is held by an individual, a group, or another company will be considered to be a "controlled company." As of March 27, 2013, J. Spencer Standish, related persons (including his children, Christine L. Standish and John C. Standish, directors of AIC; J. S. Standish Company, a corporation of which he is a director and as to which he holds the power to elect all of the directors; and various trusts for the benefit of descendants of J. Spencer Standish) held, in the aggregate, shares entitling them to cast approximately 53% of the combined votes entitled to be cast by all stockholders of AIC. Accordingly, we are a controlled company under the NYSE Rules. AIC has elected to avail itself of the provisions of the NYSE Rules exempting a controlled company from the requirements that the Board of Directors include a majority of "independent" directors

(as defined by the NYSE Rules) and that the Compensation and Governance Committees be composed entirely of independent directors. The Board of Directors has determined, however, that all of the members of the Audit Committee are independent. The Board is not required to make this determination with respect to any other director, and it has not done so.

Pursuant to AIC's By-Laws, the Board may increase or decrease the number of directors from time to time, but not to less than three. At present there are eight directors. Regular meetings of the Board of Directors are held quarterly. Pursuant to the rules of the New York Stock Exchange, a meeting of the non-management directors is normally held in conjunction with each regular meeting. The "non-management" directors include all of the directors other than Joseph G. Morone, the President and Chief Executive Officer, and are listed below. (G4-39)

**Christine L. Standish**  
*Director*

**Edgar G. Hotard**  
*Director*

**Erland E. Kailbourne**  
*Chairman of the Board*

**Katharine L. Plourde**  
*Director*

**John C. Standish**  
*Vice Chairman of the Board*

**John R. Scannell**  
*Director*

**John F. Cassidy, Jr.**  
*Director*

Through its supervision, review and recommendation, the Board reviews with the CEO and senior management the mission, long-term strategy and organizational goals of the business, assuring that the long term interests of shareholders are met. In addition, it carries out the annual assessment of the Chief Executive Officer and supervises the succession plan. It also makes sure that the accountability reports are thorough and it assesses the business strategies and processes to identify and minimize risks to the organization. (G4-35/ G4-42) The Board has three standing committees, each of which is delegated specific areas of responsibility to further the Board's corporate governance duties. They are: Audit Committee, Compensation Committee and Governance Committee. The committees' responsibilities are discussed below.

Additional information, including committee charters may be found at [www.ir.albint.com](http://www.ir.albint.com) under the heading "Corporate Governance".

### **The Audit Committee will:**

- (1) assist the Board of Directors in fulfilling its oversight responsibilities with respect to (a) the integrity of the Company's financial statements and financial reporting process and the Company's systems of internal controls, (b) the performance of the Company's internal audit function, (c) the annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the qualifications, independence and performance of the independent auditors, (d) the Company's compliance with legal and regulatory requirements, including the Company's disclosure controls and procedures and (e) the fulfillment of other responsibilities set forth herein;
- (2) prepare the report of the Audit Committee required to be included in the Company's Proxy Statement in connection with the Annual Meeting of Stockholders; and
- (3) provide a means of open communication among the independent auditors, internal auditors, the Board of Directors and management.

### **The Compensation Committee will:**

- (1) review and approve the Company's compensation philosophy, principles and objectives;
- (2) assist the Board of Directors and management in developing and administering employee compensation, incentive and benefits programs and policies that will enable the Company to attract, retain and motivate competent personnel;
- (3) review compensation and benefits programs and policies established for employees of subsidiaries of the Company and recommend such changes as the Committee may feel appropriate to bring about consistency and equity among the programs and policies of the Company and those of its subsidiaries;
- (4) oversee the compliance of such programs and policies with applicable legal requirements; and
- (5) prepare the report of the Compensation Committee required to be included in the Company's Proxy Statement in connection with the Annual Meeting of Stockholders.

It is the Compensation Committee's responsibility to define the compensation of members of the Board and senior managers so as to attract and retain talented, well-qualified members and executives. Part of the compensation of each member of the Board and the senior management team consists of Class A Common Stock of AIC and aims to align the interests of its directors and executives to the interests of the shareholders. (G4-52)

### **The Governance Committee will: (G4-34)**

The Governance Committee annually analyzes the performance of the current members of the Board. The Board's self-assessment process is the main resource used to determine; hence, Albany International does not believe in arbitrary limits of tenure or age as parameters for assessment. (G4-44)



## FINANCIAL PERFORMANCE

AIC is listed on the New York Stock Exchange (Symbol AIN) and discloses the consolidated financial reports of all its operations, including but not limited to AIB.

In February 2014, Albany International Corp. reported officially that its net income in the 2013 amounted to 17.5 million US dollars. In the same period of 2012, the company's net income was 31.0 US dollars.

Net Income	2012	2013
	U\$ 31.0 million	U\$ 17.7 million

In 2013, AIC's gross profit was \$290.6 million US dollars compared to 305.4 million US dollars of net sales in 2012.

Gross Profit	2012	2013
	U\$ 305.4 million	U\$ 290.6 million

## EBTIDA

Year ended December 31, 2013 (in thousands of US dollars)	Machine Clothing	AEC	Corporate Expenses and Other	Total
Net Income	\$114,370	(\$14,404)	(\$82,308)	\$17,658
Loss from Discontinued Operation	-	-	46	46
Interest Expense, net	-	-	13,759	13,759
Income Tax Expense	-	-	13,372	13,372
Depreciation and Amortization	46,521	8,460	8,808	63,789
<b>EBITDA</b>	<b>160,891</b>	<b>(5,944)</b>	<b>(46,323)</b>	<b>108,624</b>
Restructuring and other, net	24,568	540	-	25,108
Foreign Currency reevaluation losses	296	41	5,230	5,567
Gain on sale of former manufacturing facilities	-	-	(3,763)	(3,763)
Profit attributed to non-controlling interest in ASC (Albany Safran Composites)	-	(141)	-	(141)
<b>ADJUSTED EBITDA</b>	<b>\$185,755</b>	<b>\$5,504</b>	<b>(\$44,856)</b>	<b>\$135,395</b>

Additional information including a presentation for investors is available at [ir.albint.com](http://ir.albint.com).

Albany International Corp. strives for transparency of its accountability. Its financial reports and internal controlled environment are audited annually by independent auditors, as well as by its own internal audit.

AIC's financial results are disclosed quarterly. (G4 - EC1)



# FILOSOFIA ALBANY INTERNATIONAL

Vivencie nossos valores

Política de saúde e segurança



## Segurança

Nossa preocupação é oferecer um ambiente seguro e saudável para todos os colaboradores, clientes e fornecedores.



## Responsabilidade

Albany International é uma empresa comprometida com a responsabilidade social, ambiental e econômica.



## Tomada de decisão baseada em fatos

Os funcionários da Albany International comprovam suas hipóteses para chegarem a uma conclusão.



## Persistência

Frente aos obstáculos e ao estado atual das coisas, não desistimos. Buscamos oportunidades, buscamos soluções inovadoras, trabalhamos com resultados notáveis e seguimos melhorando nossos processos e serviços.



## Ética

Servimos clientes, funcionários e acionistas de acordo com princípios de ética e honestidade e proclamamos sempre os mais elevados padrões da empresa e representação da marca Albany International.



## Respeito

A Albany International tem uma grande consideração pela dignidade, diversidade e exclusividade dos funcionários e clientes. Tratamos os outros de forma justa e profissional.

## ETHICS AND INTEGRITY

AIC, and all of its subsidiaries and affiliates, including AIB, is committed to conducting business with integrity and the highest ethical standards, in accordance with the laws and regulations to which our activities are subject. AIC requires all of its directors, officers, and employees as well as independent contractors, consultants, agents and distributors to comply with its Business Ethics Policy (BEP), available at <http://ir.albint.com/phoenix.zhtml?c=108596&p=i-rol-govownership>. (G4-56)

Additionally, AIC's Core values are featured on its website at: <http://www.albint.com/en-us/company/Pages/Core-Values.aspx>. (G4-56)

### AIC's Core Values include:

- **Safety:** AIC is committed to providing a safe and healthy workplace for all employees, with the aim of achieving an accident-, illness-, and injury-free environment.
- **Accountability:** At AIC, every individual who directly contributes to the outcome from the time the order is accepted until the product is delivered must hold themselves accountable for the final outcome.
- **Fact-Based Decision Making:** The AIC employee tests his/her "hypothesis" in order to reach a conclusion.
- **Persistence:** the continuous pursuit of a significant goal that links to the AIC's overall objectives, including the ability to accept active constraints and creatively overcome obstacles that threaten the individual's or team's mission along the way.

- **Ethics:** We serve customers, employees, and shareholders ethically and honestly and will always uphold the high standards of the company when representing the AIC brand.
- **Respect:** AIC has a high regard for the personal dignity, diversity, and uniqueness of employees and customers. We treat others in a fair and professional manner.

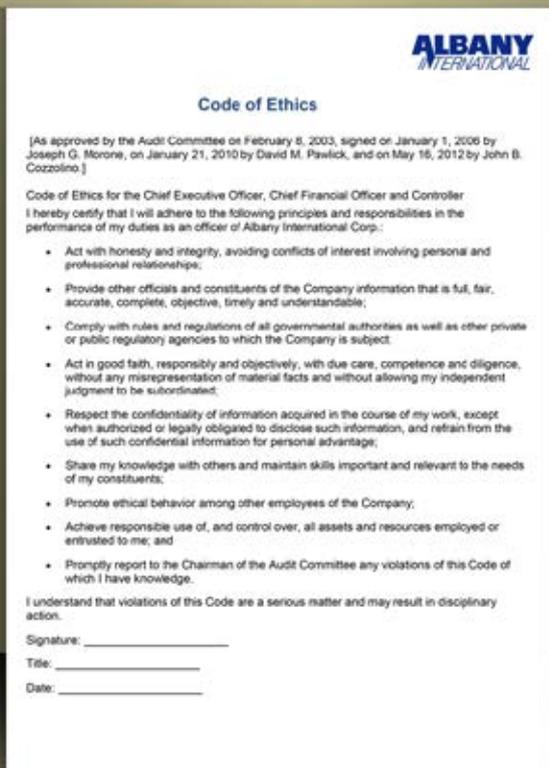
AIC provides internal and external mechanisms for seeking advice on ethical and lawful behavior and matters related to organizational integrity.

Internally, employees are encouraged to talk with their supervisors about any concerns they have. Additionally, all employees are welcome to contact the Corporate Office of Ethics and Compliance, the Legal Department or their own Human Resources Department.

For employees wishing to discuss concerns anonymously, AIC provides an external third-party reporting platform called "Ethics Point". Ethics Point reports may be made online or by phone and in the reporter's native language. (G4-57/ G4-58)

The Ethics Point Reporting Hotline may also be used by external stakeholders of any AIC subsidiary, including AIB, to report concerns or grievances such as:

- Environmental Grievances. (G4 - EN34)
- Labor Grievances. (G4 - LA16)
- Human Rights Violations. (G4 - LA12)



# SPECIFIC STANDARD DISCLOSURES

## MATERIAL ASPECTS AND BOUNDARIES

The Material Aspects and Aspect Boundaries covered in the Scope of this Report by Albany International Brazil – Indaial are: (G4-18/ G4-19/ G4-20/ G4-21)

### **Economic**

(Generally discussed above. Additional publicly disclosed information about AIC is available at [www.albint.com/investors](http://www.albint.com/investors) G4 - EC1)

### **Environmental**

- Energy G4 - EN3
- Biodiversity G4 - EN14
- Water G4 - EN8/ G4 - EN10
- Solid Residues G4 - EN22
- Supplier Environmental Assessment G4 - EN34

### **Social**

#### **Society**

- Local Communities G4 - SO1/ G4 - SO2
- Anticorruption G4 - S05

#### **Labor Practices & Human Rights (combined)**

- Employment G4 - LA1/ G4 - LA11
- Occupational Health and Safety G4 - LA5
- Supplier Assessment for Labor Practices G4 - LA14
- Supplier Human Rights Assessment G4 - HR10

To properly determine the Scope of this Report with respect to its Material Aspects, AIB analyzed the context in which it operates from the following vantage points:

**AIB, itself:**

- Albany International Brazil – Indaial has been certified as compliant with the ISO 14001 environmental standards for the past 10 years, and has adopted the Lean Six Sigma philosophy, continuously improving its processes to bring value to its customers.
- Higher productivity, energy savings, and better water removal in the paper and pulp production process are some of the main benefits that AIB’s products provide to its customers. (G4-14)

**AIB’s position as a subsidiary of AIC:**

- AIC sponsors and administers, for the benefit of and with the cooperation and support of its affiliates (including Albany Brazil) certain corporate services to AIB, some of which are considered Material Aspects for the purpose of this Report. These include:
  - Anti-corruption policy and training. (G4 – S03/ G4 – S06)
  - Anti-trust and unfair competition policy and training.
  - The Global Supply Chain Group (GSCG) of AIC provides procurement services including a supplier portal hosted online to AIB.
  - AIC maintains a third-party platform for reporting of complaints and concerns.
  - AIC prepares and quarterly discloses consolidated financial reports.

**The market in which AIB competes and its core competencies:**

- AIB focuses on markets in which its core capabilities in advanced textiles and materials provide the basis for sustainable advantage, and in those markets, strives for leadership offering the best products and services, first to market, with the highest quality and reliability and at the most competitive costs of operation possible.



## The geographic location of AIB:

- Brazil is, by many accounts, one of the greatest garment and textile producers in the world. According to the ABIT (Brazilian Textile and Apparel Industry Association), the Brazilian textile sector represents the fifth largest industry in the world, accounting for 5.5% of net revenues of the whole manufacturing industry in the country. According to the Ministry of Development, Industry and International Trading, as well as recent estimates from the Industrial Marketing and Studies Institute, the Brazilian textile sector is the second largest generator of first employments and the second largest employer in the transformation industry, amounting to 16.4% of all employment.
- It is estimated by IBA, the Brazilian Tree Industry (formerly BRACELPA, the Brazilian Pulp and Paper Association) that by 2020, Brazil will have invested \$USD 20 billion in new pulp and paper production facilities. This amount is intended to boost the production of pulp by 57% and of paper by 30%. Albany International Brazil – Indaial analyzes these investments and their goals, always striving to anticipate future demand trends.
- The Brazilian Agency for Industrial Development (ABDI) was established by the Brazilian government in 2004 to promote the implementation of the country's industrial policy. Linked to the Ministry of Development, Industry and Foreign Trade (MDIC), it acts as a liaison between the public and private sectors, contributing to the country's sustainable development through actions aimed at improving industrial competitiveness.
- Main areas of action:
  - **"Plano Brasil Maior"** – ABDI provides technical support as well as situational, strategic and technological studies to the bodies responsible for coordinating the "Plano Brasil Maior". In addition, the Agency contributes to develop action agendas within the sector and to improve the institutional, regulatory and innovation environment in Brazil.
  - **Innovation** – ABDI stimulates interaction among corporations, the academia and the government, in order to support the strengthening of the innovation environment. Also, ABDI disseminates statistics and initiatives related to research and entrepreneurial development.
  - **Competitive Intelligence** – ABDI collects, analyzes, systematizes and disseminates information on industrial development in order to assist decision-making.
  - **Competitiveness within the sector** – ABDI's main focus is to foster industrial competitiveness. Based on the guidelines of "Plano Brasil Maior", the Agency coordinates, develops, monitors and evaluates strategies to improve the competitiveness of corporations in different supply chains.
- AIB is actively engaged with: (G4-16)
  - **ABIT** – Brazilian Textile Industry Association (member of the board).
  - **IBÁ** – Brazilian Tree Industry.
  - **ABTCP** – Brazilian Paper and Pulp Technical Association (member of the board). Last year, for the eleventh time, Albany International Brazil – Indaial won the Outstanding Paper and Pulp prize, under the category of Machine Clothing and Consumables.

## **AIB's Strategic Vision and Management Approach**

- "True North" refers to the magnetic pull or business direction defined by senior leadership through the implementation of "Lean" principles to achieve a competitive advantage and to create value for the customer. Through True North, AIB focuses and leads. In Brazil, AIB's top management is represented by Elídio Frias (Marketing and Sales Director), João Batista Machado Guaranha (Plant Manager) and José Acácio Contezini (Controller).
- Albany International Brazil – Indaial's main goal is to ensure its customers', shareholders', employees' and its community's satisfaction by the continuous improvement of its products and processes, through its Integrated Management System. This continuous improvement is established by goals and targets and monitored by performance indicators within four aspects as follows:
  - Safety.
  - Focus on customer and innovation.
  - Become a cost-competitive manufacturer.
  - Engage, develop, and challenge our employees.

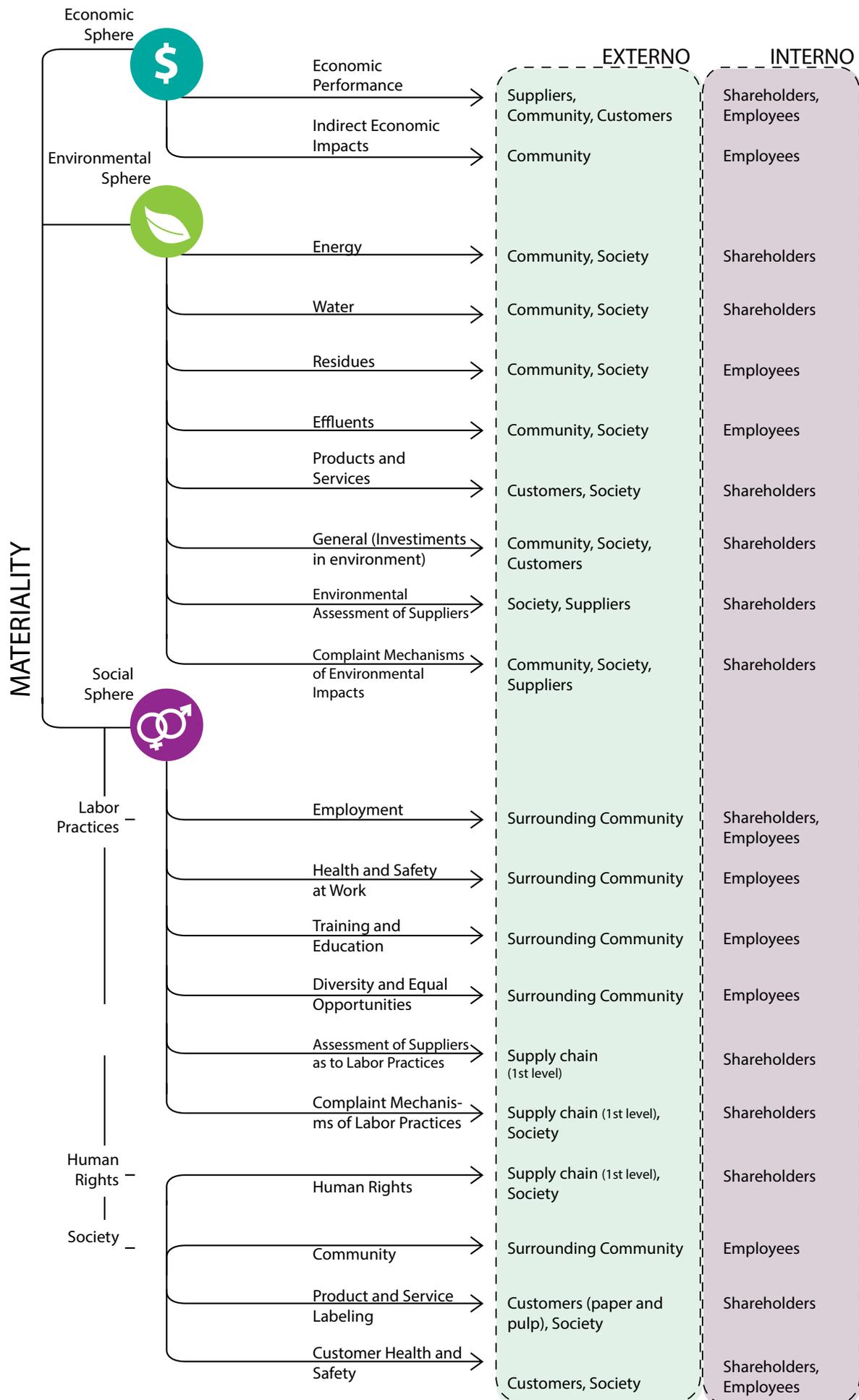
## **Published studies on the Brazilian Sectors (for defining "Boundary" and relevant parameters)**

- Studies were used to highlight the main Aspects and impacts of the textile industry. These studies were carried out by the National Industry Confederation (CNI), Brazilian Textile Industry Association (ABIT), Brazilian Agency Industrial Development (ABDI), and by Ethos Institute. The studies address the economic, social and environmental aspects, regulatory guidelines, and the main challenges to raise the enterprise sustainability of the segment.

## **AIB's competitors' and customers' practices in machine clothing and pulp and paper, generally.**

The prioritization of the relevant Aspects of this Report occurred through the involvement of top Brazilian management and leaders responsible for indicators and management processes. The analysis was based on the materiality matrix, formed by quantitative data, stemming from the assessment of relevant Aspects, considering economic, social, and environmental impacts as well as how AIB's practices might influence its stakeholders. For the prioritization process, AIB established a minimum average of 7.3 for inclusion of each Aspect. The analysis considered the correlation of each Aspect with respect to (1) internal policies and guidelines and (2) a study of the sectors and practices within the segment. (G4-27)

For the purposes of this Report, stakeholders were defined according to AIB's Integrated Management System, which comprises the Quality Policy and HS&E (Health, Safety, and Environment) Policy. AIB's stakeholders are thus defined as: shareholders, employees, customers, suppliers, government, surrounding Brazilian community, NGOs and media. Accordingly: (G4-25)

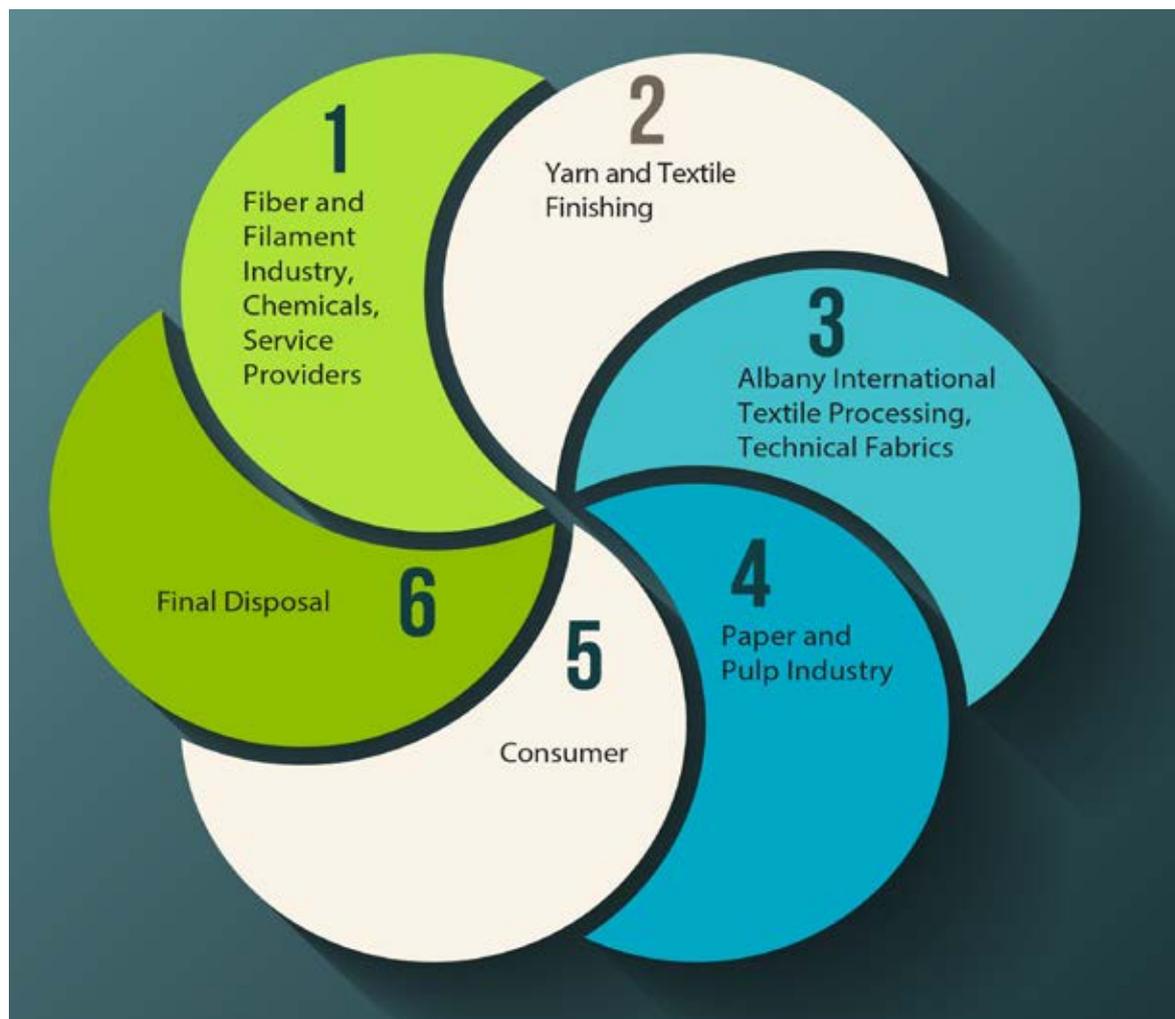


Aspect	Why It Is Material
Economic Performance	Discloses the generation and distribution of the parent company`s economic value.
Indirect Economic Impacts	Concerns the infrastructure investments made in favor of the community by AIB.
Energy	Demonstrates the consumption of energy of the plant, established target for consumption; savings due to energy efficiency at AIB.
Water	Shows the consumption of water and targets established for consumption at AIB.
Effluents and residues	Refers to how AIB discharges and handles water and residues.
Products and Services	Shows AIB`s efforts towards mitigating environmental impacts of its products and services.
Environmental Investments	Demonstrates expenditures in environmental protection by AIB.
Environmental Assessment of Suppliers	Demonstrates the importance of environmental criteria in the selection of AIB suppliers during the past year.
Employment	Discloses the number of jobs generated, employee turnover at AIB.
Health and Safety at Work	Shows AIB interest in its employees` health and safety. Compliance to legislation, types and rates of injuries.
Training and Education	Discloses investments made in training for employees, average hours of training and training policies at AIB.
Diversity and Equal Opportunities	Demonstrates breakdown of employees per employee category according to gender, age group, and other indicators of diversity at AIB.
Assessment of Suppliers as to Labor Practices	Shows the percentage of new AIB suppliers selected based on criteria related to labor practices.
Assessment of Suppliers in Human Rights	Shows the percentage of new AIB suppliers selected based on criteria related to human rights, such as abolition of child labor.
Local Communities	Shows the engagement of AIB with the local community, assessing its impacts and participation in local development.
Customer Health and Safety	Shows AIB`s concern and care towards customer`s health and safety while manufacturing its products.

**As noted:** this is Albany Brazil`s first Sustainability Report. Albany Brazil considers the process of developing this Report an exercise to better understand the methodology and indicators, as well as an initiative to raise thinking and provide for conversations with other affiliates of Albany International. (G4-22 / G4-23)



## SUPPLY CHAIN / PROCUREMENT PRACTICES (G4-12/ G4-2)



To understand Albany International Brazil – Indaial’s supply chain, we offer the following:

A general textile production supply chain begins with either (1) the agriculture sector, through the use of natural fibers such as cotton, or (2) the chemical industry, through the production of manufactured synthetic resins for use in fibers, yarns, or coatings.

- (1) For AIB, the supply chain begins with the chemical fibers and filaments industry.
- (2) AIB relies on a diverse group of national and international yarn suppliers. This second procedural step is where the process of turning chemical resins into synthetic fibers, continuous filaments, and cohesive and malleable or cut fibers, takes place.
- (3) The third element of AIB’s supply chain is textile and fiber/yarn processing. Fabrics are produced, through intermeshing of yarns called “weaving”. Yarns wound on a beam are “warp yarns” and those in the shuttle are “weft yarns”. Such technical fabrics are custom-designed and are called, collectively, Machine Clothing.
- (4) The crucial fourth element of AIB’s supply chain is its customers in the paper and pulp industry sector.

Albany International Brazil — Indaial recognizes the importance of getting feedback from its constituents. With respect to its customers, specifically, they conduct market surveys in order to understand and evaluate how they are perceived.

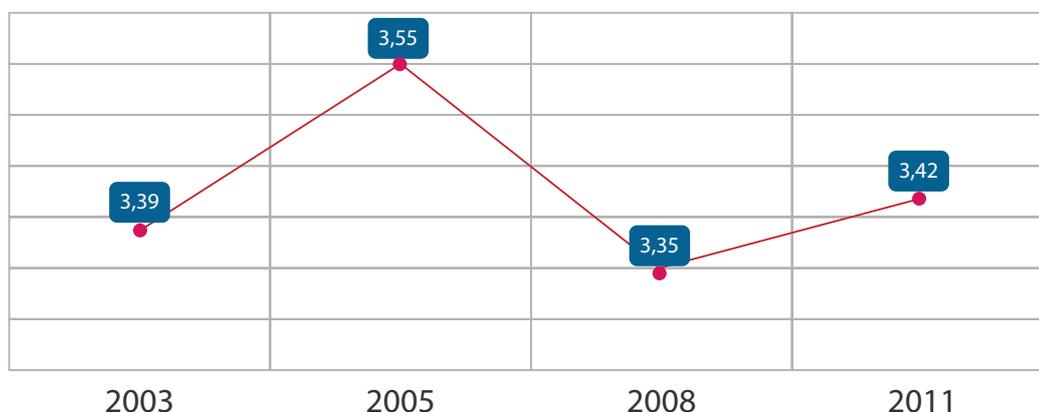
Through 2013, AIB’s customers numbered over 200 companies from the paper and pulp segment. Albany International Brazil – Indaial recognizes the importance of getting feedback from its constituents. With respect to its customers, specifically, they conduct market surveys in order to understand and evaluate how they are perceived. AIB’s practice is to conduct a survey on average every three years; however, it may be conducted more frequently if there is significant change in the market or in AIB’s products or services. Alternatively, the survey may be conducted less frequently if the market and its product mix remain stable.

The technical criteria for measuring customers’ satisfaction are defined by a numeric score from 1 through 4 (where 1 = very bad and 4 = very good). The evaluated aspects are: (a) access to contact people, (b) emergency deliveries, (c) customer care, (d) delivery deadlines, (e) quality of products, (f) technical assistance, and (g) commercial conditions.

The average score for Albany International Brazil – Indaial from the most recent survey was above 3.30. Survey results are analyzed by its top management and by technical teams. The data is used to support the development of action plans and improvement projects.

In the 2011 survey, (most current at the time of this report), Albany International Brazil – Indaial achieved a general score of 3.42. Technical assistance, product durability, and performance stood out as clear strengths. The evaluation of the 2014 market survey has already been concluded as well as the update of the action plan and is expected to be provided in the Sustainability Report that will be published in 2015. (G4 – PR5)

### Albany - Score 1 to 4



Survey carried out by *Pró-Marketing Inteligência de Mercado e Consultoria emMarketing*, specialized in Market Intelligence and Marketing Consulting.

(5) The fifth element of Albany International's – Indaial's supply chain are final consumers of the products manufactured by the pulp and paper industry. After the consumers' final use of the products, the final disposal of the material occurs.

Just as in any other segment, the sustainable development and management of our fifth element is considered an important component of the supply chain. Accordingly, analysis of the final consumption and disposal has stimulated changes (e.g., adjustments to AIB's management models, decisions about use of materials, and product and new process developments). Our customers' customers usage is not insignificant to our considerations of sustainability.

## Discussion of Suppliers

At Albany International Brazil – Indaial, as well as in many other industrial organizations, suppliers are relevant stakeholders and should be monitored closely because they impact directly on the operation of the business (and the society) through the supply chain. For this reason, AIB strives to manage its supply chain in an environmentally and socially responsible way, and thus, has required from its suppliers the same approach. AIB's requirements of its suppliers are formally described in its Supplier's Code of Conduct, ("Code") deployed in 2013.

Initially the Code was given out to all Albany International – Indaial strategic suppliers. Such suppliers agreed, upon formally accepting the document, to fulfill and comply with the environmental and labor laws. Currently the document is also used to engage any new suppliers, regardless of strategic importance to AIB. If suppliers either do not agree to the Code principles or agree and then breach that agreement, AIB reserves the right to terminate or suspend the contract of supply. The Code not only establishes the principles under which Albany International Brazil – Indaial suppliers must operate, but it also demands that the same is expected from suppliers from whom AIB's suppliers source their needs as well.

In 2013, Albany International Brazil – Indaial contracted 265 new suppliers. It also adopted a new, more formal assessment of criteria related to environmental, labor practices, and human rights compliance of suppliers. Prior to the adoption of the criteria to assess suppliers' environmental, labor, and human rights practices, Albany International Brazil – Indaial relied upon AIC's Standard Terms and Conditions of Purchase, which require supplier compliance with all applicable laws and regulations (including those related to the environment, labor, and human rights).

Under the newly adopted formal criteria, 24 suppliers were analyzed based on environmental criteria, that is, 9% of the total. Based on labor practices criteria, six companies were assessed, representing 2% of all new suppliers. Under the criteria of human rights, six companies were assessed, also representing 2% of the total number of new suppliers. (G4 –EN32/ G4 –LA14/ G4 –HR10)

The third-party companies contracted to perform services for AIB must have their processes, activities, products, and materials (including equipment and installations) analyzed based on aspects and impacts concerning environment and labor practices.



PERSONNEL MANAGEMENT	Services provided in no longer than 30 days	Services provided for more than 30 days
1. Name and telephone number of person in charge for contact while service is provided.	YES	YES
2. Purchase Request / PO approved	YES	YES
3. Contract approved by Legal Area and signed by parties	YES	YES
4. Registration at the gate	NO	YES
5. Integration Process	YES	YES
6. PPE's inspection	YES	YES
7. List of tools	YES	YES
8. Company contract and alterations	YES	YES
9. Operation Permit	NO	YES
10. Company Record References	NO	YES
11. CRF – document that proves regularity towards Labor Laws	YES	YES
11.1. <i>Guia de Recolhimento do FGTS (GFIP)</i> – (document that proves payment of Labor taxes) Present monthly	YES	YES
12. <i>CND – Certidão Negativa de Débito do INSS</i> (document that proves regularity towards taxes over services)	YES	YES
12.1. <i>Guia de Recolhimento do INSS (GPS)</i> – (document that proves payment of taxes over services) – present monthly	NO	YES
13. <i>CND – Certidão Negativa de Débito do Imposto de Renda</i> (document that shows regularity towards Income Taxes)	NO	YES
13.1. <i>DARF – Guia de Recolhimento do IRRF</i> (document that proves payment of income taxes)	NO	YES
14. <i>Certidão Negativa de Tributos Estaduais (ICMS)</i> (document that shows regularity State Sphere taxes)	NO	YES
15. <i>Certidão Negativa de Tributos Municipais (ISS, IPTU)</i> (document that shows regularity towards taxes on Municipality sphere )	NO	YES
16. <i>Certidão Negativa de Protestos</i> (document that proves lack of Law suits against company over payment)	NO	YES
17. <i>Livro de Inspeção do Ministério do Trabalho</i> (document that shows that company is in compliance with the Brazilian Labor Laws)	NO	YES
18. Employees' Registration Records	YES	YES
19. Authorization for the reduction of meal breaks expedited by the Ministry of Labor	NO	YES
20. Collective Life Insurance Contract	YES	YES
21. Employees' time cards	NO	YES
22. Labor Convention or Collective Agreement homologated by the Ministry of Labor	NO	YES
23. Consolidated payroll and payment slips	NO	YES
24. List of subcontracted companies, temporary and independent employees; and all related documents requested above	YES	YES
25. PPRA (Program for Prevention of Environmental Hazards) and PCMSO (Program for Medical Control on Occupational Hazard)	NO	YES
26. PCMAT (Conditions and Environment of Construction Industry Program) for construction work involving 20 or more workers according to Ministry of Labor bills 3214/78 e NR-18 do MT	YES	YES
27. Pre-employment and regular physical exams, up to the service provider.	YES	YES

PERSONNEL MANAGEMENT	Services provided in no longer than 30 days	Services provided for more than 30 days
28. ART ( <i>Anotação de Responsabilidade Técnica</i> – Technical Responsibility Note) for Engineering and Architecture Services, upon request from Engineering area.	YES	YES
29. PPE Records	YES	YES
30. Specific NR10 (safety of Power Installation and Services) training Certificates when necessary for the execution of services provided.	YES	YES
31. NR33 (safety in confined space) when necessary for the execution of services provided.	YES	YES
32. NR18 (civil construction) when necessary for the execution of services provided.	YES	YES
33. Certificate of employee qualification from electrical area, when necessary for the execution of services provided.	YES	YES
34. Purchase Order – NR01 – Item 1.7	NO	YES

The screening of product and service providers for AIB is based on the ability to fulfill one or more of the following items of the selection criteria:

- Fulfill technical specifications of product application.
- Supplying track records.
- Analysis report of sold products.
- Final product control.
- Results from lab analysis.
- Certification in accordance with ISO 9001.
- Global Supplier Policy (Albany).

Minimum required training and skills, if supplier's activities bring significant aspects and impacts to AIB.

Whenever possible, AIB strives to limit the number of sources of supplies to be used in each type of raw material, aiming to avoid variations of the final product.

AIB considers all suppliers of materials and services that affect the quality of products and services they commercialize to be "critical". Current critical suppliers to AIB provide the following inputs:

- Yarns.
- Fibers.
- Chemicals used in the process for assuring the characteristics of final products.
- Materials that will directly compose the constitution of the final product.
- Materials that will directly be part of the constitution of the final product or its packaging.
- Services that provide calibration/adjustments to the equipment used to measurement or to evaluate the quality of
  - A raw material.
  - A product under processing.
  - The final product.
- Transportation services for the delivery of yarn/fiber purchased.
- Transportation for the delivery of final products.

All purchases at AIB are made through a purchase order. Procedures are established to ensure that the materials and services acquired by Albany International Brazil – Indaial are in full compliance with the determined requirements, so as to guarantee conformance with quality specifications, environmental requirements, and also with ISO 9001 and ISO 14001 norms.

Types of Suppliers	Who they are	Number of Suppliers in 2013
Industrial Associations ( <i>Associações de Classe</i> )	Public service providers in the municipal, state, and country spheres.	20 - 40
Property, Plant and Equipment (PP&E)	Suppliers of goods/services towards the assets of the company.	20 - 40
Cafeteria	Suppliers of products for company cafeteria.	80 - 100
Packaging	Suppliers of inputs to make packages used to ship final products to customers (wood, plastics, paperboard, technical fabrics).	10 - 30
Fibers	Suppliers of raw material used to manufacture product.	1 - 20
Yarns	Suppliers of raw material used to process and manufacture final product.	1 - 20
Not active	Suppliers that haven't done business with company for more than 12 months.	1 - 20
Indirect Materials	Supplier of products to be used in the production plant, administrative activities, and other general use at Albany International.	100+
Direct Materials	Suppliers of products used directly in the manufacturing process of the final product.	30 - 50
Service Providers	Service Providers hired to perform services within the company's facilities.	70 - 90
Chemicals	Suppliers of chemical products used in the manufacturing process of the final product, treatment of effluents, lab experiments, and several plague control.	30 - 50
Transports	Service providers of transportation services of purchased and sold goods by Albany International.	100+



# STAKEHOLDERS (G4-24/ G4-26/ G4-37)

Albany International Brazil – Indaial defines its stakeholders as: individuals or a group of individuals concerned with or affected by the organization’s performance, regarding the quality of its processes, products and services, and the interaction between its activities and the environment and community.

Therefore, **internal stakeholders** are the shareholders and board of directors of our parent company, Albany International, and employees. The **external stakeholders** are suppliers, customers, surrounding community, media, governmental bodies, nongovernmental organizations and society.



AIC and AIB have established mechanisms that allow for active communication with both internal and external stakeholders. They seek to create an open dialogue so that they may communicate relevant topics; receive, analyze, and reply to questions requests, claims, complaints; and address any other inquiries related to operations and activities.

At AIB, communication with the external stakeholders occurs through a legal representative from Albany International Brazil – Indaial. At the representative’s discretion, whenever necessary, other leading AIB teams are consulted to address the demands and to keep formal records of the communication processes that address:

Whenever necessary, other leading AIB teams are consulted to address the demands and to keep formal records of the communication processes that address:

- Stakeholder’s demand (inquiries, requests, invitations, complaints, claims).
- Analysis of the demands and decision made.
- AIB Indaial’s response to the stakeholder.



Below, the main communication channels with stakeholders are presented.

Stakeholder	Description	Communication Channel
<b>AIC Shareholders</b>	Albany International is a public company with its shares traded at NYSE (New York Stock Exchange).	Direct contact to CEO, General Counsel and Board Audit Committee; quarterly earnings releases and investor calls and presentations; SEC reports.
<b>Employees</b>	Employees, Interns, Apprentices, third parties.	Integration Program, Reward Program, Performance Scorecard Assessment, Bulletin boards, Signs, Training, Ethics Point online reporting tool.
<b>Suppliers</b>	Direct and Indirect Material, Transport.	Supplier Policies and the Supplier Portal.
<b>Customers</b>	Producers for all South America, mostly in paper and pulp sector.	Customer Satisfaction Survey, trade shows, events, advertising material in general.
<b>Government – Brazil</b>	City Council, Fire Department, Prefeitura, Corpo de Bombeiros, Environment Agency (Fatma), Sanitary Surveillance Agency.	Meetings upon demand notifications.
<b>Community</b>	Nongovernmental organizations.	CISA – company’s social environmental committee and its policies.
<b>Society</b>	Social Entities.	Meetings upon demand notifications. Representations. Press Releases.
<b>Media</b>	Associations from the sector.	Marketing Department

## MANAGEMENT APPROACH (G4 – DMA)

Albany International Brazil – Indaial’s Integrated Management System (SIGA) complies with the international norms of ISO 9001 for the quality management and ISO 14001 for environmental management. Other programs and systematic plans, such as Operational Plan, Safety Committee, Manufacturing Guides, and Work Instructions, as well as the Process Improvement Groups, are consulted regularly to optimize management.

SIGA is intended to promote performance improvements in both quality and environmental capacities. This tool identifies opportunities for improvement and for guaranteeing the efficacy thereof by establishing both “Necessary Processes for Quality” and “Environmental Aspects and Impacts”.

AIB seeks to build a culture for continuous improvement that encourages, on a daily basis, the development and engagement of its employees. In 2013, Albany International Brazil – Indaial established a target that 50% of managers’ time should be dedicated to continuous improvement, and at least 50% of employees should take part in some event towards company improvement.



For AIB, the management approach focuses on always staying a step ahead of its customers' demands. In 2013 alone, Albany International Brazil – Indaial:

- Launched new fabrics for the pulp and paper industry, enabling customers to reach better levels of productivity and performance.
- Received approval to produce two types of fabrics (HydroDuct and HydroCross) in Brazil that were originally sourced exclusively from AIB's affiliate in Canada.
- Received approval to produce dryer fabrics previously only produced in AIB's affiliate in Mexico.

(Both the Mexican and the Canadian affiliates referenced above are subsidiaries of AIC.)

AIB uses Lean Six Sigma techniques to achieve its goals:

- Maintain focus on customers, quality and innovation.
- Engage employees.
- Prioritize safety.
- Manage operating costs.
- Become a cost competitive producer.

## GOVERNMENT INCENTIVES

Beginning in 2012, AIB began benefitting from the Brazilian governmental measure for unburdening payroll. The measure includes several different sectors, among them: textiles in which AIB operates.

The measure changed the way AIB calculates employer pension contributions. Instead of the 20% pension contribution rate over payroll, a new contribution rate is based on gross receipts,

called Gross Revenue Pension Contribution (GRPC). The percentage of contribution applied over gross receipts varies according to the sector. In case of the Textile sector, the applicable rate is 1% over gross receipt.

In 2013 the unbundling on the payroll (GRPC) amounted to 1.9 million Reals. This review of AIB's pension contribution also triggered reductions in the following areas: expenses on labor duties, cost of products, income tax, and social contribution over gains. Taken in the aggregate, the total reduction for AIB was approximately 674 thousand Reals. (G4 - EC4)

## ENVIRONMENTAL RESPONSIBILITY

Albany International's Brazil – Indaial Environmental Management System (the "System") has been certified in compliance with the ISO 14001 norms since 2003.

The System establishes the identification, analysis and assessment of the relevant environmental Aspects of:

- All AIB's activities, products and services.
- Goods and services purchased or hired.
- Third parties doing business with AIB.
- Customers and communities.

Such effort makes it possible to verify whether or not existing or planned controls for the reduction or prevention of likely environmental Impacts are made available, if they are adequate and if they are put into practice.



Upon identifying such Aspects, AIB analyzes the inputs (consumption) and outputs (production), and correlates those results to the different environmental Impacts and benefits, which may be total and partial, direct or indirect, considering the real and potential event chains in the different shapes:

- Physical – water, air, soil and beds.
- Biotic – fauna and flora.
- Anthropic – safety and health of surroundings, as well as social, cultural, economic and landscaped.
- Energy and natural resources.

The determination of environmental Aspects and Impacts is updated every three years or whenever there are changes in laws, demands of stakeholders, installations, processes, equipment, services, or products that involve new Aspects and/or Impacts.

AIB identified the following environmental Material Aspects:

- Activities and operations associated to residues.
- Factory maintenance and engineering.
- Effluent treatment and laboratory.

AIB has specific management and operating control programs that aim to reduce or prevent environmental Impacts. Consumption of water and electrical energy are considered Material Aspects. Accordingly, an operating control plan is established and reviewed with annual goals and targets.

The environmental system is managed by determining the goals and targets as defined in the operational plan. Among the monitoring and control measures, there are internal and external audits, environmental performance indicators, and external stakeholders’ demands, including complaints and fulfillment of legal requirements.

Albany International Brazil – Indaial recognizes that certain aspects of any manufacturing operation can have a negative impact on the surrounding community. Therefore, it aims to minimize and neutralize local inconveniences. To support this goal, there is an open and active channel of communication available for the community. (G4 – SO2)

**Energy**

For its administrative activities as well as for its production process, during 2013 Albany International Brazil – Indaial consumed a total of 59.495 gigajoules; 67% were related to the consumption of electrical energy and renewable sources. (G4 – EN3)

Nonrenewable sources of energy	Total consumption / year in gigajoules	Renewable sources of energy	Total consumption / year in gigajoules
Oil	520	Hydrical	40.097
Natural gas	18.841	Total Geral	59.495
Diesel	37		
Total	19.398		

The consumption rate of energy by ton of production of fabric was 25kWh/Kg. (G4 – EN5)

The monitoring of consumption showed that the climate-conditioning machinery in the factory was accountable for 60% of the amount of energy consumed. As a result, an action for improvement has been adopted that aims to reduce the consumption of energy from the plant’s air-conditioning system. In 2013, there was a 2% reduction in energy consumption as opposed to the previous year. (G4 – EN6)

In addition to this target, such action also seeks to reduce the amount of water in the climate-conditioning system, reduce the maintenance of spare parts and equipment, and also to improve temperature and wetness controls.

For energy efficiency, the CCK Electrical Energy Management System is deployed to support the elimination of wastes, the increase of efficiency of the energy consuming units, and the change in consumption habits. The Internal Commission for Energy Conservation promotes actions for raising awareness towards employees’ proper use of electrical energy, electronic equipment, and use of air conditioner and air compressor, all key factors for energy efficiency in the organization.

**Water**

During 2013 Albany International Brazil – Indaial consumed 44.700m3 of water. Out of the total value, 89% stemmed from groundwater sources (artesian well) and 11% from municipality supply. In the plant, the finishing area uses the greatest amount of water.

Source	Total Volume of Water / m <sup>3</sup> year
Municipality supply	4.700
Groundwater	40.000
Total	44.700

In 2013, there was a reduction of 4% in the consumption of water, both from artesian well as well as from the city supply, when compared to 2012. Such savings stemmed from the implementation of an improvement action that, besides the cost reduction, also aimed at the elimination of wastes and preservation of the natural resource.

For that purpose, hydrometers were installed in non-controlled spots of the production process, and the improvement and automation of equipment were made as well as the calibration of escape gauges for drying tanks. (G4 – EN8)

The re-use of water also took place for fabric washing and in cooling towers, amounting to a volume of 12.500m<sup>3</sup>. (G4 – EN10)

Fabric product line	Reduced Volume
Reuse of water for fabric washing	500m <sup>3</sup> water
Reuse of water in cooling towers	12.000m <sup>3</sup> water

44.700m<sup>3</sup> of water were discharged in 2013. Such volume of effluent refers to the production process, administrative, and maintenance areas of the company. The volume per microbiologic and physical-chemical treatment at the Wastewater Treatment Plant (WTE) is as established by the Environmental License for Operation. The water is then treated and transferred by pumping and discarding it in the Itajaí-Açú River (the "River"). (G4 - EN22)

Compliance with all applicable legal and regulatory requirements is carried out, at least, annually through the liquid effluent characterization analysis discarded in the River. In addition to the legal and regulatory requirements, AIB also performs a new characterization whenever a new chemical is used in the production process that may generate liquid effluent.

**Solid Residues**

One of the most important challenges in the manufacturing sector is the management of solid residues. AIB strives to overcome that challenge either by reducing the generated volumes or creating new ways of reusing them. This is the focus of AIB's Residue Management Program ("Program") that has been operating since 2003. The Program's objective is the proper packaging, collection, transportation, treatment, and environmentally correct final disposal of its residues. All residues are transported and sent to licensed companies. In 2013, 138.57 tons of hazardous residues and 428.55 tons of nonhazardous residues were disposed as shown in the table below. (G4 - EN23)

Hazardous Residues		
Type of Residue	Total weight in tons	Final disposal
Cylinders contaminated with oil or grease	1	Recycling machine
Paint sludge	0,12	Recycling machine
Radioactive capsules	0	CNEN
Grease traps and boxes	80	Treatment
Fluorescent light bulbs and metallic steam	0,4	Decontamination and recycling
Contaminated towels and wipes	1,4	Washing for decontamination and reuse
Wastewater Treatment Plant sludge	50,29	Encapsulation in industrial landfill
Contaminated Solid Residues	0,66	Co-processing – energy generation
	3	Encapsulation in industrial landfill
Used lubricating oil	0,9	Re-refine
Medicinal – puncture	0,1	Treatment
Batteries	0,7	Encapsulation in industrial landfill
<b>Total</b>	<b>138,57</b>	

Nonhazardous residues		
Type of Residue	Total weight in tons	Final disposal
Water cylinders	1,5	Return to supplier for reuse
Chemical product cylinders	2,8	Return to supplier for reuse
Bobbins	118,1	Return to supplier for reuse
Tires	0,8	Return to supplier
Civil construction	8	Landfill
Kitchen oil	0,25	Recycling
Paper	19,6	Recycling
Metal	18,2	Recycling
Textile residue	116,1	Recycling – raw material – injection parts
Glass recycling	0,8	Recycling
Plastic	11,9	Recycling
Wood residues	75	Energy generation for third parties
Nonrecyclable	31	Landfill
Organic residues	24,5	Composting
<b>Total</b>	<b>428,55</b>	



In 2013, 392 tons of residues were recycled or reused as shown in chart below:





## Biodiversity

The Rain Forest, by some measures, is one of the most threatened ecosystems in the planet. From its original area, according to several estimates linked with Mata Atlântica's site, there is less than 7% remaining. The remnants are found as fragments, like "forest islands" in different shapes and sizes. One of such fragment is Albany International's Brazil Indaial's foresting area with its eight hectares that surrounds the Indaial plant.

In partnership with the Blumenau Regional University's Department of Forest Engineering, AIB commissioned a study to assess the viability of local bird species in the Rain Forest due to the Forest Fragmentation, including the forest area preserved by Albany International Brazil – Indaial.

The study conducted by the University aims to characterize the impact of 18 fragmented forests on the bird community of the Rain Forest in the Itajaí Valley, seeking to recommend practical actions for the management of the landscape and ground strategies for use and occupation of land.

The study began in May 2013 and has identified 94 species of birds. Some of them are species that are threatened by extinction such as Woodpecker (*Piculus flavigula*).

In response to the findings, a complete list of bird species found in each studied fragment will be created, as well as a standard for occupation, diversity and the status of conservation of the tracked species. Such information is crucial for studies of distribution of the species and as raw material for further studies of the assessment of the extent of the threatened species.

The information may be used by public and private entities (partner companies) to improve the handling of the green areas, as justification for the expansion of the preserved areas, if possible, or just to support area protection actions.

Initiatives, such as this one from Albany International Brazil – Indaial, to preserve what is left of the Rain Forest are essential because these fragments shelter a significant amount of bird species of this ecosystem. (G4 - EN13/ G4 - EN14)

Some of the species found at Albany International Brazil – Indaial area:

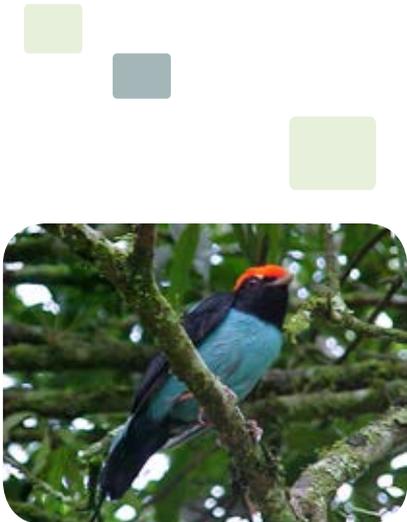
- *Colaptes campestris* – Campo-flicker.
- *Euphonia violacea* – Gaturamo-verdadeiro.
- *Chiroxiphia Euphonia violacea* – Blue-backed Manakin.
- *Dacnis cayana* (fêmea) – Blue Dacnis.
- *Myiornis auricularis* – Eared Pygmy Tyrant.
- *Trogon surrucura* – SurucuaTrogon.
- *Rupornis magnirostris* – RoadsideHawk.
- *Ramphastos dicolorus* – Green-billed toucan.

In partnership with Apremavi (Association of Environment and Life Preservation) Albany International Brazil – Indaial carried out a project for the reforestation of 35,000m<sup>2</sup> of the external area of its plant in Indaial. The project included planting 3,000 fruit trees with the purposes of attracting avifauna, and contributing to mild and unpolluted microclimate through the increase of wetness and oxygen levels as well as the reduction of noises.

In 2013, AIB invested R\$11,000.00 to promote environmental protection. The funds were used to purchase equipment and systems, to hire a consultant, and to provide employee training.

Total amount of investments made in environmental protection (G4 – EN30)

Investment	Invested amount in 2013
Equipment (filter pads for filter press to separate liquid-solid stemming from the Treatment Plant)	R\$ 2.403,00
Environmental Consultancy	R\$ 1.697,00
Improvement Actions for reduction of energy consumption	R\$ 4.000,00
Improvement Actions for reduction of water consumption	R\$ 3.000,00





## SOCIAL RESPONSIBILITY (G4 – DMA)

As defined by the GRI, the social dimension of sustainability concerns the impact an organization has on the social systems within which it operates. AIB strives to understand those impacts specifically within the contexts of Labor Practices, Human Rights, Society, and Product Responsibility.

### Labor Practices

One of Albany International Brazil – Indaial’s strategic objectives, which are monitored and improved upon regularly, is to engage, develop, and challenge its employees. This section will address AIB’s Labor Practices.

AIB understands that Human Resources management is a strategic cornerstone of the organization. Accordingly, the engagement and development of its employees (including proper talent management) is of the utmost important to its success. AIB believes that its employees make a difference in giving support and providing service, offering greater value to customers and shareholders and promotes a culture of engagement to further this belief.

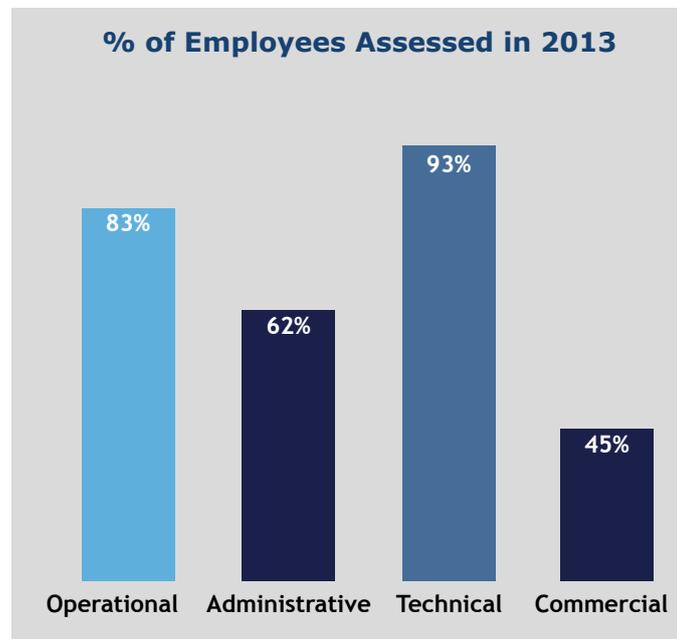
For Albany International Brazil – Indaial, and for AIC as a whole, the culture of engagement among its employees is part of the company’s global strategy. To that end, AIB employs a system to manage talent and to engage employees with specific programs and quantifiable actions. Emphasis is placed on communication, beginning with the Integration Program at Albany International Brazil – Indaial. AIB then offers training, competence assessment, reward programs, and other programs for their employees’ health and quality of life.

Among the programs in place to drive employee engagement are:

- In 2013 AIB’s “Albany International Brazil – Indaial’s DNA Program” created opportunities for its employees to develop, within the stated guidelines, values, policies, processes, and marketing strategies. The result has shown increased employee engagement with the company culture, which brings about both internal and external benefits. Last year, 15 employees concluded the Albany DNA program and were trained in the following modules: Albany Ideology; Fundamental Obligations; Culture and Safety; Products, Processes, Market: Development and Engagement; and Practice at Customers.

■ The Human Resources from the Performance Scorecard to understand the needs for training and development. (G4 – LA11)

- Employees are assessed annually by their immediate superior. In 2013, 94% of the employees of the Indaial unit were assessed. Their competencies and targets were included in their individual development plans.



■ Another resource for carrying out Albany International Brazil – Indaial employees’ performance assessment is *Programa de Reconhecimento – tudo começa com você* (Reward Program – everything begins with you). With this initiative, created in 2010, the company seeks to create a culture of high performance and recognition.

- Here, employees themselves recognize their own colleagues’ and peers’ efforts and dedication at work, in order to transform and improve the way business is conducted in the organization.

■ In 2013, AIB also offered a Reward Program with two main components.

- “O Poder que você tem – comemoração de um marco na carreira” (How important you are – celebrating a career milestone) refers to employee recognition regarding length of service. Last year, 61 employees were honored for having worked and dedicated themselves to Albany International Brazil – Indaial for 5, 10, 15, 20, 25 and/or 30 years.
- “Você faz a diferença: muito mais que um agradecimento” (You make the difference: much more than just appreciation) is a reward made with a standard electronic card or through the nomination to the *Programa de Nomeação a Um Prêmio* (Nomination to a Prize Program). In 2013, 58 AIB employees received a reward for outstanding performance that enhanced its way of doing business.

Functional Category	% of participants in the program
Operational	13%
Administrative	76%
Technical	20%
Commercial	13%

Respect and ethical behavior are very important to both AIC and Albany International Brazil – Indaial. Collectively the companies seek to understand and respect employee engagement.

In 2013, the employee turnover rate at Albany International Brazil – Indaial was at 0.62%. We note that this figure is exemplary. Even so, AIB seeks to reduce this rate and to that end, it makes use of tools such as exit interviews and follow-up of new employees, raising opportunities for improvement. AIB uses these indicators and holds monthly meetings to monitor actions that aim to neutralize the turnover rates.

### Total Rate of Employee Turnover, by age group and gender

Functional Job	% Below 30 y.o.		% Between 30 and 50 y.o.		% Above 50 y.o.	
	Man	Woman	Man	Woman	Man	Woman
Operational	29,16%	-	25,00%	4,17%	8,33%	-
Administrative	8,33%	4,17%	4,17%	-	-	-
Technical	-	-	-	-	4,17%	-
Commercial	-	-	-	8,33%	-	4,17%

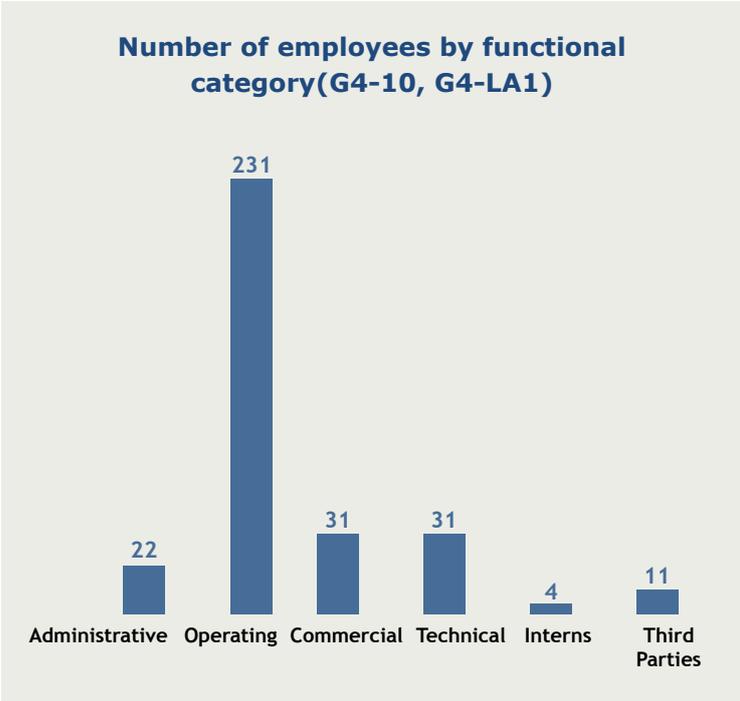
In the selection process of new employees, AIB selects the most qualified applicant for the position, regardless of race, religion, color, gender, nationality or heritage. By creating employment coupled with the hiring of local labor, AIB contributes, directly and indirectly, to the overall development of the city and region of Indaial. AIB considers this a positive impact on its community.

In 2013, thirty-one new employees were hired by Albany International Brazil – Indaial. (G4 - LA1)

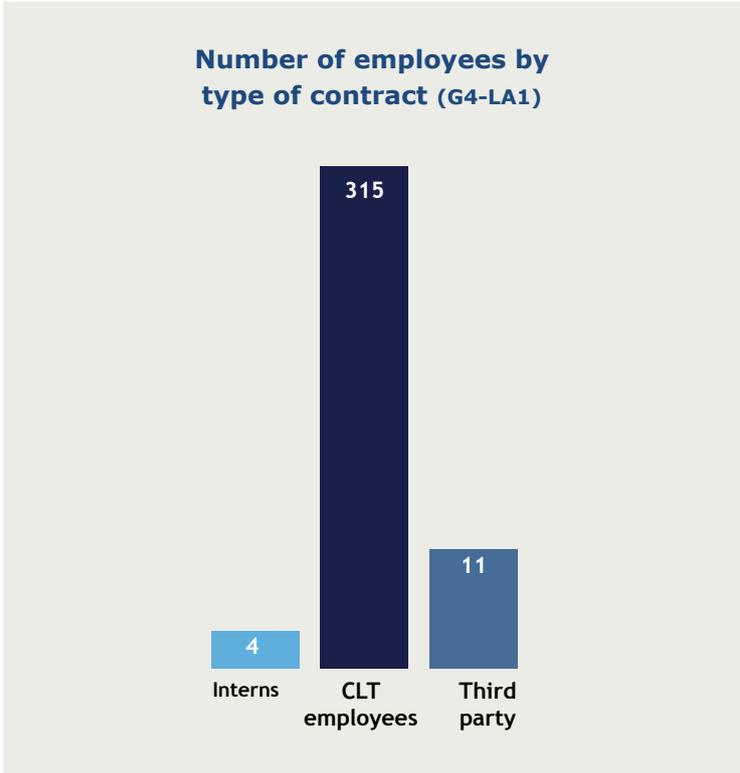
### Number of hiring, by age group and gender

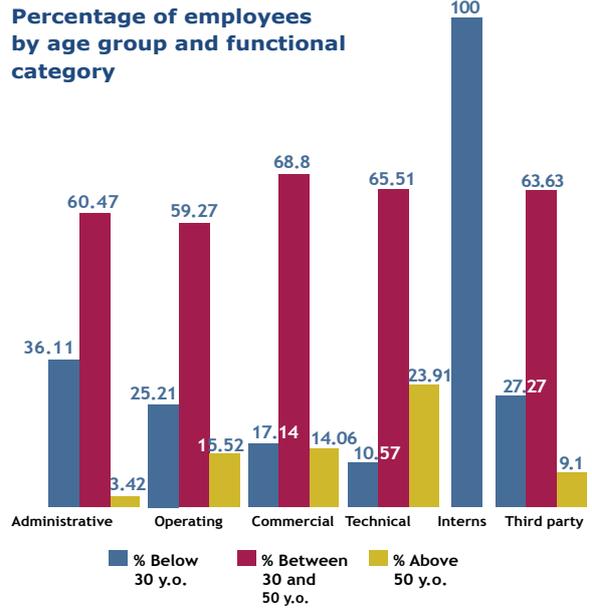
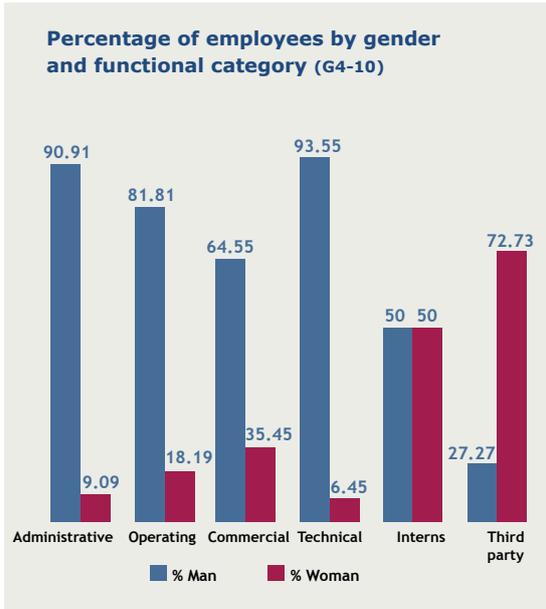
Functional Job	% Below 30 y.o.		% Between 30 and 50 y.o.		% Above 50 y.o.	
	Man	Woman	Man	Woman	Man	Woman
Operational	12	3	5	1	-	-
Administrative	2	2	-	-	-	-
Technical	-	-	2	0	-	-
Commercial	1	2	1	0	-	-
<b>Total</b>	<b>15</b>	<b>7</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>-</b>

Albany International Brazil – Indaial’s operations are in full compliance with the Brazilian Labor Laws (CLT). As such, they observe all labor practices, strive to create proper working conditions, and respect the privacy and diversity of its employees.



Among the 330 Albany International – Indaial employees, there are interns, third parties, and CLT employees (employee hired by the company and whose work contract is in compliance with the CLT – Brazilian Labor Law). For 2013, the number of employees by type of contract was organized as follows:





### Benefits (G4 – LA2)

Compliance with their legal or regulatory obligations is just the starting point for AIB. In 2013, the Indaial unit invested R\$778,522.48 in additional benefits, such as:

- Day care Center support.
- Illness aid.
- Education aid.
- Funeral aid.
- Employee fitness program.
- Health insurance.
- Dental insurance.
- Rewards program.
- Private pension plan.
- Profit sharing plan.
- Life insurance.
- Food voucher.
- Christmas gift voucher.
- Transportation voucher for its employees.



Benefits	Description	Number of people benefited in 2013	Investments made in 2013
<b>Day care Aid</b>	Employees with children under two years of age are granted an amount that corresponds to the monthly fee of the day care center, limited to 50% of the minimum wage.	1	R\$ 240,00
<b>Illness Aid</b>	In case of sick leave, AIB supports its employees by paying up to 100% of their salary for 2 months.	2	R\$ 1.197,74
<b>Education Aid (G4-LA9)</b>	Upon prior approval, AIB grants a subsidy of 50% of the monthly fee of post-graduate courses. For technical courses, AIB offers two openings a year. For the fast-track program, the benefit covers 100% of the monthly fee.	Education: 15 employees Language: 67 employees Short term courses / Continued Education: 137 employees	R\$ 294.771,79
<b>Funeral Aid</b>	Granted to the employee, spouse and dependents. The amount granted is R\$3000.00.	0	0-
<b>Labor Fitness Exercise Program</b>	Physical fitness activities during working hours.	100	R\$ 34.477,49
<b>Health Insurance (provided by Unimed)</b>	AIB pays for 90% of the costs, and employee pays 10%. Dependent family members such as spouses and children can also be included in the plan.	315	R\$ 1.255.965,86
<b>Health Insurance (provided by Sul América)</b>	Granted to the employees who live in SP. AIB pays for 90% of the costs, and employee pays 10%. Dependent family members such as spouses and children can also be included in the plan.	10	R\$ 143.326,35
<b>Dental Insurance – Uniodonto</b>	Granted to employees and immediate family (spouse and children). Company pays 85% of the cost and employees pay 15%.	315	R\$ 77.979,30
<b>Reward Price</b>	Granted to all “CLT” employees aiming to celebrate their efforts and dedication to transform and improve the way AIB does business. The reward is based on how long the employee has worked for AIB or on the results yielded by a particular plan.	119	R\$ 30.141,98
<b>Private Pension Plan</b>	Granted to all employees who choose voluntarily to have the private pension plan. AIB contributes 75%, 100% and 125% of the employees’ amount, depending on how long they have worked for AIB.	298	R\$ 704.722,00
<b>Profit Sharing Plan</b>	Employees who have worked for more than 3 months at AIB are granted the amount of R\$ 3,762.50 when the individual and collective targets are achieved.	324	R\$ 1.181.964,44
<b>Life Insurance</b>	The beneficiaries participate with 0,594% of their salary. In case of natural death, the family is granted up to 36 times the employee’s salary and in case of death by accident, 72 times the salary, having as limited amount R\$ 870,000.00.	315	R\$ 131.452,69
<b>Food (Cafeteria)</b>	AIB has its own cafeteria that offers well-balanced meals in accordance with all the regulations to all its employees.	280	R\$ 524.119,15
<b>Christmas gift voucher</b>	Granted to all “CLT” employees, third party and interns.	315	R\$ 112.687,05
<b>Transportation voucher</b>	The employees who live in Blumenau can use the company-chartered bus. The employees who live in Indaial are granted a transportation voucher and pay for 6% of it.	85	R\$ 250.707,01

## Training (G4 – LA9)

Led by Albany International Brazil – Indaial's Integrated Management System (SIGA) and incorporating ISO 9001 and ISO 14001 certifications, AIB defines its policy for the continuous development of its workforce. In 2013, 677 training courses were held; 80% were held internally and 20% externally, amounting to 41,536.87 total hours of training.

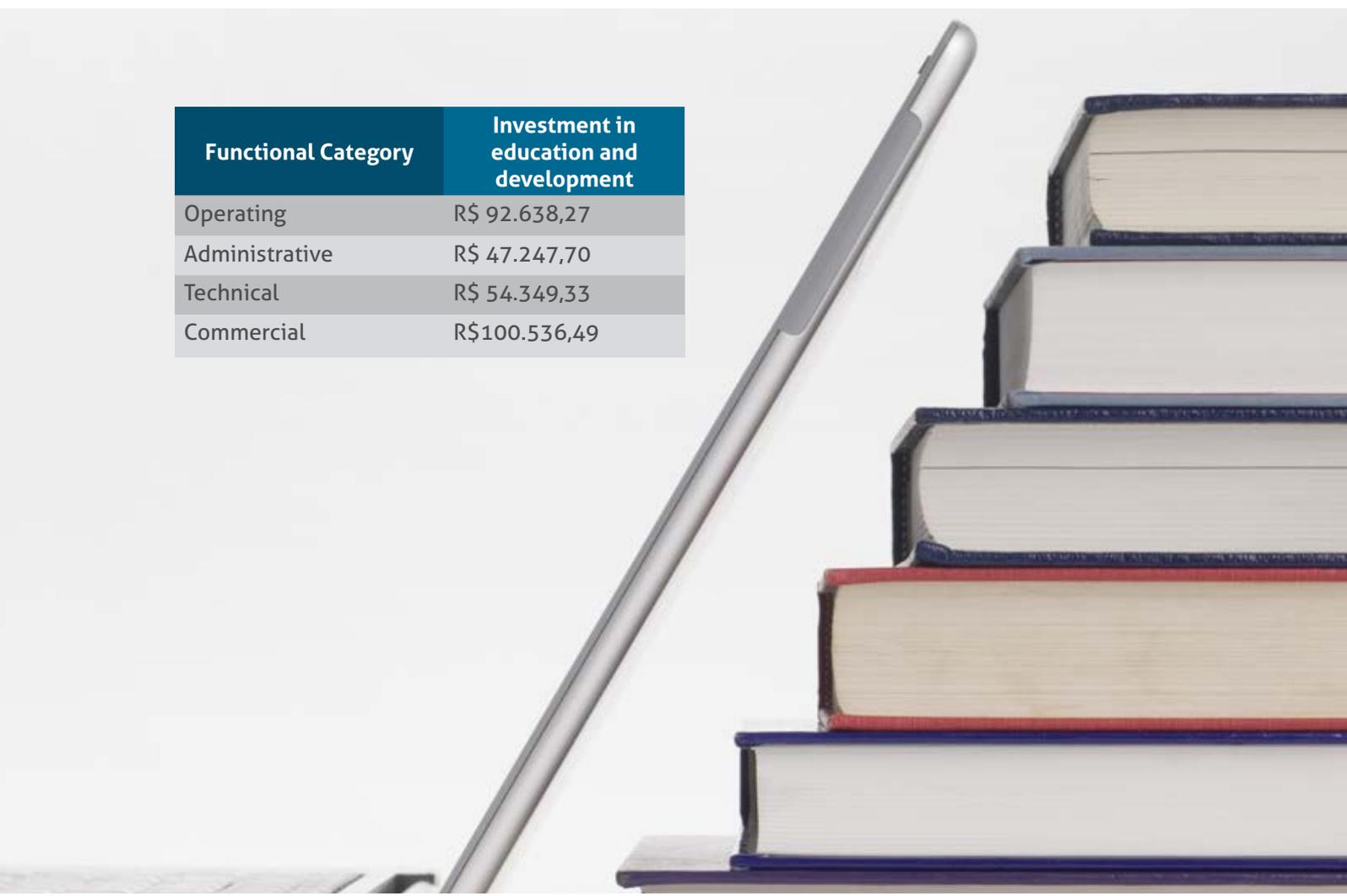
Average number of hours of training by functional category:

Functional Category	Average number of hours
Operating	117,64 hours
Administrative	4,46 hours
Technical	4,86 hours
Commercial	0,32 hours

In 2013, training programs began at Fundação Dom Cabral. The service, sales, marketing, and technical applications teams from the Indaial unit were trained in the topics like innovation. They also continued their education through the third edition of AMI – Albany Management Institute, in which they focused on the formation of leaders, and the operating leadership of the AIB: developed upon the pillars of Communication, Time Management, Lean Tools, Finance and Management Performance. Each participant worked with an internal coach to enable the participants to engage and manage their employees more effectively and consistently towards the AIB's productivity targets (e.g. engagement and development targets, customers' focus, quality and innovation, safety and cost).

In 2013, Albany International – Indaial invested a total amount of R\$294,771.79 in training for the development of its employees' competencies. (G4 – LA10)

Functional Category	Investment in education and development
Operating	R\$ 92.638,27
Administrative	R\$ 47.247,70
Technical	R\$ 54.349,33
Commercial	R\$100.536,49



## Human Rights

The Human Rights subcategory of Social category covers the extent to which processes have been implemented that may affect stakeholders' abilities to enjoy and exercise their human rights. Aspects included in this section are:

- Non-Discrimination.
- Freedom of Association/Collective Bargaining.
- Health and Safety.
- Supplier Human Rights Assessment.
- Human Rights Grievance Mechanism.

### Nondiscrimination

AIB (and AIC) strive to provide a workspace free from discrimination and harassment in accordance with all applicable laws and regulations as well as with AIC Corporate Policy, which in some cases provides more protection for employees than local laws alone.

In any job action (hiring, promoting, offering training, etc.), AIB elects the most qualified candidate regardless of race, religion, color, gender, nationality or heritage. Adverse job actions like discipline or termination are reviewed carefully to make sure that such actions are not taken based on any protected characteristic.

AIC's Core Values, which extend to AIB, include the critically important value of "Respect" as discussed above. AIC's website discusses the importance of Respect, which is linked to Non-Discrimination and Human Rights.

*Albany International has a high regard for the personal dignity, diversity, and uniqueness of employees and customers. We treat others in a fair and professional manner. Respectful behavior includes:*

- *Shows respect for points of view even if you don't agree by first demonstrating understanding.*
- *Shows respect for others by demonstrating consideration of requests for information or time.*
- *Shows respect for cultural differences by deferring to strong preferences, which could include things such as observance of local holidays, not participating in humor that may be offensive, and other such recognition of important cultural differences, etc.*
- *Creates a feeling of importance in others, acknowledges their valuable contributions, and celebrate successes.*
- *Encourages and empowers others to take initiative and make decisions.*

### Freedom of Association/Collective Bargaining Agreement (G4-11)

International conventions such as ILO Declaration on Fundamental Principles and Rights at Work consider employees' rights with respect to Freedom of Association and Collective Bargaining. AIB is affiliated with the Union of the Blumenau Yarn Textile Industry (Sintrafite), and its employees may or may not associate with such union at will. One hundred percent of the CLT employees of Albany International Brazil – Indaial (except for interns and third parties) are covered by the collective bargaining agreements made with the category union.

## Health and Safety

One of AIB's main concerns is the safety of its employees and customers. Safety is a Core Value of the entire worldwide organization. For Albany International Brazil – Indaial in particular safety must be in "everyone's blood". This concept applies to employees' personal behavior as well as that in the workplace.

Safety is an embedded value and a required behavior for all employees. AIB provides a safe and healthful workplace to all its employees and visitors in full compliance with AIC's corporate global policy on Health and Safety reproduced below.

### ALBANY INTERNATIONAL'S COMMITMENT TO HEALTH AND SAFETY

Albany International Corp. is committed to providing a safe and healthy workplace for all employees, wherever they work, and for all visitors to Company facilities.

- Our belief is that all accidents are preventable.
- Our aim is to achieve an accident-, illness- and injury-free environment.
- Our expectation is that everyone in the Company, at every level of the organization, takes personal responsibility for health and safety.

### HEALTH AND SAFETY RESPONSIBILITIES

Senior management is responsible for:

- Setting the company's safety performance objectives and monitoring progress against those objectives.
- Developing, implementing and continuously improving the health and safety management system required to meet those objectives.
- Regularly conducting safety risk assessments.
- Ensuring that the Company complies with all applicable laws, regulations, and industry standards.
- Leading the company's health and safety performance by example.

Site managers and managers of field personnel are responsible for:

- Implementing Company safety training, systems and procedures at their sites and with their personnel.
- Complying with local laws, regulations and standards.
- Engaging their entire workforce in the effort to achieve the company's safety performance objectives
- Continuously evaluating and improving health and safety performance.
- Leading their organizations' health and safety performance by example.

Everyone is responsible for:

- Understanding and adhering to Company health and safety systems and procedures.
- Fully and actively participating in safety training.
- Identifying and reporting safety concerns.
- Actively engaging in health and safety improvement activities.

AIB reinforces the attitudes and behaviors associated with Health and Safety by offering training on:

- Accident prevention.
- Safety in workplace and during work-related activities.
- Safe behavior.
- Improvement of safety processes.

Albany International Brazil – Indaial’s goal is to achieve world-class standards of safety and health through actions of continuous improvement. (G4 – LA6)

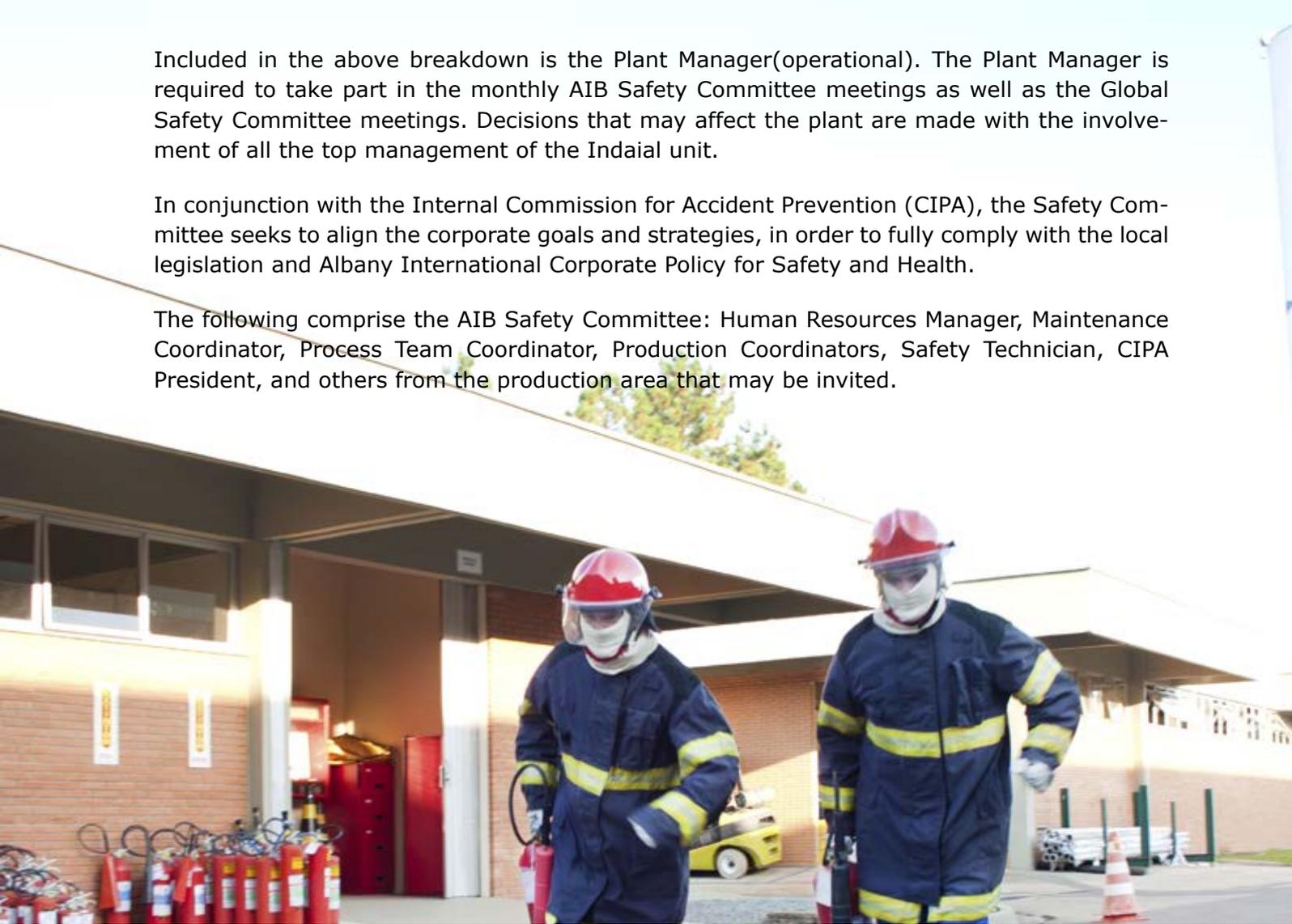
The Safety Committee at AIB is comprised of 15,6% of its internal audience, where: (G4 – LA5)

Functional Category	% of participants in the safety committee
Operational	9%
Administrative	3%
Technical	3.6%
Commercial	0%

Included in the above breakdown is the Plant Manager(operational). The Plant Manager is required to take part in the monthly AIB Safety Committee meetings as well as the Global Safety Committee meetings. Decisions that may affect the plant are made with the involvement of all the top management of the Indaial unit.

In conjunction with the Internal Commission for Accident Prevention (CIPA), the Safety Committee seeks to align the corporate goals and strategies, in order to fully comply with the local legislation and Albany International Corporate Policy for Safety and Health.

The following comprise the AIB Safety Committee: Human Resources Manager, Maintenance Coordinator, Process Team Coordinator, Production Coordinators, Safety Technician, CIPA President, and others from the production area that may be invited.



In 2013, the AIB recorded 22 accidents and fortunately, no casualties. In all, there were 102 days lost. The injury rate was 0,83. When compared to the previous year, the Indaial unit had a reduction of 42% in accidents without leave and decreased by 39% the number of accidents at work. (G4 - LA6)

To better understand and prevent accidents and occupational disease, AIB analyzes and invests in safety programs to meet the needs of its employees. (G4 - LA7)

Occupational Activity	Risk of disease	Number of employees
Operational	NIHL – noise-induced hearing loss. RSI – Repetitive Strain Injury. (MSDs) – Musculoskeletal disorders related to work activities.	206
Administrative	STRESS	22
Technical	STRESS	29
Commercial	STRESS	31

In 2013, Albany International Brazil – Indaial invested R\$222.879,29 in programs and actions of safety that meet the legislation as follows:

Program	Goal
CIPA – Commission for Accident Prevention	To prevent accidents and diseases that stem from work, so as to promote employees’ health. The actions focus on behavioral issues.
SIPAT – Internal Accident Prevention Week	To sponsor a weeklong event during which attention is paid to employees’ safety and health. Last year, the main topic of SIPAT was Safe Behavior, Motivation and Teamwork.
Emergency Brigade	To prepare for emergency situations a team of volunteers works together on disaster management. In 2013, 15% of operational employees and 3.6% of the technical employees made up the Emergency Brigade.
Annual training plan for safety and health	To instruct employees about norms, procedures, and safety aspects related to their duties and activities at AIB. In 2013, 134 training courses were given, involving 3,720 people. The average number of training hours per person was 20.11.
Work ergonomic Evaluation Report	To complete an ergonomic analysis of all plant departments.

Total amount invested in legal safety actions	2013
Internal Accident Prevention Week	R\$ 10.500,00
Emergency Brigade	R\$ 8.000,00
Annual training plan for safety and health	R\$ 13.538,80
Work ergonomic Evaluation Report	R\$ 10.000,00
Purchase of PPE, adjustment and adequacy of machines and other improvements in safety	R\$180.840,49
<b>Total</b>	<b>R\$ 222.879,29</b>

Above and beyond compliance with legal requirements, AIB also offers the following Health and Safety measures:

Program	Description
<b>DDS – Daily Safety Dialogues</b>	Daily meeting, at the beginning of each shift, for the discussion of safety and health related topics. All areas of the company take part.
<b>BBS – Behavior Based Safety</b>	Safety program based on the practices of safety behaviors. Through observations and feedback related to safety, employees receive suggestions for improvement in favor of a safe behavior.
<b>LOTO (Lockout and Tagout)</b>	Lock out and tag out are part of a greater concept named 'Hazardous Energy Control'. This system prevents any unexpected release of energy that could cause injury during maintenance and repair activity.
<b>JIBS (Job Instruction Breakdown Sheet) – Step Zero</b>	Aims to train manufacturing employees on safety aspects, control measures and safe behavior, related to a process/machine, before any operating procedure.
<b>Hand-in-hand with safety Campaign</b>	Raises awareness of the importance of the careful actions when working with hands and fingers. In 2013, Albany International – Indaial recorded the reduction of 28% of accidents involving hands and fingers.
<b>Physical Exercising in the workplace</b>	Each shift has a break of 12 minutes for the employees to practice specific physical exercising and stretching. Last year, the company invested R\$35,383.74 in this program.
<b>Live Well Program (Viva Bem)</b>	Seeks to engage all employees in activities that promote health and well-being. In 2013, the investments made amounted to R\$15.284,94.
<b>Safety Absolutes</b>	Universally known for its zero tolerance concept, <i>Safety Absolutes</i> are essential safety rules for preventing serious injuries. Safety Absolutes apply to every single employee.

Further encouraging better health for its employees, Albany International Brazil – Indaial promoted following opportunities in 2013:

- Voluntary Groups for Weight Loss.
- Encouragement of Physical Activities.
- Voluntary Biometric Controls (Cholesterol, Triglycerides, Glucose).
- *Dia Mais Saúde* – aims to offer differentiated meals to encourage a healthful diet to the employees.
- Outdoors activities such as track and field hiking, dancing, tree climbing.
- Voluntary Body Fat Test.
- Voluntary Monthly weighting.

For its field team, Albany International Brazil – Indaial invests in a practical and theoretical defensive driving course, held by a specialized school in São Paulo. The participation of all employees active in the field is mandatory.

## Private Social Investment (G4 – S01)



Albany International Brazil – Indaial’s Policy of Private Social Investment, created in 2011 and implemented in 2012, speaks to AIB’s commitment to social action in the areas of education, environment, health, and culture.

The policy was developed with the full engagement of the community. Meetings with the municipality agents (Health, Social Assistance, Education and Environment and Infrastructure) and local institutions raised the relevant topics for AIB to consider.

In 2013, AIB received 29 requests from the local community for investment in particular projects. Out of all the requests, 14 were supported by AIB funds, amounting to investments of R\$142.447,50. Through the company’s Social Environmental Investment Committee (CISA), the funds were used in projects related to environment, culture, education, and health.



Company`s own projects	Goal of project	Area	Amount Invested
<b>Study of local extinction of Bird Species in the Rain Forest (Indaial and its Region)</b>	Characterize the impacts of Forest fragmentation on the bird community from the Rain Forest in the valley of Itajaí, seeking to subsidize practical actions for the maintenance of the landscape and to support strategies for use and occupation of land.	Environment	R\$ 10.640,00
<b>Musical Education to students of two local schools – Escola Encano do Norte e Mulde Baixa - Indaial</b>	Provide students access to knowledge in music and develop their basic skills on musical instruments. The project included the purchase of musical instruments and hiring a professional to teach the classes.	Education and Culture	R\$ 19.254,00
<b>Creation of a theater for people with hearing impairments through the Associação Blumenauense Amigos Deficientes Auditivos (ABADA) (Local Association that supports deaf and hearing impaired people)</b>	Create a theatrical group for deaf and hearing-impaired people from ABADA, developing talents and disseminating their social inclusion. In 2013, the institution supported monthly 550 people with hearing impairments.	Health, Education and Culture	R\$ 14.750,00
<b>Furniture of the kitchen at ACEVALI (Association for the blind in the Valey of Itajaí)</b>	Albany International – Indaial, financially supported ACEVALI in the acquisition of furniture for their kitchen, according to the rules established by the Sanitary Surveillance.	Health	R\$ 7.281,00
<b>Acquisition of accessibility equipment for ADEFI (Association for people with physical challenges in Indaial)</b>	Financial support for the acquisition of equipment, allowing for the implementation of projects related to the assurance to the human rights, social inclusion, market and workplace inclusion, training rights to the handicapped.	Health	R\$ 9.342,50
<b>Investments in the infrastructure of the building of AAPP (Parents and children with Myelomeningocele Association)</b>	Financial contribution to project called “Projeto Sonhar/ Sentir/ Agir” (Dream / Feel / Act) towards the improvement of the facilities in order to humanize the specialized treatment given to children with Myelomeningocele and neoplasia (Blumenau and surrounding Region).	Health	R\$ 20.000,00
<b>Institucional Shelter Dr. Ademar Keunecke for children – Indaial</b>	Offer psychological treatment and orientation by the city social assistance agency to orphan children and adolescents, victims of abuse. Albany International – Indaial supported financially the construction of the 330m <sup>2</sup> shelter.	Education	R\$ 15.000,00
<b>Espaço Alternativo Clubinho Papai do Céu Project</b>	Project aimed at needy kids in the Benedito neighborhood – Indaial, it develops actions for prevention and awareness about the use of alcohol and drugs.	Education	R\$ 10.000,00
<b>Social Inclusion Project</b>	Teach music to kids at a local school – Escola Municipal Professora Anna Alves Dias, helping them to improve students’ performance. The financial support referred to the purchase of new musical instruments and hiring a teacher for the school band.	Education and Culture	R\$ 3.000,00

Company`s own projects	Goal of project	Area	Amount Invested
<b>Construction of a water tank at Escola Básica Mulde Baixa – Indaial</b>	Capture and store rain water in the tank to be used in the flushing systems in toilets, to clean the floor and sidewalk, to water school garden and orchard. The goal is to save treated water, reducing monthly costs as well as to raise students', employees' and community's awareness towards the rational use of water.	Environment and Education	R\$ 10.390,00
<b>Acquisition of equipment for playground at Unidade de Educação Infantil Encano do Norte (local school in Indaial)</b>	Purchase of 15 pieces of recreational equipment, aiming to stimulate children's physical, social and communication skills.	Education	R\$ 5.290,00
<b>Acquisition of equipment for playground at Unidade de Educação Infantil Aquarela (local school in Indaial)</b>	Purchase of Recreational Equipment for the new unit of Unidade de Educação Infantil Aquarela, in order to promote children's development and growth. The school can have up to 300 children enrolled in its facilities.	Education	R\$ 5.000,00
<b>Movimento é Saúde Project (Health project for the Elders)</b>	Development of cultural, sports, and leisure activities, stimulating health and quality of life of its participants. Resources were used to buy sports gear and equipment, classes and physical exams.	Health	R\$ 10.000,00
<b>Blood donation week (Blumenau)</b>	Campaign led by Rotary Club Blumenau aimed to supply the blood bank of Blumenau. Albany International – Indaial sponsored the initiative.	Health	R\$ 2.500,00
<b>Total</b>			<b>R\$ 142.447,50</b>



The following requests from the local community were fulfilled taking advantage of Lei Rouanet, Brazilian law intended to provide incentives towards culture. In all, R\$68.914,84 was invested in projects of education and culture.

Projects supported by Lei Rouanet	Project Goal	Area	Amount Invested
<b>Musical Project (began in 2012)</b>	Purchase of a pair of timpani (drums). The instrument concluded the sponsorship that began in 2012. The instruments were kept by <i>Corporação Amigos do Vale</i> (local institution) for the continuation of the classes and performances. Total amount of project: R\$49.450,00.	Education and Culture	R\$ 9.450,00
<b>9th Indaial Theater Exhibition</b>	Promotes the development and artistic awareness on theater on a student level, allowing the people from Indaial to enjoy theatrical art, as well as to encourage the audience to learn about it. The performances will take place in the city's neighborhoods. (Project was sponsored in 2013 and will be rolled out in 2014).	Education and Culture	R\$ 29.464,84
<b>Cultural Exhibit – 10 years of Grupo Detalhe de Teatro</b>	Its goal is to foster theatrical culture in Indaial and surrounding region, spread through theater art and education, raising awareness towards subjects related to drugs, sexual exploitation and others. The project also comprehends theater workshops in the region.	Education and Culture	R\$ 30.000,00
<b>Total</b>			<b>R\$ 68.914,84</b>

Other requests made last year in forms were not fulfilled because they did not meet the policy for private social investment or due to lack of funds.

Using its own resources and taking advantage of tax incentives, Albany International Brazil -- Indaial invested R\$351,147.00 in projects related to the development of health and well-being, culture, children and teenagers, youth professionalization, and environmental preservation. In addition, it also contributed to the renovation of the facilities of some of the schools in the region. (G4 - EC7)

AIB Internal Resources	Tax Incentives
R\$ 189.878,90	R\$ 161.268,84

Since 2009, AIB has underwritten and participated in the Junior Achievement Association (the "Association"), a not-for-profit educational entity. The Association's goal is to foster entrepreneurship spirit among children in grade school, encouraging their personal development, and providing a perspective from the business world. In 2013, the Marketing Director at Albany International Brazil – Indaial became a member of the Junior Achievement Board.

Aiming to educate and inspire students, Albany International Brazil – Indaial participates in Junior Achievement through a voluntary program, enabling its employees, volunteers in the Program, to share experience and knowledge with the youngsters. In 2013, 25 employees from

Albany International Brazil – Indaial were volunteers of such initiative. The company invested in this action R\$14.200,00 and benefitted 398 students. (G4 – 15/ G4 – SO1)

Other projects and institutions that were financially sponsored by Albany International – Indaial	Amount Invested in 2013
Associação Junior Achievement	R\$ 14.200,00
APAE Indaial	R\$ 12.000,00
FIA – Fundo dos Direitos da Criança e do Adolescente (Fund for Children and Adolescents Rights)	R\$ 55.000,00
AFA – Associação de funcionários da Albany (Albany employees’ Association)	R\$ 25.300,00
Assistance to volunteered firefighter, through the Commercial and Industrial Associal of Indaial	R\$ 5.480,00
Donation to Hospital Beatriz Ramos – Indaial	R\$ 10.000,00
<b>Total</b>	<b>R\$ 121.980,00</b>

In addition to local participation in social responsibility, AIB also participates in AIC’s Global Anti-Corruption efforts. Through the Office of Ethics and Compliance, located at corporate headquarters in Rochester, New Hampshire, USA, the Compliance and Ethics Program deploys regularly training to all AIC employees regarding anti-corruption and full compliance with Albany’s Business Ethics Policy.

**Responsibility for Our Products**

All AIC products and facilities comply with ISO 9001 (or, in some cases, ISO 14001) quality standards. AIC strives to anticipate trends in the pulp and paper sector to better serve our customers’ changing needs. To that end, we aim to (1) introduce new technologies that will bring about improvement to our customers’ products and processes; (2) develop and launch new and innovative products; and (3) continually assess and advance training methods for our team in the field to empower those professionals to provide exemplary service.

We strive to offer products that bring the highest quality and reliability at the lowest operating costs possible to support our customers’ sustainable competitive advantage.

To best serve our customers, we offer different categories of services both before and after sales to add value to their products. The “Regular Services” are related to the follow-up and thorough analysis of product performance. The “Consulting Services” refer to the assistance and support given to the operating staff at the production sites. The “Diagnostic Services” provide a detailed analysis of the machines and clothing variables in order to optimize performance.

Our technical team is highly specialized and dedicated to helping customers reach the best productivity indicators and performance possible.

Through our Process Analysis Group (“PAG”), services are combined by a single tool for data analysis called Cluster Analysis Tool (“CAT”). PAG is comprised of consultants and specialists (all certified Green Belt and Black Belt), who, along with the support of the analysis tool, CAT, are able to identify problems in the production process, suggest alternatives to reduce customer costs, increase machinery productivity, and improve the quality of the paper produced.

Signaling its commitment to the development of new technologies in machine clothing, AIC opened its new Research and Development (R&D) Center in Kaukauna, Wisconsin, USA in 2013. Such investment demonstrates AIC's attention to the continuous quest for quality solutions that will bring improvements to (a) productivity, (b) expansion of product durability, (c) reduction of water, energy, and chemical consumption in the customers' production process, and (d) the safe handling of our products.

To AIB, the value of diversity, respect for human rights, the monitoring of environmental impacts, and the requirement that their suppliers do the same is paramount to its commitment to social responsibility. (G4-10/ G4-11)





# SUMÁRIO GRI (G4-32)

The GRI Indicators Cross Reference table is used to demonstrate which indicators from the GRI-G4 framework are covered in this Sustainability Report.

<b>ESTRATEGY AND ANALYSIS</b>	<b>PG</b>
G4-1. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	04
G4-2. Provide a description of key impacts, risks, and opportunities.	25
<b>ORGANIZATIONAL PROFILE</b>	
G4-3. Report the name of the organization.	07
G4-4. Report the primary brands, products, and services.	07, 08
G4-5. Report the location of the organization's headquarters.	07
G4-6. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	07
G4-7. Report the nature of ownership and legal form.	07
G4-8. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	07
G4-9. Report the scale of the organization.	07
G4-10. Report the total number of employees by employment contract and gender.	45, 46, 59
G4-11. Report the percentage of total employees covered by collective bargaining agreements.	49, 59
G4-12. Describe the organization's supply chain.	25
<b>Commitments to External Initiatives</b>	
G4-14. Report whether and how the precautionary approach or principle is addressed by the organization.	20
G4-15. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	58
G4-16. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization	21
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>	
G4-17. List all entities included in the organization's consolidated financial statements or equivalent documents.	Albany International
G4-18. Explain the process for defining the report content and the Aspect Boundaries.	19
G4-19. List all the material Aspects identified in the process for defining report content.	19
G4-20. For each material Aspect, report the Aspect Boundary within the organization.	19
G4-21. For each material Aspect, report the Aspect Boundary outside the organization.	19
G4-22. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	24
G4-23. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	24

<b>A STAKEHOLDER ENGAGEMENT</b>		<b>PG</b>
G4-24. Provide a list of stakeholder groups engaged by the organization.		31
G4-25. Report the basis for identification and selection of stakeholders with whom to engage.		22
G4-26. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.		31
G4-27. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.		22
<b>REPORT PROFILE</b>		
G4-28. Reporting period (such as fiscal or calendar year) for information provided.		01/01/2013 to 31/12/2013
G4-30. Reporting cycle (such as annual, biennial).		Annual
G4-31. Provide the contact point for questions regarding the report or its contents.		02
G4-32. Report the 'in accordance' option the organization has chosen.		06, 60
<b>Governance Structure and Composition</b>		
G4-34. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.		14
G4-35. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.		13
G4-37. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.		31
G4-39. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).		13
G4-42. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.		13
<b>Highest Governance Body's Competencies and Performance Evaluation</b>		<b>PG</b>
G4-44. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.		14
<b>Highest Governance Body's Role in Sustainability Reporting</b>		
G4-48. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.		06
<b>Remuneration and Incentives</b>		
G4-52. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.		14

<b>ETHICS AND INTEGRITY</b>	
G4-56. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	17
G4-57. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	18
G4-58. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	18
<b>SPECIFIC STANDARD DISCLOSURES</b>	
<b>Guidance for Disclosures on Management Approach</b>	
G4 – DMA. Report why the Aspect is material. Report the impacts that make this Aspect material.	32, 42
<b>ECONOMIC</b>	
G4 – EC1. Direct economic value generated and distributed.	16, 19
G4 – EC4. Financial assistance received from government.	34
G4 – EC7. Development and impact of infrastructure investments and services supported.	57
<b>ENVIRONMENTAL</b>	
<b>Energy</b>	
G4 – EN3. Energy consumption within the organization.	19, 35
G4 – EN5. Energy intensity.	36
G4 – EN6. Reduction of energy consumption.	36
<b>Water</b>	
G4 – EN8. Total water withdrawal by source.	19, 36
G4 – EN10. Percentage and total volume of water recycled and reused.	19, 36
G4 – EN13. Habitats protected or restored.	40
G4 – EN14. Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	19, 40
<b>Effluents and Waste</b>	
G4 – EN22. Total water discharge by quality and destination.	19, 37
G4 – EN23. Total weight of waste by type and disposal method.	37
<b>Products and Services</b>	
G4 – EN27. Extent of impact mitigation of environmental impacts of products and services.	09
<b>Transport</b>	
G4 – EN30. Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	41
<b>Supplier Environmental Assessment</b>	
G4 – EN32. Percentage of new suppliers that were screened using environmental criteria.	27
G4 – EN34. Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	18, 19

<b>SOCIAL</b>	
<b>Employment</b>	
G4 – LA1. Total number and rates of new employee hires and employee turnover by age group, gender, and region.	19, 44, 45
G4 – LA2. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	46
<b>Occupational Health and Safety</b>	
G4 – LA5. Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	19, 51
G4 – LA6. Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	51, 52
G4 – LA7. Workers with high incidence or high risk of diseases related to their occupation.	52
<b>Training and Education</b>	
G4 – LA9. Average hours of training per year per employee by gender, and by employee category.	47, 48
G4 – LA10. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	48
G4 – LA11. Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	19, 43
G4 – LA12. Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	18
<b>Supplier Assessment for Labor Practices</b>	
G4 – LA14. Percentage of new suppliers that were screened using labor practices criteria.	19, 27
G4 – LA16. Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	18
<b>Supplier Human Rights Assessment</b>	
G4 – HR10. Percentage of new suppliers that were screened using human rights criteria.	19, 27
<b>SOCIETY</b>	
<b>Local Communities</b>	
G4 – SO1. Percentage of operations with implemented local community engagement, impact assessments, and development programs.	19, 54, 58
G4 – SO2. Operations with significant actual or potential negative impacts on local communities.	19, 35
G4 – SO3. Significant actual and potential negative human rights impacts in the supply chain and actions taken.	20
G4 – SO5. Confirmed incidents of corruption and actions taken.	19
G4 – SO6. Total value of political contributions by country and recipient/beneficiary.	20
<b>PRODUCT RESPONSIBILITY</b>	
<b>Product and Service Labeling</b>	
G4 – PR5. Results of surveys measuring customer satisfaction.	26

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