

In 2019 Sofidel significantly renewed and enhanced its entire range.

Products were launched with alternative wrapping to standard polyethylene, in paper, recycled plastic and bioplastics, and the main European Sofidel brand products were redesigned with a view to making them increasingly sustainable and consistent with the principles of the circular economy.



- REGINA RUMIANKOWY
- REGINA WISH
- REGINA SERIOUSLY SOFT
- REGINA SERIOUSLY STRONG
- LE TRÈFLE MAXI DOUCEUR
- PAPERNET DISSOLVE TECH
- NICKY STRONG ECO FRIENDLY
- REGINA MIT HERZEN
- REGINA BLITZ
- REGINA ROTOLONI ECO
- REGINA PETS
- NALYS VELOURS
- LYCKE ECO-CARE
- COSYNEL GOLD

INDEX

6
LETTER TO STAKEHOLDERS

9
GROUP PROFILE

Sofidel Group in figures
Sofidel in the world
Mission and vision
Culture, ethics and values

17
SIGNIFICANT EVENTS
DURING THE YEAR

23
SUSTAINABILITY

Sustainability strategy

- The business model
- Sustainability as a strategic model for development
- The sustainability integration model
- Building an inclusive and sustainable future based on the UN's 17 Sustainability Goals
- Sofidel and the Circular Economy

Materiality analysis and dialogue with stakeholders

- Materiality
- Key stakeholders
- Methods of engagement
- Materiality analysis
- Initiatives to promote dialogue with stakeholders

39
STRATEGY AND BUSINESS MODEL

Strategy for growth
The four strategic phases
Key elements of the model and flow diagram
Internationalisation strategy in Europe and the USA
Distinctive factors
Outlook and strategic objectives
Innovation in the Sofidel Group

47
GROUP OPERATING, ECONOMIC
AND FINANCIAL PERFORMANCE

2019 Highlights
Outlook for Group economic and financial performance
Economic and financial performance
Investments
Calculation and distribution of Global Added Value

59
PRODUCT

Tissue production process
Research and development
Product quality and safety

- Product quality
- Product safety

65
OPERATIONS

Governance

- Company structure
- Organisational structure
- Internal control system
- Risk management and monitoring
- Management systems

The environment

- Governance
- An increasingly global interest in the environment
- The energy balance
- Sofidel and climate change
- Sofidel and water resource management
- Sofidel and forestry certifications
- Sofidel and Environmental Management System certifications
- Protection of forest resources
- Responsible consumption and production
- Waste management
- Ecological products

Suppliers and the supply chain

- Supplier map
- Supplier qualification, selection and assessment
- New challenges

105
PEOPLE

Management of human capital
Company well-being
Staff composition and distribution

Types of contract
Personnel characteristics
Turnover
Human rights, protected categories and equal opportunities
Pay and incentives
Staff training and development
Health and safety
Industrial relations

125
MARKET & CORPORATE BRANDS

Sofidel Corporate Brand strategy and communication
Markets and customers

- Our markets
- Product innovation
- Lines of business
- Sofidel's e-commerce strategy
- Service quality
- Management of complaints

Community

- Community relations
- Investments to benefit local communities

145
METHODOLOGICAL NOTE

Reporting process
Report boundary
Assurance
GRI performance indicators

LETTER TO STAKEHOLDERS

2019, a better year

Sofidel returned to good levels of performance in 2019, in a difficult economic environment that was, however, more favourable than that of 2018.

The renewal of its products, part of an extensive strategy to differentiate and de-commoditise its offer, was implemented throughout all markets.

Together with rebalancing the cost of the raw material, this innovation allowed volumes, margins and profitability to be recovered, and also the acquisition of new customers.

The products presented, as well as the range extensions and the new generation of more sustainable packaging, developed with the aim of making people's daily lives easier and of meeting the growing demand for environmental responsibility, have found favour with markets and consumers, also thanks to the support of new advertising campaigns at the end of the year.

As far as the use of more sustainable packaging is concerned, Sofidel undertook to reduce conventional plastics in its production by 50% by 2030 (compared to 2013), equivalent to the elimination of more than 11,000 tonnes of plastic placed on the market per year.

The objective is pursued by introducing (starting from its main brands, many of which are leaders in their respective markets) packs in paper (a renewable material of plant origin, which is the most commonly recycled material in the countries where the Group operates), using recycled plastics or bioplastics and reducing the thickness of the plastic film used in the production process (a programme that has already been carried out for several years).

The recent new production capacity installed in Spain and Poland, for the first time at full capacity, had an impact on the entire year, making it possible to support the launch of the Regina brand in the Iberian market and, more generally, to achieve higher levels of logistic efficiency. Overall in Europe, thanks also to the presence of its own production facilities in the United Kingdom (which guarantees less worrying conditions in relation to Brexit), the Group sees its position strengthened.

The consolidation of Sofidel's presence in the US market continued. The big factory in Inola, Oklahoma, the Group's second greenfield investment on American soil, already has nine converting lines in operation, while the full start-up of paper mill production - scheduled for the first half of 2020 - is confirmed.

This will be a fundamental step in the production and logistic efficiency drive that the company is implementing on this market and which, while waiting for the new plant to become fully operational, has already led to significant results in terms of optimisation of transport costs. In anticipation of the upcoming expansion of production capacity and further improvement of geographical coverage, Sofidel has intensified its visibility and relationship promotion activities and is preparing to launch a first test product on the US market.

Other highlights of the year include the growing attention that the Group is paying, at various levels, to the issues of smart production and digitisation and the implications that these transformations are bringing about in terms of production, distribution and communication. Among the activities, in addition to the automation of the warehouses of the new plants, are the development of collaborations with some important distribution platforms, the further cus-

tomisation and enrichment of logistics services offered to customers, a more massive use of big data analytics and an increased level of attention to cyber security.

On the corporate social responsibility front, we should highlight the results obtained in the WWF's Environmental Paper Company Index (EPCI) report (the two-yearly tool proposed by the environmental organisation to companies in the paper and pulp sector to assess their transparency and commitment to environmental issues), the acquisition of UNI ISO 20400 compliance, a guideline relating to supply chain sustainability, the adherence to CEOs Call to Action (CSR Europe's initiative to involve European companies that consider sustainability a qualifying factor in their strategy and that are willing to strengthen dialogue and join forces) and the awareness-raising and education activities that, from collaboration with schools and universities to the "NextGen" programme, Sofidel is carrying out in favour of the younger generations.

In the meantime, elements of concern are linked to the health emergency caused by COVID-19 coronavirus, whose spread is extending to many countries and whose health, economic and social impacts are currently difficult to assess. Within this framework, Sofidel has launched a specific "Action Plan against the spread of COVID-19 coronavirus" on a precautionary and preventive basis in order to protect the health of its employees and the efficiency of its production and service levels, and closely monitors the evolution of the situation.



Emi Stefani



Luigi Lazzareschi



1

GROUP PROFILE

Sofidel Group in figures
Sofidel in the world
Mission and vision
Culture, ethics and values

Rotoloni Regina, the Italians' favourite toilet paper, is now also packaged in kraft paper and manufactured using electricity from 100% renewable sources, generated at the Sofidel production plants.

SOFIDEL GROUP IN FIGURES

From its headquarters in Porcari (Lucca), Sofidel coordinates the work of 17 companies in Europe and the United States, with over 6,400 employees, production capacity

of 1,308,000 tonnes and net sales of €1,919 million compared to €1,706 million in 2018.

53 YEARS IN BUSINESS PRESENCE IN **13** COUNTRIES

17 COMPANIES **6,453** EMPLOYEES

1,919 MILLION EURO
GROUP NET SALES

PRODUCTION
CAPACITY **1,308,000** TONNES

9.64

HOURS OF TRAINING
PER EMPLOYEE (H/PER CAPITA)

62,187

HOURS OF TRAINING

27,362.28 HOURS OF TRAINING
ON HEALTH AND SAFETY

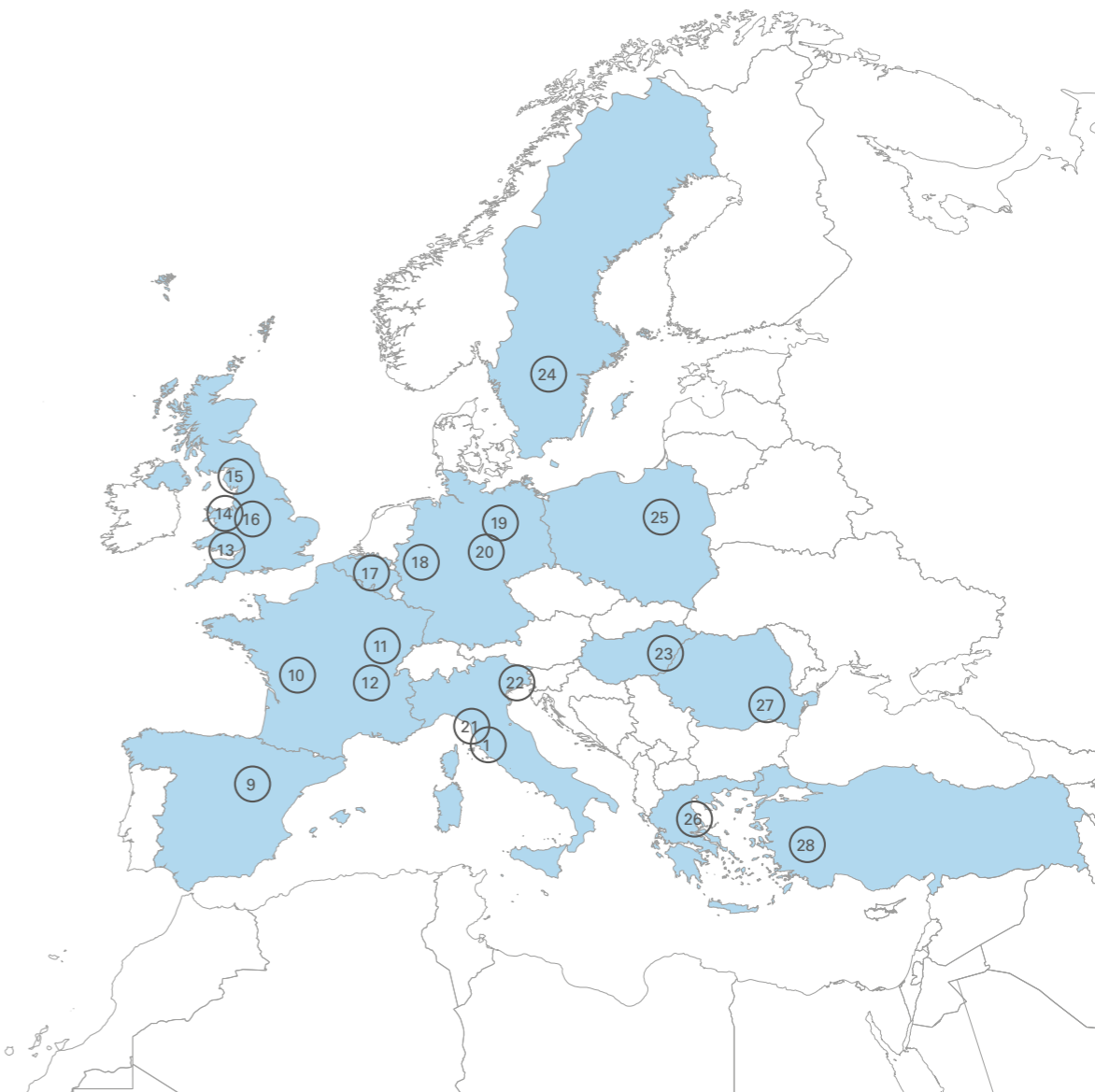
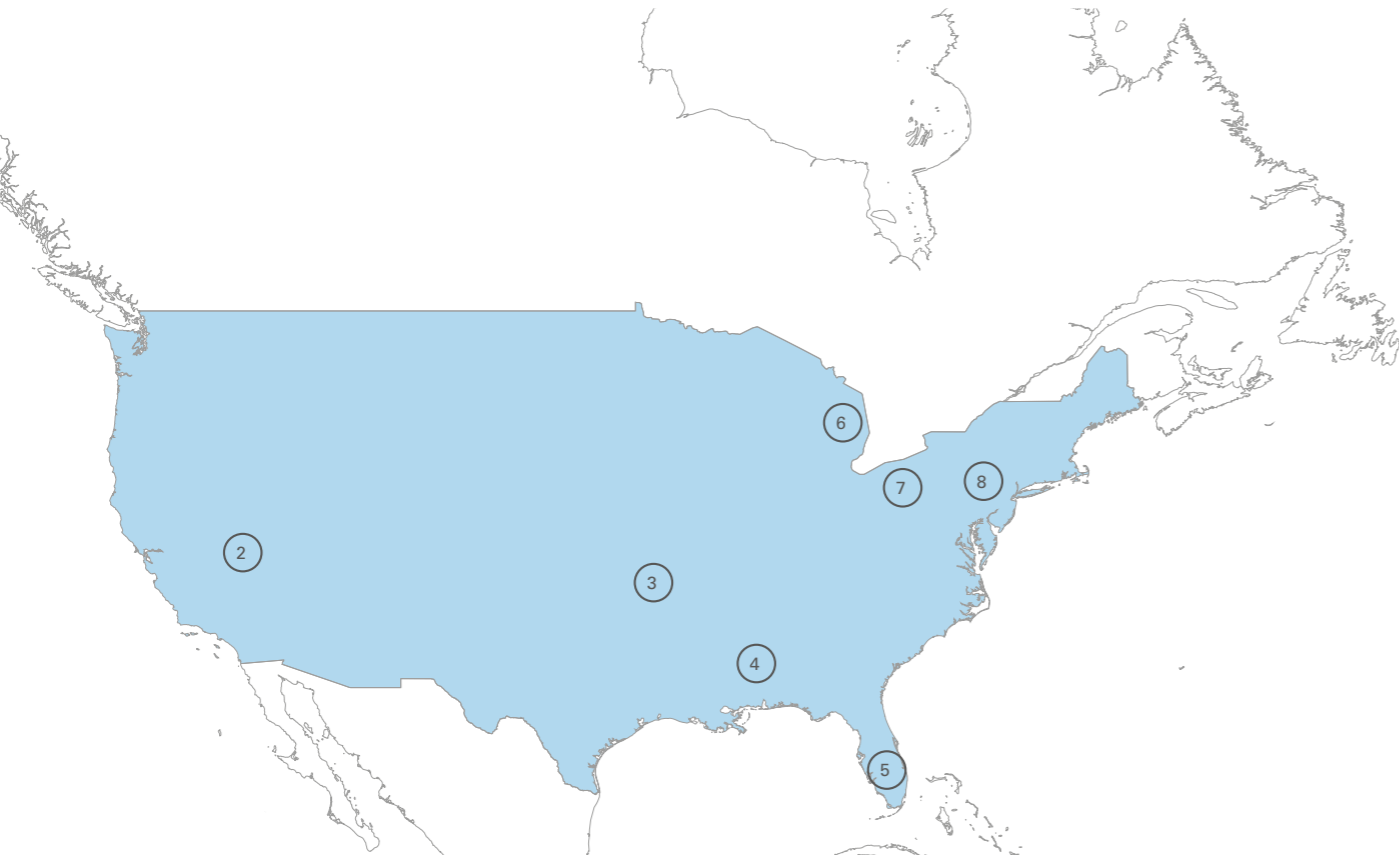
WATER CONSUMPTION **7.3** L/KG

REDUCTION IN CARBON INTENSITY
COMPARED TO 2009 **17.9%**

492 TJ TOTAL PRODUCTION OF ENERGY
FROM RENEWABLE SOURCES

SOFIDEL IN THE WORLD

At the end of 2019, the Sofidel Group was present in 13 countries (in Europe and the United States) with 17 companies.



SOFIDEL ITALIA 1. Lucca - Porcari IT Services	SOFIDEL SPAIN 9. Bunuel ES Integrated plant	SOFIDEL UK 14. Lancaster UK Paper mill 15. Leicester-Hamilton UK Integrated plant 16. Leicester-Rothley Lodge UK Converting plant	WERRA PAPIER 20. Wernshausen DE Werra Papier Holding Services Werra Papier Integrated plant	22. Gorizia-Monfalcone IT Integrated plant	SOFIDEL GREECE 26. Katerini EL Integrated plant
SOFIDEL AMERICA 2. Henderson NV Converting plant 3. Tulsa/Inola OK Converting plant 4. Hattiesburg MS Converting plant 5. Haines City FL Integrated plant 6. Green Bay WI Converting plant 7. Circleville OH Integrated plant 8. Philadelphia PA Services	SOFIDEL FRANCE 10. Ingrandes FR Converting plant 11. Nancy-Pompey FR Integrated plant 12. Roanne FR Integrated plant	SOFIDEL BENELUX 17. Duffel BE Integrated plant	SOFFASS 21. Lucca-Porcari IT Paper mill/Converting plant Lucca-Porcari IT Paper mill/Converting plant Lucca-Borgo a Mozzano IT Paper mill Lucca-Bagni di Lucca IT Paper mill Lucca-Capannori IT Converting plant	SOFIDEL HUNGARY 23. Labatlan H Converting plant	SOFIDEL ROMANIA 27. Calarasi RO Integrated plant
	INTERTISSUE 13. Swansea UK Integrated plant	SOFIDEL GERMANY 18. Koln DE Trading 19. Arneburg DE Integrated plant		SOFIDEL SWEDEN 24. Kisa SE Integrated plant	SOFIDEL TURKEY 28. Honaz Denizli TR Converting plant
				SOFIDEL POLAND 25. Ciechanow PL Integrated plant	

Since 14 November 2018 “Sofidel Turkey” has changed its name to “Tasfye Halinde Sofidel Turkey Kagit Sanayi Ve Ticaret Anonim Sirketihis” and has started winding-up proceedings.
On 1 July 2019 Intertissue Ltd sold its assets and business to Sofidel UK Ltd and began the winding-up process.

MISSION

Making everyday life tidier, cleaner, safer,
more practical and pleasant

by investing in

people and innovation and promoting
conduct based on sustainability,
commercial transparency and respect for
regulations,

with the aim of

creating value for customers, employees,
partners, shareholders and the community.

VISION

Increase comfort and hygiene for all,
reducing our impact on the world around us.

CULTURE, ETHICS AND VALUES

The *modus operandi* of Sofidel is based on values and hard work, with strict regard for ethics. Sofidel has implemented a management model in line with the Management by Values methodology, which aims to create shared value by fully integrating social strategy with competitive strategy, in a vision of the business that encompasses multiple purposes.

Operating in compliance with ethical values represents a value added for Sofidel in terms of the company's conduct and activities, fully compatible with profitability. Sofidel has therefore adopted a Code of Ethics that contains the Group's values – such as professionalism, honesty, transparency, fairness, humility, ethics and sharing – the principles of its behaviour and conduct towards stakeholders, as well as a Sustainability Charter which summarises all of its commitments regarding sustainability, which for Sofidel is a fundamental lever for the value creation process.

During this process, the social strategy and the competitive strategy contribute to the achievement of the business objectives. Corporate Social Responsibility is fully integrated within company decision-making, governance and daily operations.

Sofidel has obtained and maintains numerous product, process and system certifications, which it considers to have strategic value.

All of this forms the basis for the wider strategy of the organisation: the creation of shared value and enhancing relations with stakeholders throughout the value chain. It is fundamental for Sofidel to work with stakeholders in a healthy and constructive way, which is central for developing initiatives to promote and enhance the social and environmental fabric of the communities within which the company lives and works. One of the concepts that best explains and summarises the management philosophy and culture of the Sofidel Group is *Less is more*: aware of the finite and precarious nature of the resources required by both man and industrial production, the company focuses on reducing waste and inefficiencies in order to continually improve production methods, limit environmental impacts (ecological footprint) at every stage and promote responsible consumption.

This fundamental guiding principle, which has always been the Group's intangible heritage, is the cultural and industrial premise that has also enabled Sofidel to be adequately equipped to positively approach the idea of development inherent in the concept of the circular economy.

Based on all this, Sofidel's ultimate goal is to provide products with ever greater functional qualities and innovative performance, while guaranteeing reduced environmental impacts and lower use of natural capital.



2

SIGNIFICANT EVENTS DURING THE YEAR

Regina Pets is the breakthrough innovation dedicated to consumers who care for their furry friends as well as sustainable consumption thanks to its packaging that includes recycled plastic content.

2019, in tune with our customers' new lifestyles and priorities

SUSTAINABLE DEVELOPMENT: 50% REDUCTION IN CONVENTIONAL PLASTICS IN PRODUCTION BY 2030

A step forward in the Group's sustainable development strategy. Sofidel set the goal of reducing the use of conventional plastics in its production by 50% by 2030 (compared to 2013). This is equivalent to removing over 11,000 tonnes of plastic from the market per year.

This objective is being pursued through a general reduction, already started in recent years, in the thickness of the plastic film used in the production process, the introduction of new kraft paper packaging to shop shelves and the progressive use, in some markets, of recycled plastics or bioplastics. This new phase of the sustainability process is consequent to and consistent with the policies and investments that Sofidel has made in recent years in terms of responsible procurement of raw materials, energy efficiency of plants, rational use of water resources within production processes and technological innovation for production assets.

PRODUCT INNOVATION: MORE SUSTAINABLE PACKAGING, RANGE EXTENSIONS AND NEW PRODUCTS

As part of its product innovation and differentiation strategy, Sofidel launched new kraft paper packaging to replace or accompany existing products in Europe over the year. Implementation of the strategy kicked off with the main brands. After the launch of the first repackaged Regina products in Italy (Rotoloni Regina Eco), Spain (new Regina

Zero toilet paper), Poland (Regina Rumiankowy toilet paper), the UK (Regina Blitz kitchen paper, single roll), and Le Trefle in France (Le Trefle Absolu Bien-etre toilet paper), the second half of the year saw the presentation of Regina Mit Herzen all-purpose absorbent paper and Regina Kamillenpapier toilet paper in Germany, Nalys Excellence toilet paper in Belgium and the Netherlands, Cosynel Gold toilet paper in Belgium, Nalys Velours toilet paper in the Netherlands, the new Lycke Eco-Care toilet paper in Sweden and Regina Blitz household paper in Italy, Spain, Germany, Poland, Hungary and Romania. Also presented on the market were products with new packaging containing recycled plastic: in Italy, Regina WWF Collection paper handkerchiefs; in Belgium, Nalys Soft toilet paper; in France, Le Trefle Maxi Douceur toilet paper. In the UK, Sofidel presented two new products in the Regina range with Mater-BiR packaging: Regina Seriously Soft and Regina Seriously Strong toilet paper. As far as new products are concerned, in Italy the new Regina Skin line of paper handkerchiefs was launched and in the UK the new Regina Pets paper (aimed specifically at pet owners), a further demonstration of the Group's commitment to creating added value to meet the increasingly specific and personalised needs of consumers.



THE SOFIDEL PAPER PACKS CHOSEN BY MAJOR EUROPEAN RETAILERS

More than just a brand. The multinational discount store chain Aldi, in the UK, was one of the first retailers to choose Sofidel as their supplier to present their own brand products with paper packs. This decision is part of the strategy of removing plastic packaging or replacing it with recyclable alternatives being pursued by the German company. For Sofidel it was one of the first significant acknowledgements of its commitment to offering more sustainable packaging solutions for end consumers and customers.



NUMEROUS AWARDS FOR SOFIDEL PRODUCTS

Regina Blitz Extra Large Triple Layer Sheets won the Product of the Year 2019 award in the UK in the Household Paper category. Product of the Year is the UK's largest piece of consumer market research into innovation in products for mass consumption. The Product of the Year award for innovation in the House Cleaning Accessories category also went to Asciugoni Regina in Italy. The award was given for its absorption capacity - thanks to the new maxi-sheets - and its "legendary" durability. In the Away-From-Home line, Papernet Freshen Tech won the PPI (Pulp & Paper International) Award 2019 in the Tissue Innovation category. The PPI Awards, promoted by Fastmarkets RISI, are for excellence in tissue at an international level. Sofidel also received a mention from Coop Italia for the fight against waste and was among the finalists in the first edition of the MIAC award.

Innovation Award for Italian paper producers that have introduced innovations in terms of process, product and energy efficiency.



NEW CONVERTING LINES IN ITALY AND THE UNITED STATES

In January 2019 the installation of two new converting lines was completed at the Soffass Converting plant in via Giuseppe Lazzareschi. With their output the production capacity of the plant has increased to over 55,000 tonnes per year (+30%). The first five converting lines were also started up between July and October at the new Sofidel plant under construction in Inola (Oklahoma), two of which were transferred from the Tulsa plant in Oklahoma.

WWF ENVIRONMENTAL PAPER COMPANY INDEX 2019: SOFIDEL RECORDED FURTHER ADVANCES ON ENVIRONMENTAL SUSTAINABILITY AND TRANSPARENCY

In the 2019 edition of the WWF's Environmental Paper Company Index (EPCI) report, Sofidel - with an overall rating of 77.2% - scored better than both the global tissue industry average (67%) and its own rating in the last 2017 survey (76.6%). Sofidel has taken part in all four editions of the biennial report - launched by WWF in 2013 to promote transparency and continuous improvement in the paper industry - achieving overall progress of 12.4% in its score. Since 2015, the Group has provided the data for the compilation of the report for 100% of its production. In 2019, only 30 out of 84 companies invited worldwide took part in the report.

SOFIDEL AMONG THE TOP ITALIAN COMPANIES FOR SUPPLY CHAIN SUSTAINABILITY

Sofidel is one of the first Italian companies to have obtained a certificate of compliance with the UNI ISO 20400:2017 standard, the international guideline on sustainable procurement, which allows, among other things, the risk of reputational and economic damage resulting from poor supplier performance in terms of sustainability to be reduced. Four main risk categories of the supplier companies were monitored: working conditions, human rights, environmental protection and the fight against corruption. The model developed is based on the TenP - Sustainable Supply Chain Self-Assessment Platform of the Global Compact Network Italy Foundation.



ENERGY MANAGEMENT SYSTEMS: SOFIDEL ROMANIA OBTAINS ISO 50001 CERTIFICATION

The plant in Călărași, Romania, has implemented an energy management system in accordance with the ISO 50001 standard. The standard defines the requirements for establishing, implementing, maintaining and improving an energy management system in order to achieve continuous improvement of performance in relation to energy efficiency, safety, use and consumption. The Romanian plant is in addition to the other sites of the Group that have already obtained this certification, becoming the first paper mill for the production of ISO 50001 certified tissue paper in Romania.



INFORMATION SECURITY: SOFIDEL ISO/IEC 27001 CERTIFIED

Sofidel has undertaken on a voluntary basis the certification process for UNI CEI EN ISO/IEC 27001:2017, the international guideline on information security, in order to provide itself with an IT governance system appropriate for the international size of the Group and to implement a proper security strategy to protect data and company information, based on a management model updated to the most advanced standards and certified by an independent third party. The adoption of procedures and protocols planned accord-

ing to the ISO/IEC 27001 standard protects company information and data - stored on computers and IT media - to ensure their management security, integrity, availability and confidentiality.

Expected benefits include systematic implementation of the IT security policy, effective monitoring of information security risks, systematic risk analysis, appropriate updating of the technical infrastructure, improvements in terms of organisation and responsibility, and greater accountability to stakeholders. The certification process, completed for the holding company Sofidel (which provides most of the hardware and software services to its subsidiaries), will also be planned and implemented in the future for the other Group companies.



3

SUSTAINABILITY

Sustainability strategy

- The business model
- Sustainability as a strategic model for development
- The sustainability integration model
- Building an inclusive and sustainable future based on the UN's 17 Sustainability Goals
- Sofidel and the Circular Economy

Materiality analysis and dialogue with stakeholders

- Materiality
- Key stakeholders
- Methods of engagement
- Materiality analysis
- Initiatives to promote dialogue with stakeholders

Regina Seriously Soft and Regina Seriously Strong are the new toilet papers wrapped in Mater-Bi® – a biodegradable and compostable bioplastic, with a high content of renewable materials.

SUSTAINABILITY STRATEGY

THE BUSINESS MODEL

The Sofidel Group's business model sees sustainability and innovation as an essential combination that creates value for the company and all its stakeholders and allows new opportunities to be seized.

Sofidel's goal is to incorporate sustainability in every aspect of its business, in order to continually find new solutions to reduce its environmental impact, satisfy customer and local community needs and improve relations with employees and suppliers, putting people's safety and well-being first. To this end, a three-year Sustainability Plan is drawn up, which all department heads are asked to implement with precise objectives. The Sustainability Plan is monitored and updated every year and validated by Sofidel's CEO.

Sofidel wants to lead the change process and seize new mar-

ket opportunities as they come up, knowing that the starting point for doing so is awareness of its operating context.

The efficiency and effectiveness of business processes, both at the development stage and during operations, largely depend on stable and constructive relationships with the different stakeholders and the ability to operate in synergy with the local area, preventing and managing any risks and social and environmental impacts. The Group pays specific attention to methods for monitoring and managing financial and non-financial risks, by providing detailed risk management policies associated with the protection of economic and financial assets, products and customers, the supply chain, personnel and the environment.

A specific section is dedicated to these; for further information, see "Risk monitoring and management" (page 69).



Nalys Velours, the most comfortable toilet paper par excellence in the Netherlands, is now available with new packaging made of kraft paper, a material of plant origin and therefore renewable and easily recyclable.

LESS IS MORE. THE FOUNDING PRINCIPLE

Sofidel embraces the *Less is more* principle, which characterises all the Group's work and translates into three fundamental precepts:

- reduce environmental impacts at every level, from procurement to production, from logistics to office work;
- reduce waste;
- promote responsible consumption.

The ultimate goal is to create products that contain ever decreasing amounts of natural capital while improving performance.

SUSTAINABILITY AS A STRATEGIC MODEL FOR DEVELOPMENT

Through its commitment to sustainability, Sofidel intends to:

- play an increasingly significant role in the environmental, social and economic spheres;
- contribute to improving the quality of life of all its stakeholders and the communities in which it operates;
- increase its competitiveness in the medium to long term (see the Sustainability Decalogue).

To ensure lasting social and environmental benefits for stakeholders throughout the value creation chain, Sofidel strives to minimise its environmental impact and maximise economic and social benefits for the creation of shared value for all its stakeholders.

THE SUSTAINABILITY INTEGRATION MODEL

Sofidel’s sustainability strategy is based on four pillars: People, Operations, Product, Market & Corporate Brands. This framework encompasses all the initiatives that, in line with the Sustainability Plan, contribute to the Group’s sustainable development.

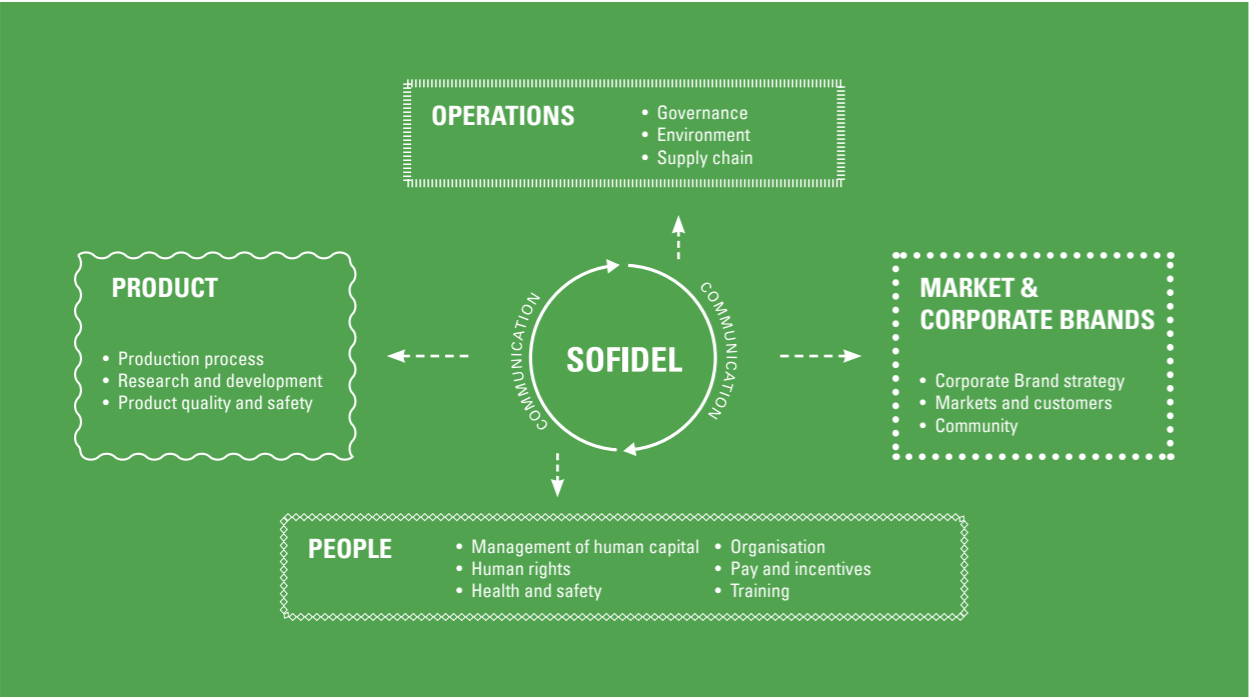
People: People are the Group’s primary resource. In 2019, special attention was paid to people, mainly through two major projects: WHP (Workplace Health Promotion) and Welfare (see the “People” section on page 105).

Operations: This section illustrates how the company governs and manages the organisation and prevents risks, highlights the control systems actually implemented and describes how sustainability is monitored at all stages of the production process (see the “Operations” section on page 65).

Product: The product area includes all quality and safety verification processes, as well as research and development that allow the Group to design processes and products with ever higher performance and in line with circular economy principles (see the “Product” section on page 59).

Market & Corporate Brands: The core and purpose of all Sofidel’s work are customers, consumers and all stakeholders: this is the Group’s last but no less important strategic area (see the “Market & Corporate Brands” section on page 125).

SUSTAINABILITY INTEGRATION MODEL



BUILDING AN INCLUSIVE AND SUSTAINABLE FUTURE BASED ON THE UN’S 17 SUSTAINABILITY GOALS

Sofidel’s sustainable growth strategy is fully in tune with the aim of “building an inclusive, sustainable and resilient future” for the planet and its population, pursued by the United Nations (UN) through the 17 Sustainable Development Goals (SDGs) included in its 2030 Agenda, the action plan for people, planet and prosperity signed in September 2015 by the governments of 193 member countries.

Sofidel implements policies to limit environmental impacts and maximise social benefits all along the value creation chain: procurement, production processes, products and logistics.



Within the 17 Sustainable Development Goals, Sofidel particularly aims to achieve the following goals: Climate action (Goal 13); Affordable and clean energy (Goal 7); Good health and well-being (Goal 3); Clean water and sanitation (Goal 6); Responsible consumption and production (Goal 12); Life on land (Goal 15); Quality education (Goal 4); Partnerships for the goals (Goal 17).



Sofidel is committed, as a member of the WWF Climate Savers programme, to the reduction of climate-altering emissions. Since joining the programme in 2008, specific emissions of CO₂ emissions have been reduced by 17.9% by 2019 thanks to investments in cogeneration, solar energy and hydroelectric power plants, biomass power plants and general improvements in energy efficiency.

1. Best Available Techniques (BAT) Reference Document for the Production of Pulp, Paper and Board, 2015, p. 719.



The Sofidel Group implements strict procurement policies for cellulose certified by independent third parties with forest certification schemes. In fact, Sofidel can confirm that since 2016, 100% of the virgin fibres used in its production process have been certified by FSC®, PEFC™ and to a minor extent by FSC®-CW.



Sofidel works to safeguard water resources, limiting water consumption within its production processes. In particular, the Group’s water consumption is clearly lower than the industry benchmark¹: 7.3 l/kg compared to 15-25 l/kg). The main measures regularly taken to achieve this result include:

- water recycling
- watertight pumping systems
- reuse of rainwater
- monitoring of leaks and constant alarm systems
- good control practices



Sofidel is aware of the importance of water for the balance of the planet and for people’s well-being and hygiene. For this reason, Sofidel is committed, through its three-year partnership with WaterAid, an international non-profit organisation, to raising awareness among its stakeholders and supporting work to guarantee availability of water and improve sanitary conditions in developing countries (see the “Community” section on page 139).



Production under the banner of environmental and social responsibility is what best characterises Sofidel. In 2019, the Group set itself a new and challenging goal: a 50% reduction in the amount of conventional plastics in its production by 2030 (compared to 2013), equivalent to the removal of more than 11,000 tonnes of plastic from the market each year. It is an objective pursued through a general reduction, already started in recent years, in the thickness of the plastic film used in the production process, the introduction of new kraft paper packaging, already present or arriving on European supermarket shelves, and the progressive use, in some markets, of recycled plastics or bioplastics (see the “Significant events during the year” section on page 17).



In the paper district of Lucca, Sofidel pays close and constant attention to the education of the latest generations, all the more so at a time when the current digital revolution, Industry 4.0 and new demands for sustainability are bringing about profound innovations within the industry. Sofidel's commitment is particularly focused on helping students, tutors, head teachers and academic staff to develop more innovative, open training, built around skills, which is able to provide a real contribution to development for the entire district. During 2019 Sofidel specifically worked to raise awareness among the younger generations in order to build a more sustainable future. It did so through a series of communication actions, entitled “NextGen”, focusing on and featuring young people (see “Initiatives to promote dialogue with stakeholders” on page 35).



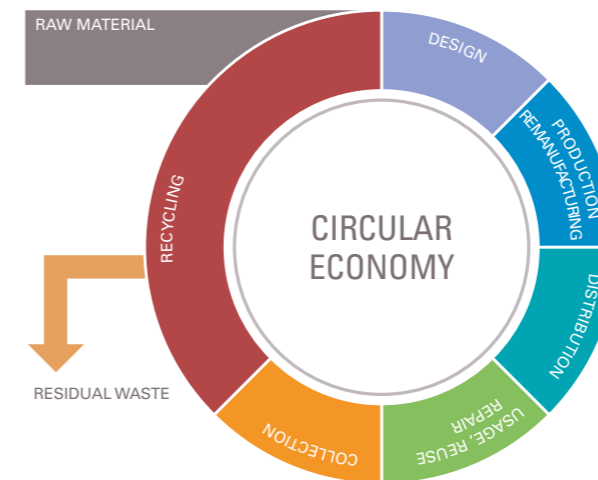
Fully aware that it cannot achieve goals of such importance based solely on its own strengths, Sofidel has been working for years with non-profit organisations of recognized value and reputation: WWF WaterAid, Telethon, Woodland Trust, Global Compact (in the role of “Participant”) and Sodalitas (see “Community” on page 139).



SOFIDEL AND THE CIRCULAR ECONOMY

As early as 2017, Sofidel was one of the first signatories of the WWF Manifesto “An SOS (Safe Operating Space) for a Sustainable Human Future” which defines the social and environmental boundaries within which sustainable, equitable and inclusive development can be guaranteed. Despite the inherent limitations of the tissue paper industry, Sofidel recognizes the principles of circular economy as its own, i.e. efficient resource management and waste reduction. For this reason, Sofidel has defined a series of activities and objectives to increase the circularity of its business. This mainly involves actions already planned or in place for many years, but which the company has included in a more organic plan to align its policies with the expectations of its main stakeholders (see “The environment” on page 78).

1. Responsible water management.
2. Responsible energy management.
3. Responsible forest management.
4. Reduction in waste production.
5. Reduction in waste disposal in landfills and increase in waste sent for recycling.
6. Inclusion of circularity requirements in both supplies and suppliers' production processes.
7. Reduction in packaging and use of recycled, recyclable and renewable materials.
8. Raising consumer awareness regarding the proper disposal of packaging after use and moderate use of the product.



Global Compact - Communication on Progress (COP)

Since 2010 the Sofidel Group has been a member of Global Compact, the agreement linking companies committed to aligning their businesses and strategies to the ten universally accepted principles on human rights, work standards, environmental protection and the fight against corruption.

These principles are universally shared as they are derived from the Universal Declaration of Human Rights, the ILO Declaration, the Rio Declaration and the United Nations Convention against Corruption.

Sofidel's commitment to respecting and promoting the Global Compact principles is underlined in its Code of Ethics and by the adoption of the TenP platform for the prequalification of suppliers (see “Suppliers and the supply chain” on page 97).



Strategic sustainability tools

To ensure its principles and values are consistently translated into daily practice, the Sofidel Group has a set of documents/tools that define the reference ethical-social behaviour for each participant in the organisation: the **Code of Ethics**, **Sofidel's Sustainability Decalogue** and **Sofidel's Sustainability Charter**.



MATERIALITY ANALYSIS AND DIALOGUE WITH STAKEHOLDERS

MATERIALITY

Materiality is the key principle that reinforces the sustainability strategy, producing value for the company and stakeholders in the environmental, social and economic fields. The materiality analysis, promoted on several occasions by the Global Reporting Initiative (GRI) and the International Integrated Reporting Committee (IIRC), is aimed at identifying the most significant issues for the company and its stakeholders. Finally, the materiality matrix summarises the relationship between the weightings attributed to the most important issues for the company compared to those considered most important by the stakeholders.

KEY STAKEHOLDERS

In 2016, Sofidel embarked on an analysis of material issues for the company and its key stakeholders based on the

following activities:

- key stakeholder mapping, involving the various company functions;
- identification of the aspects monitored and/or to be monitored for each stakeholder;
- launch of a review of the communication channels already in place in the company to assess their effective ability to capture and monitor critical areas (as well as strategic opportunities) in terms of company-stakeholder relations.

The process of stakeholder engagement to identify material issues continued in 2018 and 2019, as described on the following pages. The table below maps out the stakeholders and the areas considered important for each one: these represent in part Sofidel's perception in relation to individual stakeholders and, in part, the expectations revealed by the engagement measures already in place. This tool is continually being developed.

CATEGORY	STAKEHOLDER	RELEVANT ASPECTS
SHAREHOLDERS		<ul style="list-style-type: none">· Remuneration from investments· Transparency· Change management
FINANCIAL COMMUNITY	<ul style="list-style-type: none">· Banks· Investors (institutional, private, etc.)· Financial analysts	<ul style="list-style-type: none">· Transparency towards the market· Financial solidity and sustainability· Relationship with investors· Corporate governance
SOFIDEL GROUP PEOPLE	<ul style="list-style-type: none">· Employees· External partners/collaborators· Trade union organisations and representatives	<ul style="list-style-type: none">· Identities and values· Enhancement of human capital, motivation and development· Stability of work contract· Internal communication· Training· Health and safety at work· Quality of life· Equal opportunities
CONSUMERS AND CONSUMER ASSOCIATIONS	<ul style="list-style-type: none">· Final consumers· Consumer associations	<ul style="list-style-type: none">· Anticipation and identification of consumer expectations and needs· Product quality and safety· Transparency· Convenience and simplicity in terms of product use· Rewards for loyalty
SUPPLIERS AND CUSTOMERS	<ul style="list-style-type: none">· Suppliers of goods and products· Service providers· Sales network· Large-scale retail distribution· Retailers· Business partners	<ul style="list-style-type: none">· Continuity· Qualification and assessment process· Negotiating conditions· Payment terms· Partnership development

CATEGORY	STAKEHOLDER	RELEVANT ASPECTS
INSTITUTIONS	<ul style="list-style-type: none">· Regulatory Bodies· National and local government administrations· Public Administration· European Community Work Groups	<ul style="list-style-type: none">· Respect for laws and regulations and industry standards· Transparent communication· Socially responsible corporate management· Development of partnerships on common projects· Contribution to the development of countries in which Sofidel operates· Social contributions and charges
COMMUNITY	<ul style="list-style-type: none">· Local area/region· Charitable associations (non-profit organisations, charities, etc.)· Universities and the world of research· Media and opinion leaders	<ul style="list-style-type: none">· Protection of the local area· Research and development partnerships with the academic world· Consumer protection and safety· Innovation· Support for social initiatives
ENVIRONMENT	<ul style="list-style-type: none">· Ecosystem· Ministry for the Environment· Environmental organisations· European working groups· Future generations	<ul style="list-style-type: none">· Attention to possible environmental impacts· Reduction in consumption of natural resources· Energy efficiency· Separated collection· Sustainable transport
COMPETITORS	<ul style="list-style-type: none">· Main global competitors	<ul style="list-style-type: none">· Product quality and innovation· Ethics and environment· Health and safety· Human rights

METHODS OF ENGAGEMENT

For the aspects identified, the next step is to identify the methods of engagement already in place with the different stakeholders.

The table below shows the various tools and procedures used by the Sofidel Group to engage its stakeholders.

CATEGORY	INFORM	LISTEN	CONSULT	INVOLVE	WORK WITH
ENVIRONMENT	<ul style="list-style-type: none">· Voluntary disclosure initiatives· Product environmental information· Adhesion to stakeholder initiatives to collect information· Website, social media, corporate newsletter· Intranet· Certification bodies· Sofidel internal committees	<ul style="list-style-type: none">· Specific meetings with customers· Events/initiatives organised by NGOs· Specific meetings with environmental authorities· Specific meetings with trade associations· Certification bodies· Sofidel internal committees	<ul style="list-style-type: none">· Specific meetings with customers· Events/initiatives organised by NGOs· Specific meetings with environmental authorities· Specific meetings with trade associations· Certification bodies· Sofidel internal committees	<ul style="list-style-type: none">· Specific meetings with customers· Events/initiatives organised by NGOs· Specific meetings with environmental authorities· Specific meetings with trade associations· Certification bodies· Sofidel internal committees	<ul style="list-style-type: none">· Specific meetings with customers· Events/initiatives organised by NGOs· Specific meetings with environmental authorities· Specific meetings with trade associations· Certification bodies· Sofidel internal committees
SHAREHOLDERS	<ul style="list-style-type: none">· Consolidated Financial Statements and Report on Operations· Integrated Report· Corporate website· Financial solidity and sustainability	<ul style="list-style-type: none">· Shareholders' Meeting· Board Meetings· Quarterly/Six-monthly· Specific meetings			

CATEGORY	INFORM	LISTEN	CONSULT	INVOLVE	WORK WITH
COMMUNITY	<ul style="list-style-type: none">Corporate websiteIntegrated ReportGiuseppe Lazzareschi Foundation websitePR and social mediaNewsletter	<ul style="list-style-type: none">Specific meetings	<ul style="list-style-type: none">Specific meetings with Local Authorities	<ul style="list-style-type: none">Relationship with regional institutionsSocial projects and initiativesInitiatives with NGOs	<ul style="list-style-type: none">Partnerships with universities and the world of researchPartnerships with NGOsPartnerships with schools and universities
FINANCIAL COMMUNITY	<ul style="list-style-type: none">Consolidated Financial Statements and Report on OperationsIntegrated ReportCorporate websiteBank MeetingsInformation on requestPR	<ul style="list-style-type: none">Conference callsOne-to-one meetingsNational and international events		<ul style="list-style-type: none">CSR events	
CONSUMERS AND CUSTOMERS	<ul style="list-style-type: none">NewsletterCorporate websiteCommercial and service sitesSocial mediaSofidelshopSales documentationCommunication campaignsIntegrated Report	<ul style="list-style-type: none">Customer satisfaction surveysComplaints management (Freephone numbers)Monitoring of all business communication channelsE-commerce Sofidelshop	<ul style="list-style-type: none">European Marketing & Sales MeetingETO Groups	<ul style="list-style-type: none">Periodic interviewsInternational meetingsAd hoc training	<ul style="list-style-type: none">Multi-topic working partiesSpecific interviews
TRADE SUPPLIERS AND PARTNERS	<ul style="list-style-type: none">Corporate websiteSupplier guidelinesIntegrated Report	<ul style="list-style-type: none">Specific meetings	<ul style="list-style-type: none">Specific meetingsDesktop AuditEco-Sustainability Policy	<ul style="list-style-type: none">TenP - Sustainable Supply Chain Self-Assessment PlatformSofidel Suppliers Sustainability Award	<ul style="list-style-type: none">Support programmes
INSTITUTIONS	<ul style="list-style-type: none">Corporate websiteIntegrated ReportSocial media, PR media and eventsSoft & Green (newsletter)	<ul style="list-style-type: none">Specific meetingsPublic conferencesSofidel conferences	<ul style="list-style-type: none">Meetings with Local AuthoritiesRelationship with Regulatory Bodies	<ul style="list-style-type: none">Technical roundtables with government bodies	<ul style="list-style-type: none">Conferences
SOFIDEL GROUP PEOPLE	<ul style="list-style-type: none">Intranet PortalCommunications from top managementIntegrated ReportGroup organisational communicationsPeople & Paper House OrganSofidel Informa/ NewsDistribution of HR guidelines, policy and proceduresSofidel Channel	<ul style="list-style-type: none">Specific meetings	<ul style="list-style-type: none">Focus groupsWorkshopsInternal survey (Sofidel People)	<ul style="list-style-type: none">Company eventsInternational Human Resources MeetingMeetings with Trade UnionsMeetings with Workers' Safety Representatives(RLS) - Health & SafetySofidel PeopleWHP ProjectWelfare Project	<ul style="list-style-type: none">CRAL

The choice of the best method to engage the various stakeholders depends on a series of factors including, first of all, the specific objectives to be met, the complexity and nature of the topics involved, the type of stakeholder, the frequency and intensity of relations, and prior knowledge of the topics under discussion.

MATERIALITY ANALYSIS

In order to improve its sustainability policies and better focus on the topics to be included in the report, in 2016 the Sofidel Group began a constructive and fruitful dialogue with a number of key stakeholders, i.e. those who have a position of interest in the company and therefore a capacity for influence. During the 2017 financial year, the following activities were carried out to define the list of material aspects:

- recognition of the current situation through analysis of various internal public and non-public sources (internal analysis);
- analysis of sector benchmarks, conducted on a selected sample of competitors operating at a national and international level;
- identification of potential issues relevant to the tissue industry, through media research, industry studies and other external sources;
- interviews with a representative sample of customers belonging to the large-scale retail category, both at a national and European level, identified through criteria based on strategic variables (customers that, based on the Group's strategic choices, are considered key stakeholders), influence (customers that, currently or in the future, could be

in a position to influence the decision-making processes of the Sofidel Group), and proximity (customers with which the Sofidel Group has established long-term relationships). Customers were sent a communication containing a list of material aspects and a range of scores (from 1 to 4) to be assigned to each aspect. Subsequently, they were asked to evaluate each topic based on their level of interest and its potential impact on their expectations of the Sofidel Group.

In 2018, in order to confirm and, if necessary, update the results of the survey carried out the previous year, a benchmark materiality analysis was carried out on a small sample of selected customers and competitors. The benchmark analysis enabled the material themes for each stakeholder to be extracted, reconfirming for Sofidel the importance of concepts such as product quality and safety, customer and consumer satisfaction, health and consumer protection, but also showing the increased importance of innovation, ethics and human rights.

The issue of human rights (until 2017 reported as a cross-cutting theme under equal opportunities, human resource development and the supply chain) thus became a topic in its own right, given Sofidel's commitment and performance in this regard and growing international awareness of the issue.

Waste reduction also took on a more important role for Sofidel, as did the circularity of the business compared to 2017. In 2019, on the other hand, an evaluation questionnaire on potentially material issues was submitted to 37 company employees (mainly from the communication and marketing departments) at the Executive Committee.



Based on the results of the questionnaires, appropriately weighted with respect to the internal dimension for materiality defined in 2017, some minor changes were made to the materiality matrix. In particular, changes of 0.2 or more points in assessment on a scale of 0 to 5 were assessed as most significant.

The change in importance of the issues that emerged from the survey did not identify new material issues, but rather increased company awareness of the following issues, already identified as material in the previous reports:

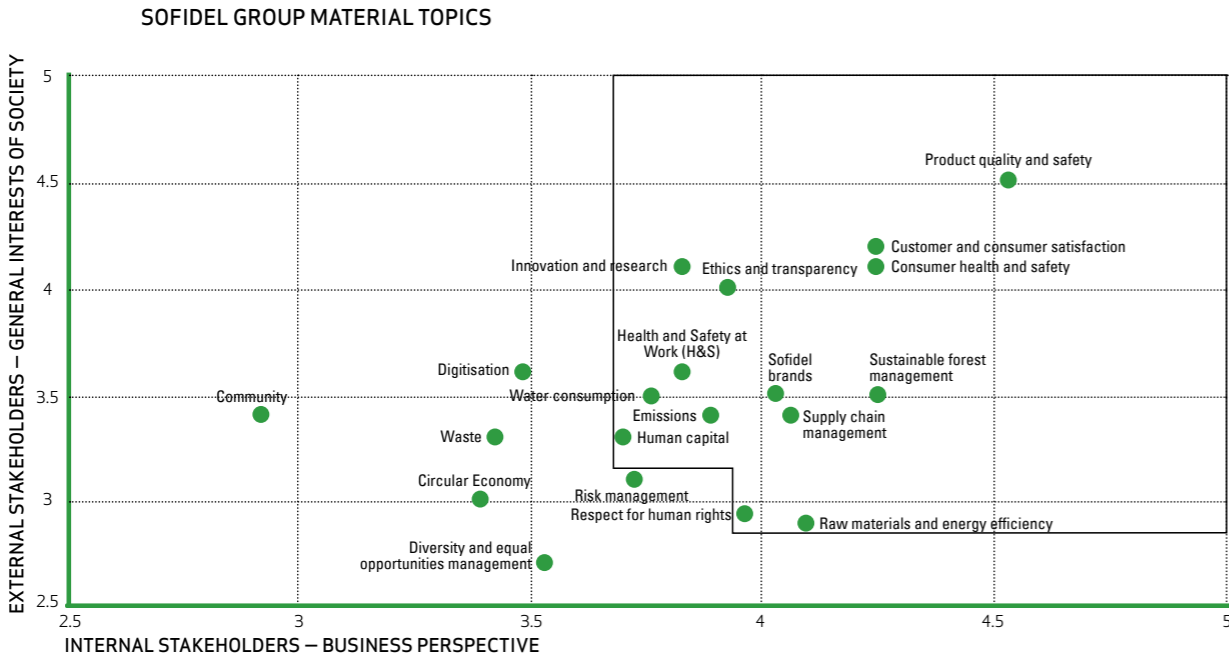
- Digitisation
- Waste

- Water consumption
- Emissions
- Sustainable forest management
- Health and Safety at Work (H&S)
- Sofidel brands

On the other hand, no issues emerged for which the internal importance for the company had declined.

The material aspects of greater significance are shown in the top right corner of the following graph.

Based on their position within the materiality matrix, the aspects were therefore classified into three bands of importance (high, medium and low).



HIGH IMPORTANCE
Product quality and safety
Consumer health and safety
Innovation and research
Customer and consumer satisfaction
Supply chain management
Ethics and transparency
Raw materials and energy efficiency
Water consumption
Emissions
Sustainable forest management
Health and Safety at Work (H&S)
Sofidel brands
Human capital
Respect for human rights

MEDIUM IMPORTANCE
Circular Economy
Risk management
Digitisation
Waste

LOW IMPORTANCE
Diversity and equal opportunities management
Community

The high importance band includes aspects that are traditionally very important for the market and the company: *Product quality and safety, Consumer health and safety, Innovation and research, Customer and consumer satisfaction, Supply chain management, Ethics and transparency, Raw materials and energy efficiency, Water consumption, Emissions, Sustainable forest management, Health and Safety at Work (H&S), Sofidel brands, Human capital, Respect for human rights.*

INITIATIVES TO PROMOTE DIALOGUE WITH STAKEHOLDERS

The 2019 communication initiative: Sofidel “NextGen”

Sofidel has developed a series of communication initiatives dedicated to sustainability, entitled NextGen, featuring the younger generations. Numerous activities took place throughout the year.

The book “Cambio Rotta. Storie di sostenibilità e successo” (Changing Course. Sustainability and Success Stories)

The theme of sustainability and the new generations was at the heart of the book *Cambio Rotta. Storie di sostenibilità e successo* (Changing Course. Sustainability and Success

Stories). Published under the joint Mondadori Electa/Focus brand, it was produced with Sofidel’s support. Written by young authors who travelled around Italy in search of sustainability stories, the book, in the form of story-reportage, aimed to help the younger generation to better understand the importance of responsible social and environmental development. The publication contains five Italian stories testifying that sustainability is not a sacrifice or a duty, but an advantage for those who practice it and above all for the planet and its inhabitants. *Cambio Rotta* was presented in Milan at the Mondadori Megastore in Piazza Duomo and on the occasion of the Italian tour of the 2019 CSR and Social Innovation Exhibition, stopping in Turin, Pisa, Catania, Bari, Verona and Milan on the final two days.

The digital educational program “I’ll take care of you”

Sofidel and WWF Italia continued to work together on the digital educational program “I’ll take care of you: everyone’s contribution to a Planet for all.” Created by WWF Italia with the support of Sofidel, it aims to help teachers, students and their families to better understand the world we live in. During 2019 the project, in its fifth year, relaunched the themes already addressed in previous years (water, climate and forests), setting them within the framework of the UN 2030 Agenda for Sustainable Development. Increasing students’ knowledge of major environmental issues and highlighting



the value of daily gestures is a task that WWF undertakes all year long in schools - an example of attention to the younger generations, fully shared by Sofidel.



The calendar with the SDGs interpreted by young people

The children of Sofidel employees played a leading role in developing the 2019 calendar. At the centre of each photo, they interpreted the 8 UN Sustainable Development Goals (SDGs) adopted most closely by Sofidel through the lens of everyday situations. The photos were taken by the photographer Roselena Ramistella.

Training: commitment to schools and universities

Sofidel, together with three of its stakeholders, gave a number of talks outlining its commitment to sustainability and testifying to the importance and value of social, economic and environmental partnerships. The meetings took place at the universities of Milan, Bologna and Salerno. Together with Sofidel, there were contributions from FSC Italia, WWF Italia and Vege Group.



Project with CSRNatives

Also as part of the initiatives focusing on the new generations, Sofidel has started a collaboration with CSRNatives, the first network of young sustainability enthusiasts in Italy. In particular, Sofidel decided to support the publication of an ebook they had written, entitled *Dalla carta alla car-*

ta. Viaggio nella sostenibilità dalla cellulosa agli imballaggi (From Paper to Paper. A Sustainability Journey from Cellulose to Packaging), dedicated to the theme of sustainable packaging. The contents of the ebook were generated during a workshop held at the Sofidel headquarters. Here, the young members of the network worked together with four representatives of Sofidel to explore and discuss the theme of packaging, with a particular focus on sustainable packaging. It was an informal way of working, aimed at "spontaneously" generating ideas and positions on the subject, making room for the viewpoint of younger people. In this case, young people aware of and trained on sustainability issues.



The Chief Executive Officer Luigi Lazzareschi invited to speak in New York, Boston and London

In the United States, CEO Luigi Lazzareschi attended the Bloomberg Sustainable Business Summit in New York and the Fastmarkets RISI North American Conference in Boston. In the first event, which brought together companies and investors from all over the world to promote innovation and best practices for a sustainable economy, Luigi Lazzareschi participated in a round table focused on the relationship between technological innovation and sustainability.

In the second meeting, entirely dedicated to the pulp and paper industry, the CEO participated in the CEO panel, which gathered and compared the visions of some of the industry's



leading players, and gave an interview to Gregory Rudder, Managing Editor of PPI Pulp & Paper Week, in front of a large audience. In Europe, Luigi Lazzareschi took part in the London Pulp Week Symposium, together with Roger Bootle, economist and chairman of the consulting firm Capital Economics; Bernd Eikens, Executive VP of UPM Biorefining; Tommy Wiksand, Head of Business Development of Holmen Paper; and Oliver Lansdell, Research Director of Hawkins Wright. During the event, the situation of the industry was outlined, with a special focus on some of the major challenges facing the tissue world.

Participation in CEOs Call to Action: businesses come together for sustainable development

The Sodalitas Foundation - Sofidel's partner for the promotion of corporate social responsibility - launched in Italy the CEOs Call to Action, a CSR Europe initiative, promoted in conjunction with the European Commission, to involve top managers and companies from all over Europe who consider sustainability a central and defining aspect of their way of doing business. CEO Luigi Lazzareschi was one of the Italian entrepreneurs to respond to the call.

CSR Europe is the leading European network for sustainability and corporate responsibility. Through its national initiatives, it brings together more than 10,000 companies that wish to improve sustainable growth and give a positive contribution to the development of society. Businesses have the potential to play a decisive role in accelerating inclusive, sustainable and long-term growth. CEOs Call to Action is a step forward in this direction. By joining the initiative, business leaders declare that they are ready to strengthen dialogue and interaction with political representatives, civil society and commercial and industrial counterparts, in order to join forces and accelerate sustainable growth.

Participation in the 2019 CSR and Social Innovation Fair

Sofidel took part in the seventh annual CSR and Social Innovation Fair held in Milan at Bocconi University. This is one of the most important events in Italy dedicated to sustainability. The theme of the seventh edition was "Fields of sustainability": a journey through Italy in search of examples of innovation, to understand how ideas are born, grow and transform. Fields, therefore, not only as a physical space to preserve and enhance, but also as areas of ideas to cultivate, so that sustainability becomes a value for all. In this ideal setting the book *Cambio Rotta. Stories of sustainability and success* (Changing Course. Sustainability and Success Stories), published with the support of Sofidel, was presented and the company took part in the "Green Supply Chain: Involving Suppliers in Business Strategies" seminar and the "Responsible Businesses for Sustainable Consumers" event.

Collaboration in the launch of the post-diploma higher education (specialist) course "Senior Production Technician in the Paper Industry"

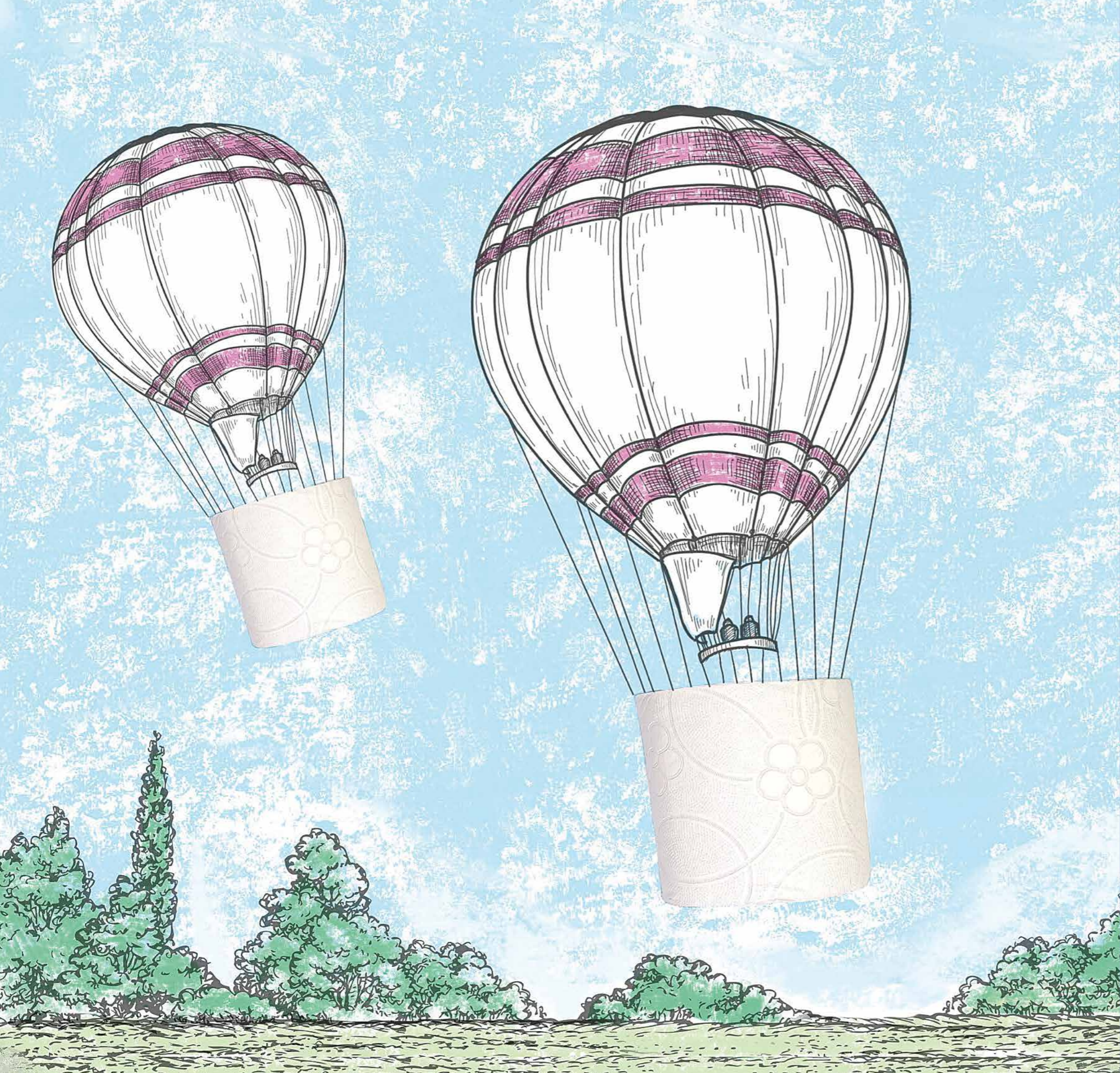
Sofidel pays close and constant attention to the education of the younger generation, all the more so at a time when the current digital revolution, Industry 4.0 and new demands for sustainability are leading to profound innovations in the industry, with repercussions for production, products, logistics and distribution. As part of this focus, it collaborated in the design and implementation in Italy of the new two-year post-diploma higher (specialized) technology course PAPER19, which provides certification of the qualification of "Senior Production Technician in the Paper Industry". The course was officially presented during a press conference held at the Soffass plant in via Fossanuova. Among those present were the Regional Councillor for Education Cristina Grieco and the Chairman of the paper section of Confindustria Toscana Nord Tiziano Pieretti. In order to promote the course as much as possible, an open day was also held at Sofidel's factories, to give students the chance to observe a company more closely.



Support to Telethon for research into rare genetic diseases

Through its Nicky products, Sofidel has once again renewed its partnership with the Telethon Foundation, supporting research into rare genetic diseases. The company took part in the 30th edition of the Foundation television marathon, aired on the Italian public television networks (RAI). Sofidel has supported the Telethon Foundation since 2012 through direct contributions and by promoting the Foundation's projects on the packaging of Nicky brand products.





4

STRATEGY AND BUSINESS MODEL

- Strategy for growth
- The four strategic phases
- Key elements of the model and flow diagram
- Internationalisation strategy in Europe and the USA
- Distinctive factors
- Outlook and strategic objectives
- Innovation in the Sofidel Group

Le Trèfle Maxi Douceur toilet tissue, recently revamped with new patented positive embossing and a remarkably longer roll, is now available in French supermarkets and has 80% recycled plastic packaging.

STRATEGY FOR GROWTH

Sofidel, in its business activities, believes that companies have a fundamental role not only in terms of production and distribution of goods and services, but also in guaranteeing lasting social and environmental benefits (shared value for stakeholders) along the entire value creation chain. With this in mind, Sofidel makes the quality of its assets, the strategy of proximity (keeping production facilities close to the end customer) and sustainability the fundamental levers of its responsible development.

Asset quality

- Innovation in production processes, like product innovation, plays a central role in the Sofidel Group's sustainable growth strategy.
- attention to technological innovation, with the availability of production facilities that are on average newer and better performing than others in the sector, enables increased production efficiency and better environmental performance.
- since 2016, this approach of looking to the future has translated into a new large-scale operation to renew the company's technological assets, involving both the paper mill and converting phases (new generation machinery for producing tissue paper). Today, Sofidel can produce both conventional and textured tissue paper and further increase the quality of its products, while at the same time improving the energy efficiency of its production sites.

Geographical coverage

(see "Internationalisation strategy in Europe and the USA" on page 42)

In order to reduce the impact of transport logistics costs and maximise service for customers, Sofidel has built or acquired factories:

- located close to the outlet markets (within a radius of 350/400 km (215/250 miles) from customers in Europe and 700/800 km (435/500 miles) in the United States);
- located close to areas of high population density;
- located near major communication routes and service providers.

Sustainability

Sofidel integrates sustainability, considered a driver for cultural development and competitive growth, in all aspects of its business in order to:

- increase its own medium/long-term market competitiveness;
- contribute to improving the quality of life of all its stakeholders and the communities it works in;
- play an increasingly positive role in the environmental, social and economic spheres.

THE FOUR STRATEGIC PHASES

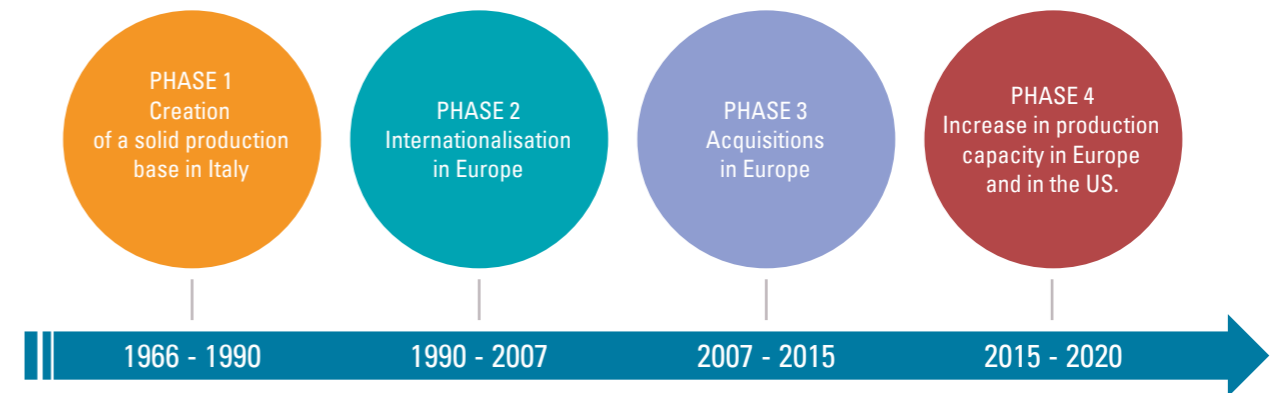
The Sofidel Group has met the challenges posed by its own growth in a constantly changing context with a careful and measured strategic planning process. The Group's business activities have gone through four major strategic growth phases.

In **Phase 1 (1966-1990)**, the company focused on creating a solid production base in Italy, mainly oriented towards the development of plant quality and technological and operating efficiency.

In **Phase 2 (1990-2007)**, the internationalisation process was started in Europe, through the creation of new, well distributed greenfield production sites.

In **Phase 3 (2007-2015)**, the company made some important acquisitions in Europe.

In **Phase 4 (2015-2020)**, the Group grew further, increasing its production capacity in operating sites in Europe (organic growth) and started the internationalisation process in the United States, progressively taking control of different areas.

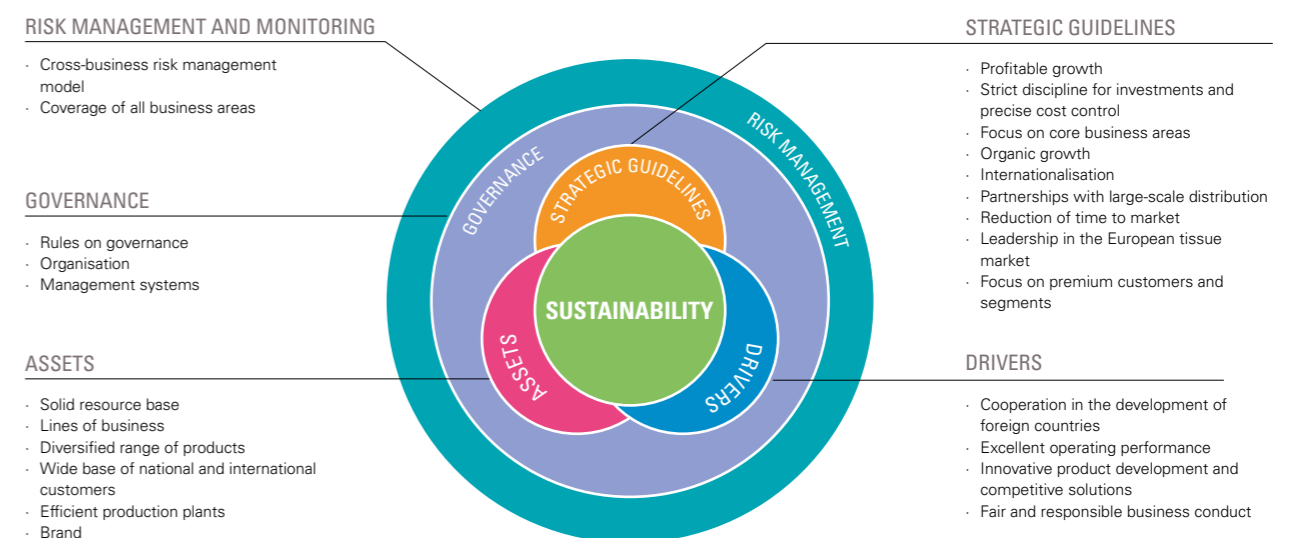


KEY ELEMENTS OF THE MODEL AND FLOW DIAGRAM

Sofidel's business model has as its objective the creation of long-term value for its stakeholders, producing profitability and growth in each of its businesses, improving efficiency and mitigating risks. The main forms of capital used by Sofidel (financial capital, production capital, intellectual capital, natural capital, human capital, relational and social capital) are classified in accordance with the criteria included in the

"International IR Framework" published by the International Integrated Reporting Council (IIRC). The economic and financial and non-financial results for 2019 and sustainability performance are based on the responsible and efficient use of capital which has resulted in operating excellence, resource integrity, management of operating risk, protection of health and safety and environmental protection.

ASSET QUALITY



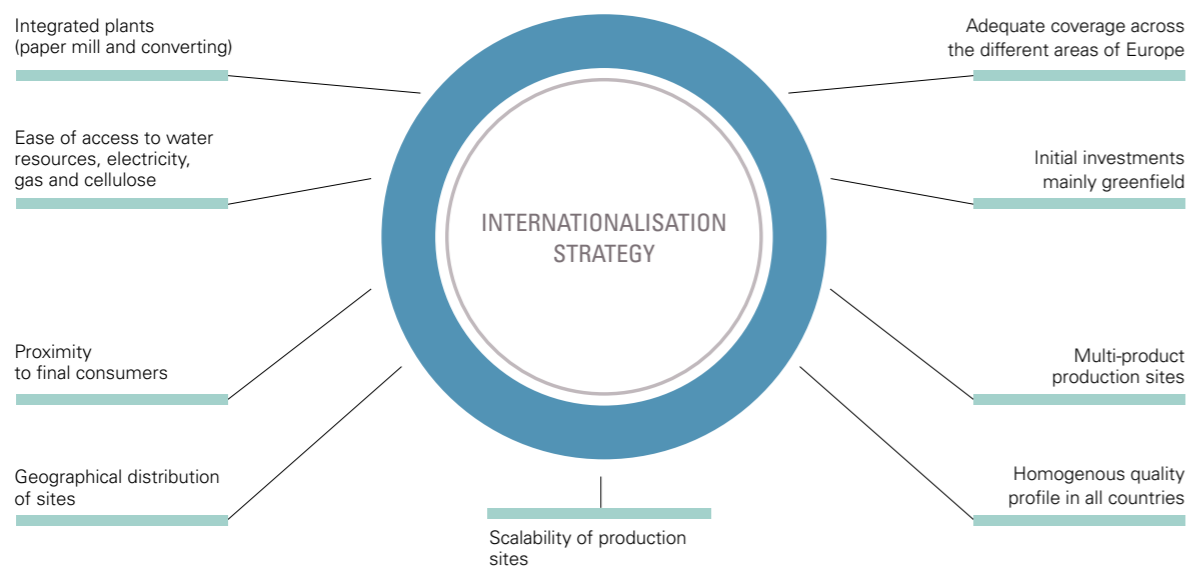
INTERNATIONALISATION STRATEGY IN EUROPE AND THE USA

In the first half of the 1990s, the Sofidel Group conceived and set up its strategy of industrial growth in Europe and the United States. The internationalisation process was based on three essential pillars: consolidation of the Regina brand in Italy, development of private label products abroad and the internationalisation of production. In the second half of the 1990s and the first decade of this century, the internationalisation strategy was implemented.

This strategy was characterised by certain basic strategic elements (see image) which allowed the Group to achieve the desired objectives. In particular, the Sofidel Group planned to achieve adequate coverage in the various geographical areas of Europe, through the construction of production sites first in western and central Europe and then in eastern, northern and southern Europe (taking advantage of the potential growth in consumption).

Strategic basis for the internationalisation process

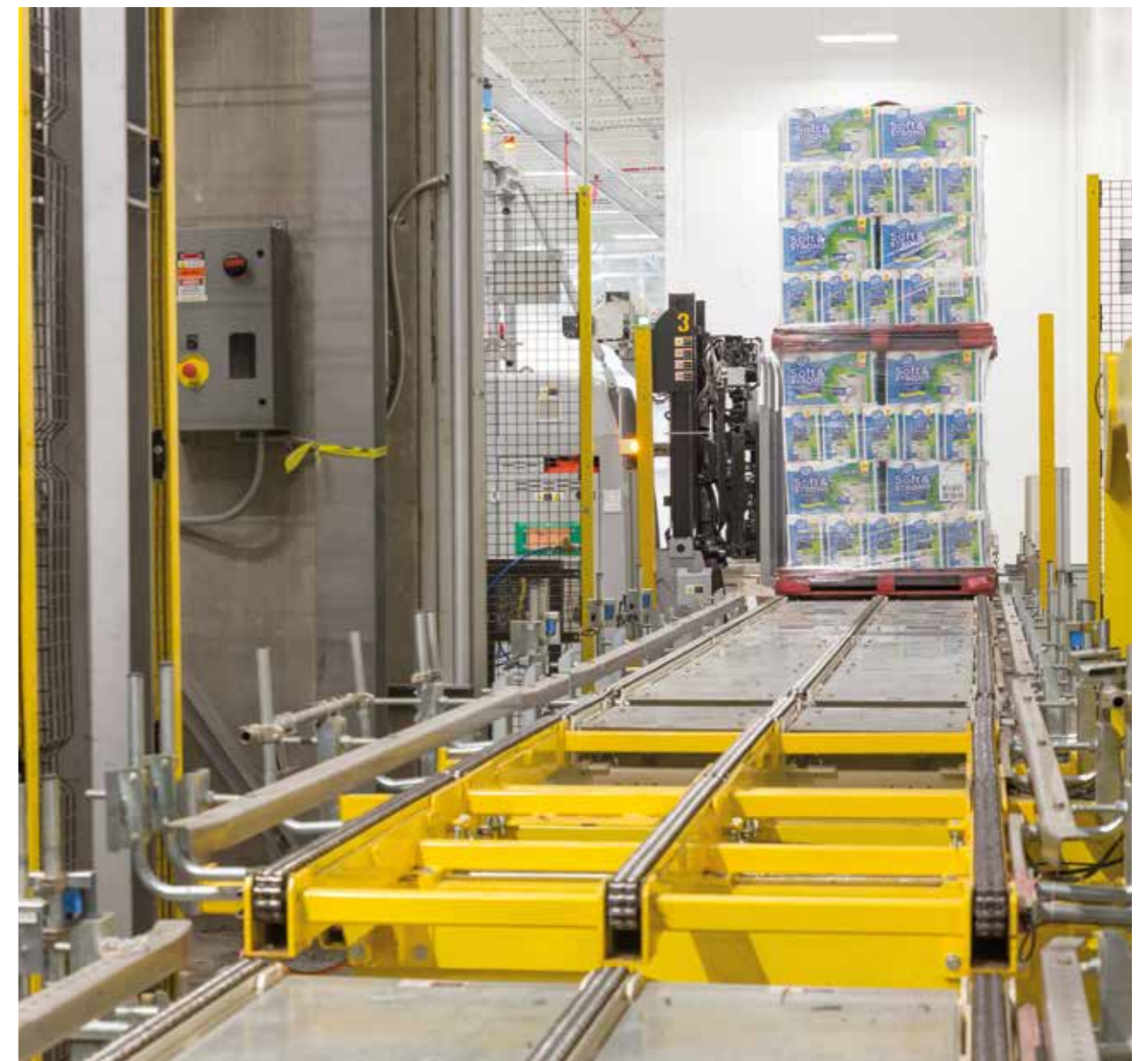
- **Production plants in Europe and the USA.** This allowed us to have direct relations with the international purchasing centres of the large scale distribution networks and contain logistic costs.
- **Opportunities to exploit economies of scale and reduce transaction costs.**
- **Possibility of benefiting from differences in certain characteristic production costs** (energy, labour, logistics).
- **Environmental benefits** (less transport emissions).



The initial investments were mainly of greenfield type, with the construction of new integrated plants with modern technical characteristics and large scale units.

The Group was thereby able to achieve levels of production efficiency superior to those of its major international competitors and high quality production. The new production sites were designed to be multi-product and not, as was often the case for some major competitors, dedicated to one type of product. The plants distributed across different countries are able to produce identical products so as to satisfy our biggest European customers (large scale distribution chains) with the same quality profile across all countries. In the second phase of international growth, once the

benefits of production and logistical efficiency, flexibility and quality had been achieved, acquisitions of companies and plants were made to accelerate the growth process. To complete the internationalisation strategy, all the European areas in which Group companies operate have integrated plants (paper mill and converting). Strategic change focused on internationalisation has also been very important from the viewpoint of company culture and the motivation of human resources. It was a fundamental process because it provided the opportunity for many people in the company to take up prestigious new positions, and allowed valuable international experience and skills to be built up, useful for future development.



DISTINCTIVE FACTORS

Growth in Italy, partnership with large-scale retail distribution, the development of the Regina brand, commanding presence in the European markets, full internationalisation with expansion first in Europe and then in the United States, and the integration of sustainability as a lever for competitive growth to ensure added value, are the common denominators of the Sofidel Group. The decision to invest in the Piana di Lucca (Plains of Lucca), a flat area rich in groundwater, has proved a winning choice. The tax incentives, presence

of companies with strong, specific technical and production skills, above all Fabio Perini, and partnerships formed within the Piana di Lucca district are the factors which have contributed to the Sofidel Group's growth. In addition, the Group's current managerial and operational approach is founded on a system of values and principles which characterise the company in all its activities and which still mark it out today. The strong growth recorded since 2000 and the internationalisation process have not changed this system.

Distinctive factors

- Priority given to long-term economic results.
- Competitive positioning based on quality.
- Focus on tissue production.
- Rationalisation of business portfolio, with clear identification of four strategic growth areas: Brand, Private Label, Away-From-Home (AFH), Semi-finished reels.
- Policy of growth and entry into new markets and related segments.
- High level of attention given to environmental and social sustainability.
- Particular attention is given to order, cleanliness (of plants, offices, warehouses, yards) and avoiding waste.
- Healthy and constructive relationship with stakeholders (banks, suppliers, large-scale retail distribution, employees, institutions, local communities, etc.).

We have never wanted, and still do not want, to be a commodity paper producer.

We want to give customers and consumers something different, more valuable.

To provide solutions for hygiene and personal care both at home (bathroom, kitchen, garage, etc.) and outside the home (hospitals, offices, hotels, restaurants, etc.) with practical and innovative products, designed to improve people's lives.

This is our philosophy, our way of working: starting from the problems of everyday life, explicit and implicit needs, in order to provide better and innovative solutions. Endless care for people and constant innovation.

OUTLOOK AND STRATEGIC OBJECTIVES

The Sofidel greenfield sites always have enough space and scalability to permit a significant increase in production capacity over the years. In many cases production capacity can be doubled or tripled, with relatively modest investment and in a particularly short time.

In recent years, the Group has achieved organic growth

through the expansion of sites and a consequent increase in production capacity in places where the company already operates: Poland (2017) and Spain (2018) are the most recent examples in Europe. In the United States, too, the two new greenfield plants have been designed with the same long-term strategic goals in mind.

INNOVATION IN THE SOFIDEL GROUP

Innovation in production processes, like product innovation, plays a central role in the Sofidel Group's sustainable growth strategy. It is in fact implementation of the most modern technologies for tissue production, combined with the expert skills of management and technical staff and its historic vocation for manufacturing premium quality products that allows the Group to introduce innovative processes and offer increasingly high performance products using lower amounts of natural capital.

Thus enabling Sofidel to respond in a responsible manner to the growing demand for efficiency, functionality and sustainability from customers, consumers and society in general.

Starting in 2016, and continuing in 2017, this process of looking to the future has translated into large-scale renewal of the company's technological assets, involving both the paper mill and converting phases. With regard to the first stage of the production cycle, paper production, Sofidel has purchased new paper mill machines with NTT (Advantage New Tissue Technology) from Valmet, which, in addition to allowing production of both conventional tissue and textured paper, also enable better levels of efficiency to be achieved in terms of energy and raw material use. Between the end of 2017 and 2018, four examples of this model entered production in three of the Group's plants: Circleville, in the

United States, Ciechanów, in Poland, and Buñuel, in Spain. With regard to the second production stage, from paper to the finished product, one of the salient actions is the progressive activation of new Constellation converting lines, produced by Fabio Perini, the use of an innovative technology which offers improved winding quality, preserving the softness of the product and guaranteeing uniform strips from the start to the end of the roll.

Logistics automation is another frontier of Sofidel innovation. By applying techniques borrowed from the food & beverage sector to the paper industry, in the Swedish plant in Kisa and in the US plant in Circleville, systems have been developed for the automatic transfer of reels between the paper mill and transformation phases, using laser guided vehicles (LGV), and the complete automation of finished product management, based on the Smart Store automatic warehouse (see the "Product innovation" section on page 128).

In January 2019 the installation of two new converting lines was completed at the Soffass Converting plant in via Giuseppe Lazzareschi.

The first five converting lines were also started up between July and October at the new Sofidel plant under construction in Inola (Oklahoma) (see the "Significant events during the year" section on page 17).



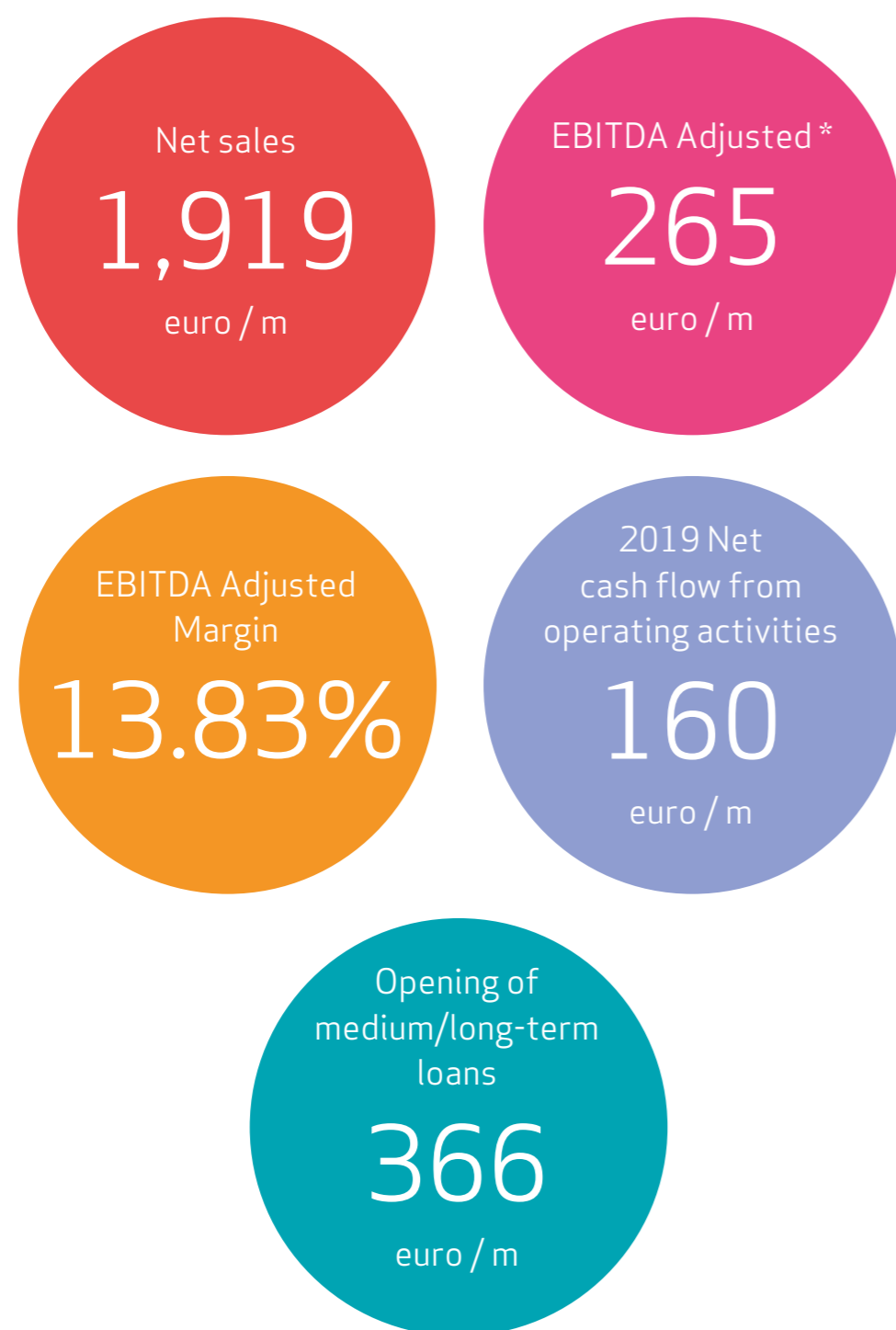
5

GROUP ECONOMIC AND FINANCIAL PERFORMANCE

2019 Highlights
Outlook for Group economic and financial performance
Economic and financial performance
Investments
Calculation and distribution of Global Added Value

Papernet Dissolve Tech toilet paper - now wrapped in kraft paper - reduces the risk of clogging with its high flushability and rapid dissolving time (6 seconds) in contact with water.

2019 HIGHLIGHTS



* This is EBITDA adjusted for all the non-recurring costs that affect its comparability over time. For calculation methods see the Consolidated Financial Statements approved by the shareholders' meeting on 28 February 2020.

OUTLOOK FOR GROUP ECONOMIC AND FINANCIAL PERFORMANCE

PERFORMANCE OF THE WORLD ECONOMY

Global growth remained subdued during 2019. International trade expanded again in the third quarter. GDP in the United States and Japan grew at rates similar to those of the previous period; in the United Kingdom it picked up, while in China economic activity slowed in the summer months, but the most recent indicators point to a stabilisation. Growth fell more sharply in India, and remained modest in Russia and Brazil. Risks to global growth remain downward; the likelihood of an escalation in trade tensions between the US and China has diminished; geopolitical tensions, particularly between the US and Iran, are on the rise; and fears remain that the Chinese economy may slow down more markedly than expected.

Economic activity in the euro area was held back by weakness in the manufacturing sector; in the third quarter GDP growth remained at 0.2%, in line with the previous period. Economic activity was sustained by domestic demand and in particular by consumption, which strengthened thanks to positive trends in employment. The weakness was concentrated in the industrial sector, where activity contracted again in the summer months, with a particularly marked decline in Germany; value added in the services sector grew both across the area and in the three largest economies. There is still a risk that, if prolonged, the weakness of the industrial sector will be transmitted to the service sector. In the December Eurosystem projections, GDP growth in 2019 is estimated at 1.2%, falling to 1.1% in 2020 and rising to 1.4% in the following two years. Compared to what was predicted in September, the growth projection was revised upwards by a tenth of a point in 2019 and downwards by a tenth in 2020. At its meeting on 12 December, the Governing Council of the ECB confirmed the monetary policy stance introduced in September: official rates will remain at or below current levels until the inflation outlook reaches a stable level close to 2%.

In Italy, GDP grew slightly in the third quarter and, on the basis of the available information, will have remained almost stationary in the fourth quarter, continuing to suffer mainly from the weakness of the manufacturing sector; on the basis of these estimates, it can be estimated that GDP growth in 2019 is about 0.2%.

The budget manoeuvre for the three-year period 2020-2022, approved last December by the Italian Parliament, increas-

es the deficit by 0.7 percentage points of GDP on average per year compared to trend values; in the Government's programmes, the incidence of net borrowing and debt on GDP, after stabilisation in 2020, would be reduced in the following two years. Specifically for Italy, GDP is expected to increase by 0.5% in 2020, 0.9% in 2021 and 1.1% in 2022.

The activity would be supported both by the gradual recovery of international trade and the moderate expansion of domestic demand. While suffering from persistent uncertainty, investment would be boosted by a progressive recovery in global demand prospects and looser financing conditions.

(Source: *Economic Bulletin, Bank of Italy, Eurosystem, no. 1/2020*)

GROUP ECONOMIC AND FINANCIAL PERFORMANCE

The main aspects relating to the economic and financial performance of the Group are as follows:

Operating costs

During 2019, the Group pursued its investment policies, concentrating the majority of expenditure on strengthening the production capacity of the Circleville, Ohio plant, which was started up in 2018, and on completing the integrated production site in Inola, Oklahoma.

In Oklahoma, production of the finished product began in mid-2019 with the use of the new machines installed and those already in use at the temporary site in Tulsa.

In addition, the first continuous machine was started up in January 2020 and the second continuous machine is scheduled to be started up by the summer of 2020.

Once completed, the investments will guarantee the Group high levels of effectiveness and efficiency that will last over time along with highly competitive operating costs.

Inevitably, operating costs are currently burdened by higher costs for:

- staff recruited in advance of plant start-up for the necessary on-site training;
- start-up costs of production facilities;
- staff training;
- procurement costs of materials for the reorganisation of logistics;
- distribution costs of finished products for the reorganisation of logistics.

Cellulose and energy

The cost of cellulose, the main material for the production cycle, which had peaked at the end of 2018, began to decrease in early 2019. In the end, the average reduction compared to the previous year was 12%. At the beginning of the year, following the start-up of the new paper mills (Poland, Spain, Ohio), the cost of energy was higher than in the second half of 2019, when plant efficiency also optimised energy consumption.

Furthermore, during 2019 the cost of energy commodities dropped sharply, pushed down by a mild winter and high stocks of natural gas, the return to production of several French nuclear power plants and the continuous growth in the production of electricity from renewable sources.

Increasing imports of shale gas from the United States and Australia and the stabilization of CO₂ prices have also contributed to the fall in prices.

Transport

The presence of its production sites in the main outlet markets continues to enable the Group to achieve greater production integration and a consequent reduction in logistics costs.

In fact, the Group saw a significant reduction in the impact of transport costs coinciding with the start-up of the Circleville site in Ohio at the end of 2018. During 2019, in fact, levels of cost impact in the USA came down to the same level as in Europe, in spite of the inefficiencies still present due to the start-up phase of the plant in Oklahoma.

Overheads

Taking advantage of the synergies owing to its size, the Group continues to pursue a path aimed at increasing the effectiveness and efficiency of its organisational structure in terms of optimising control of the processes and resources used.

In Europe, overheads remained almost unchanged from the previous year. For the plants in the US, the growth in fixed costs, aimed at maintaining the quantitative and qualitative performance of the products and services offered, is clearly linked to the new investments in Ohio and Oklahoma.



ECONOMIC AND FINANCIAL PERFORMANCE

The tables below are taken from the 2019 Consolidated Financial Statements approved by the Shareholders’ Meeting on 28 February 2020.

CONSOLIDATED BALANCE SHEET

DESCRIPTION (thousands of Euro)	31/12/2019	31/12/2018
ASSETS		
Non-current assets		
Property, plant and equipment	1,972,540	1,851,646
Investment property	6,820	6,970
Goodwill and investment property with indefinite useful life	83,541	81,786
Trademarks and other intangible assets	45,877	46,781
Right of use (leases)	40,983	-
Equity investments	1,808	1,853
Other non-current financial assets	2,981	7,039
Deferred tax assets	109,213	87,383
TOTAL NON-CURRENT ASSETS	2,263,765	2,083,458
Current assets		
Inventories	434,785	430,757
Trade receivables	74,779	43,708
Other current assets	34,887	20,001
Tax receivables	15,132	13,803
Other current financial assets	6,770	4,716
Cash and cash equivalents	32,680	81,098
TOTAL CURRENT ASSETS	599,033	594,080
Assets held for sale	869	-
TOTAL ASSETS	2,863,666	2,677,538

DESCRIPTION (thousands of Euro)	31/12/2019	31/12/2018
SHAREHOLDERS’ EQUITY AND LIABILITIES		
Shareholders’ equity		
Share capital	33,000	33,000
Share premium reserve	1,500	1,500
Legal reserve	7,159	7,159
Other reserves	665,509	678,472
Profit (loss) for the year	43,215	(26,064)
TOTAL GROUP SHAREHOLDERS’ EQUITY	750,383	694,067
Share capital and reserves pertaining to non-controlling interests	65	70
Loss attributable to non-controlling interests	(2)	0
TOTAL NON-CONTROLLING SHAREHOLDERS’ EQUITY	64	70
TOTAL SHAREHOLDERS’ EQUITY	750,447	694,137
Non-current liabilities		
Employee severance fund and other provisions regarding personnel	18,285	17,425
Deferred tax liabilities	70,086	50,858
Provisions for risks and charges	2,817	9,870
Non-current financial liabilities	1,127,482	940,457
Non-current leasing liabilities	31,279	-
Deferred revenues from capital grants	23,768	27,673
Other non-current liabilities	41	41
TOTAL NON-CURRENT LIABILITIES	1,273,758	1,046,325
Current liabilities		
Trade payables	451,189	480,484
Current financial liabilities	103,598	258,595
Current portion of medium/long-term borrowings	209,054	134,019
Current leasing liabilities	9,003	-
Other current liabilities	56,966	54,624
Tax payables	9,650	9,355
TOTAL CURRENT LIABILITIES	839,461	937,077
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	2,863,666	2,677,538

CONSOLIDATED INCOME STATEMENT

DESCRIPTION (THOUSANDS OF EURO)	31/12/2019	31/12/2018
REVENUES		
Revenues from contracts with customers (net sales)	1,919,460	1,705,836
Rental income	1,017	1,089
Other revenues and income	27,857	43,720
TOTAL REVENUES	1,948,335	1,750,645
Operating costs		
Purchase of raw materials, finished products and changes in inventories	(898,371)	(859,948)
Services	(412,192)	(416,809)
Leases and rentals	(25,196)	(34,401)
Other operating costs	(29,623)	(28,992)
Personnel costs	(324,318)	(303,301)
GROSS OPERATING MARGIN	258,635	107,194
Amortisation, depreciation and write-downs	(151,413)	(124,118)
Provision for risks	(2,446)	(2,753)
OPERATING PROFIT	104,776	(19,677)
Financial income	334	1,110
Financial expenses	(29,190)	(5,144)
Foreign exchange gains and losses	(20,499)	(11,630)
Total financial income and expenses	(49,355)	(15,664)
PROFIT (LOSS) BEFORE TAX	55,421	(35,341)
Current taxes	(16,678)	(12,378)
Deferred/(prepaid) taxes	4,469	21,654
PROFIT (LOSS) FOR THE YEAR	43,213	(26,065)
Attributable to:		
Minority interests	(2)	0
GROUP	43,215	(26,065)

CONSOLIDATED CASH FLOW STATEMENT

DESCRIPTION (thousands of Euro)	31/12/2019	31/12/2018
Profit (loss) for the year	43,213	(26,065)
Income taxes	12,208	(9,278)
Financial income and expenses	28,689	3,635
1. Profit/(loss) for the year before income taxes, interest, dividends and capital gains/losses from sale	84,110	(31,708)
Adjustment of non-monetary revenues	(11,563)	(10,755)
Amortisation/depreciation	150,874	123,875
Provisions	2,985	2,996
2. Cash flow before changes in net working capital	226,406	84,408
Change in trade receivables	(31,070)	55,629
Change in inventories	(4,028)	(111,022)
Change in trade payables	(10,749)	22,096
Change in short-term assets/liabilities	(4,329)	(2,627)
3. Cash flow after changes in net working capital	176,230	48,484
Change in reserves and prepaid tax-receivable	(7,311)	(10,586)
Income taxes (paid)	(16,678)	(12,376)
Interest paid on leasing liabilities	(1,647)	-
Other changes*	(14,257)	(30,142)
Cash flow from operating activities (A)	136,337	(4,620)
Disposals of tangible and intangible fixed assets	2,579	(5,055)
Investments in tangible and intangible fixed assets	(241,184)	(397,395)
Purchase (sale) of other financial fixed assets	45	308
Capitalised interest	9,235	15,057
Change in trade payables - investment	(7,645)	(21,609)
Cash flow from investing activities (B)	(236,970)	(398,585)
Opening of medium/long-term loans	365,596	89,358
Redemption of medium/long-term loans	(129,245)	(87,336)
Change in short-term loans	(125,782)	156,826
Purchase/Sale of government securities	0	166,375
Change in financial assets	(11,075)	82,879
Interest received/(paid)	(37,924)	(1,800)
Dividends (and interim dividends) paid	(1,600)	(18,692)
Capital payments for leasing liabilities	(9,253)	-
Cash flow from financing activities (C)	50,718	387,610
Increase (decrease) in cash and cash equivalents (A+-B+-C)	(49,915)	(15,594)
Initial net cash and cash equivalents	81,094	97,129
Net exchange rate differences	1,501	(441)
Final net cash and cash equivalents	32,680	81,094

* The "other changes" do not relate to cash flows but are due to the translation effect, not attributable to the individual change items.

INVESTMENTS

The investments for the year are shown in the table below.

DESCRIPTION (THOUSANDS OF EURO)	2019	2018
Rights, trademarks and brands	1,448	1,361
Intangible fixed assets in progress	138	1,029
Land and buildings	69,111	52,038
Investment property	60	-
Plant and machinery	48,101	111,902
Industrial and commercial equipment	836	555
Other tangible assets	3,236	1,937
Tangible fixed assets in progress and advance payments	118,254	223,518
TOTAL	241,184	392,340

The investments for the year mainly related to Sofidel America:

- In Circleville, Ohio, USA, the construction of the integrated plant has been completed. It houses two paper mill machines and several converting machines for converting reels into finished products. The two machines started production in June 2018 and October 2018 respectively, and the paper mill and converting plants were completed in the first part of 2019.
- In Inola, Oklahoma, USA, the company has begun construction on a new greenfield investment for an integrated plant (paper mill and converting). The investment relates to the installation of two paper mill machines, with a total production capacity of 120,000 tonnes per year, and several converting lines. Work started in March 2018 and during 2019 most of the buildings and necessary infrastructure

were completed. Nine converting lines were started; the first paper mill machine was started on 22 January 2020 and the second machine will be completed in the first half of 2020.

In general, all the other investments made relate to continuous improvements in all production processes, in line with the Group’s consolidation and growth strategies. For further information on the economic and financial results, please refer to the 2019 Consolidated Financial Statements.

SIGNIFICANT POST BALANCE SHEET EVENTS

In January 2020 an agreement was reached with a third party buyer for the sale of the Land and Buildings of the Turkish company in liquidation.

CALCULATION AND DISTRIBUTION OF GLOBAL ADDED VALUE

GLOBAL ADDED VALUE CALCULATION

Global Added Value is a form of social disclosure which measures the wealth produced by the company with reference to the stakeholders who share in its distribution. Global Added Value is determined by subtracting from the value of production, including revenues from sales and other

revenues, the cost of services and consumption of materials, depreciation/amortisation provisions and other operating expenses. The Gross Characteristic Added Value is obtained by deducting extraordinary and accessory items.

(thousands of Euro)

A) Value of Production	2019	2018
Revenues from sales and services	1,919,460	1,705,836
Rental income	1,017	1,089
Other revenues and income	27,857	43,720
Revenues from characteristic production	1,948,335	1,750,645
B) Intermediate costs of production	2019	2018
Consumption of raw material, consumables and goods for resale	898,371	859,948
Costs of services	412,192	416,809
Leases and rentals	25,196	34,401
Other operating charges	29,623	28,992
Costs of characteristic production	1,365,382	1,340,150
GROSS CHARACTERISTIC ADDED VALUE	582,953	410,495
C) Accessory and extraordinary items	2019	2018
12. +/- Accessory balance of operations	-22,945	-14,383
Accessory revenues	-	-
- Accessory costs	-22,945	-14,383
GLOBAL GROSS ADDED VALUE	560,006	396,112

DISTRIBUTION OF ADDED VALUE

(thousands of Euro)

	2019	2018
(A) Human Resources remuneration	324,318	303,301
Personnel		
a) direct remuneration	273,830	252,265
b) indirect remuneration	50,488	51,036
B) Loan Capital remuneration	28,885	4,043
Charges for short or long-term capital	28,885	4,043
C) Public Administration + Community remuneration	12,209	-9,277
Direct and indirect taxes	12,209	-9,277
D) Company remuneration	194,625	98,054
Profit (loss) for the year	43,213	-26,064
Amortisation/depreciation	151,413	124,118
GLOBAL GROSS ADDED VALUE	560,006	396.112*

* For greater comparability, it was necessary to reclassify the 2018 Distribution of Global Added Value



6

PRODUCT

- Tissue production process
- Research and development
- Product quality and safety
 - Product quality
 - Product safety

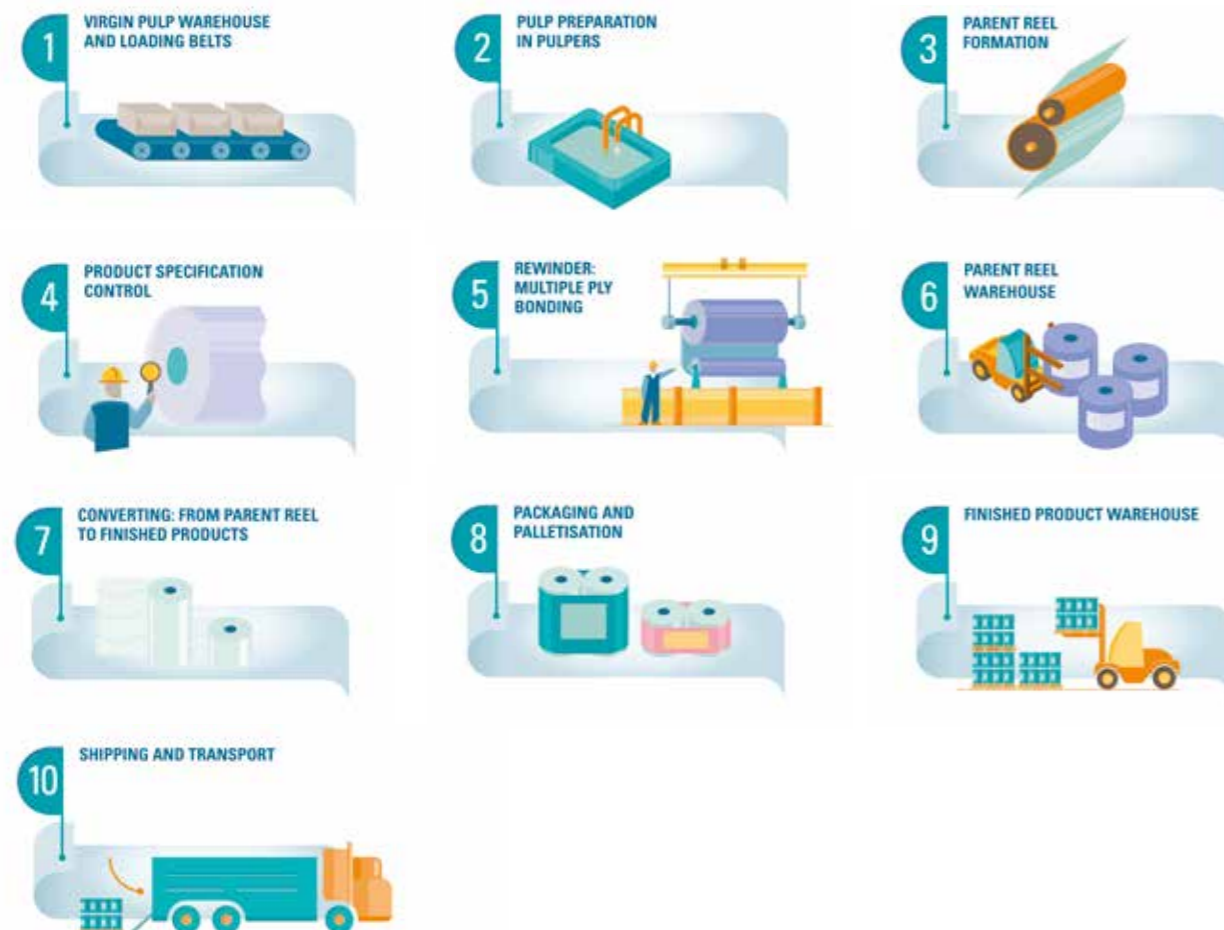
Regina Mit Herzen kitchen towel with its bright and original love-themed patterns has debuted in German supermarkets also wrapped in kraft paper packaging.

TISSUE PRODUCTION PROCESS

The Sofidel Group only produces and markets tissue paper, i.e. the paper used for hygiene and domestic purposes in and out of the home - toilet paper, all-purpose absorbent paper, paper napkins, paper handkerchiefs, facial tissue, paper towels, etc. Group companies oversee the whole tissue pro-

duction process from manufacture and processing through to the finished product.

The whole production chain features constant respect for the principles of sustainability, the basis of the entire Sofidel value creation system.



RESEARCH AND DEVELOPMENT

In 2019, inspired once again by the guiding principle *Less is more* and awareness that sustainability is the strategic development model of Sofidel, the Group's Research and Development Department - following the CEO's definition of new parameters for the use of plastics of petrochemical origin and the launch of a roadmap that will lead to a 50% reduction in their use in production by 2030 - focused on the design, definition and implementation of the "Less Plastic, More Sustainability" project.

This project involved the start of research into new materials, available on the market or developed ad hoc by the project partners, for recyclable primary paper packaging, the evaluation of their use with current machinery and processes, adaptation of the machinery to the characteristics of the new packaging and the adaptation of packaging to obtain the

certifications required by customers, in line with consumer awareness. The "Less Plastic, More Sustainability" project, which will continue in the years to come with the adaptation and development of other materials and processes, will establish a guideline for the sector.

In addition to this initiative, the company is continuing and strengthening its collaboration with universities and research centres at international level and its partnerships with cutting-edge suppliers, essential development engines when it comes to designing radical product innovations, technologies, new generation processes and know-how in the paper industry and, specifically, in the tissue paper sector.

Sofidel continues to participate in the Tissue Products and Processes cluster with RISE (an important Swedish research centre).



PRODUCT QUALITY AND SAFETY

PRODUCT QUALITY

Product quality and its maintenance over time have always been an all-important value for the Sofidel Group companies, guaranteed by compliance with procedures, the drive towards constant improvement, training of the staff involved and constant monitoring of processes. Attention to product conformity and customer and consumer satisfaction are referred to in the company mission and developed in the Quality Policy, issued by Top Management and available on the Group's website. The quality of the products manufactured is monitored through the Product Compliance Index, which takes into ac-

count all nonconformities detected internally and resolved before the products are placed on the market². The following graph shows the values of the Product Compliance Index in the Group production sites for the last three years.

2. The methodology for the calculation of the indicator is described in the Quality Management System procedure on product manufacture: the nonconformities are weighted according to their seriousness and compared to the total production manufactured.

PRODUCT COMPLIANCE INDEX

	Soffass Converting Via Lazzare- schi (ITA)	Soffass via Fossanuova (ITA)	Soffass Monfalcone (ITA)	Soffass Tassignano (ITA)	Sofidel UK Baglan (UK)	Sofidel Benelux	Sofidel France Frouard	Sofidel France Ingrandes	Sofidel France Roanne
2019	98.49	97.58	98.10	94.26	97.50	98.23	96.87	98.35	97.28
2018	98.54	98.40	99.34	97.10	97.11	97.68	96.20	96.87	95.94
2017	98.13	98.30	99.69	92.83	96.30	97.70	96.02	97.53	95.72

	Sofidel Germany	Sofidel Greece	Sofidel Hungary	Sofidel Poland	Sofidel Romania	Sofidel Spain	Sofidel Sweden	Sofidel UK Leices- ter (UK)	Werra (THP Plant) (GER)	Werra (Werra Plant) (GER)	Werra (Omega Plant) (GER)
2019	98.34	94.58	94.49	98.39	98.65	97.47	95.34	97.68	97.76	99.58	97.58
2018	98.74	98.99	98.75	98.99	98.62	98.58	89.45	97.95	96.34	99.43	97.71
2017	96.65	99.67	n.a.	97.91	98.23	98.47	94.75	96.93	98.76	98.61	98.33

The lack of reports for some sites is due to the adoption of different calculation indices which are not comparable. Considering that the maximum value that can be reached by the index is 100 and that this index is based on stricter cri-

teria than the simple ratio between compliant products and total production, the trend in the data highlights satisfactory results in all companies.

PRODUCT SAFETY

Product safety and the need to protect consumer health are key principles for Sofidel, reaffirmed in 2017 with the establishment, at Corporate level, of the Product Safety Department, set up to strengthen the guarantee of consumer protection, anticipate market demands and seize further opportunities for improvement. At the production sites, the commitment to safety, quality and legality of the products is expressed in the Self-Controlled Health-Hygiene Policy approved by the Legal Representative of each company. The entire supply chain is involved in applying self-controlled health-hygiene systems which ensure compliance with the mandatory regulations for the tissue industry, the application of the requirements of the voluntary standards British Retail Consortium (BRC) - Consumer Products Personal Care and Household - and International Food Standard (IFS) - Household and Personal Care Products - and the requirements of the main retailers. At the basis of the self-controlled systems is the risk assessment, which makes it possible to determine and measure the potential risks of physical, chemical and microbiological contamination related to the various stages of the production cycle, from the design phase of new products (Research and Development) to their delivery. The risk analysis follows the principles of the HACCP (Hazard Analysis and Critical Control Points) methodology, applies the Severity times Probability algorithm and helps to identify Good Manufacturing Practices (GMP). The various activities carried out in the Group's companies,

such as cleaning and inspection, traceability and product recall tests and the application of hygiene rules are also supported by chemical and biological tests carried out by external accredited laboratories in compliance with the main applicable regulations and guidelines. The testing plan is periodically reassessed taking into account the development of the regulations and/or special requirements of the relevant market. With this procedure, the potential risks inherent in the product are minimised to ensure consumer safety. The supply chain is also involved in the self-controlled system so that raw materials are guaranteed to comply with applicable legislation and to be suitable for use in articles. In plants where the self-controlled health-hygiene system is implemented (88% of European plants), 100% of the product categories are subject to assessment of the health and safety impact of products, while GMP are in any case adopted at all sites. With reference to the certifiable voluntary standards, there were 17 BRC or IFS certified European production sites at the end of 2019, covering 74.68% of total production. In December 2019, the US sites of Circleville and Haines City successfully completed the certification process according to the BRC standard. In 2020, IFS certification is expected for the Sofidel Hungary and Sofidel Greece plants, and BRC certification is expected for Sofidel America Inola and Sofidel America Green Bay. With regard to uncertified plants, the self-controlled health-hygiene system implementation process will be completed at Sofidel Sweden in 2020.



7

OPERATIONS

- Governance
- Company structure
 - Organisational structure
 - Internal control system
 - Risk management and monitoring
 - Management systems
- The environment
- Governance
 - An increasingly global interest in the environment
 - The energy balance
 - Sofidel and climate change
 - Sofidel and water resource management
 - Sofidel and forestry certifications
 - Sofidel and Environmental Management System certifications
 - Protection of forest resources
 - Responsible consumption and production
 - Waste management
 - Ecological products
- Suppliers and the supply chain
- Supplier map
 - Supplier qualification, selection and assessment
 - New challenges

Regia Blitz single-roll – the household paper towel perfect for blitzing any glossy surface – has landed in European stores wrapped in kraft paper.

GOVERNANCE

COMPANY STRUCTURE

Sofidel is governed by a Board of Directors (BOD) consisting of members of the controlling families elected by the Shareholders’ Meeting. The BOD currently consists of three men and three women with an age range that extends from 50 to 90. The members of the BOD are chosen by the shareholders; they are all executive and non-inde-

pendent and have the skills necessary for the responsible management of the business, in compliance with the sustainable development goals. The directors assume full responsibility for the financial, social and environmental performance of the Group, which is subject to approval by the Shareholders’ General Meeting on an annual basis.

BOARD OF DIRECTORS	In office for the 2018-2020 financial years	Chairman and Board Member	Emi Stefani
		Chief Executive Officer (CEO)	Luigi Lazzareschi
		Board Members	Edilio Stefani Lorenza Magazzini
		Board Members	Paola Stefani Cristina Lazzareschi
BOARD OF AUDITORS	In office for the 2019-2021 financial years	Chairman	Ugo Fava
		Permanent auditors	Gabriele Nencini Giulio Grossi
Supervisory Board 231/01		Permanent members	Gianfranco Del Grande Simone Ferretti
INDEPENDENT AUDITING COMPANY	In office for the 2019-2021 financial years	EY S.p.A.	

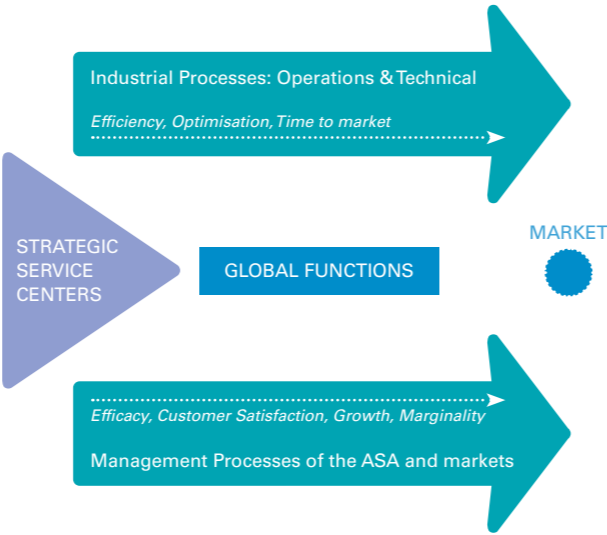
At present, there are no formal channels for employees to send recommendations to the Board of Directors, but the constant presence of the Chairman and the CEO in the Group’s companies enables good interaction with staff. The Sofidel BOD is flanked by the Board of Auditors, composed of professionals and university lecturers.

This gives rise to the need to recompose the value creation processes into a unitary process, shifting the emphasis from individual activities to the overall flow, reconstructing the entire process and seeking to make it more streamlined and fluid, eliminating duplication.

ORGANISATIONAL STRUCTURE

The organisational model adopted by the Group since January 2009 is based on three main requirements:

1. distribution and allocation of responsibilities and authority between the managers working in the holding company and the ones in the production plants;
2. grouping the units so as to enable the optimum use of resources and meet customer needs, differentiated by product and market, more efficiently and effectively;
3. choosing the most appropriate mechanisms for integration and control, as well as the organisational culture best suited to ensuring the effective operation of the overall global structure.



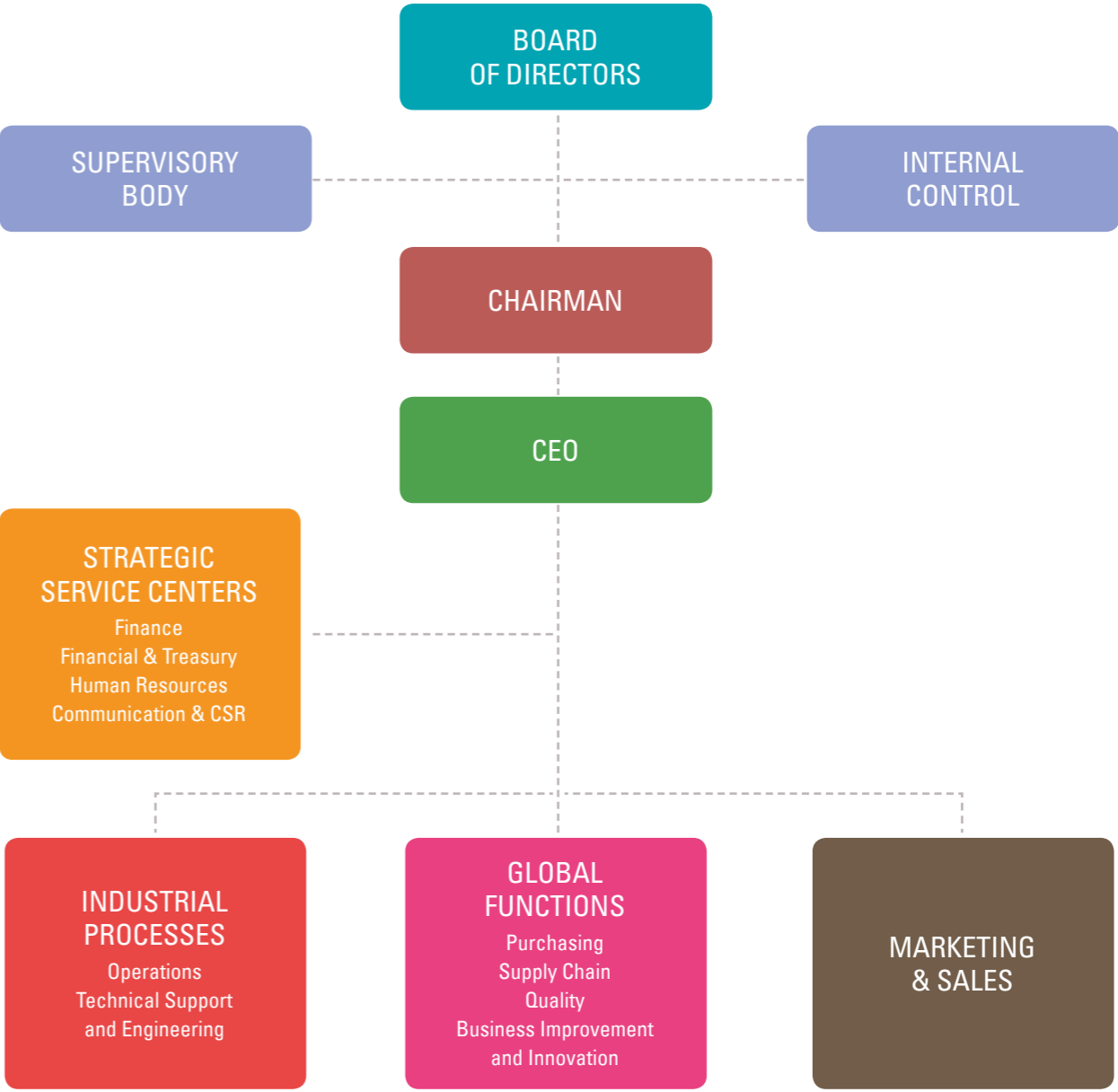
The main lines of development of the new organisational model are based on four macro processes which operate in an integrated manner with the final goal of meeting market needs:

1. Industrial process characterised by a matrix organisation with two macro units, operations (COO) and technical support and engineering (CTO) with distinct objectives in terms of efficiency, optimisation and time to market.
2. Management process for Strategic Business Areas (ASA) and markets organised by line of business with distinct

objectives in terms of efficiency, customer satisfaction, growth and profit margins.

3. Central processes or central line functions (Global Functions) that oversee certain processes and ensure consistent integration between the industrial process and the management process for strategic business areas and markets.
4. Corporate Strategic Service Centres which oversee and supervise support processes and staff. The organisational model therefore translates into an organisational structure, as shown below.

SOFIDEL GROUP ORGANISATIONAL MODEL



The industrial processes are overseen by the following organisational units:

- **Operations:** ensures the development and dissemination throughout the group of best practices relating to the production process (**Sofidel Manufacturing System**) and the maximisation of production efficiency. The Operations manager is reported to by the **Country Operations Manager** who oversees the industrial process in the country in question.
- **Technical Support and Engineering:** oversees the technical development of investments and engineering.

Marketing & Sales oversees the management processes for strategic business areas and markets organised into four lines of business: Brand, Private Label, Away-From-Home (AFH), Parent Reels. Each line of business is managed by the **Line of Business** department, responsible for the relevant sales process, marketing and customer satisfaction and organised by **geographical area/region**.

Global Functions comprise the following functions:

- **Supply Chain:** oversees production planning and procurement of raw materials, management and guarantees traceability of raw materials and the finished product, organises transport services and minimises the relevant cost.
- **Purchasing:** supervises the process for managing suppliers and the purchase of strategic raw materials (cellulose and pulp) with the aim of creating economic and financial opportunities and responding to strategic market needs.
- **Quality:** responsible for proposing, disseminating and managing certifications, and ensuring quality as the Group develops and grows, with the aim of bringing satisfying products to market.
- **Business Improvement and Innovation:** coordinates the process for development and integration of the businesses in Europe and the United States, and manages the Group's research and development activities.

The **Strategic Service Centres** include the following functions:

- **Finance:** responsible for the administrative management of the Group, planning and control, credit management, Information & Communication Technology and Insurance;
- **Human Resources:** responsible for personnel management, training, Group organisation, safety management and legal affairs.
- **Financial & Treasury:** responsible for the Group's financial management, treasury operations and relations with banks and other credit institutions.
- **Communication & CSR:** responsible for the Group's institutional communication, corporate sustainability and the development and improvement of Corporate Brand Equity.

Communications concerning organisational changes are made in compliance with the times and methods established

by the individual national regulations or collective bargaining agreements applied.

INTERNAL CONTROL SYSTEM

The Sofidel Group adopts an integrated and shared internal control system, based on information tools and flows that, involving many people in the Group, finally arrive at the top management bodies of the company. In order to strengthen this system, in 2019 the Risk Management & Compliance function was introduced to the company organisational structure, and in 2020 will start a project aimed at formalising the development of strategies, processes and systems for the management, assessment and monitoring of risks that may affect the achievement of company objectives.

All the Group's employees are required to comply with the Code of Ethics, which sets out the principles underlying fair and lawful business conduct, and internal procedures, issued in accordance with international best practices and local regulations, to ensure that company objectives are met. In addition, the Group's rules, in compliance with the principle of separation of duties and responsibilities between the people deciding, executing and checking activities, ensure the traceability and, therefore, ex-post verifiability of the processes for decision-making, authorisation and performance of the company's activities. Based on the Organisational, Management and Control Model adopted by Sofidel under Italian Legislative Decree No. 231 of 8 June 2001, updated by resolution of the Board to take into account regulatory and organisational changes, the Supervisory Body has put in place monitoring and control to check on the implementation, efficient operation and observance of the Model. The Business Control Department, the various Management Systems adopted and the new Risk Management & Compliance function carried out various types of checks on company processes, aimed at verifying observance of procedures and evaluating the suitability of the system to ensure risk management and the attainment of company objectives and strategies.

An integral part of the Sofidel Group's internal control system is the Quarterly Report, composed of a dashboard and a descriptive report, prepared every three months by the Legal Representatives of the Group companies. This report is a tool for monitoring the compliance of company processes and activities with the best practices and rules adopted by the Group for risk management in order to achieve company objectives. It is therefore used by corporate functions as a tool for managing various types of company risks. During the year, the Supervisory Body, the Business Control Department and the Risk Management & Compliance function supported company units in the design of controls, contributed to the assessment of their effectiveness and operation,

developed a training and information approach to ensure that employees understand their responsibility for compliance and provided assurance on the design and operation of the controls. In order to further strengthen the fight against corruption and meet the increasingly stringent requirements of local legislators in the various countries in which the Sofidel Group operates, since 2018 an implementation plan for the new international ISO 37001 standard has been adopted. The Group's Ethics & Compliance Programme, i.e. the management model for the prevention of corruption, has been drawn up. To date, the document has been adopted by the Italian and French companies, which have also appointed the functions responsible for overseeing its implementation and ensuring its constant adaptation and updating. In Italy and France, training continued to be provided to employees involved in areas sensitive to corruption. System procedures integrated with other management systems were adopted and the Anti-Bribery policy was published. Control and monitoring activities focused on sensitive activities continued, carried out based on the control plans adopted by the Anti-Bribery Compliance Officers.

RISK MANAGEMENT AND MONITORING

Economic and financial strategies and risks

From Integrated Finance Organisation to Integrated Business Planning

Over the last few years, based on international best practices, the Group has launched a process for the integration and

standardisation of its administrative/accounting and financial procedures and uses a unique, integrated SAP ERP management program at all Group companies.

The model underlying the Group's strategy is better known in international circles as the "Integrated Finance Organisation" (IFO). The proper functioning of the IFO is a requisite for the implementation of the "Integrated Business Planning" (IBP) framework.

This model is based on the idea of viewing the company (or group of companies) as a whole and not as the sum of individual elements.

On a practical level, this means translating strategic Group planning into operating objectives to achieve predefined levels of economic/financial performance.

In a nutshell, the functioning of the model is based on the following steps:

- the strategic planning sets the guidelines;
- the operational planning represents the tool for implementing the strategic planning;
- the economic and financial planning is the result of the strategic plan.

Economic and financial sustainability is therefore pursued through the implementation and optimisation of Integrated Business Planning, via the integrated business planning, management and control model.

From 2019 onwards, the Group has equipped itself with analytical tools to investigate in depth all the economic and financial implications of adaptation and global climate change. The results of this analysis will be set out in the 2020 Integrated Report.



THE RISKS: PROTECTION OF ECONOMIC AND FINANCIAL ASSETS		
TYPE OF RISK	RISK DESCRIPTION	RISK MANAGEMENT POLICY
Credit risk	Credit risk represents the exposure to potential losses due to non-fulfilment of the obligations assumed by business and financial counterparts. This risk mainly relates to the possibility that the economic or financial situation of a counterpart deteriorates, or, at worst, that the latter defaults.	<p>The Group protects itself vis-à-vis commercial counterparties by:</p> <ul style="list-style-type: none">· taking out insurance policies with leading international insurance companies;· diversifying companies from country to country, as well between companies and sales channels;· observing insurance thresholds;· requiring advance payments where there is no insurance coverage;· a policy to minimise concentrations of credit;· the quantification of risk in budget analysis through the use of the IFO model and the subsequent sharing of budget data with insurance companies;· using the Grade issued and updated by the insurance companies as an indicator of short-term solvency for customers requesting credit lines;· compliance with the payment terms by suspending orders for customers who have been in arrears for more than ten days;· compliance with extra credit ceilings assigned by Line of Business Region to monitor and mitigate uninsured credit risk. <p>As regards financial aspects, the Group is exposed to credit risk owing to relations in place with financial institutions. These risks are represented by:</p> <ul style="list-style-type: none">· partial or total withdrawal of existing uncommitted credit lines, which the Group manages:<ul style="list-style-type: none">- by having potential access to a wide range of sources of financing offered by a large number of financial institutions, which allow the Group to reduce the risk of exposure on a pro-rata basis;- by developing the use of committed RCF lines with a duration exceeding one year which, thanks to their flexibility, can be used to stabilise the coverage of current requirements. <p>The Group continues to systematically monitor developments in the European banking system, highlighting that, as of today, those taking place (concentrations, mergers and acquisitions) have had no direct impact on Group operations;</p> <ul style="list-style-type: none">· forced withdrawals of bank funds (Bail-in operational from 1 January 2016), whose risk is mitigated by the policy of minimising deposits by using credit lines for current account overdrafts. <p>Further information is given in the Notes to the 2019 Consolidated Financial Statements.</p>
Price risk and cash flow risk	This is the risk that the fair value of a financial instrument or the future cash flows associated with it may fluctuate following variations in the market price (other than variations caused by interest rate or exchange rate risk), both for variations caused by factors specific to the individual financial instrument or its issuer, and for those due to factors that affect all similar financial instruments traded on the market.	<p>The risk of variations in the prices of commodities purchased (cellulose and energy) can have a significant impact on the Group's operating and financial results. Accordingly, for the purchasing of cellulose, the Group implements a procurement plan which takes into account both production requirements and the trend in the market price of cellulose.</p> <p>To mitigate the variation in electricity and gas prices, the Group:</p> <ul style="list-style-type: none">· selects highly reliable suppliers able to offer flexible energy supply services (indexed contracts with hedging options);· constantly monitors the energy markets and adopts hedging strategies for volumes of gas and electricity;· monitors and participates in all possible opportunities for subsidies and reductions in energy costs.

TYPE OF RISK	RISK DESCRIPTION	RISK MANAGEMENT POLICY
Exchange rate risk	The exchange rate risk derives from the fact that the Group's activities, which operate in an international context, are also conducted in currencies other than the euro.	<p>In general terms, the exchange rate risk for the Group can be divided into three different categories:</p> <ul style="list-style-type: none">· economic risk, deriving from fluctuations in exchange rates that can have an effect on the economic result and therefore on the profitability planned when orders were concluded based on the relevant exchange rate defined at the time of preparation of the order. This risk can therefore extend over time between the preparation of the order and the date of its invoicing. The items hedged mainly concern plant and machinery (assets) and raw materials (i.e. cellulose) which represent future costs in foreign currency. Hedging takes place mainly through the signing of derivative contracts for the forward purchase of foreign currency based on the estimated dates of invoicing of the hedged items;· transaction risk, deriving from exchange rate fluctuations on balance sheet items in foreign currency recorded in the financial statements. In particular, for the Group this risk is represented by the differences between the exchange rate at which receivables or payables in foreign currency are recorded in the financial statements and the exchange rate at which the related collections or payments are recorded. This risk therefore extends over a period of time between the date of recognition of the balance sheet item in the financial statements and its settlement. Hedging of this type of exchange rate risk is carried out by signing forward sales or forward purchase derivative contracts in foreign currencies, including offsetting positions (so-called "netting") between receivables and payables denominated in the same foreign currency;· translation risk, which arises upon consolidation and which arises from the translation into euros of the financial statements of subsidiaries denominated in currencies other than the euro. The Group does not hedge this type of exposure. <p>The purpose of the Group is therefore to minimise the economic and transaction risk in question by resorting to financial instruments for hedging purposes, which it deals with as a matter of priority by entering into currency forward contracts.</p> <p>Further information is given in the Notes to the 2019 Consolidated Financial Statements.</p>
Interest rate risk	Interest rate fluctuations in each country, as well as the different value of the rates in each currency in which the Group operates, affect the company's cash flows and the level of consolidated net financial expenses.	<p>The Group adopts an active policy of monitoring the risk linked to interest rate fluctuations, assessing the risk profile of its exposures and managing/modifying it through the stipulation of derivative financial instruments, in order to stabilise net financial charges.</p> <p>Derivatives used by the Group are of the "plain vanilla" type (for example, Interest Rate Swaps and Interest Rate Options), without any risk or speculation content and characterised by structures that provide, in the short term, some benefits from the reduction in financial charges.</p> <p>Further information is given in the Notes to the 2019 Consolidated Financial Statements.</p>
Liquidity risk	Liquidity risk is the risk that the Group is unable to meet its payment commitments due to difficulty in procuring funds (funding liquidity risk) or promptly liquidating assets on the market (asset liquidity risk).	<p>To this end, through careful treasury planning, the Group pursues the fundamental objective of guaranteeing an adequate level of liquidity, minimising the associated opportunity cost and maintaining balance in terms of the duration and composition of the debt.</p> <p>Moreover, the Group, thanks also to its financial strength and its international size, has access to a wide range of sources of finance offered by multiple financial institutions, which allow the Group to diversify and reduce the risk of exposure.</p> <p>There are no other financial and/or trade payables other than those shown on the balance sheet, which will involve disbursements by the Group companies under specific agreements.</p> <p>Further information is given in the Notes to the 2019 Consolidated Financial Statements.</p>

TYPE OF RISK	RISK DESCRIPTION	RISK MANAGEMENT POLICY
Legal/compliance/reputational risk	Legal/compliance/reputational risks regard the possibility of incurring fines and/or financial losses due to infringements of the law, secondary legislation, rules, company standards and codes of conduct.	<p>The Group works at different levels to limit these risks, which extend across different company processes. More specifically, the Group pursues these objectives through:</p> <ul style="list-style-type: none">· proactive management of intangible assets, targeted at creating and protecting its own credibility and maintaining the loyalty and cooperation of all stakeholders (from suppliers, to customers, to consumers);· the integration of sustainability in the business as a strategic line of development. <p>Through a dedicated function, the Group oversees the analysis of compliance risks at all companies; in addition, in the Italian Group companies, organisational models were adopted for the prevention of the offences set forth in Italian Legislative Decree 231/2001 through the creation of a Supervisory Body.</p> <p>During the year just ended, the Group was not involved in any lawsuits relating to unfair competition or monopolistic practices in the market, nor has it been investigated by the antitrust bodies operating in the countries in which its companies are located.</p> <p>At the same time, no instances of non-compliance with regulations or codes of conduct concerning advertising material, promotions or the sponsorship of its own products were recorded.</p>
Reporting risk	Concerns the reliability of the information provided by the internal and external reporting process relating to accounting and non-accounting information.	<p>To guard against this risk, the Group has implemented and is continuing to implement administrative, financial and management procedures to help minimise its occurrence. More specifically, the work underway aims to make economic and financial planning more integrated and efficient, in order to enable a better level of monitoring throughout the company.</p> <p>Among the tools used, it is important to mention SAR SEM-BW, Piteco and Tagetik; in particular, the SAP management software has allowed total integration of the different business areas, which can now be constantly monitored on a group basis.</p> <p>The certification of the annual financial statements by a leading independent auditing firm is an additional way to check the process.</p> <p>The Group also introduced the Piteco and Piteco CBC (Corporate Banking Communication) applications a few years ago, for the fully secure handling of Company-Bank connectivity, implementing management solutions in the treasury area for the handling of all payment instructions, the complete automation of authorisation workflows, their traceability and the secure management of instruction flows via mobile devices and digital signatures.</p> <p>The management of supplier payments, in particular, is a complex process that the Group focuses heavily on in terms of security and efficiency. The payment management system offered by Piteco allows the company, via a single platform, to govern the incoming and outgoing instructions from the company to banks, including, among other things, payments to suppliers, payment of taxes (except in some countries where Internet banking is still partially used) and salaries.</p> <p>To make this platform even more efficient and cut costs, the Group has set up a connection to the Swift network.</p> <p>In addition, during 2019 several initiatives to improve the information security of the Group were launched. In particular, cooperation has been strengthened with Microsoft and a plan aimed at improving several aspects related to corporate data availability and security launched; also in the financial year just ended, the Group ICT function undertook a process that led to it obtaining ISO 27001 certification for information security.</p> <p>With a view to process improvement, the main activities carried out were:</p> <ul style="list-style-type: none">· Rollout of the SapVistex module for controlling promotional costs in Spain, France, Belgium and Poland;· implementation of CRM for AFH-related LOB management;· implementation of a SAP tool for the management of electronic invoicing in Italy;· implementation of an ad hoc module for the management of IFRS 16 accounting standards.

Strategies and risks associated with products and customers

The strategy: constant search for a sustainable product to serve the community in which the Group operates.

Product safety: an essential value

The Group has been committed to product safety for many years, in order to ensure the maximum protection of consumer safety, anticipate market requirements and seize further opportunities to improve the qualitative performance of the products produced.

Product quality depends on the quality of the company system

The Group has implemented quality management systems at its companies since the mid-1990s, further confirming its overriding interest in the quality of the products manufactured.

This is assured by compliance with quality management system procedures, the drive towards constant improvement, timely and careful training of the staff involved and constant monitoring of processes.

THE RISKS: PROTECTION OF THE COMPETITIVE ADVANTAGE ACQUIRED OVER TIME												
TYPE OF RISK	RISK DESCRIPTION	RISK MANAGEMENT POLICY										
Country risk	The economic, equity and financial situation of the Group is influenced above all by the various political and economic factors that affect macro-economic trends, including, mainly: political and economic instability, the rate of unemployment, the level of consumer confidence and the trend in household disposable income and, therefore, private consumption.	As the table below shows, the Group does not operate with countries that are socially, politically and economically unstable. In addition, the geographical distribution across different countries and continents makes it possible to offset the negative economic trends of one country with the positive trends of others. Distribution on a global scale also allows the company to be close to its main end markets, especially in Europe, thus benefiting from significant savings as well as the possibility of offering a global service. Lastly, the aforementioned proximity to markets allows the company to better understand consumers’ needs.										
		<table><tr><td>USA</td><td>18.30%</td></tr><tr><td>United Kingdom</td><td>15.90%</td></tr><tr><td>Italy</td><td>15.00%</td></tr><tr><td>Other European countries</td><td>50.80%</td></tr><tr><td></td><td>100.00%</td></tr></table>	USA	18.30%	United Kingdom	15.90%	Italy	15.00%	Other European countries	50.80%		100.00%
		USA	18.30%									
		United Kingdom	15.90%									
		Italy	15.00%									
		Other European countries	50.80%									
	100.00%											
Sector-related risk	The economic, equity and financial position of the Group is affected by the economic trend in the reference sector: which mostly depends on the trend in competition, potential new entrants and the threat of replacement products.	As can be seen from the table below, the Group has diversified its activities across a number of sectors (Private Label, Brand, Away-From-Home and in the e-commerce sector), seeking to offer increasingly high-performance and innovative products and dedicating specific internal resources to each.										
		<table><tr><td>Reels</td><td>8.20%</td></tr><tr><td>Away-From-Home (AFH)</td><td>13.70%</td></tr><tr><td>Brand and B-brand</td><td>31.40%</td></tr><tr><td>Private Label and Contractors</td><td>46.70%</td></tr><tr><td></td><td>100.00%</td></tr></table>	Reels	8.20%	Away-From-Home (AFH)	13.70%	Brand and B-brand	31.40%	Private Label and Contractors	46.70%		100.00%
		Reels	8.20%									
		Away-From-Home (AFH)	13.70%									
		Brand and B-brand	31.40%									
		Private Label and Contractors	46.70%									
	100.00%											
Production risks	These are the risks of unexpected breakdowns or downtime, loss of plant efficiency, fire, flood and theft.	The policy of planned maintenance implemented for years and the continuous technological upgrading of plants minimises the risk of unexpected breakdowns or downtime. By contrast, as regards risks connected with a loss of plant efficiency and performance quality, a specific corporate function constantly monitors specific KPIs identified for machines at the different plants, in order to take prompt action if needed. The various production plants, from the walls to the equipment inside them, are also insured against the main risks (fire, flood, theft, etc.) with leading international insurance companies whose levels of insurance cover are regularly reviewed.										
		With regard to the production side, the existence of procedures for the collection of process data should be noted, aimed at improving control of inefficiencies and planning of the measures to be taken to eliminate them, as well as the constant technological renewal of the paper mill and converting production structure which has recently involved various Group plants.										

TYPE OF RISK	RISK DESCRIPTION	RISK MANAGEMENT POLICY
Risks associated with distribution logistics	These are the risks of inefficiencies linked to distribution, which may lead to disputes with customers and therefore unpaid invoices.	In this area, the Group ensures: <ul style="list-style-type: none">· careful selection of transport firms, choosing those that provide the best guarantees in terms of continuity and fast deliveries;· precise logistic planning to reduce inefficiencies to a minimum, monitored through specific KPIs;· continuous monitoring of performance through specific KPIs (e.g. the service rate, which monitors the completeness and punctuality of deliveries and stock reduction, which aims to optimise stock levels);· constant attention to customer requirements through customer care policies. These actions aim to greatly mitigate the risks under review. There were no significant events in this regard during the year to be mentioned here.
Risks of dependency on customers	These are the risks of customer dependency.	In this area, management policies aimed at consolidating and developing own brands - involving the strengthening and implementation of existing brands - and at consolidating relationships with the large-scale distribution chains - involving stakeholder engagement measures to create long-term partnerships and the launch of products that are consistently innovative and characterised by high turnover and profit margins - tend to lessen this category of risk. In any event, during the year, concentrations of supplies or situations that render these risks significant were not reported.

Strategies and risks associated with the supply chain

THE RISKS: SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN		
TYPE OF RISK	RISK DESCRIPTION	RISK MANAGEMENT POLICY
Risks of “unqualified” supplies	These are the risks of procuring non-compliant materials and services in terms of quality and environmental sustainability and ethics.	The Group’s primary objective is to have a supply chain with no reputational risk. This goal has been broken down into two lines of action: assessment of suppliers’ sustainability strategies and performance and the adoption of a sustainable purchasing model. The tool chosen for supplier sustainability assessment is the TenP platform which provides a prequalification system for assessing individual suppliers in terms of working conditions, respect for human rights, environmental protection and the fight against corruption. The involvement of all suppliers allows the Group to further improve its performance, minimising reputational risk. In 2019 the percentage of “critical” suppliers subject to the pre-qualification procedure reached 85%.
Supplier dependence risks	These are the risks of dependency on suppliers of goods and services.	The fact that suppliers of goods and of services are interchangeable, because the company constantly diversifies its suppliers, at a national and international level, means that the risk of dependence is negligible.
Risks associated with the digitisation of systems	These are the risks of dependency on suppliers due to greater use of technology in factory systems and management systems.	The Group protects itself against this risk as follows: <ul style="list-style-type: none">· for the technology used in the management systems, the Group, despite having an integrated ERP management system for all areas (SAP), uses alternative suppliers for accessory programs which are, nonetheless, of primary importance (Tagetik, Sales Force, Piteco, etc.);· for technology connected with factory systems, the presence of different applications at the individual plants, interfaced at corporate level with the SAP management program, makes it possible to greatly reduce the risk under review.

Strategies and risks associated with personnel and the environment

THE RISKS: PROTECTION OF RESOURCES TO GUARANTEE LONG-LASTING SOCIAL AND ENVIRONMENTAL BENEFITS				
TYPE OF RISK	RISK DESCRIPTION	RISK MANAGEMENT POLICY		
Risks associated with employees and the safety of the working environment	These include the risks of workplace accidents, but also of pay demands and the transfer of company know-how outside the company, for example, due to high turnover of employees.	The protection of workers’ health is ensured by constant monitoring of working environments, with implementation of the best safety standards for machines and equipment and by conducting training programmes and providing information. Careful attention is paid to the choice of personal protection equipment (PPE) in order to constantly check its efficiency and continually improve its effectiveness so as to ensure ever better levels of protection and comfort. Adoption of these measures has made it possible to minimise risks, as confirmed by the results recorded in 2019 on the Frequency Rate (FR) and Severity Rate (SR).		
		FREQUENCY AND SEVERITY RATE		
		Rate	Frequency Rate* (FR)	Severity Rate** (SR)
			12.36	0.38
		The figure refers to December 2019. * (FR): number of accidents/hours worked x 1,000,000 ** (SR): days of absence due to accidents/hours worked x 1,000 The values of the accident rates shown do not take account of accidents while travelling or those causing less than three days’ absence. In addition, only accidents which caused the worker to leave the work position are counted. Lastly, no significant wage claims or actions were taken by employees and staff turnover levels were insignificant.		
Operating risks associated with environmental legislation or accidents with environmental repercussions	These include the risk of fines or limits on production activity following breaches of legal requirements or authorisation conditions, or as a result of accidents due to natural causes or techniques that could lead to pollution or changes in the main environmental areas (fires, floods, failures or breakdowns).	The adoption of Environmental Management Systems certified in accordance with international standards (ISO 14001, EMAS) and frequent audits, both internal and by third parties, are the main forms of oversight to prevent the risk of legislative breaches or accidents with environmental consequences.		
Risks associated with the availability of natural resources (water, wood and wood by-products, fuel)	These are the risks connected with the reduced availability of many natural resources, including some that are indispensable for paper production, such as freshwater and wood for the production of cellulose and for energy use, considering that climate change and the increase in global consumption is leading to significant changes in the availability of such resources.	The Group has made significant investments, reducing as much as is technically possible the amount of water required for the production process. As of today, the average water withdrawal of the Group is less than half the sector benchmark and in recent years has had the following trend.		
		ANNUAL SPECIFIC WATER WITHDRAWAL OF THE SOFIDEL GROUP PLANTS		
		2019	2018	2017
		7.3	7.1	7.1
		Withdrawal (m³A paper)		
		In terms of forest resources, the purchase of products with Chain of Custody certification and the decision to give priority to material from countries with low forest risk are the main means of managing this potentially critical area. The risk of unplanned interruptions to energy supply is mitigated by the effect of continuous monitoring of the state of financial health of the energy suppliers and through maintenance and continuous updating of plants in accordance with technical standards in the energy field.		

TYPE OF RISK	RISK DESCRIPTION	RISK MANAGEMENT POLICY
Risks associated with cellulose availability	These are the risks associated with the availability of cellulose, the main material in the production process, in terms of both quantity and quality. In fact, the entire production cycle can be slowed down due to shortages or delays in the delivery of cellulose, or damage due to its low quality.	In accordance with its policy, the Group protects itself in this area: <ul style="list-style-type: none">· through careful selection of suppliers aimed at identifying commercial partners able to guarantee quantity and delivery terms, as well as quality of the fibres (understood both as intrinsic quality of the materials and as a guarantee of eco-sustainable management of forest resources);· by entering into supply contracts, including multi-year contracts, in order to obtain better economic conditions by exploiting greater contractual force. In 2019, all purchases of cellulose came from certified or controlled sources.

MANAGEMENT SYSTEMS

The voluntary adoption of management systems is considered a strategic element by Sofidel for the continuous im-

provement of the organisation’s performance and a resource capable of giving timely responses to the needs of the different stakeholders.

ISO 9001:2015	for the Quality Management Systems
ISO 14001:2015 and EMAS (Community Regulation 1221/2009)	for the Environmental Management Systems
BS OHSAS 18001:2007/ISO 45001:2018	for the workplace Health and Safety Management Systems
BRC Global Standard Consumer Products Personal Care and Household and IFS Household and Personal Care	for the Health-Hygiene Control Systems
FSC®-PEFC™	for the responsible, sustainable management of the forests that the products of wood origin, like pure cellulose, come from
ISO 50001: 2011	for the Energy Management System
Ecolabel, Der Blaue Engel and Swan Label	product certifications
ISO 27001: 2017	Information Security Management System

SUMMARY OF THE CERTIFIED MANAGEMENT SYSTEMS AND PRODUCT CERTIFICATIONS IN GROUP COMPANIES

	Product Safety*		Quality*	Self-controlled health-hygiene system*	Health and safety		Environment							Energy	Information security
	BRC	IFS	ISO 9001		BS OHSAS 18001	ISO 45001	ISO 14001	EMAS	Ecolabel	Der Blaue Engel	Swan Label	FSC®	PEFC™	ISO 50001	ISO 27001
Soffass Cartiera via G. Lazzareschi			•	•	•		•	•	•			•	•	•	
Soffass Converting via G. Lazzareschi		•	•	•	•				•			•	•		
Soffass Monfalcone		•	•	•	•		•				◊	•	•	•	
Soffass Tassignano		•	•	•	•				•			•	•		
Soffass Valdottavo			•	•	•		•					•	•	•	
Soffass Val Fegana			•	•	•		•		•			•		•	
Soffass via Leccio			•	•	•		•		•			•		•	
Soffass via Fossanuova		•	•	•	•				•			•	•		
Sofidel			•	⊘	•							Δ	Δ		•
Sofidel America Circleville												•	•		
Sofidel America Green Bay												•	•		
Sofidel America Haines City												•	•		
Sofidel America Hattiesburg												•	•		
Sofidel America Henderson												•	•		
Sofidel America Tulsa												•	•		
Sofidel Benelux	•		•	•	•		•					•	•	•	
Sofidel France Frouard		•	•	•	•		•		•			•	•	•	
Sofidel France Ingrandes		•	•	•	•				•			•	•		
Sofidel France Roanne		•	•	•	•		•		•			•	•		
Sofidel Germany		•	•	•	•		•				•	•	•	•	
Sofidel Greece			•		•		•					•	•		
Sofidel Hungary			•	•								•	•		
Sofidel Poland		•	•	•	•		•				•	•	•		
Sofidel Romania		•	•	•	•		•		•			•	•	•	
Sofidel Spain		•	•	•	•		•					•			
Sofidel Sweden			•				•		•		•	•	•	•	
Sofidel Turkey**				•								•	•		
Sofidel UK Baglan	•		•	•		•	•					•		•	
Sofidel UK Hamilton, Leicester	•		•	•		•	•					•		•	
Sofidel UK Lancaster			•			•	•					•		•	
Sofidel UK Rothley Lodge, Leicester	•		•	•	•					•		•			
Werra Papier (THP Plant)		•	•	•	•		•			•	•	•		•	
Werra Papier (Omega Plant)		•	•	•	•		•	•		•		•		•	
Werra Papier (Werra Plant)			•	•	•		•	•		•	Δ	•		•	

* Establishments with self-control system: 23
Total plants: 26
Percentage: 88%

◊ Only for reels Δ Only trading ⊘ n.a.
** Plant closed during 2019

THE ENVIRONMENT

GOVERNANCE

Choices and objectives concerning environmental sustainability are the responsibility of the organisation’s main operating body, the Executive Board. This board sets out the main objectives for the next three years, the performance indicators and the priority accorded to the actions required in order to implement these objectives. Each company belonging to the Sofidel Group has its own internal structure dedicated to improving environmental performance, managing legal compliance, and training and raising awareness among all professional figures related to both environmental aspects and day-to-day operations. Overarching the individual companies is the Environment Department of the Sofidel holding company, which coordinates activities to prevent environmental risks and promotes good practices for implementation in both the industrial and product areas, with the aim of involving the main market operators and other stakeholders of the Sofidel Group.

AN INCREASINGLY GLOBAL INTEREST IN THE ENVIRONMENT

2019 will be remembered as a turning point due to the media impact of climate change and the related risks, such as fires and water scarcity: the media attention was fully confirmed by the latest edition of “The Global Risks Report,” published by the World Economic Forum in view of the annual meeting in Davos. This annual publication, now in its 15th edition, has confirmed the trend in recent years towards growth in all environmental risks, now represented by 5 risk factors among the 10 considered most important in terms of severity and likelihood of occurrence (failure to manage climate change, extreme climate events, natural disasters, environmental disasters caused by human action, loss of biodiversity). The reason is clear: climate change is accelerating. The last five years have been the hottest recorded, natural disasters are becoming more intense and frequent, and 2019 was marked by extreme, unprecedented events. The publication includes an estimate of damage related to natural disasters amounting to \$165 billion, 50% of which is not covered by insurance³. Recalling the major events of 2019, it is in fact impossible not to think back to environmental disasters such as the numerous fires that broke out in the Amazon and, above all, in Australia. Their uncontrolled expansion was favoured by the spe-

cific climatic combination of drought and strong wind, linked unequivocally to climate change: these events had a particularly strong impact on public opinion, already very receptive from the end of 2018 onwards, with awareness raised by mass participation events such as Fridays for Future, achieving a degree of media coverage never seen before. Evidence of this fertile ground for environmental issues was also provided by the 2019 European elections, which saw a growth of more than 50% compared to the last elections in the representation of parties which have the environment as the central theme of their programme: the success of these political formations, although still a minority, probably had an influence on the announcement by the European Commission of the next European Green Deal. Against this social background, a production process like paper, characterized by three important environmental aspects, the use of a raw material of forest origin and high energy and water consumption, is very much under the spotlight, the focus of particular interest from all its stakeholders. Despite the important goals already achieved in recent years, Sofidel has multiplied its efforts to further reduce the various aspects of its environmental impact, defining new, even more ambitious and challenging objectives, adopting and following the indications of the UN Sustainable Development Goals (SDGs) and the strategy recently adopted by the European Commission and described in the European Green Deal. Examples of this are the supply of cellulose from supply chains guaranteed by standards such as FSC® or PEFC™, i.e. managed in a responsible manner, the commitments made in previous years to reduce climate-altering emissions, both directly and throughout the supply chain, the investments to reduce its water footprint and the commitment to reduce the consumption of conventional plastics such as packaging for items placed on the market.

THE ENERGY BALANCE

During 2019, there was a marked change in the trend in the cost of energy commodities compared with the previous year. In fact, after months of continuous growth, prices have fallen, pushed down by a mild winter and high stocks of natural gas, the coming back on stream of several French nuclear

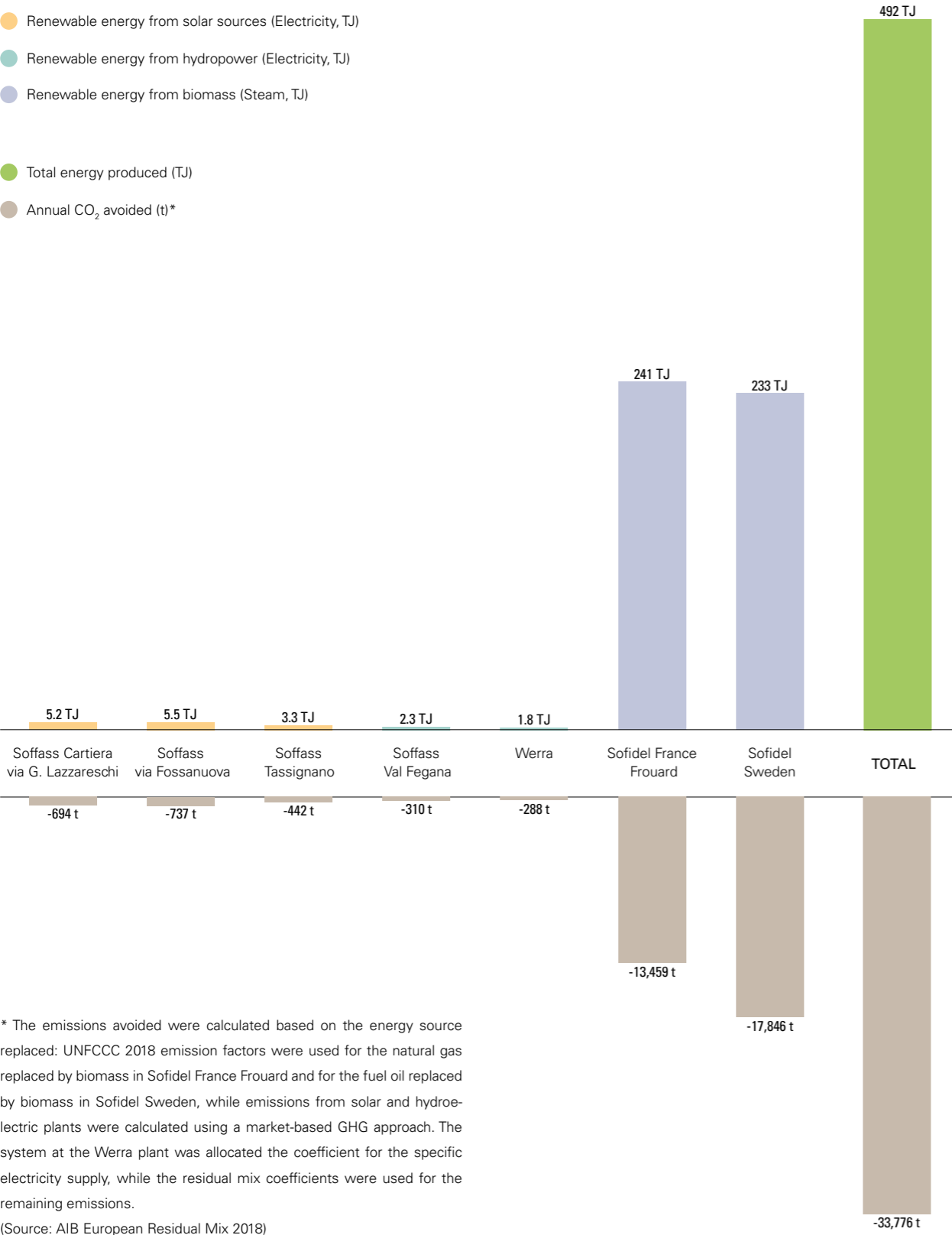
power plants and the continuous growth in production of electricity from renewable sources, in particular photovoltaic and wind power. Increasing imports of shale gas from the United States and Australia and the stabilization of CO₂ prices have also contributed to the fall in prices. Recent years have seen very significant investment in production, which has had a strong impact on the Group’s energy needs. By the end of 2018, two production lines had been started up in succession at the US plant in Circleville (Ohio) as well as another production line at the Bunuel plant in Spain, all using NTT (New Tissue Technology). This technology, developed by Valmet, a world leader in tissue production machinery, is able to combine the high quality of a “structured” product with the energy consumption of a conventional machine. The two lines that went into operation at Circleville were equipped with two gas turbines, capable of meeting almost all the thermo-electric requirements of the new installation with natural gas as the only fuel. The design of this cogeneration plant, fully integrated with the paper drying section, promises significant savings, both economic and in terms of carbon emissions, compared to the more traditional options. This investment fits in perfectly with Sofidel’s strategy to

combat climate change, adding to the more than 100 million euros invested in optimising the management of energy resources from 2008 to 2019. The total energy consumption of the production plants in 2019 was in line with that for 2018, amounting to 12.1 GJ/t paper compared to 11.9 GJ/t paper for the previous year. The modest increase in specific consumption is due to the start-up of new plants, which are not yet fully operational. In addition to the investments in plant modifications to improve efficiency listed above, Sofidel also promotes the spread of an environmental culture and the introduction of Energy Management Systems in Group companies. The certification process for the ISO 50001 standard (Energy Management System), started in 2012 at the German and Swedish plants, continued with recognition of the management system for the Sofidel Benelux, Sofidel UK and Soffass plants, as well as for the Sofidel France Frouard plant. In 2019 the system was introduced at the Sofidel Romania plant. The aim is to achieve ISO 50001 certification at the Group’s main sites in line with the European EED (Energy Efficiency Directive), which requires all energy-intensive companies to carry out energy audits every four years or, alternatively, to have Energy Management Systems certified by third parties.



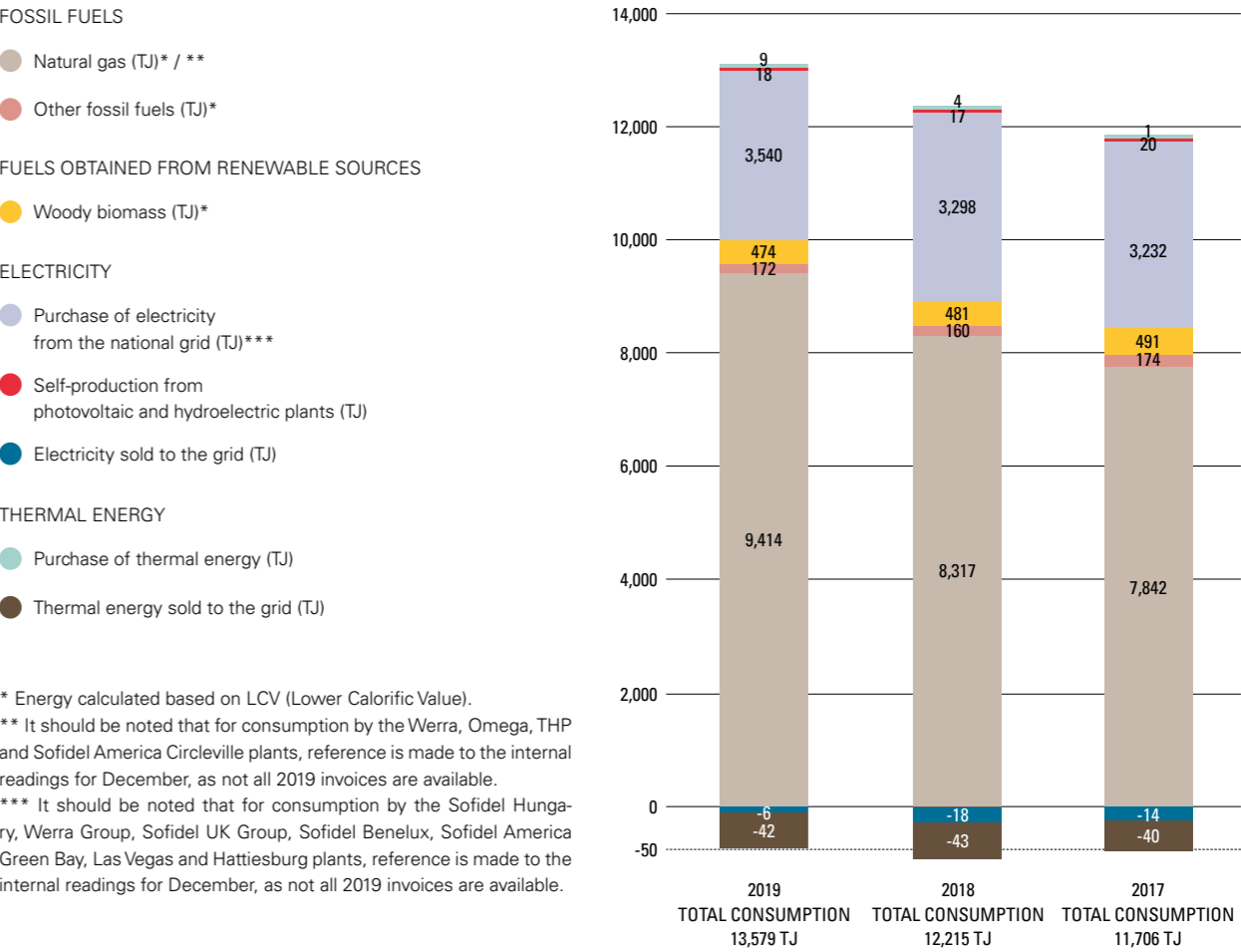
3. “The Global Risks Report 2020” (15th edition).

SELF-PRODUCTION OF ENERGY FROM RENEWABLE SOURCES – 2019



* The emissions avoided were calculated based on the energy source replaced: UNFCCC 2018 emission factors were used for the natural gas replaced by biomass in Sofidel France Frouard and for the fuel oil replaced by biomass in Sofidel Sweden, while emissions from solar and hydroelectric plants were calculated using a market-based GHG approach. The system at the Werra plant was allocated the coefficient for the specific electricity supply, while the residual mix coefficients were used for the remaining emissions.
(Source: AIB European Residual Mix 2018)

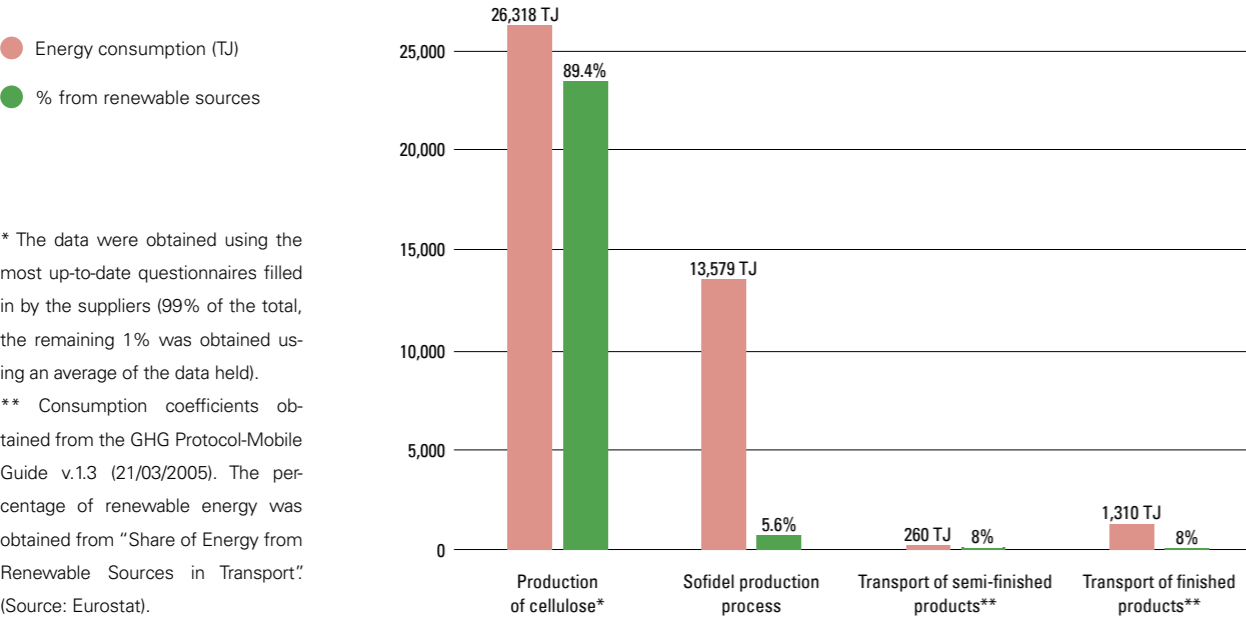
ENERGY BALANCE OF THE SOFIDEL GROUP



Extending the energy analysis to the production chain, it is possible to estimate the contributions of the main stages: cellulose production is the most energy-intensive process,

but mainly uses renewable sources to generate the energy required.

SOFIDEL GROUP ENERGY CONSUMPTION – 2019



SOFIDEL AND CLIMATE CHANGE

This year's climate change conference (COP25) did not set out binding measures on cutting emissions. These decisions will only be taken into consideration during the next event in Glasgow in 2020.

The voluntary national contributions, or "Nationally Determined Contribution" (NDCs), decided in Paris during COP21 have, for some time now, been considered inadequate to keep global warming within the limit established as necessary by the scientific community (+ 1.5 °C in 2100 compared to the pre-industrial era) and would only allow it, according to the most recent projections, to remain below 3 °C⁴. Such an increase would, however, cause irreversible environmental catastrophes: a serious situation which, together with the results of this year's European elections, has prompted the European Commission to launch a more decisive EU environmental policy, the European Green Deal, which will characterise the continent's economic strategy in the next few years. The European Commission's vision is extremely ambitious, especially with regard to measures to combat climate change: the plan provides for a reduction of at least 50% in emissions of climate-altering gases by 2030 compared to 1990 levels, with a net balance of zero emissions

by 2050, to be achieved with a strategy yet to be defined. Against this background, large companies such as Sofidel necessarily feel an ethical and economic responsibility to follow this new course: which is why Sofidel's membership of the international Science Based Target (SBT) programme, an initiative arising from cooperation between the international non-profit organisation CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), is so important. The WWF International initiative, which Sofidel has adhered to since 2008, recognizes the SBT initiative and encourages its partners to join; the two programmes are, therefore, fully compatible and integrated. In November 2019 Sofidel submitted its goals for analysis, following a review in accordance with the indications of the SBT programme, and, at the time of writing this Report, Sofidel's proposal is being analysed by technicians from the World Resources Institute. If approved, these goals would be in line with a forecast global temperature increase of well below 2 °C.

4. "Special Report on Global Warming of 1.5 °C", prepared by the Intergovernmental Panel on Climate Change (IPCC).

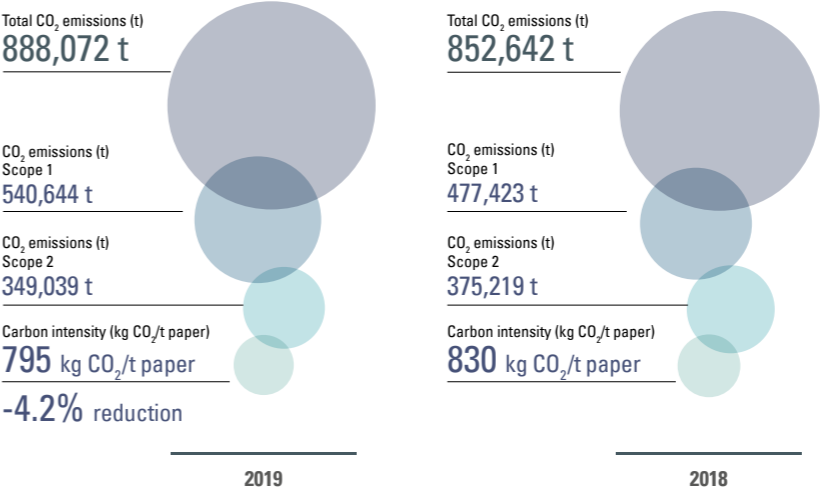
Calculation methods for Scope 2 emissions

According to the accounting rules provided by the GHG Protocol, Scope 2 emissions are those attributable to the purchase of electricity, steam or other energy flows for heating or cooling. These emissions can be calculated for the purchase of electricity from distribution networks using two different approaches.

Location-based: this emission calculation methodology involves the use of average emission coefficients related to specific national power generation energy mixes.

Market-based: this approach involves the use of emission coefficients defined on a contractual basis with the electricity supplier. In the absence of specific contractual instruments, the emission coefficient relating to the residual mix of the electricity supplier is used or, if unavailable, of the State hosting each Sofidel Group plant. Residual mix refers to the energy sources used for electricity production, after the removal of the component connected to energy traceability systems, such as Guarantees of Origin (GO) or other renewable energy certification systems (RECS). The national average emission coefficients used by the location-based approach are usually lower than the coefficients calculated on the basis of residual mixes required by the market-based methodology.

CO₂ EMISSIONS - SCOPE 1 AND 2 / MARKET-BASED



* The Scope 2 emissions were calculated using the market-based GHG approach. The plants of Sofidel UK, except for Sofidel UK Baglan and the plants of Werra Group, Sofidel Germany and Sofidel Spain were attributed emission coefficients corresponding to the specific electricity supply declared by the suppliers. The remaining emissions for 2019 and emissions for 2018 were calculated with the residual mix coefficients (Source: Green-e Residual Mix for plants in the USA, AIB European Residual Mix for the European plants)

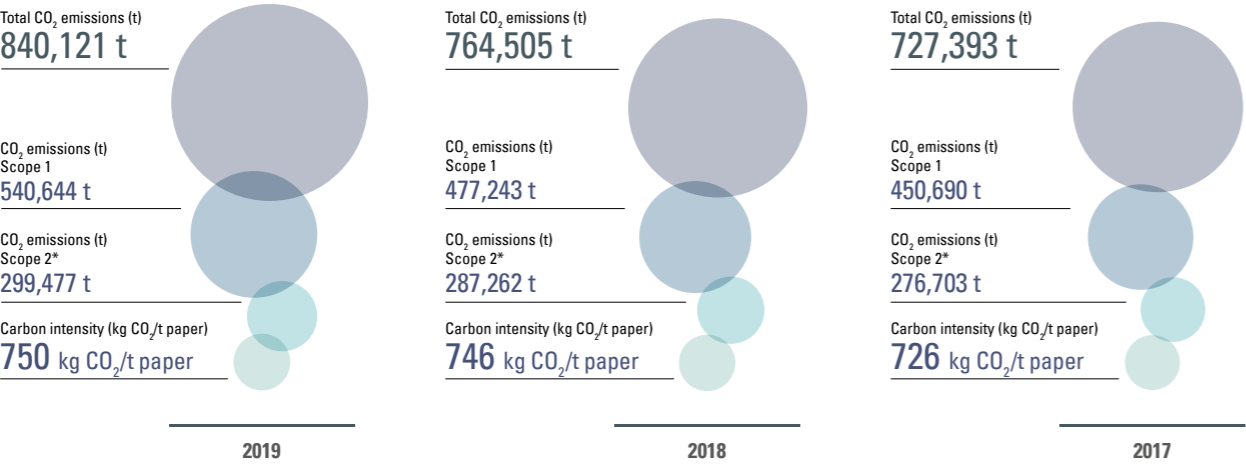
In order to evaluate the improvement actions of the electricity producers, from 2018 onwards a market-based approach has been and will be applied to the calculation of the Scope 2 emissions of the Sofidel Group, as shown in the above image. This new approach has been chosen because it better represents Sofidel's strategy on energy procurement, which in future years will reflect a policy of choosing

electricity suppliers on the basis of energy mix, giving preference to renewable sources or in any case sources with a reduced environmental impact. Compared to the emission data recorded in 2018, Sofidel has succeeded in obtaining a 4.2% reduction in CO₂ emissions per tonne of product: this result was achieved by selecting electricity suppliers based on their environmental impact: an improvement that would

not have been possible with the previous location-based approach, as shown in the graph below, as the latter methodology combines with any electricity supply the averages of

the countries where the plants are located, without keeping track of the actual energy mix purchased by the Group.

CO₂ EMISSIONS - SCOPE 1 AND 2 / LOCATION-BASED



* For all the years shown, the emissions deriving from the purchase of grid electricity and heat were calculated with a location-based approach, using the relevant average national emission coefficients published by IEA 2019 ("Emission Factors") for 2013-2015, 2014-2016 and 2015-2017 respectively.

With regard to indirect CO₂ emissions (Scope 3) i.e. those not under Sofidel's management control (e.g. those relating to the production of raw materials, accessories to production and transport), it was possible to include the most significant downstream components for 2019 in the report. The emissions arising from the distribution of both semi-finished and finished products were thus calculated as a total of 144,500 t CO₂, corresponding to 132 kg CO₂/t paper⁵. In addition, the impact of the use of the packaging (paper and plastic packaging) was assessed, and amounted to 146,547 t CO₂, corresponding to 130 kg CO₂/t paper⁶.

Other emissions into air

In addition to CO₂, other significant emissions from production are nitrogen oxides (NO_x): this group of emissions comes from combustion processes, in the presence of air, that occur in the paper production process, i.e. boilers and sheet drying systems. The calculation of nitrogen oxide is normally based on measurements made at chimneys in accordance with the methods required by current legislation in individual countries. Where such measurements are not required (Sofidel America Haines City, Sofidel America Circleville, Sofidel France

Roanne, Sofidel Germany, Sofidel Greece, Sofidel Poland, Werra), emissions were estimated using the Group average. The specific data in the graph on the following page relates to consumption of the fuel that generates the emission (mainly natural gas).

In addition, 81.5 kg of SO_x were emitted in connection with the use of biomass in boilers at the Sofidel France Frouard plant. Emissions of other greenhouse gases, such as leaks of fluorinated refrigerating gases equivalent to emissions of about 89 tonnes of CO₂, were negligible, being extraneous to the Group's typical business.

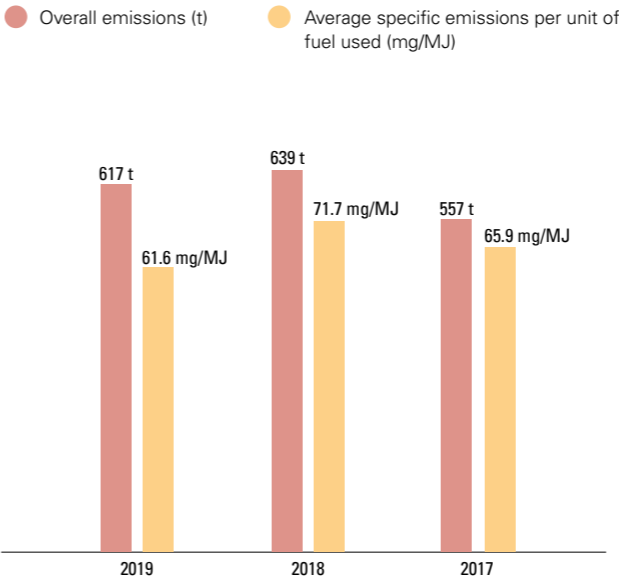
5. The emission coefficients used were obtained from DEFRA ("2008 Guidelines to DEFRA's GHG Conversion Factors: Methodology Paper for Transport Emission Factors"). The configuration adopted for the calculation includes the outward journey with a full load.
6. The emission coefficients used come from the Ecoinvent 3.4 database.
7. Equivalent emissions calculated using the GWP (Global Warming Potential) coefficients described in European Regulation No 517/2014.

CDP

CDP is an international non-profit organisation present in 50 countries. It provides companies, cities, states and regions with a global system for measuring, disseminating, managing and sharing information about environmental impact, ensuring that financial investors have data that they can use in their decisions. In 2019, CDP had over 525 investors with assets in excess of \$96 trillion. The 2019 research assessed over 8,400 companies worldwide.

Sofidel obtained a B score in the Climate Change category and a B score in the Timber Forests category: Sofidel therefore ranks above the European industry average (C in the Climate Change category and B- in the Forests category) and in line with its own sector, Paper Products and Packaging (B in both categories). In addition, Sofidel was rewarded with inclusion in the Supplier Engagement Leader Board set up by CDP (obtaining an A score in the category). Sofidel ranks among the 3% of companies that have been awarded a leadership position in recognition of their actions.

TOTAL AND SPECIFIC NITROGEN OXIDE (NO_x) EMISSIONS OF SOFIDEL GROUP PLANTS



SOFIDEL AND WATER RESOURCE MANAGEMENT

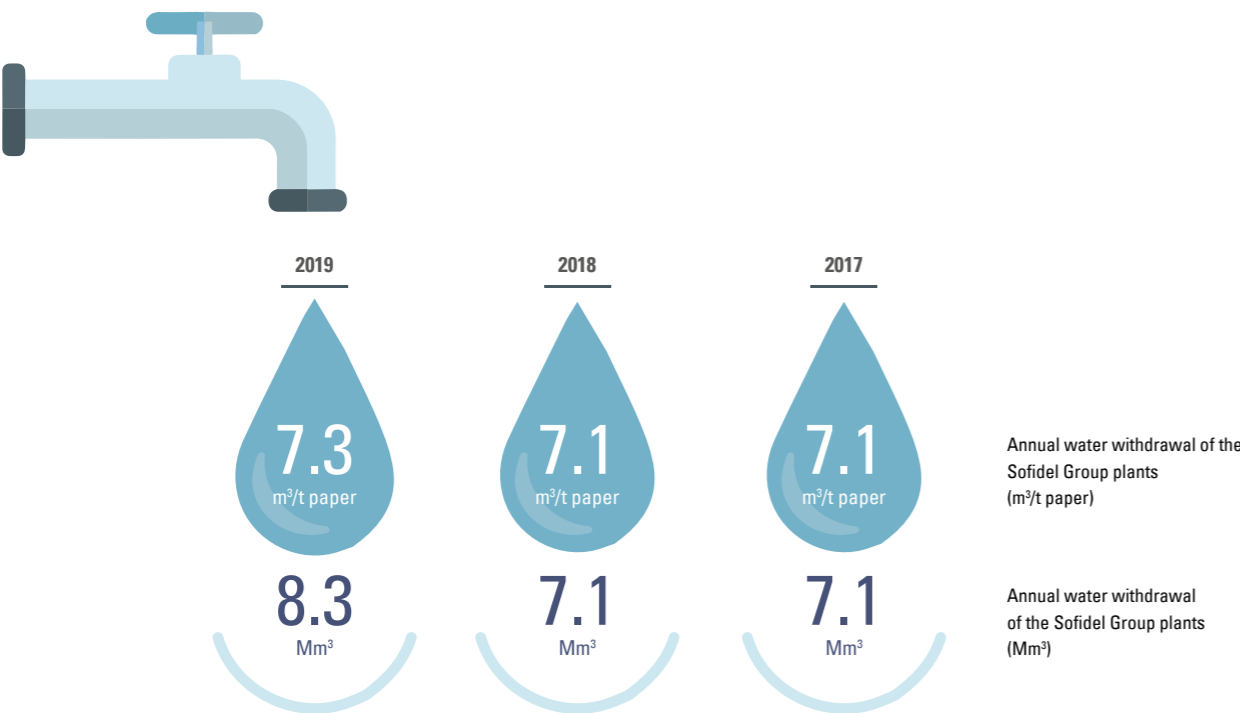
Access to quality water resources is essential. Essential for the population, for nature and for economic activity: the availability, as well as the quality, of water is changing throughout the planet due to both increasingly frequent extreme weather events and inadequate planning of land development, factors that highlight the vulnerabilities present in current water management systems.

The best example in 2019 was the crisis in Chennai, an Indian metropolis with over 4 million inhabitants, which, after three years without the monsoon rains, surrendered in the face of the drought and on 19 June 2019 declared its water reserves exhausted. Even in Europe, countries such as Spain, Greece, Belgium and Italy are experiencing significant water stress every year, although thankfully on a smaller scale. Without major investments in the maintenance of water infrastructure and the efficiency of industrial use, this may have negative consequences in the short and long term.

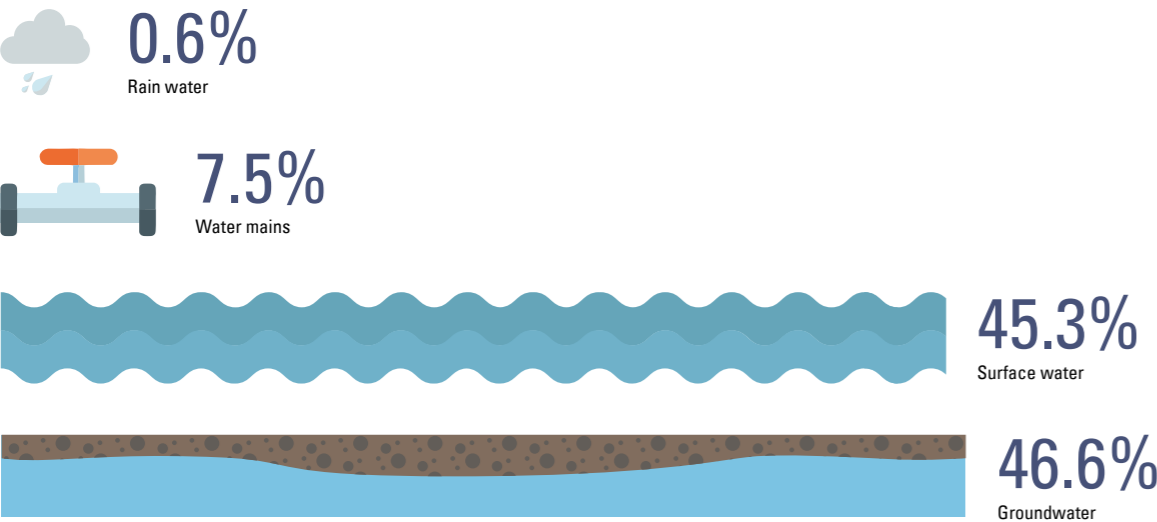
In this context, in order to safeguard the environment but also to protect production continuity, the pursuit of objectives to reduce water consumption through both management measures and investments plays a fundamental role: in the event of future rationing due to particularly persistent periods of drought, especially in countries with a current high level of water stress, only efficient plants will in fact be able to continue production if a solution to ensure continuity is not found. The objective of reducing water consumption is pursued through both management measures and specific investments, by implementing policies to rationalize water consumption and reuse wastewater.

Among the latest investments made by the Sofidel Group, it is worth noting the creation of systems such as the one used at Sofidel UK Baglan for rainwater collection and reuse or Water ReUse at Soffass Paper Mill via Giuseppe Lazzareschi for the reuse of wastewater: investments that have enabled the Group to achieve all its targets relating to water consumption, which is much lower than the industry benchmark.

WATER WITHDRAWAL OF THE SOFIDEL GROUP



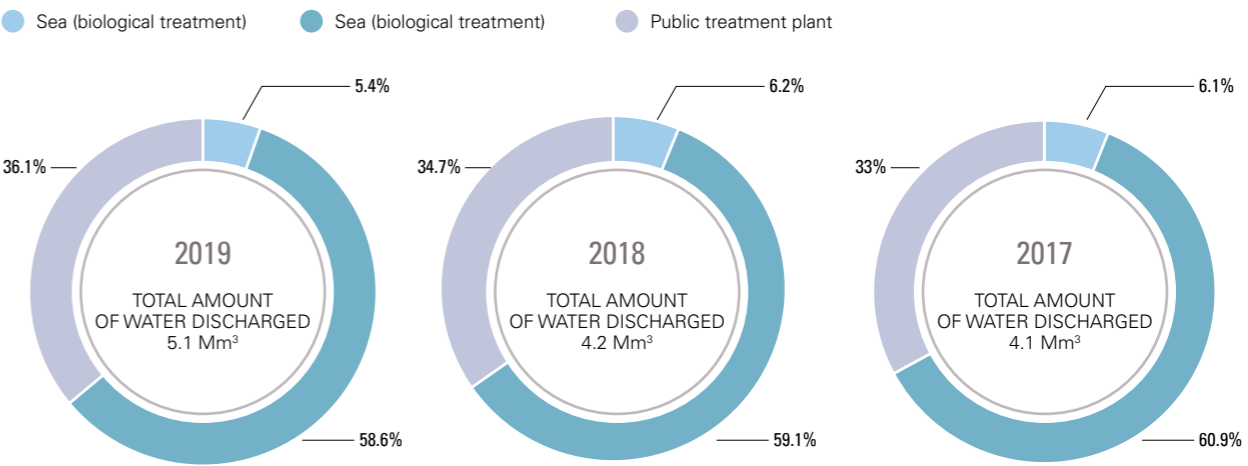
WATER SUPPLY SOURCES – 2019



The 2019 data are close to the excellent performance of previous years, especially considering the increase in production capacity in the last two years and the need for more frequent replacement of process water linked to greater production

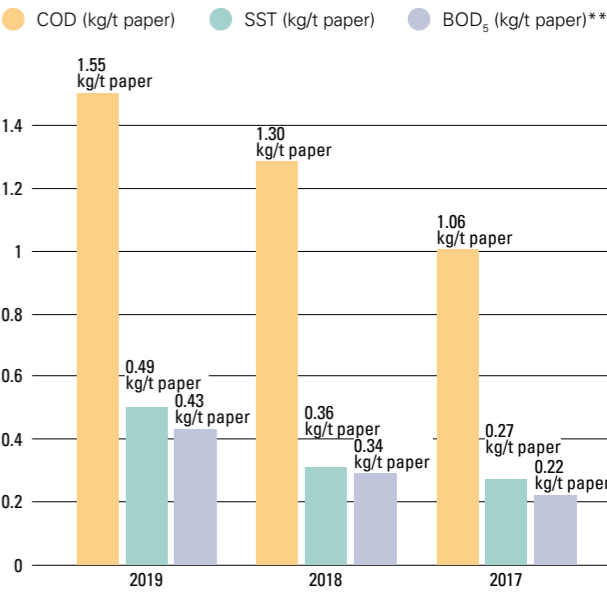
variability caused by the plants brought into operation in recent years. The percentage of water recycled in Sofidel paper mills can be estimated as above 96.4%⁸.

TOTAL AMOUNT OF WATER DISCHARGED, DESTINATION AND TREATMENT OF WASTE WATER



In 2019, the total amount of water discharged and specific emissions also increased, in proportion to the increase in water consumption and, in any case, again as a result of greater production variability. This phenomenon was found mainly at German plants specialising in the production of recycled paper (Werra and Omega) with a temporary drop in the quality of water discharges, due in part to a deterioration in the raw materials recovered (waste paper). Some investments have already been made to increase the quality of the effluent. With the exception of these special cases, the specific emissions, calculated on the basis of the results of the chemical analyses made, confirm that, generally, the qualitative trend in emissions into water reflects levels of excellence due both to the exclusive use of biological treatment plants and the predominant use of virgin cellulose as raw material.

SPECIFIC EMISSIONS OF POLLUTANTS INTO WATER*



8. The recycling rate has been calculating using the method given in the publication “Methods for measuring water recycling in paper mills” (Asso-carta – Confindustria – Aticelca, February 2018).

* Data do not include the Sofidel America Haines City plant (data not received at the time of writing this Integrated Report).
** Data do not include the Sofidel America Haines City plant (data not received at the time of writing this Integrated Report) and Soffass via Giuseppe Lazzareschi (analysis not carried out in 2019).

SOFIDEL AND FORESTRY CERTIFICATIONS

Ecolabels are an established presence on the Sofidel Group’s products in the European market, especially those certifying that they meet the criteria of good forest management (FSC®, PEFC™). Sofidel has also increased the presence of products with forestry Chain of Custody certification in the United States, marking itself out in terms of the sustainability and innovation of its commercial range.

In 2019, all raw materials of forest origin purchased by Sofidel were certified in accordance with the forestry Chain of Custody schemes or with good forest management certifications. More than 69% of the cellulose purchased has FSC® certification, a significant increase compared to 2018. This scheme is, therefore, the one most highly represented among Sofidel’s supplies (for further details, see “Protection of forest resources” on page 89).

SOFIDEL AND ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATIONS

The reliability of this organisation is confirmed by the various Environmental Management System certifications obtained under ISO 14001:2015, a guarantee of proper management aimed at continuous improvement. In 2015, the revised version of the ISO 14001 standard was issued. Implemented by all certified plants, this contains important amendments, requiring an assessment of company risk for all aspects related to the environment (reputational risks, continuity of supply, relations with local communities, the market, etc.) and also giving greater weight to the relationship with external stakeholders.

In 2018 the Soffass Val Fegana (Italy) plant also achieved ISO 14001 certification; all European paper mills and integrated plants are therefore certified. In 2019, maintenance of the existing organisation involved management costs of almost € 1,300,000; more than € 800,000 was spent on consultancy and environmental and energy certification. More than 1,800 hours of specific training were provided, almost all of which was aimed at the correct application of the procedures forming part of the Environmental Management Systems.

PROTECTION OF FOREST RESOURCES

Sofidel carefully evaluates its supplies of fibrous raw material and monitors its suppliers through an analytical questionnaire relating to both the performance of the pulp mills and the origin of the wood used for the extraction of cellulose.

On this point, Sofidel has adopted a specific policy for protecting forest resources, as the Group’s main raw material for procurement, which is set out below.

Fibrous raw material procurement policy

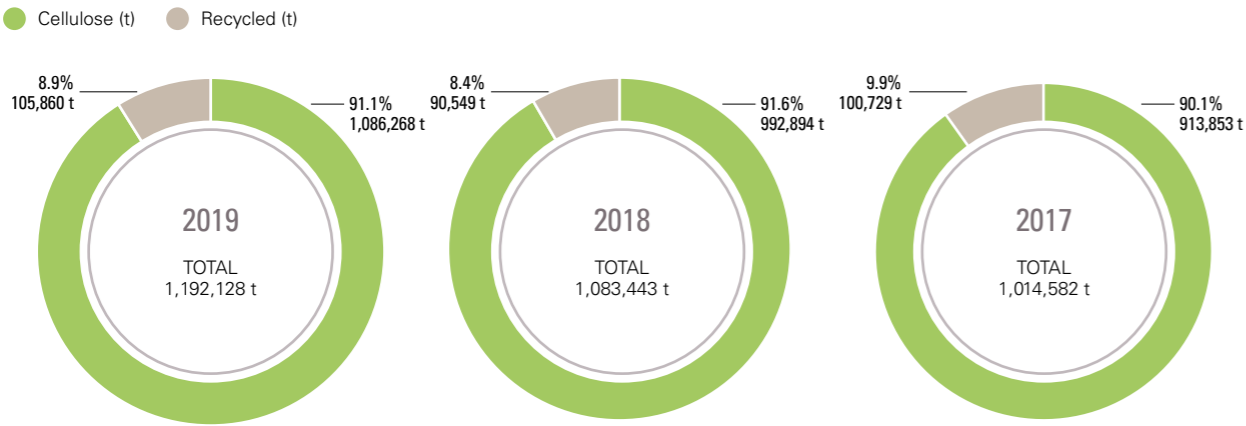
- The Sofidel Group condemns the practice of illegal felling, the conversion of natural forests into plantations and takes measures to ensure that its suppliers can prove the source of the timber used to produce pulp.
- Sofidel is committed to checking, as far as possible, for the existence of social conflicts in the locations from which the wood originates, avoiding purchases from areas subject to conflict, from protected zones or from genetically modified organisms.
- Sofidel believes in the use of sustainable forest management systems, certified in accordance with recognised, credible schemes and based on verification by independent third parties.
- Sofidel encourages its suppliers to certify the source of their forestry resources and gives precedence to suppliers who can produce certificates of good forestry management.



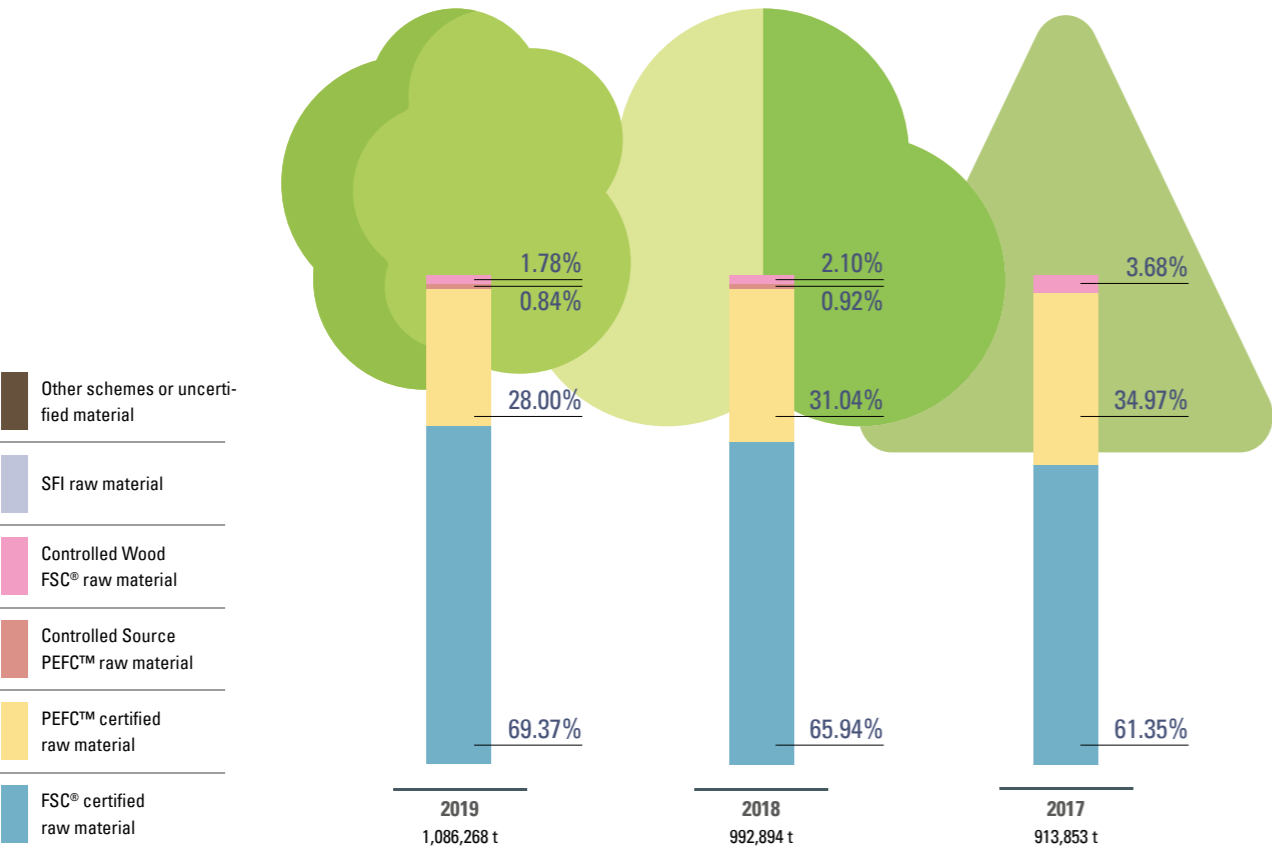
The predominant use of raw material composed of virgin wood fibre and knowledge of the role that the forests play in protecting the global environment and maintaining and enriching biodiversity have driven the Sofidel Group to adopt a precise policy for the purchasing of fibrous raw materials. In 2019 Sofidel purchased **1,086,268** ADMT (Air Dry Metric Tonnes) of virgin fibre and confirmed the seriousness of its commitment to a responsible supply of raw materials, purchases of which were **100% certified by independent third parties with forestry certification schemes**.

There is also a strong orientation to excluding areas which are controversial in terms of legality or sustainability, such as South East Asia: the predominance of material of European origin (**46.5%**) confirms this. Sofidel participated again this year in the CDP Forests Report: “Deforestation-free supply chains: from commitments to action.” The company **scored B** on a scale of A to F, a result that again this year places it above the European industry average and in line with its sector.

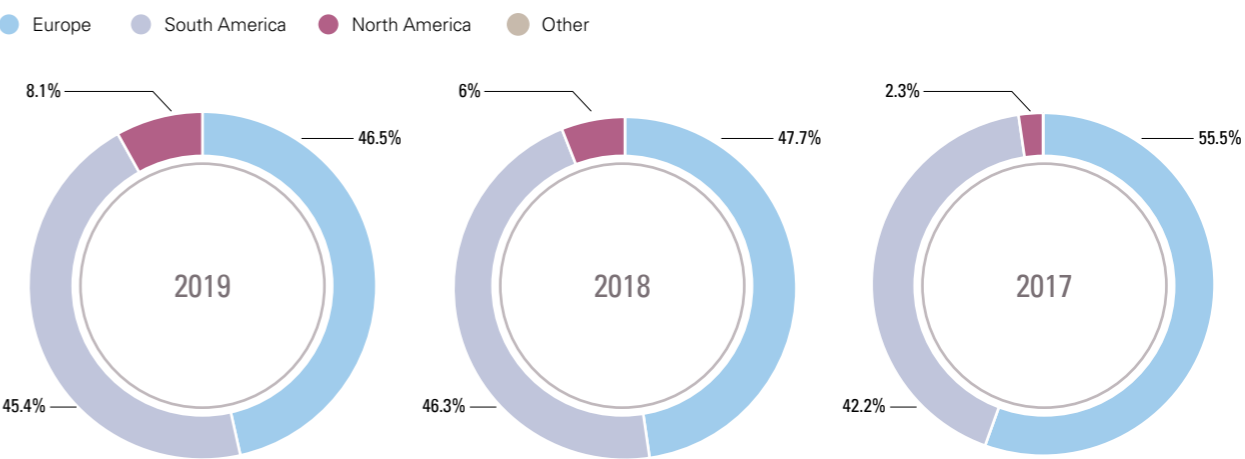
BREAKDOWN OF THE VIRGIN FIBROUS AND RECYCLED RAW MATERIAL PURCHASED



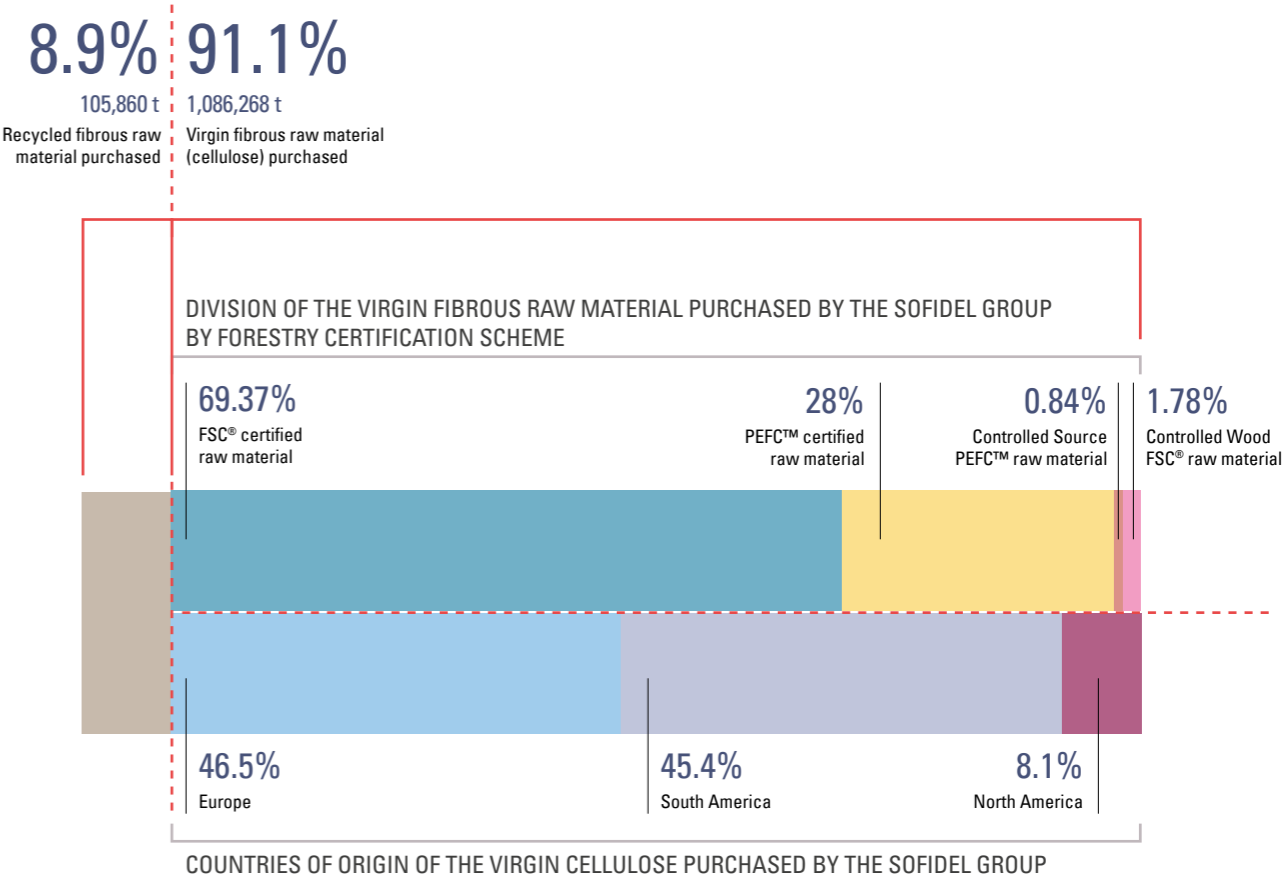
DIVISION OF THE VIRGIN FIBROUS RAW MATERIAL PURCHASED BY THE SOFIDEL GROUP BY FORESTRY CERTIFICATION SCHEME



COUNTRIES OF ORIGIN OF THE VIRGIN CELLULOSE PURCHASED



2019 SUMMARY



RESPONSIBLE CONSUMPTION AND PRODUCTION

In early 2018, the European Commission published a communication entitled “A European Strategy for Plastics in a Circular Economy.” The document describes the actions that the Commission would subsequently adopt in the text of the proposed directive on reducing the impact of certain plastics within the European Union. In response to these events and the consequent media impact, Sofidel immediately activated a programme to reduce consumption of its plastic packaging through optimisation measures and by choosing packaging materials with thinner film. This activity, in progress for many years, has been accompanied by a plan to replace plastic with alternative materials. In the third and fourth quarters of 2018, paper-packed tissue products were finalised, which were well received by many customers and put forward even more successfully in 2019.

Sofidel has anticipated these programmes, analysing packaging consumption for many years and launching and completing many projects to reduce the use of plastic materials: most of the items produced now have packaging with optimised thickness and innovative product lines with packaging in renewable materials (such as kraft paper or plastics produced from raw materials of vegetable origin) have been put on the market to replace plastic materials derived from oil. In recent years, thanks to this strategy, consumption of packaging has shown a distinctly positive trend, confirmed once again in 2019, with a 17% reduction in conventional plastic packaging⁹.

9. Non-recycled or non-compostable packaging of fossil origin is considered to be conventional plastic packaging.

50% of plastic off the shelf by 2030

Over the past fifty years, the role and importance of plastic in our economy has grown steadily. World production of plastic has increased twentyfold since the 1960s, reaching 322 million tonnes in 2015, while annual consumption of plastic in the European Union is around 49 million tonnes. In Europe, the potential for recycling plastic waste remains largely untapped. Reuse and recycling of plastic at the end of its life remains very low, particularly compared to other materials such as paper, glass or metals.

Every year about 25.8 million tonnes of plastic waste are generated in Europe. Less than 30% is collected for recycling. A significant proportion of the latter leaves the EU for processing in third countries, where different environmental standards may be applied.

At the same time, landfill and incineration rates for plastic waste remain high, at 31% and 39% respectively. Over the last ten years, the amount sent to landfill has decreased and incineration has increased.

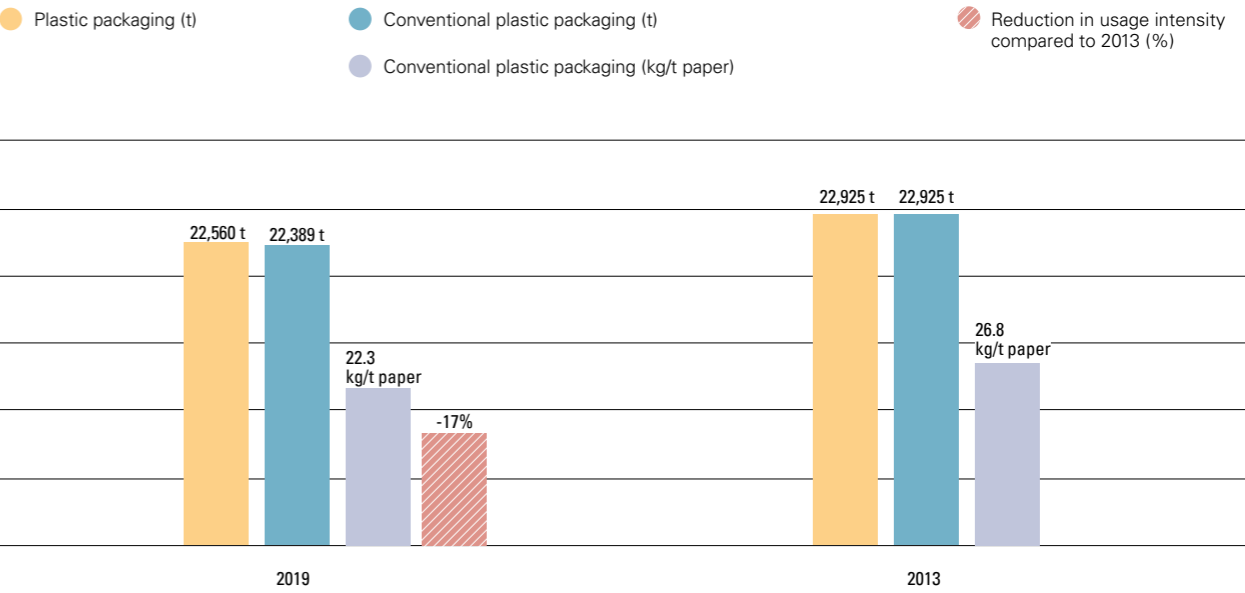
Large quantities of plastic waste contaminate both land and marine environments, causing significant economic and environmental damage. Globally, 5 to 13 million tonnes of plastic end up in the oceans every year. Plastics are estimated to account for over 80% of marine litter.

In the European Union, 150,000 to 500,000 tonnes of plastic waste enter the oceans every year.

This represents a small percentage of global marine litter. However, plastic waste from European sources ends up in particularly vulnerable marine areas, such as the Mediterranean Sea and the Arctic Ocean. For these reasons Sofidel has decided to start reducing its consumption of conventional plastics as packaging for items it places on the market. Since 2013, the share of plastic in the total weight of Sofidel paper products has decreased by almost 17%, with a further reduction to 50% planned to take place by the end of 2030.

In addition to the progressive use of recycled plastics and bioplastics, Sofidel has introduced paper as an alternative packaging material for many of its brands, as it is more widely recycled, comes from a renewable resource and, if accidentally dispersed in the environment, biodegrades in two or three months.

CONSUMPTION OF PACKAGING* – 2019 AND 2013



* Data extracted using ERP software.

Finally, to give a complete picture of the flows of raw materials used, the other categories are shown in the table below.

OTHER RAW MATERIALS*	t
Paper and cardboard packaging	79,702
Reels of tissue paper acquired outside the Group	26,663
Chemical additives	37,306
Oils and lubricants	352

* Data extracted using ERP software.

In 2019, therefore, the contribution of recycled raw materials was 185,562 tonnes, i.e. 13.7% of the total¹⁰; the sum of raw materials obtained from renewable sources was 1,298,433 tonnes, corresponding to 95.6% of the total.

WASTE MANAGEMENT

Waste management in every Sofidel Group plant follows detailed procedures to increase the separation of materials into homogeneous categories and facilitate their delivery to recycling centres.

Waste generated by papermaking mainly consists of sludge deriving from production waste generated by activities that use pulp as a raw material. This type of waste is normally recycled for use in brick manufacture or the environmental reclamation of areas used for mining.

Hazardous waste instead derives from ordinary maintenance work on the industrial plant, including fluorescent tubes, used oil, spent batteries and accumulators, etc.

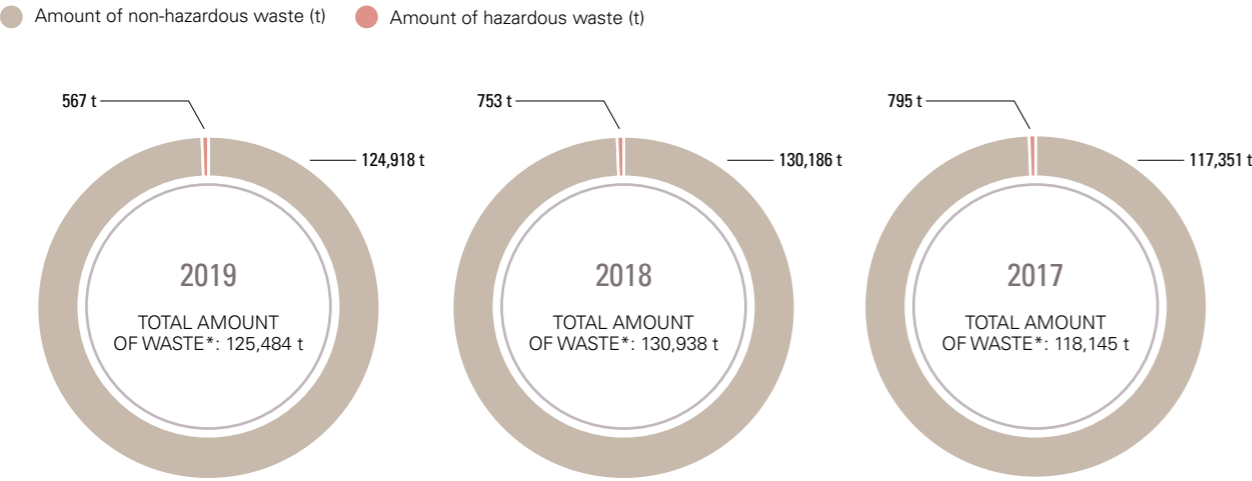
The operators that carry out waste transport and intermediation are also subject to frequent checks to verify their work both inside and outside the plants.

Sofidel did not carry out any cross-border shipping of hazardous waste.

The costs associated with the treatment of waste amounted to about € 5.7 m in 2019. In 2019, there were no significant spills.

10. The total is calculated based on consumption of the materials listed plus the total of the recycled (virgin purchased) fibre.

WASTE PRODUCED BY THE SOFIDEL GROUP



AMOUNT OF NON HAZARDOUS WASTE** (T)

Amount of non-hazardous waste sent for recycling (t)*/**

2019: 92,099
2018: 89,346
2017: 77,820

Amount of non-hazardous waste sent for disposal (t)*/**

2019: 27,951
2018: 25,599
2017: 28,481

AMOUNT OF HAZARDOUS WASTE (T)**

Amount of hazardous waste sent for recycling (t)*/**

2019: 355
2018: 461
2017: 491

Amount of hazardous waste sent for disposal (t)*/**

2019: 206
2018: 292
2017: 304

* The total does not include the Sofidel Germany and Sofidel America Las Vegas plants.
** The statistics on the final destination of waste refer to the treatments described in Annexes I and II of Directive 2008/98/EC. Data do not include Sofidel America and Sofidel Germany.

In addition to the waste produced directly as a result of activities traceable to Sofidel, adopting a life-cycle approach, we can also confirm that the reduction in packaging use, described in the “Protection of forest resources” section (see page 89), has certainly had a further beneficial impact in terms of a lower proportion of waste generated by the final consumer.

ECOLOGICAL PRODUCTS

In 2016, the year of its 50th anniversary, Sofidel made an important commitment in the area of its own brand products: to ensure that all the Group’s branded products show the FSC® mark, a guarantee of sustainable forestry management from both an environmental and a social point of view. This commitment is supported by the raw materials procurement policy, which for years has directed purchases towards certi-

fied cellulose. The partnership with FSC® was also strengthened with the entrance of the Sofidel Group into the Economic Chamber of FSC® International and FSC® Italia. Also in 2019, fulfilling the commitment made, Sofidel has constantly increased production of products with an ecological quality mark (FSC®, PEFC™, Ecolabel, Swan Label, Blue Angel), due both to the demand from customers, who are proving to be increasingly sensitive to environmental issues, and due to the media pressure that Sofidel exerts daily through its communication and dissemination tools. In 2019, the Group produced articles with at least one ecological trademark totalling about 650,000 tonnes, representing more than 65% of the production of finished products. This growth confirmed the company’s commitment to the choice of raw materials which not only have a certified forestry origin but are able to guarantee production processes with lower environmental impact, with an emphasis on im-

proving the life cycle. The issue of the circular economy is considered an important driver in EU product policies, but also in the selection criteria of distribution companies and consumers. Sofidel has decided to invest in its products both to reduce the amount of packaging and to introduce mate-

rials with greater recyclability and renewability. During 2019, many products were launched with paper packaging instead of traditional plastics, without a cardboard core or with compostable packaging.

WWF Environmental Paper Company Index (EPCI)

The EPCI report is a biennial tool put forward by the environmental organisation for companies in the pulp and paper industry to assess their environmental commitment and transparency. The Index is based on voluntary data disclosure on specific indicators that WWF considers important for tracking a company’s ecological footprint over time. The results are available in English at <http://epci.panda.org/>.

Sofidel also participated in the initiative in 2019 and received an overall rating of 77.2%, better than both the global tissue industry average (67%) and the Group’s rating in the last survey in 2017 (76.6%). In particular, Sofidel has progressed in two of the three sub-categories monitored - Responsible Fibre Sourcing and Reporting & EMS (Environmental Management System) - demonstrating that the sustainability policies implemented continue to move in the right direction, bringing results and international recognition.

- On a scale of 0 to 100 Sofidel scored:
- 75% (compared to 72% in 2017) in the Responsible Fibre Sourcing category, relating to the responsible procurement of cellulose;
 - 80% in the Reporting & EMS section, relating to social and environmental reporting (79% in 2017);
 - 77% in the Clean Manufacturing category, which considers reductions in the environmental impact of production processes (79% in 2017). The latter result is slightly down on the previous survey, mainly due to the lower environmental efficiency of the plants following the start-up of new production capacity in Spain, Poland and the United States.
- Sofidel has participated in all four editions of the biennial report - launched by WWF in 2013 to promote transparency and continuous improvement in the paper industry - achieving overall progress of 12.4 percentage points in terms of score. Since 2015, the Group has provided data for the report covering 100% of its production. In 2019, out of 84 companies invited worldwide, only 30 took part in the report.

THE FIGURES ON ENVIRONMENTAL MANAGEMENT AT SOFIDEL GROUP PLANTS

Integrated plant

Converting plant

Paper mill

	Water consumption (m³)	Consumption of fossil fuel (TJ)	Energy from biomass (TJ)	Consumption of electricity (TJ)	purchased from national grid (TJ)	self-produced by cogeneration (TJ)	self-produced from renewable sources (TJ)	Electricity sold to the grid (TJ)	Heat purchased from third parties (TJ)	Heat sold to third parties (TJ)	COD emissions (t)	BOD ₅ emissions (t)	Emissions of suspended solids (t)	Emissions of nitrogen (t)	Phosphorus emissions (t)	NO _x emissions (t)	SO _x emissions (t)	CO ₂ emissions - Scope 1 (t)	Total waste disposed of (t)
Soffass via G. Lazzareschi (IT)	436,779	1,096.5	-	362.8	137.7	220.0	5.2	0.0	0.0	0.0	50.6	n.a.	6.4	3.0	2.9	111.1	-	64,218	1,675
Soffass Tassignano (IT)	5,339	0.0	-	24.8	21.6	0.0	3.3	0.2	0.0	0.0	-	-	-	-	-	-	-	0	592
Soffass via Leccio (IT)	218,164	598.0	-	179.4	62.5	117.0	0.0	0.0	0.0	0.0	28.0	9.8	3.9	1.0	0.0	9.6	-	33,566	522
Soffass via Fossanuova (IT)	14,239	1.0	-	29.9	25.4	0.0	5.5	1.0	0.0	0.0	-	-	-	-	-	-	-	58	1,727
Soffass Valdottavo (IT)	213,023	321.3	-	110.4	33.2	78.3	0.0	1.1	0.0	0.0	15.0	1.9	1.3	1.1	0.1	18.2	-	17,802	296
Soffass Monfalcone (IT)	190,146	361.5	-	103.9	14.1	90.4	0.0	0.6	0.0	0.0	5.7	1.8	2.3	0.0	0.0	38.1	-	20,081	470
Soffass Val Fegana (IT)	116,518	192.5	-	48.0	6.3	39.5	2.3	0.1	0.0	0.0	10.8	0.8	1.0	5.9	0.1	10.9	-	10,788	236
Sofidel France Frouard (FR)	497,374	535.9	240.8	428.7	428.7	0.0	0.0	0.0	0.0	0.0	35.7	2.6	2.8	1.0	0.2	61.3	0.1	30,207	1,778
Sofidel France Roanne (FR)	221,979	190.5	-	110.4	110.4	0.0	0.0	0.0	0.0	0.0	96.8	26.7	42.6	0.9	0.1	10.1	-	10,860	465
Sofidel France Ingrandes (FR)	1,864	4.5	-	13.5	13.5	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	252	548
Sofidel Hungary (HUN)	1,530	0.7	-	8.2	8.2	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	45	1,024
Sofidel Poland (PL)	581,108	744.1	-	313.5	194.5	122.0	0.0	3.0	8.5	42.3	181.5	65.3	28.5	5.3	0.9	67.3	-	41,303	2,022
Sofidel Spain (ES)	788,090	378.6	-	241.2	241.2	0.0	0.0	0.0	0.0	0.0	160.8	62.2	13.8	7.1	0.3	20.2	-	21,168	2,822
Sofidel Germany (DE)	293,868	380.8	-	229.8	229.8	0.0	0.0	0.0	0.0	0.0	28.2	2.2	3.6	0.1	0.1	20.2	-	20,372	n.a.
Werra (DE)	246,769	137.1	-	78.0	76.2	0.0	1.8	0.0	0.0	0.0	640.0	195.8	353.4	3.9	6.9	7.2	-	7,690	24,796
Omega (DE)	662,788	231.5	-	179.5	179.5	0.0	0.0	0.0	0.0	0.0						3.6	-	12,950	48,640
THP (DE)	247,231	204.2	-	128.9	128.9	0.0	0.0	0.0	0.0	0.0						6.6	-	11,233	304
Sofidel Greece (EL)	151,040	176.4	-	74.7	74.7	0.0	0.0	0.0	0.0	0.0	48.1	13.7	9.8	1.4	0.1	9.4	-	9,576	138
Sofidel Benelux (BE)	786,795	553.1	-	265.7	265.7	0.0	0.0	0.0	0.0	0.0	37.9	1.6	4.7	4.9	0.3	35.3	-	31,083	1,433
Sofidel Romania (RO)	295,397	243.4	-	139.9	139.9	0.0	0.0	0.0	0.0	0.0	22.1	3.0	3.6	3.0	0.3	14.3	-	13,537	19,862
Sofidel Sweden (SE)	456,331	137.7	233.3	228.2	228.2	0.0	0.0	0.0	0.0	0.0	57.9	16.0	7.6	1.1	0.1	31.6	n.a.	9,691	1,369
Sofidel UK Baglan (UK)	320,124	381.5	-	206.2	206.2	0.0	0.0	0.0	0.0	0.0	20.3	0.9	3.5	1.2	0.3	12.8	-	21,739	1,800
Sofidel UK Hamilton (UK)	430,778	476.8	-	223.3	223.3	0.0	0.0	0.0	0.0	0.0	139.9	26.2	28.0	0.1	0.0	15.8	-	27,061	1,253
Sofidel UK Rothley Lodge (UK)	0	2.6	-	30.2	30.2	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	165	562
Sofidel UK Lancaster (UK)	166,813	239.4	-	85.7	85.7	0.0	0.0	0.0	0.0	0.0	15.7	3.7	1.5	0.0	0.1	8.0	-	13,638	211
Sofidel America Haines City (US)	316,785	749.1	-	230.1	91.7	138.5	0.0	0.0	0.0	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	39.9	-	41,871	3,647
Sofidel America Circleville (US)	591,283	1,242.6	-	414.6	178.3	236.3	0.0	0.0	0.0	0.0	61.8	1.9	2.6	0.4	0.9	65.9	-	69,510	2,809
Sofidel America Las Vegas (US)	n.a.	0.0	-	14.9	14.9	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	0	n.a.
Sofidel America Hattiesburg (US)	n.a.	0.4	-	23.0	23.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	25	506
Sofidel America Tulsa/Inola (US)	n.a.	1.5	-	39.9	39.9	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	96	3,795
Sofidel America Green Bay (US)	n.a.	1.1	-	26.5	26.5	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	69	183

SUPPLIERS AND THE SUPPLY CHAIN

The Sofidel Group’s strategic goal is to have a supply chain with no reputational risk.

This goal has been broken down into two lines of action:

- the adoption of a sustainable procurement model;
- assessment of supplier sustainability strategies and performance.

Sofidel has structured its sustainable purchasing model in line with the ISO 20400 Sustainable Procurement guidelines.

In 2019, the Sofidel Group obtained renewed certification from SGS Italia confirming that its sustainable purchasing model complies with the reference standard.

Sofidel has identified 13 product categories with reputational risk that define the portfolio of critical suppliers and critical expenditure (expenditure associated with product categories with reputational risk).

The product categories with reputational risk can be classified according to the Kraljic matrix, shown below.

KRALJIC MATRIX: DISTRIBUTION OF RISK CATEGORIES

		MARKET COMPLEXITY	
		LOW	HIGH
IMPORTANCE FOR THE PRODUCTION PROCESS	HIGH	<div>LEVERAGE</div> <div>ADHESIVES</div> <div>LABELS</div> <div>INKS</div> <div>VIRGIN POLYETHYLENE</div> <div>TRANSPORT</div>	<div>STRATEGIC</div> <div>CELLULOSE</div> <div>ELECTRICITY</div> <div>NATURAL GAS</div> <div>CHEMICALS</div> <div>FRAGRANCES</div>
	LOW	<div>NON-CRITICAL</div> <div>MARKETING & GADGETS</div> <div>PRINTING</div>	<div>BOTTLENECK</div> <div>WASTE DISPOSAL</div>

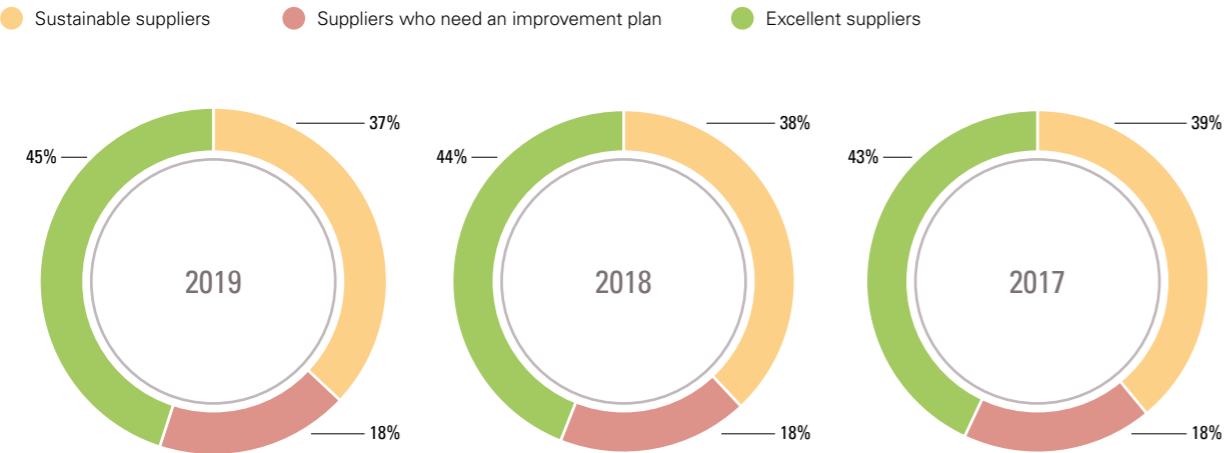
The tool chosen for supplier sustainability assessment is the TenP platform. Developed by the Global Compact Network Italy Foundation, TenP provides a prequalification system for assessing individual suppliers in terms of working conditions, respect for human rights, environmental protection and the fight against corruption.

The Sofidel Group has developed a rating system which puts each supplier into a different category (green, yellow and red) based on the score obtained during the prequalification assessment.

The summary index adopted measures effectiveness in pursuing the objective and the percentage of the Group’s total expenditure attributable to suppliers evaluated through the TenP platform (coverage ratio): this ratio is broken down in terms of merit categories and may refer to a subset of expenditure on specific product categories.

In 2019 the improvement taking place within the Group’s set of suppliers was confirmed, with a rise in the percentage of suppliers assessed as excellent in terms of sustainability (green category).

SOFIDEL GROUP SUPPLIERS



The detailed analysis of the suppliers’ portfolio, shown opposite, shows that:

- Suppliers who need an improvement plan (red category) are on average in the upper end of the range;
- the Environment and Human Rights areas are critical for suppliers who need an improvement plan (red category) and sustainable suppliers (yellow category): performance in these areas is significantly lower than the average performance for the category;
- Labour is a strong point for suppliers who need an improvement plan (red category) and, more generally, for all suppliers, regardless of their category: performance in this area is significantly higher than the average performance for each category.

The coverage ratio in terms of Sofidel Group’s total expenditure for the 2019 year is 81%: in other words, 81% of the Group’s expenditure relates to commercial relationships with suppliers who have a valid self-assessment report on the TenP platform. In particular, the coverage ratio for Suppliers in need of improvement (red category) is 2%.

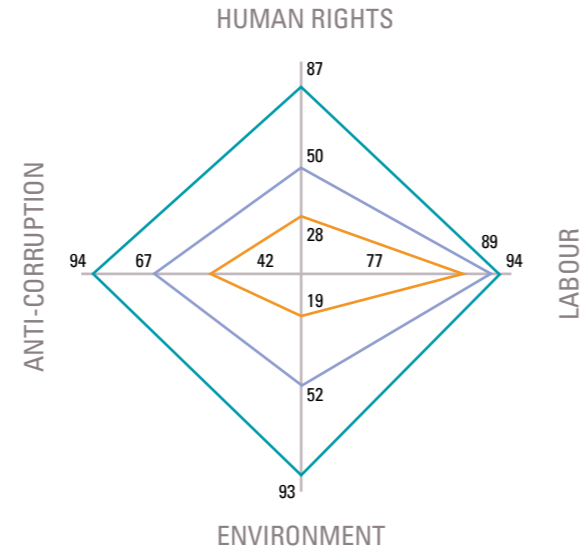
The coverage ratio for critical expenditure remained almost unchanged in 2019 at 85% (-1% vs. 2018).

The target for 2019 has been set in terms of the coverage ratio to be achieved for each of the product categories with reputational risk: for all categories the threshold value has been set at 85%.

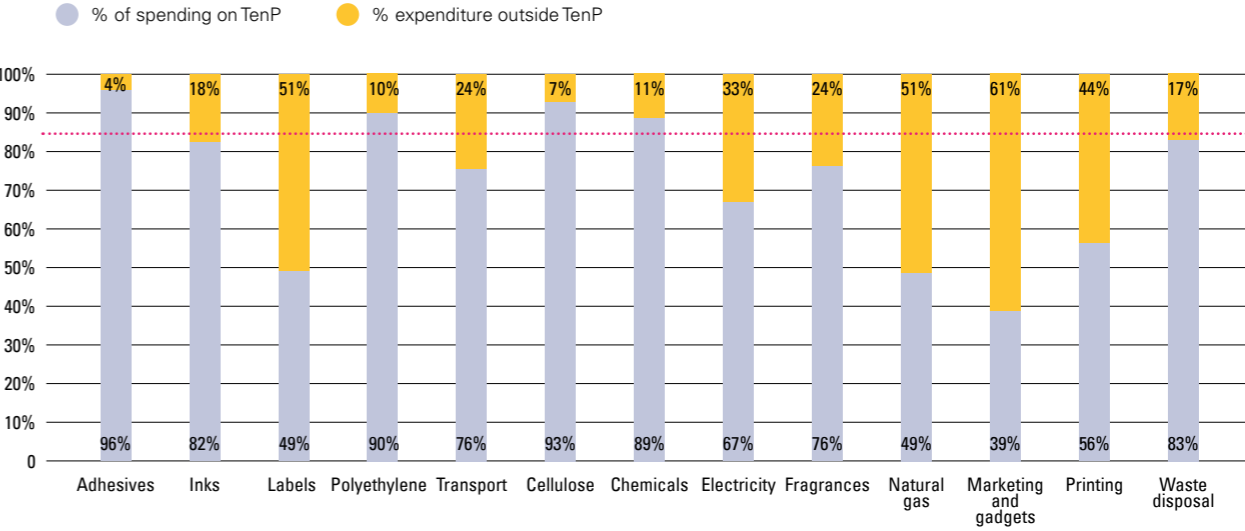
The categories Cellulose, Adhesives, Polyethylene and Chemicals have reached the required coverage ratio. Details of the coverage achieved for the 13 product categories are given on the following page.

AVERAGE SCORE ANALYSIS

AVERAGE SCORE	73
EXCELLENT SUPPLIERS	92
SUSTAINABLE SUPPLIERS	65
SUPPLIERS WHO NEED AN IMPROVEMENT PLAN	41

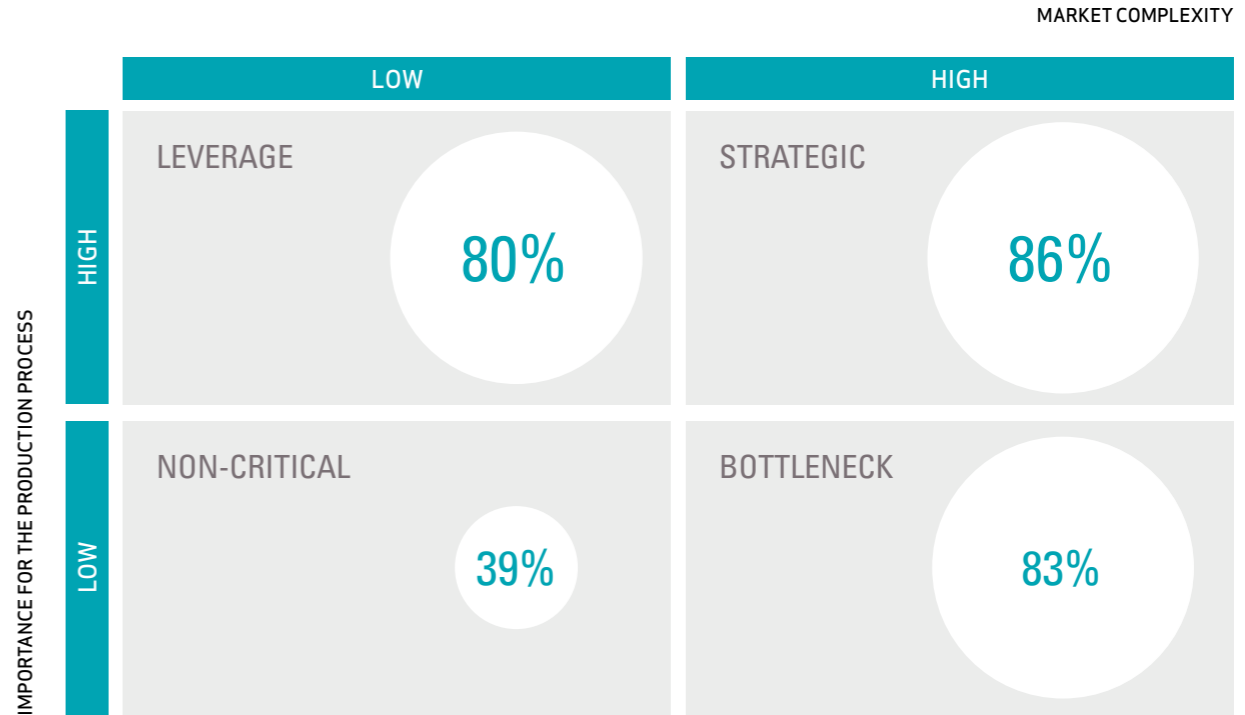


SOFIDEL GROUP COVERAGE RATIOS (EUROPE + UNITED STATES)



In aggregate form, previous results can be related to the Kraljic matrix:

KRALJIC MATRIX: DISTRIBUTION OF CRITICAL SPEND COVERED BY TenP



There was a particularly significant increase in the Bottleneck area, produced by improvement in the Waste Disposal category (+17% vs. 2018) and growth in the Leverage area (+4%

vs. 2018) induced by the Transport category (+6% vs. 2018). In 2019 the Sofidel Suppliers Sustainability Award event, usually held by Sofidel to award suppliers who have distin-

guished themselves for environmental and social sustainability actions, was not organized. The particular situation experienced by the Sofidel Group during 2019, in terms of the volume of work on significant investments and the desire to give suppliers more time to focus on improvement projects, underlie the choice made by the Group.

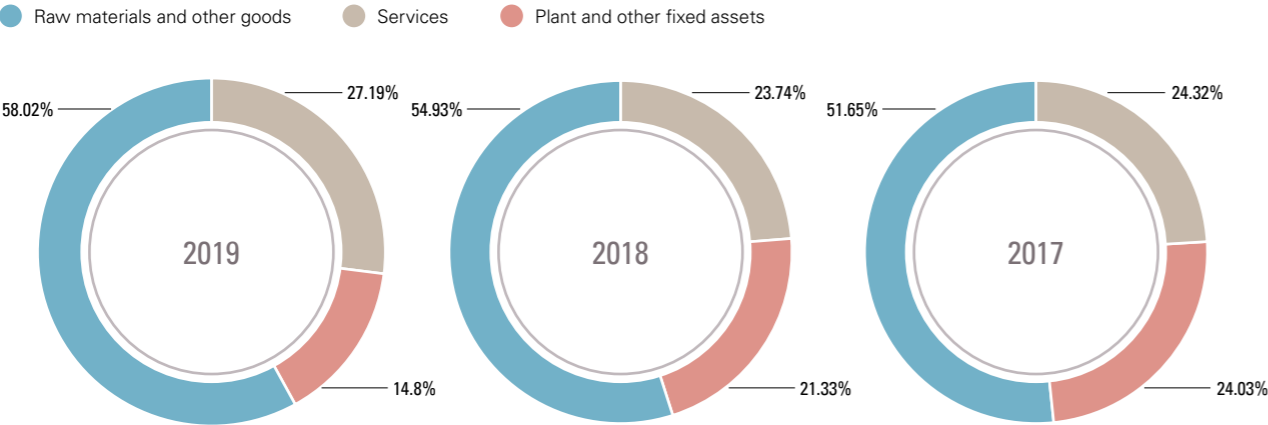


The target for 2020 has been set in terms of the coverage ratio to be achieved for each of the product categories with reputational risk: for all categories the threshold value has been set at 90%.

SUPPLIER MAP

In 2019 Sofidel mainly purchased raw materials with a total value amounting to 58.02% of total expenditure on supplies.

TURNOVER – SOFIDEL GROUP SUPPLIERS



SUPPLIER QUALIFICATION, SELECTION AND ASSESSMENT

The SLP module is the sole interface between the Sofidel Group and its suppliers and the channel for the structured collection of information required for the prequalification process. The integrated prequalification process hosted on the SLP module is divided into two distinct macro phases, both subject to approval by the Sofidel Group:

- Registration
- Qualification.

The macro registration phase allows the supplier profile to be recorded and ensures that the supplier signs up to the integrated framework of policies that the Sofidel Group has

defined by adopting the main international standards and guidelines.

The macro phase of qualification is differentiated according to the product category to which the supply belongs: this is the point of contact between the evaluation of suppliers in terms of sustainability and the integrated qualification process, in other words the link that integrates the TenP platform and the Ariba platform. The result is the establishment of a single pathway subject to defined and homogeneous rules.

The needs expressed by the end users (suppliers) led to an in-depth review of the instrument during 2019, with the aim of improving its usability. The main features of the SLP module are summarized below.

THE SOFIDEL SLP MODULE | MAIN FEATURES





10

NUMBER OF LANGUAGES SUPPORTED

The SLP module supports the main languages of the Group (10) and provides end users with a customized experience based on their linguistic needs.



3

NUMBER OF REGISTRATION PROFILES



HIERARCHY MANAGEMENT

The SLP module supports three registration profiles that the end user can choose to adapt the content of the registration questionnaire to their needs.



3

NUMBER OF QUESTIONNAIRES FOR DOCUMENT MANAGEMENT ON EXPIRY

The supplier is supported by the SLP module in terms of managing certification deadlines: a reminder system helps the supplier to keep the documentation required by Sofidel standards up to date.



PROCESS CONTROL THROUGH QUALIFICATION STATUS

The new process is integrated into the Group's management system through the purchasing management procedure which introduces the selection of a prequalified supplier as a necessary condition for starting a purchasing cycle. Prequalification becomes the standard within the Sofidel Group.

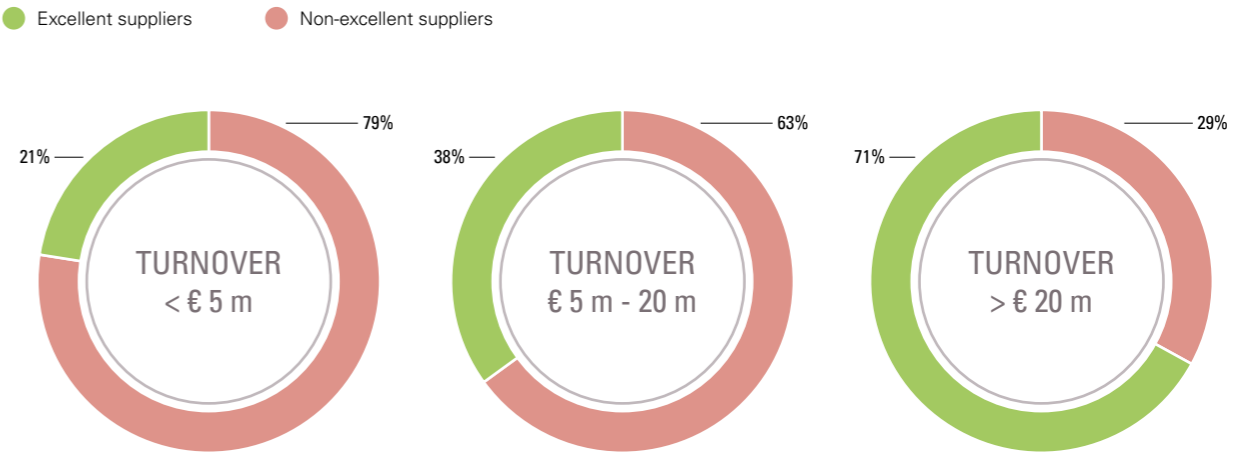


NEW CHALLENGES

The goal of having a supply chain with zero reputational risk means that the Sofidel Group has to continually monitor and stimulate sustainability all along its supply chain. Analysis of the current supplier portfolio from a sustainability viewpoint clearly indicates the new challenge ahead for the Group: encouraging the transformation in a sustainable direction of the small and medium sized enterprises (turnover of less than €20 m) belonging to the Group's network of suppliers.

In particular, the comparison with the 2018 data indicates that this transformation has started in the sector of medium and large companies (turnover > €20 m, +4% vs. 2018 | turnover €5 m - €20 m, +3% vs. 2018), while the change of pace expected within small companies (turnover < € 5 m) has so far failed to materialise.

THE SME CHALLENGE – 2019



The Group must therefore focus its attention on this type of company to support their transformation and help reduce the gap that separates them from other companies within the Group's network of suppliers.

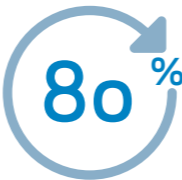
Support for this transformation is achieved through the implementation of an online training service and an online help desk to support these companies with their improvement plans and in their adaptation to meet Sofidel standards. The design of the training modules was completed in 2019 and during 2020 the Sofidel Group intends to launch a massive training campaign aimed at top-level suppliers on the TenP platform: the tool chosen to convey the training content is the SAP SuccessFactors platform through which specific e-learning modules will be distributed. Stimulating sustainability throughout the supply chain also means extending pre-qualification on the TenP platform to second-tier suppliers.

The complexity of the market is a critical factor that has not helped to achieve this objective.

However, the Sofidel Group intends to pursue the challenge of a qualified second-tier supply chain.

The goal that the Sofidel Group intends to pursue in 2020 is to make the Ariba platform the only tool for monitoring supplier performance, including in terms of sustainability. The supplier onboarding phase continued throughout 2019, bringing the number of suppliers who successfully completed the integrated pre-qualification process to 904 (+104% compared to 2018): these suppliers accounted for 32% of the Sofidel Group's total expenditure in 2019.

In the last quarter of 2019 the Sofidel Group conducted a pilot project for the assignment of the onboarding phase to a qualified partner: the partnership will take the form of work in the first four months of 2020 to "energize" the onboarding phase and achieve the new target set for 2020.



The goal for 2020 is to increase the percentage of expenditure accounted for by prequalified suppliers on the Ariba platform to 80%.

8

PEOPLE

Management of human capital
Company well-being
Staff composition and distribution
Types of contract
Personnel characteristics
Turnover
Human rights, protected categories and equal opportunities
Pay and incentives
Staff training and development
Health and safety

Regina Wish has been uniquely designed with “handy sized sheets”. It means using just the right amount of paper for each task and reducing waste.

MANAGEMENT OF HUMAN CAPITAL

The Sofidel Group's approach to the management of human resources focuses on the development of its employees and their integration into the company organisational culture, essential elements for the contribution of factors, such as innovation and flexibility, which are increasingly decisive for company competitiveness in a globalised market. The human resources management policy is firmly based on the principles set out in the Code of Ethics and the Group's guidelines for Human Resources Management, which focus on the key role of human capital in the value creation process as a strategic asset for the company, and promote respect for equal opportunities and diversity as forms of wealth to be cultivated, alongside the values of equal treatment, development of individual abilities, teamwork, open communication and continuous learning. The development of technical and managerial skills is a strategic factor for the Sofidel Group, which provides an average of 9.64 hours of training per employee annually, with the aim of keeping employees updated on topics of general interest such as health and safety, increasing knowledge of English and transferring consolidated methods and results-based culture to operational staff in the production sites. The "Performance Evaluation" project continued throughout 2019. Following the previous phase of analysis and process definition and the related documents, 2019 saw the start of the second strategic phase, research and the identification of a sustainable supplier to manage the computerization of the process.

The IT system chosen ensures continuity and integration with the existing core system for human resources manage-

ment in order to create the basis for future developments in the computerization of other HR management processes. The kick-off activities and the design steps led, at the end of 2019, to the release of the first demo of the System designed in the last two years.

Sofidel has also implemented specific management policies targeting the two minority age groups of staff (the under 30s and the over 50s) and joined the "Lifelong Employability & Company Welfare" workgroup promoted by the Sodalitas Foundation, with the aim of finding effective solutions for lifelong employability and the sustainable management of human resources.

Also in collaboration with the Sodalitas Foundation, in 2019 Sofidel decided to join the project 'We 4 Youth' aimed at the new generations. In particular, the first stage of the project, already started this year, saw the creation of a partnership benchmarking platform for universal skills and student orientation, co-designed by member companies and leading schools.

Furthermore, during 2019, three Group HR Meetings were organised, attended by the HR Managers of all the foreign subsidiaries. During the meetings, the HR projects representing the strategic activity of the Group Human Resources Department during 2019 were defined and then developed.



COMPANY WELL-BEING

The "Sofidel People" project, an initiative launched following the 2016 survey on organisational well-being, continued in 2019. The three areas identified for action concern improving

internal communication flows and digitalisation, improving the spread and knowledge of company processes and procedures and optimising human resource management.

Sofidel People. Improving internal communication flows

With the aim of encouraging internal communication and employee participation, the Group's communication tools have been enhanced with:

- an Intranet where employees can find communication and information tools, an area dedicated entirely to human resources and a series of tools to facilitate their daily work;
- the Soft & Green newsletter in order to develop the company's culture on sustainability issues;
- Sofidel Channel, an internal communication channel present in the Italian plants, to reach those who do not work in the offices.

Sofidel People. Spread and knowledge of company processes and procedures

The project relating to expanding knowledge of processes and procedures is being implemented through various initiatives. One of these was the purchase and implementation of a proprietary e-learning platform. This tool allows a more rapid, organised, widespread and traceable dissemination of company procedures that require training. The platform has been active for the entire Group since January 2018 and during 2019 it was used to distribute company documents, tutorials and training courses. Another project launched in 2019 aims to make it easier for employees to access information on the company's organisational structure. The project concerning software for the graphic representation of the organization in real time has been completed. Checks are being carried out on some IT solutions that guarantee access to the programme link for all users.

Sofidel People. Optimising human resource management

Defining the distinctive Sofidel leadership style is one of the improvement projects in the Sofidel People initiative. It aims to promote greater uniformity and effectiveness in the management of human resources and represents a challenging and long-term project for the Group. Among the various initiatives identified from 2018 onwards by the HR Managers of the various countries to optimise personnel management, the following HR projects were completed during 2019:

- The Recruitment project, which aimed to standardize the approach and operating procedures for recruiting processes managed by the various HR Managers of the Sofidel Group's foreign subsidiaries.
- The Induction project, which aimed to standardise the induction and initial training process for new employees at Group level.
- The Remote Management project to define and share at Group level the macro information necessary for the correct approach to managing foreign colleagues who report to a manager in a country other than the one in which they are working (for example, overseas colleagues who have a Line Manager at corporate level).



In recent years the company has been developing the concept of Safety at Work, which has always been one of its main priorities, from protecting employees from physical and psychological harm to promoting their health and well-being.

The protection of the health of workers, contractors and

visitors is ensured by constant monitoring of the working environment, by implementing the best safety standards on machines and plants and by implementing training programmes and information activities.

In this regard, Sofidel continued the “**Workplace Health Promotion (WHP)**” and “**Welfare**” projects during the year.

Workplace Health Promotion (WHP). The programme dedicated to improving health



The Group, which respects the principles of the **European Network for Workplace Health Promotion**, considers that real and lasting improvement in the level of health and well-being of workers can only be achieved by combining the following elements: improvement in the work environment and work organisation, promotion of active participation, encouragement of personal development and the adoption of healthier lifestyles. With this in mind, in Italy Sofidel has joined the ‘Workplace Health Promotion’ (WHP) programme, a long-term project set up by the Region of Tuscany, which involves the adoption of good practices in relation to diet, physical activity, addictions (alcohol, smoking and gambling) and road safety. Specifically, during the year, the issues developed last year relating to nutrition and physical activity were further implemented and training to combat smoking and boost road safety was introduced.

In addition, specific events were organised, in collaboration with the North West Tuscany Local Health Authority, the traffic police section of Lucca and the Valledlunga ACI, with the aim of spreading information and training relating to the anti-smoking campaign and road safety. In order to raise awareness of the WHP programme within the company, a specific section within the company intranet has been further developed, where employees can consult the relevant information material. In December, at the end of the project three-year period, Sofidel and Soffass received an official certificate from the Region of Tuscany confirming the implementation of good health promotion practices in their workplaces. The Workplace Health Promotion programme will be rolled out to the other Group countries in the coming years.

Welfare. Programme based on supporting the costs of employees for socially useful activities

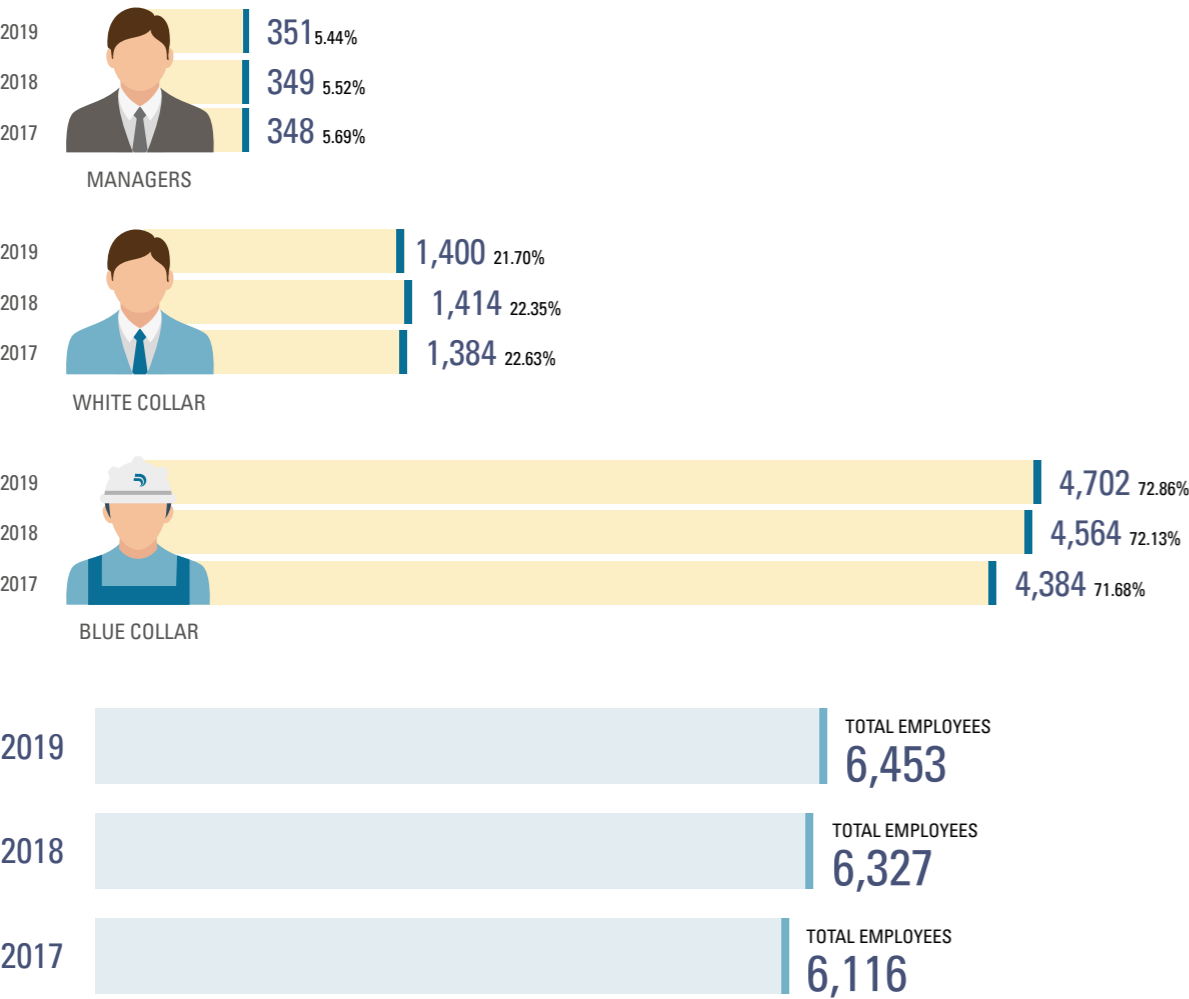
With this project Sofidel has made available to workers a basket of essential goods and services (from education, assistance, health and supplementary pensions to the “shopping trolley”), guaranteeing them the possibility of tax advantages and significant discounts while continuing to use their preferred supplier. This project was successfully implemented in Italy in 2018 and continued in 2019, with the possibility of extending it to other Sofidel Group subsidiaries also being considered.

STAFF COMPOSITION AND DISTRIBUTION

The results of the Sofidel Group were contributed to by 6,453*staff, of which 72.86% were blue collar, 21.70% white collar and 5.44% managers. The number of employees increased compared to the previous year, mainly due to the growth of the US plants. The Group's 6,453 employees work in 12 countries.

* The data for personnel and the relevant breakdown for 2017 are at 30 November, while the data for 2018 and 2019 are at 31 December.

BREAKDOWN OF SOFIDEL GROUP STAFF BY LEVEL



BREAKDOWN OF SOFIDEL GROUP EMPLOYEES BY LEVEL AND GEOGRAPHICAL AREA – 2019

	Belgium	Germany	Spain	France	UK	Hungary	Greece	Italy	Poland	Romania	Sweden	USA	TOTAL
Blue Collar	103	557	163	507	629	119	43	767	261	189	128	1,236	4,702
Managers	16	29	29	59	50	9	5	113	16	7	7	11	351
White Collar	45	148	51	114	124	54	8	387	139	51	38	241	1,400
OVERALL TOTAL	164	734	243	680	803	182	56	1,267	416	247	173	1,488	6,453

BREAKDOWN OF SOFIDEL GROUP EMPLOYEES BY LEVEL AND GEOGRAPHICAL AREA – 2018

	Belgium	Germany	Spain	France	UK	Hungary	Greece	Italy	Poland	Romania	Sweden	Turkey	USA	TOTAL
Blue Collar	104	563	152	520	626	124	44	774	236	206	135	27	1,053	4,564
Managers	16	30	27	57	44	9	6	112	19	6	8	8	7	349
White Collar	51	151	49	120	141	51	9	392	138	50	39	27	196	1,414
OVERALL TOTAL	171	744	228	697	811	184	59	1,278	393	262	182	62	1,256	6,327

BREAKDOWN OF SOFIDEL GROUP EMPLOYEES BY LEVEL AND GEOGRAPHICAL AREA – 2017

	Belgium	Germany	Spain	France	UK	Hungary	Greece	Italy	Poland	Romania	Sweden	Turkey	USA	TOTAL
Blue Collar	103	612	114	552	666	140	43	787	241	203	140	28	755	4,384
Managers	16	32	25	52	49	10	6	111	21	7	10	7	2	348
White Collar	48	157	44	128	155	55	9	394	125	49	34	29	157	1,384
OVERALL TOTAL	167	801	183	732	870	205	58	1,292	387	259	184	64	914	6,116

The data highlight the preponderance of American staff (23.05%) in the Sofidel Group. This is followed, at Group level, by large groups of employees in Italy (19.63%), the United Kingdom (12.44%) and Germany (11.37%). The close connection between the company and the areas in which it operates was again confirmed in 2019. Sofidel favours the employment of workers from the local communities where

it carries out its business, thus contributing to growth in employment and income in the area and the achievement of a higher level of sustainability by reducing home to office travel. The company has always focused on making the most of local resources, trying to find the best-qualified professionals; more than 95% of senior managers come from the relevant local community.



TYPES OF CONTRACT

The absolute majority of contracts are open-ended (96.51%), while almost all employees (98.12%) have a full-time contract. Part-time working, as regulated by the current work contracts, is recognised as a useful tool to provide flexibility in the organisation of work as well as to meet people's needs.

BREAKDOWN OF EMPLOYEES OF SOFIDEL GROUP COMPANIES BY LEVEL, GENDER AND TYPE OF CONTRACT – 2019

Level	FULL-TIME			PART-TIME		
	Women	Men	TOTAL	Women	Men	TOTAL
Blue Collar	439	4,233	4,672	6	24	30
Managers	58	284	342	6	3	9
White Collar	515	803	1,318	71	11	82
OVERALL TOTAL	1,012	5,320	6,332	83	38	121

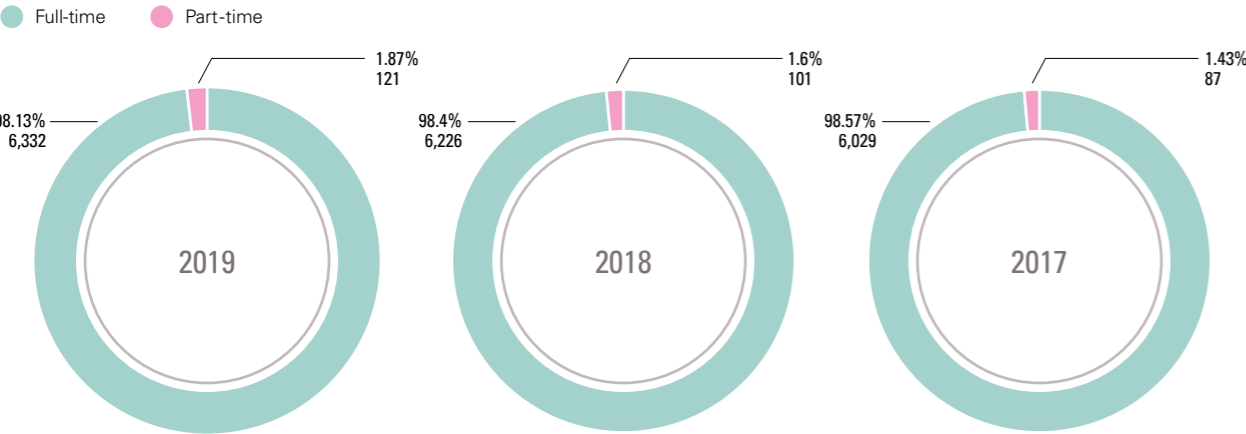
BREAKDOWN OF EMPLOYEES OF SOFIDEL GROUP COMPANIES BY LEVEL, GENDER AND TYPE OF CONTRACT – 2018

Level	FULL-TIME			PART-TIME		
	Women	Men	TOTAL	Women	Men	TOTAL
Blue Collar	430	4,116	4,546	4	14	18
Managers	61	283	344	2	3	5
White Collar	516	820	1,336	71	7	78
OVERALL TOTAL	1,007	5,219	6,226	77	24	101

BREAKDOWN OF EMPLOYEES OF SOFIDEL GROUP COMPANIES BY LEVEL, GENDER AND TYPE OF CONTRACT – 2017

Level	FULL-TIME			PART-TIME		
	Women	Men	TOTAL	Women	Men	TOTAL
Blue Collar	358	4,012	4,370	4	10	14
Managers	61	280	341	4	3	7
White Collar	519	799	1,318	62	4	66
OVERALL TOTAL	938	5,091	6,029	70	17	87

BREAKDOWN OF SOFIDEL GROUP EMPLOYEES BY TYPE OF CONTRACT



PERSONNEL CHARACTERISTICS

The characteristic feature of the Sofidel Group continues to be its young staff population.

BREAKDOWN OF EMPLOYEES OF SOFIDEL GROUP COMPANIES BY LEVEL, GENDER AND AGE - 2019

Level	AGE < 30 YEARS			AGE 30-50 YEARS			AGE > 50 YEARS		
	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men	TOTAL
Blue Collar	72	697	769	231	2,416	2,647	142	1,144	1,286
Managers	3	7	10	38	151	189	23	129	152
White Collar	71	90	161	411	512	923	104	212	316
OVERALL TOTAL	146	794	940	680	3,079	3,759	269	1,485	1,754

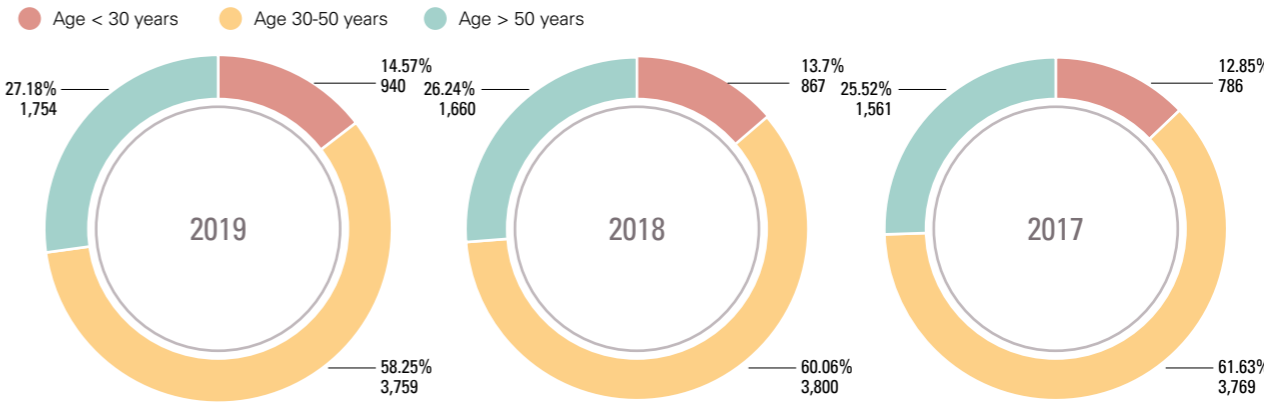
BREAKDOWN OF EMPLOYEES OF SOFIDEL GROUP COMPANIES BY LEVEL, GENDER AND AGE – 2018

Level	AGE < 30 YEARS			AGE 30-50 YEARS			AGE > 50 YEARS		
	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men	TOTAL
Blue Collar	62	642	704	244	2,401	2,645	128	1,087	1,215
Managers	3	7	10	41	155	196	19	124	143
White Collar	66	87	153	422	537	959	99	203	302
OVERALL TOTAL	131	736	867	707	3,093	3,800	246	1,414	1,660

BREAKDOWN OF EMPLOYEES OF SOFIDEL GROUP COMPANIES BY LEVEL, GENDER AND AGE - 2017

Level	AGE < 30 YEARS			AGE 30-50 YEARS			AGE > 50 YEARS		
	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men	TOTAL
Blue Collar	44	571	615	203	2,413	2,616	115	1,038	1,153
Managers	3	5	8	45	160	205	17	118	135
White Collar	77	86	163	421	527	948	83	190	273
OVERALL TOTAL	124	662	786	669	3,100	3,769	215	1,346	1,561

BREAKDOWN OF SOFIDEL GROUP EMPLOYEES BY AGE



The majority (58.35%) of the Sofidel Group population is in the middle age range of 30-50. The number of workers over 50 years of age is also significant and their management will require the application of appropriate tools in the future. As part of the 'Lifelong Employability & Company Welfare'

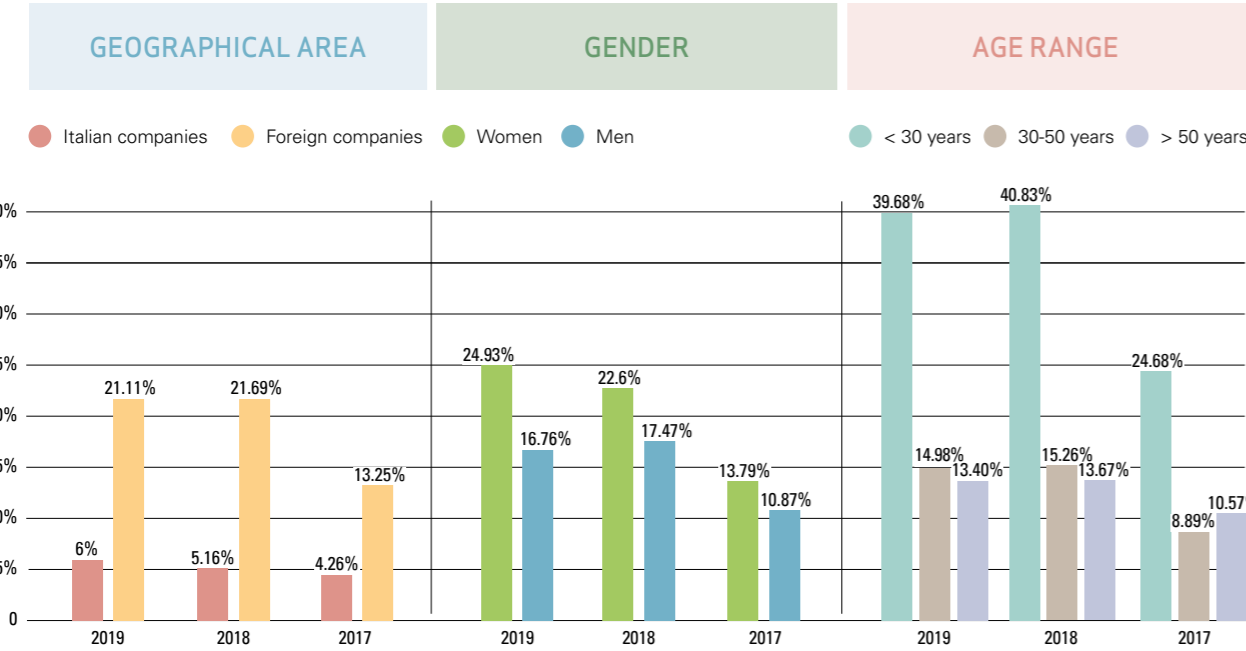
workgroup, promoted by the Sodalitas Foundation, Sofidel has the opportunity to assess and collect best practices in Italy and abroad aimed at the maintenance of an active role and adequate motivation for older workers within the company.

TURNOVER

The rate of turnover¹¹ for the Group is in line with the previous year. The percentage value is higher abroad. In this regard, it should be pointed out that the data on voluntary turnover for

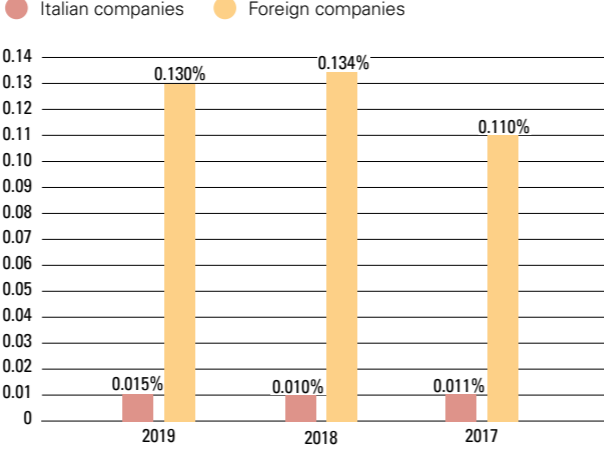
foreign companies shows a rise in recent years mainly due to the growth in the US market, where frequent turnover of personnel is a physiological characteristic of employee management.

RATE OF TURNOVER OF THE SOFIDEL GROUP
BY GEOGRAPHICAL AREA, GENDER AND AGE RANGE



The data alongside have been calculated on the basis of voluntary resignations by Sofidel Group employees, divided by geographical area.

RATE OF TURNOVER OF THE SOFIDEL GROUP -
VOLUNTARY RESIGNATIONS



11. The rate of staff turnover was calculated considering the total number of employees who left the company voluntarily, through retirement or termination of employment.

HUMAN RIGHTS, PROTECTED CATEGORIES AND EQUAL OPPORTUNITIES

Sofidel bases its work on the principles of the Fundamental Conventions of the International Labour Organisation and supports the principles of the Global Compact promoted by the UN and the ethical criteria set out in the OECD Guidelines for Multinational Enterprises. Sofidel’s Code of Ethics enshrines full respect for human rights, the health and safety of people and the well-being of the local communities in which it operates, and condemns child or forced labour and any gender, religious, cultural, ethnic or sexual discrimination, or physical, psychological, verbal or sexual harassment. People are at the heart of the company’s activities, both as employees and collaborators who interact with Sofidel at various levels and as communities in the areas where the company operates. Workers are free to exercise their right to form or join trade unions or other organisations for collective bargaining, or to abstain from membership of such organisations. Personnel selection, recruitment, training and career planning are carried out without discrimination of any kind. In addition, Sofidel is committed to fostering a work environment that is free from prejudice, respects workers’ individuality and dignity and is free from harassment. Where compatible with overall work efficiency, Sofidel favours flexibility in work organisation which helps maintain a work-life balance, including flexible working hours and part-time work contracts. The Sofidel Group promotes respect for equal opportunities and diversity as aspects to be cultivated, in line with the principles and values expressed in the Group’s Code of Ethics and human rights policy. In this regard, Sofidel has adopted specific regulations against discrimination, sexual harassment in the workplace and bullying. In order to prevent any type of discrimination, all Group companies are involved in training and awareness raising activities, and have specific anonymous reporting (“whistle-blowing”) mechanisms, which enable workers to disclose any breaches of human rights. No reports of discrimination were received during the year. To date, the Group has not considered it necessary to carry out specific human rights assessments as

company business is not carried out in areas defined as at risk. The company reaffirms its commitment to promoting respect for human rights in all situations where there is an effect on its business and, more specifically, towards key stakeholders such as customers, suppliers and the community. Meeting customer needs and requirements is one of the Group’s main objectives, which is pursued with competence, professionalism, transparency and fairness. To enable customers to make informed decisions, product information is accurate and comprehensive, and advertising and other communications are truthful. The supply chain is also chosen on the basis of sharing the principles and values set out in Sofidel’s Code of Ethics; all suppliers are required to accept the Code as a pre-requisite for collaboration with Group companies. In addition, the supply chain is also selected on the basis of the ten principles of the United Nations Global Compact. The aim is to raise awareness among suppliers on issues such as human rights, labour, the environment and the fight against corruption, through a self-assessment system that allows them to assess their sustainability performance. Relations with the community are inspired by the principles of transparency, fairness, impartiality and independence. Group companies do not make any direct or indirect contributions to parties, movements, committees or organisations of a political or trade union nature, or to their representatives, and refrain from putting any direct or indirect pressure on political parties. As far as protected groups are concerned, the Group fulfils the obligations set out by the relevant legislation in force in the countries where it operates. In 2019, there were 77 employees in these groups - 15 women and 62 men. It should also be noted that most of the protected categories are currently employed in Italy, in compliance with existing legal obligations. The overall percentage of female staff in the Sofidel Group is 16.97%, with relative percentages of 18.23% among managers, 41.85% among white collar staff and 9.46% among blue collar staff, confirming the prevalence of men, particularly among blue collar workers, due to the nature of the jobs performed.

BREAKDOWN OF SOFIDEL GROUP EMPLOYEES BY LEVEL AND GENDER – 2019

Level	Women	Men	TOTAL
Blue collar	445	4,257	4,702
Managers	64	287	351
White collar	586	814	1,400
OVERALL TOTAL	1,095	5,358	6,453

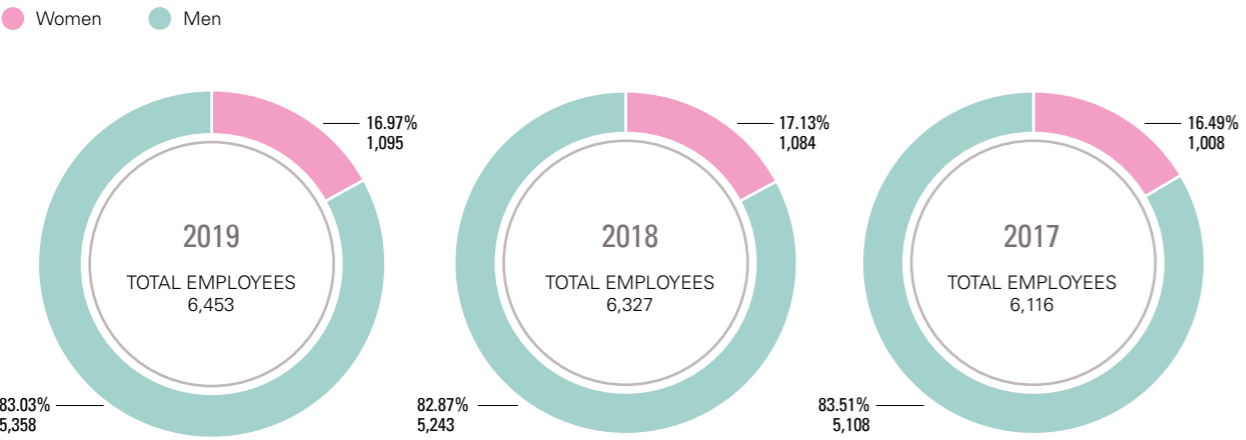
BREAKDOWN OF SOFIDEL GROUP EMPLOYEES BY LEVEL AND GENDER – 2018

Level	Women	Men	TOTAL
Blue collar	434	4,130	4,564
Managers	63	286	349
White collar	587	827	1,414
OVERALL TOTAL	1,084	5,243	6,327

BREAKDOWN OF SOFIDEL GROUP EMPLOYEES BY LEVEL AND GENDER – 2017

Level	Women	Men	TOTAL
Blue collar	362	4,022	4,384
Managers	65	283	348
White collar	581	803	1,384
OVERALL TOTAL	1,008	5,108	6,116

BREAKDOWN OF SOFIDEL GROUP EMPLOYEES BY GENDER



In 2019, 50 employees in Italy, 25 women and 25 men, took parental leave (optional absence for maternity/paternity) while in the foreign companies the number was 112, 42 women and 70 men. Only two workers decided to leave the Group at the end of their maternity leave.

PAY AND INCENTIVES

The Sofidel Group, in line with its principles, determines the pay of its employees in compliance with legal standards and guarantees respect for the criteria of fairness and transparency. An analysis carried out in the countries where the Group is present showed that minimum wages, where set, are amply respected. In addition, there are performance evaluation programmes for every employee who is part of the ‘reward system’ in almost all Group companies. Performance evaluation consists of an interview based on a questionnaire which considers the strategic aspects of work performance. Many Group companies have reward systems based on the definition of specific, measurable targets that are achievable and shared, so that employees are able to influence them with their behaviour. The check on achievement of such targets, which may encompass sustainability performance such as the reduction of CO₂ emissions and containment of energy and

water consumption, is the responsibility of the managers of the different company areas. In 2019, 82.03% of Group company employees benefited from increases in their pay and 66.38% received an award or bonus. The benefits given to employees are provided without any distinction between full- and part-time office staff. The employment relationship with Sofidel is also marked by the number of provisions and initiatives in favour of workers. Employees in Italy, France, the UK, Germany and the United States, for example, have forms of supplementary pension that operate through the activation of special pension funds that employees of the companies can contribute to with different participation percentages. The percentage varies according to individual company regulations. In addition, in Italy there is a special Solidarity Fund, promoted through CRAL Italia (Workers’ Social Organisation), intended to support those who find themselves in situations of great need.



Performance Evaluation Programmes

The qualitative performance assessment is made through the constant measurement of a series of parameters that indicate performance: individual commitment, skills/professionalism, problem solving, quality, ability to work together (teamwork), communication/interpersonal skills, spirit of initiative, delegation, control and development of co-workers.

The behavioural approach has proven very effective in linking company strategy to the conduct required to implement it. The evaluation also ensures periodic self-monitoring of performance, a check on its progress and the possibility of making changes and corrections designed to improve it.

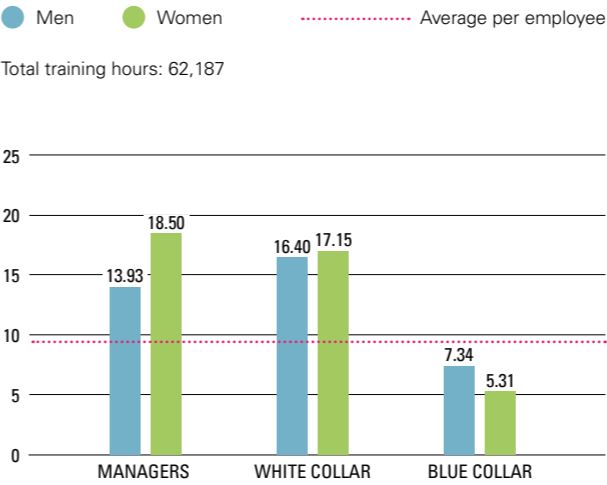


STAFF TRAINING AND DEVELOPMENT

In 2019, a total of 62,187 hours of training were provided overall; the average hours provided for each company level were 13.93 for male managers and 18.50 for female ones, 16.40 hours for male office staff and 17.15 for female office staff, and 7.34 for male factory hands and 5.31 for female factory hands.

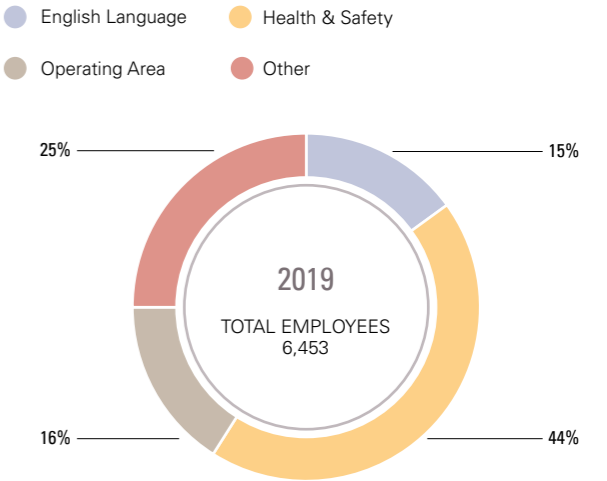
Furthermore, the average number of hours of training provided per employee was 9.64.

AVERAGE HOURS OF TRAINING FOR SOFIDEL GROUP STAFF BY GENDER AND QUALIFICATION – 2019



The areas which attracted the greatest interest, other than workplace health and safety, were English language studies and best practices in the operating area for the introduction of new machinery and technical and production improvements. Other training topics concerned specific areas and technical updates relating to management systems and the dissemination of company procedures and policies.

TRAINING TOPICS



During 2019, remote training using the e-learning platform became more widespread. In particular, the process owners have recognized the tool's potential in terms of sharing knowledge and distributing documents: in fact, the number of courses and topics that can be accessed has increased. In 2019, 668 hours of virtual teaching were delivered, equal to 6,059 student hours.

The training initiative carried out in Sofidel America for the Marketing & Sales area was of particular importance: this has been extended to other organisational positions within the Group. The organization of the project involved European and local American corporate employees who worked together to design and define the training content, teaching materials and the final delivery of modules relating to the paper mill and converting plant production processes, the environment and sustainability, procurement and logistics. The initiative - covering 1,200 hours of training in total - was appreciated by the participants and contributed to a wider knowledge of the Group's processes and organisation.

For trainers, Sofidel made use of the specific skills already available within the company for 45% of the total, as well as qualified external agencies for the rest. The investment in training totalled € 851,506.12.



HEALTH AND SAFETY

Sofidel believes in the promotion of health and safety as one of the critical factors for the sustainable development of its staff and business and also as a significant contribution to raising the level of health of society as a whole.

Accordingly, Sofidel has drawn up a specific policy in which it recognises health and safety at work as a primary value without which it is not possible to plan sustainable, effective and lasting developments. To achieve this objective, Sofidel has adopted a health and safety management system in accordance with the BS OHSAS 18001 standard, and, from 2019, with the international ISO 45001 standard, through which it is committed to ensuring the health and safety of its employees and all other stakeholders who interact with the company. During 2019 the Sofidel UK Lancaster and Leicester and Intertissue Baglan plants migrated their management systems from BS OHSAS 18001 to ISO 45001. The protection of workers, contractors and visitors is ensured by constant monitoring of the working environment, by implementing the best safety standards on machines and plants and by implementing training programmes and information activities. To this end, careful attention is paid to the choice of personal protection equipment (PPE) in order to constantly check its efficiency and continually improve its effectiveness so as to ensure ever better levels of protection and comfort. During 2019, the "Leadership in Safety 4.0" project was developed, providing specific training on communication for managers in charge of prevention and prevention. "Leadership in Safety 4.0" will be disseminated in the coming years across all Group countries. The health and safety culture is spread by communication activities, participation and consultation within the workplace. In 2019, audits were carried out by the corporate Health & Safety unit to spread the culture of safety from a technical and procedural viewpoint, as well as to promote Health and Safety at Work Management Systems. Every year, the Group offers training plans in all its companies: in 2019, 27,362.28 hours of training were delivered on health and safety topics.

The training sessions mainly concerned, for both new recruits and existing employees, aspects required by national legislation, such as job-related risks and the resulting sec-

tor-specific prevention and protection measures and procedures, use of work equipment, management of emergencies and fires, first aid, organisation of company prevention and the rights and duties of the different company figures. In addition to compulsory training, specific training sessions were provided on issues related to the adoption of active and healthy lifestyles, such as proper nutrition, physical activity, combating harmful alcohol consumption and other addictions, tobacco smoking and road safety. In addition, on-the-job training and safety awareness programmes are defined at plant level for each category of worker. Sofidel's partnership with the European Agency for Health and Safety at Work (EU-OSHA) continues, with membership of the new two-year campaign (2018-2019) focused on hazardous substances, with the aim of raising public awareness and promoting a culture of prevention in the workplace throughout the whole of the European Union, as well as being addressed to specific categories of workers. 72% of the Group's employees are represented by Health and Safety Committees, made up of management representatives and workers' representatives at plant level, so that workers are aware of and involved in the dissemination of the relevant policies.

Measurement indices for the trend in accidents

Sofidel monitors the trend in accidents in the different plants through a series of indices, the most important of which are the Frequency Rate¹² (FR) and the Severity Rate¹³ (SR). Measurement of these data is not broken down by male-female gender as most of the female staff work in the offices and the division therefore has little significance for statistical purposes.

12. Frequency Rate (FR): number of accidents/hours worked x 1,000,000.

13. Severity Rate (SR): days of absence due to accidents/hours worked x 1,000.

FREQUENCY RATE (FR) AND SEVERITY RATE (SR) FOR GROUP COMPANIES BY COUNTRY (accidents with absences of 3 or more days)						
Country	FR			SR		
	2019	2018	2017	2019	2018	2017
Belgium	8.42	4.07	8.22	0.63	0.07	1.49
France	24.07	17.07	22.64	1.17	0.51	0.42
Germany	30.24	37.23	33.42	0.65	1.29	1.36
Greece	0.00	10.32	0.00	0.00	0.08	0.00
Italy	10.14	13.00	10.09	0.28	0.22	0.27
Poland	18.20	20.54	29.67	0.39	0.31	1.30
Romania	0.00	0.00	0.00	0.00	0.00	0.00
Spain	25.12	32.49	37.37	0.60	0.66	0.81
Sweden	7.81	17.26	17.34	0.21	0.16	1.13
Turkey	n.a.*	9.30	13.82	n.a.*	0.06	0.06
UK	8.96	3.80	6.00	0.34	0.50	0.11
Hungary	16.85	16.78	30.32	0.50	0.61	1.90
USA	4.21	3.42	n.a.*	0.13	0.17	n.a.*
TOTAL SOFIDEL GROUP**	12.36	12.90	16.26	0.38	0.40	0.60

* n.a.: data not available.

** Sofidel Group's total values for the Frequency and Severity Rates were calculated as a weighted average of the data collected (number of accidents, days lost, hours worked), not as the arithmetic average of the individual Country Rates.

For completeness of reporting, the following are the total values for accidents with absences of three days or less and commuting accidents. These data are reported as a whole since, given the small numbers involved, they would otherwise be insignificant.

Frequency Rate (FR) and Severity Rate (SR) of Group companies for accidents with absences of less than 3 days*	FR			SR		
	2019	2018	2017	2019	2018	2017
TOTAL SOFIDEL GROUP	2.26	1.17	0.57	0.005	0.002	0.001

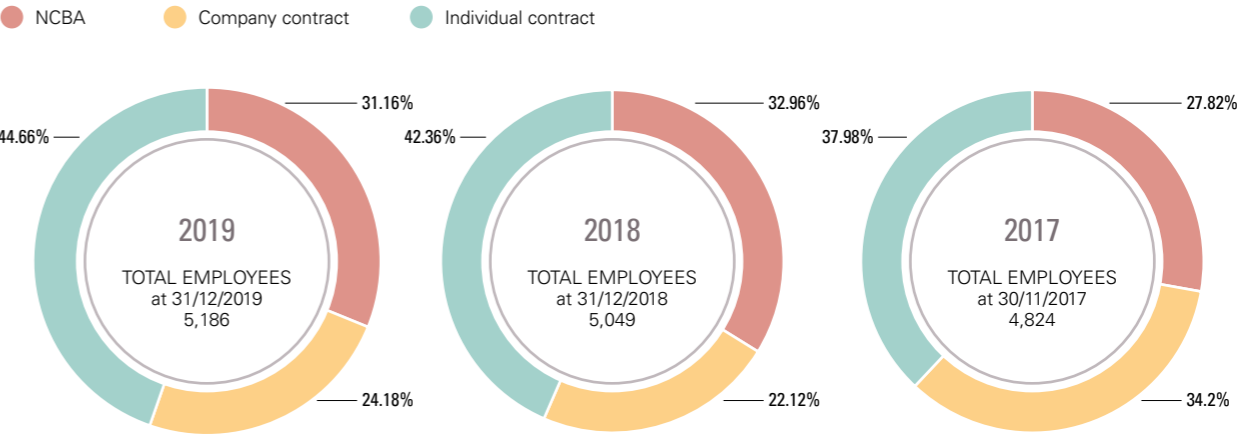
Frequency Rate (FR) and Severity Rate (SR) of Group companies for commuting accidents*	FR			SR		
	2019	2018	2017	2019	2018	2017
TOTAL SOFIDEL GROUP	1.44	1.52	0.45	0.029	0.036	0.003

* Excludes US data for the years 2018 and 2017.

INDUSTRIAL RELATIONS

Sofidel shares with the various trade unions an industrial relations system based on constant and constructive dialogue, in accordance with the principles set out in the contracts managed. In the Italian companies of the Sofidel Group, the National Collective Bargaining Agreement (NCBA) is applied for all employees, in compliance with current law. In the other Group companies, the employment contract of employees is regulated by national collective bargaining agreements in 31.16% of cases, while the rest of the workers have individual and/or company contracts.

DIVISION OF EMPLOYEES OF THE FOREIGN COMPANIES IN THE GROUP BASED ON THE TYPE OF CONTRACT (NCBA, COMPANY AND INDIVIDUAL CONTRACTS)



The EWC (European Works Council) is a body representing employees, provided for by European Directive 94/45/EC established in Community-scale undertakings and groups for the purpose of informing and consulting employees on a transnational basis. The parties, while sharing the aims of the body and the mutual will to implement it, are discussing the concrete method of operation of the same, without having found, at the moment, an agreement.

A stylized illustration of a courtyard scene. In the foreground, a large, textured tree trunk is on the left. A black clothesline with several clothespins stretches across the top. A large, light-colored rectangular cloth hangs from the line. In the background, there are several colorful buildings (yellow, green, blue) with windows and doors. The sky is a light blue with some white clouds. The overall style is hand-drawn and artistic.

9

MARKET & CORPORATE BRANDS

Sofidel Corporate Brand strategy and communication

Markets and customers

- Our markets
- Product innovation
- Lines of business
- Sofidel's e-commerce strategy
- Service quality
- Management of complaints

Community

- Community relations
- Investments to benefit local communities

Nicky Strong Eco Friendly kitchen towel comes in a kraft paper pack and without a cardboard core. It means zero plastic film, less waste and less CO₂.

SOFIDEL CORPORATE BRAND STRATEGY AND COMMUNICATION

In recent years, Sofidel has adopted a corporate branding and communication strategy with the aim of further enhancing its reputation in Italy and abroad and thus bringing value to the Group, by sharing its strategies, commitment and projects.

Today the value of a company is increasingly linked to intangible values, such as reputation, patents, people and everything that is not directly related to the hard aspects of a company. In this sense, reputation obviously plays a crucial role. In 2019, the Reputation Institute, world leader in reputation measurement, ranked Sofidel among the top ten Italian companies with a rating of 74.42 on a scale of 0-100 (see Rep-Track Italia 2019).

The employees of a company are, we know, the prime “ambassadors” of the Corporate Brand. Sofidel has multiplied its methods of dialogue with its employees: from the company newspaper distributed to all Group employees and translated into 11 languages, to the constantly updated and revised intranet, Sofidel Channel screens in the factories to reach those who do not have a computer to carry out their work,

and frequent information in the form of e-mails, e-learning, as well as the Soft & Green blog on sustainability issues. Obviously, Sofidel always addresses its external stakeholders in different ways best adapted to the specific stakeholder: from the institutional world, to the media, customers, partners, suppliers, etc.

In 2019 Sofidel decided to pursue two new communication initiatives. The first, entitled “NextGen,” was aimed in particular at young people with the aim of creating a sustainability culture. The second addressed the issue of single-use plastics in the workplace. It was an awareness campaign for the internal population that provided for the replacement of disposable plastic objects in the workplace with articles made of more sustainable materials.

Looking to the future means first thinking about those who will come after us. After all, it is them, more than anyone, to whom the future belongs.

Numerous other activities took place throughout the year (see the section on “Initiatives to promote dialogue with stakeholders”, p. 35).

LESS PLASTIC, MORE SUSTAINABILITY



SOFIDEL SAYS NO TO DISPOSABLE PLASTIC IN ITS WORKING ENVIRONMENT

We try to be attuned to major contemporary facts. This is a way to stay firmly in the present and prepare for the future.

Looking at the plastic issue, we have taken another step further in our sustainable development strategy.

We have committed ourselves firstly to reducing the conventional plastic used in our packaging by 50% within 2030 compared to 2013. This is the equivalent of more than 11,000 tonnes that will no longer arrive on the market each year.

But we want to be consistent at “our own home”, too. And so, disposable plastic bottles, cups, plates and cutlery are about to be eliminated from all our working environments.

The plastic bottles in the meeting rooms will soon be replaced by returnable glass bottles or aluminium cans. Instead of plastic cups

and plates we will have those made cellulose pulp and cutlery will be made of wood.

Finally, we have also taken into consideration the needs of those who have developed the good habit of bringing a reusable bottle from home every day. In the coming months steel thermal bottles, bearing the Sofidel logo, will be distributed to all our colleagues.

While it's true that we will not solve the global mismanagement of this material by ourselves, Sofidel will try as usual to be part of the solution and not of the problem.



MARKETS AND CUSTOMERS

OUR MARKETS

The Sofidel Group has production plants in two regions: Europe and the United States. Marketing products in the countries where they are produced allows higher levels of service for customers, lower environmental impact and more sustainable logistics.

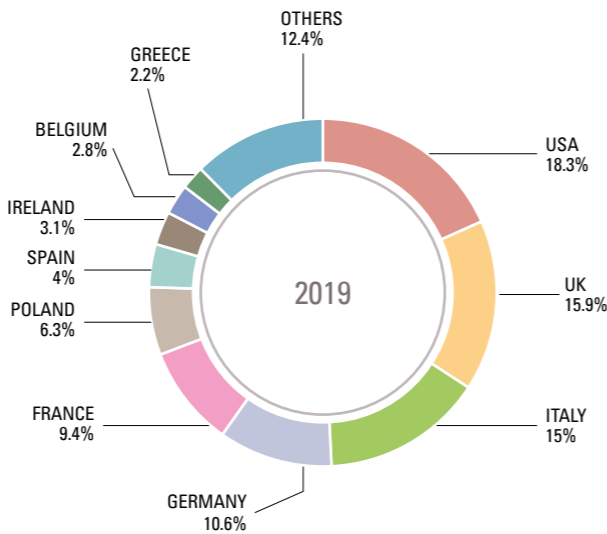
The chart alongside shows the breakdown of Group turnover by country.

PRODUCT INNOVATION

Sofidel produces the type of paper (tissue) that, being soft and strong, can be used to make toilet paper, kitchen towel, serviettes, paper handkerchiefs and tissues (in addition to reels). Innovation is a critical success factor for Sofidel as the needs of consumers and clients are constantly changing.

2019 was marked by the launch of products with alternative wrapping to standard polyethylene (kraft paper, recycled plastic and bioplastics) to make the range even more sustainable, in tune with the Group's vision of increasing comfort and hygiene by responding in an increasingly organic manner to the growing demand for attention to the environment.

BREAKDOWN OF TURNOVER BY COUNTRY



Regina Skin

In 2019 an important innovation was launched in the paper handkerchief market thanks to a new concept: Regina Skin. Skin is a product different from any other on the market thanks to its slimmer package that makes it more practical and less bulky. The six graphic variations, created for both men and women and based on typical themes from the world of fashion, yield a product that gives a nudge and a wink to the latest trends.



Regina Pets

Regina Pets: an innovation, also unique on the market, created to provide pet owners with a little help to keep their pet dry and clean at all times.

Its large pure cellulose sheets and disposable format make it more practical, safe and hygienic than traditional towels.

In addition, thanks to the patented "odour control" technology, Regina Pets helps to keep home environments more pleasant.



Nicky Supreme Gold

Nicky Supreme Gold toilet paper represents the evolution of Nicky Supreme toilet paper, designed for those looking for an irresistible level of softness and a touch of elegance even in the bathroom. In fact, Supreme Gold rolls incorporate two technologies: positive embossing and the "three colours-three decorations" patent. This combination gives a high-performance and unique product.



Nicky Happy Life

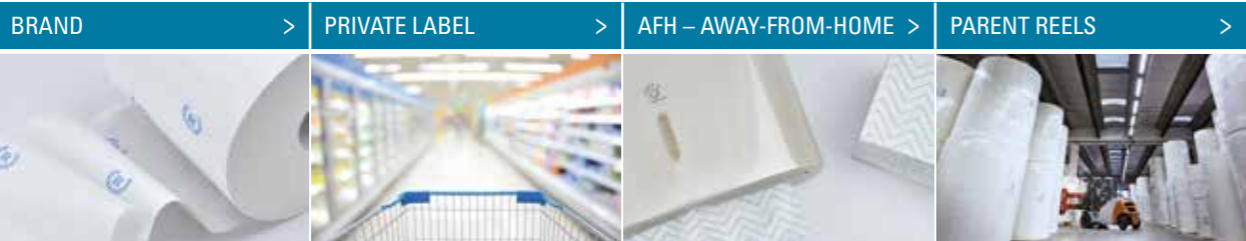
The Nicky Happy Life product line is dedicated to events, a way to support consumers on all the special occasions of the year. The decorations are attractive and modern, rendering festive days even more special.

In addition, the Group continues to work on the thickness and number of paper layers in order to offer the market products with the highest level of performance and greater efficiency in terms of the production process, with consequent advantages also in terms of environmental sustainability. The "new Sofidel product" is also innovative in terms of creation, development and implementation processes, supporting a corporate approach oriented towards the creation of shared value along the entire chain.



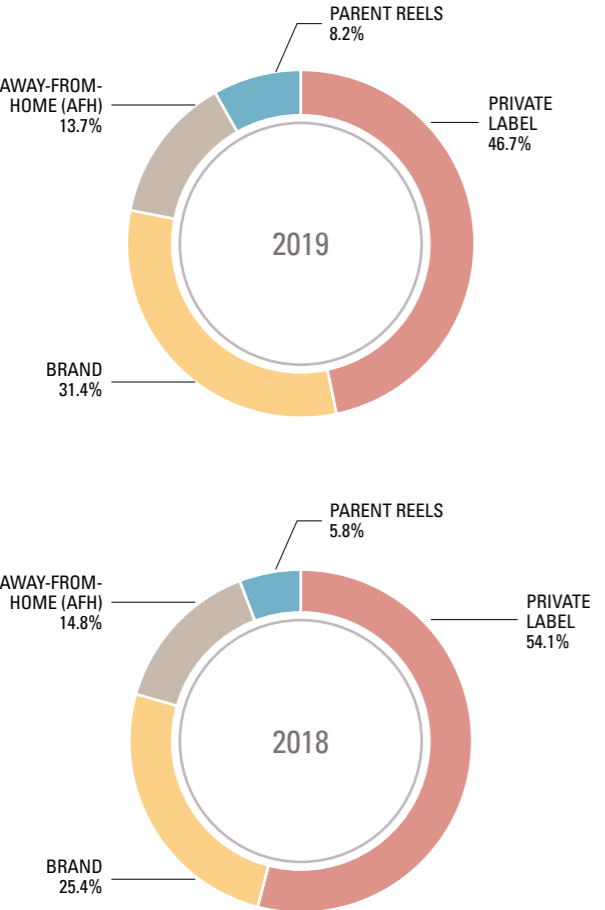
LINES OF BUSINESS

Production and distribution of tissue products by paper companies in the Sofidel Group is divided into four different lines of business: **Brand, Private Label, Away-From-Home (AFH) and Parent Reels.**



The chart below shows the breakdown of Group turnover by line of business.

BREAKDOWN OF TURNOVER BY LINE OF BUSINESS



EUROPE

Brand - The European market

With the European leader Regina and other brands acquired over the years, the Brand business unit is a line of business particularly focused on consumer satisfaction and characterised by high quality products, product innovation and special attention to sustainability. During 2019 - in line with the goal of a 50% reduction in conventional plastic by 2030 - the Sofidel Group, of which Regina is the leading brand, is committed to reducing the quantity of conventional plastic in the packaging of all its major European brands by 20% by the end of 2020, the equivalent of 600 t/year of conventional plastic taken out of the household waste cycle and the environment.

The Regina brand, in the houses and hearts of European consumers for over 30 years

Sofidel created the Regina brand, distributing the products first on the Italian market and then in other relevant company markets. In Italy, its products have become a real icon among mass consumption products, finding their way into Italian hearts and houses thanks to their strength, absorbency and softness, but also due to an advertising campaign which has generated some genuine catchphrases (“the rolls that never end”), becoming part of the history of Italian advertising. A success due to both the high quality and guaranteed performance of the products: Rotoloni Regina, Asciugoni Regina, Regina di Cuori and Regina Carta Camomilla. More recently the Regina brand has extended its range with product innovations such as Regina Wish (in the kitchen towels category), Regina Sensation (in toilet paper) and Regina Skin (with new fashion tissues). The Regina brand is a leader in Italy, but also in Europe. To-day Regina is the only brand in the tissue sector that is marketed in around 30 countries, a widespread distribution network that is the result of a commercial strategy that, over the years, has focused on developing a single brand identity.

Regina now occupies leading positions in very important markets such as the United Kingdom/Republic of Ireland and Poland. During 2019 Regina launched in several countries (Italy, Spain, Germany, Poland and the United Kingdom) products made of kraft paper instead of the classic polyethylene. Since 2017, Sofidel has renewed the Regina brand with a new positioning and payoff. The new payoff “Paper for People” relates the double objective of the brand: on the one hand, to help people with their little everyday challenges in the house; and on the other, to develop increasingly innovative and sustainable products. This new campaign is back on-air in Italy, UK and Poland.

Other Sofidel brands in Europe

Strengthened by the continual process of differentiation over the years, the Group has flanked the Regina® brand with other brands acquired and/or launched more recently:

Softis® in Germany and Austria, Le Trefle® and Sopalin® in France, Cosynel and Nalys in Benelux, Thirst Pockets in the United Kingdom/Republic of Ireland and KittenSoft® in the Republic of Ireland, Soft & Easy® in Poland, Volar® in Romania, Forest in Hungary and Lycke in Sweden. With its advertising support and continual investment in product quality, Sofidel has worked to enhance the goodwill that these brands had already acquired in the various countries, without losing the bond established with their consumers. Each brand has therefore improved its position and brand promise in line with the relevant market and consumers. Volare® in Romania and Forest in Hungary are migrating to the Regina brand, a process that will end in 2020, further strengthening the brand's presence in Europe. Sofidel has also launched the new Blitz, Wish and Sensation concepts for these brands to further satisfy the demands of consumers looking for high performance and differentiated products.



B-brand Nicky

The Nicky products derive from the most innovative paper mill and converting technologies and essentially represent what Sofidel can offer to meet the needs of the large-scale retail distribution chains. Today, Nicky products are distributed in several countries, remaining true to the innovations on offer, the creativity inherent in the various sub-brands, the quality/price ratio and the attention to environmental sustainability that is common to the entire Sofidel Group. The main objective of the Nicky B-brand is to offer the final consumer a complete picture of Sofidel's production, responding each time to the specific features of consumption in the different countries where the product is marketed. Nicky thus covers all product categories, within which the distributor can choose which product to include in its own private label range.

In addition to Nicky, Sofidel also offers other brands to temporarily find a place in the distributor's assortment: Valenty, Alis, Florex and Dayly.

Private Label - The European Market

The market share of Private Label (PL) continued to grow in 2019, thanks to the constant improvement in quality and the segmentation of the commercial range, covering both basic needs, with low-priced products, and more advanced ones, with cutting-edge technology. 2019 was characterized by the coming on stream of some new supply contracts that allowed a partial recovery of the volumes lost in the recent past, also due to the strong increase in raw material prices. Sofidel's Private Label strategy focused on three main concepts:

- the development of “tailored” products with particular at-

- attention to the top end of the market;
- the development of sustainable products (e.g. with paper wrapping);
- the development of a stakeholder engagement initiative to open up to customers in a partnership relationship based on listening and sharing.

Market developments

UK & Ireland. In 2019, Sofidel further strengthened its position in these two markets with the introduction of new lines with paper packaging and increased consumer awareness of environmental sustainability.

Italy. Average prices continue to contract strongly due to the growth of discount retailers in Italy. An increasing number of retailers also include specific lines, typical of discount stores, in their assortment, aligning them with their prices (for example, Maxi rolls of toilet paper with 600 strips).

Against this background, Sofidel continues to focus on innovation: with non-traditional features such as “positive” embossing, paper packaging or “coreless” rolls (without the cardboard inner tube) to reduce environmental impact.

Poland. The year was marked by the new agreement with the Jeronimo Martins brand, which owns over 3,000 stores in the country.

Scandinavia. In this geographical area, it was considered important to concentrate on stabilising existing business relations before anything else. There was no lack of product innovation, which resulted in the launch of new paper packaging.

Germany. Private Label (PL) continues to be the preferred choice of German consumers. In fact, it offers, on average, high quality products that contribute positively to the image of the large-scale retail trade. Sofidel’s priority in 2019 was to recover the volumes lost in 2018, following the increase in price lists made necessary by the increased cost of raw material.

France. Over the course of the year, the French market has settled at an even higher level of competitiveness. In fact, the number of foreign players has increased and Private Label (PL) has been able to offer a wider range at lower prices.

Spain. The Spanish market, after a significant increase in production capacity due to the entry of new important players, has also seen an improvement in the quality of the range of goods on offer.

In this context Sofidel has focused on NewTissueTechnology (NTT), which has enabled the Group to launch higher quality

products, with greater production efficiency and increased attention to environmental sustainability. This has allowed the achievement of “double-digit” growth in this market.

Hungary. This market has proved to be particularly difficult again this year: low prices and consequently low margins have put our entire sector in crisis. Sofidel has reacted by optimizing its production and range to protect margins.

Romania. For this market it was again a very challenging year: the increase in prices, caused by the increase in the cost of raw materials, led to a considerable loss of volumes in the country.

Away-From-Home (AFH) -The European market

In the European Away-From-Home (AFH) market, the year ended on a stable note in terms of turnover thanks to the consolidation of planned price increases and the growth in high value-added products, offsetting the loss in volumes. Sofidel is confirming its continuing strong commitment to launch innovative products with an expansion of the dispenser range, designed to penetrate new markets such as HORECA and to deepen its range.

The strategy remains focused on selling added value, proposing complete solutions for increasingly common problems in the world of professional users and optimizing performance with a view to containing the cost in use. The Away-From-Home (AFH) sector, in line with Sofidel’s commitment to reducing the consumption of plastics, has also taken steps to bring innovative solutions with reduced environmental impact onto the market.

The Group continues to strengthen its presence in the transport sector, where the solutions identified (Dissolveteck and Biotech lines) are recognized and backed by concrete results in terms of reducing technical interventions by users to repair damage caused by blockages and clogging (with considerable savings in the cost in use). In 2019, as planned, the Group started the production and distribution of AFH products in the Spanish market, consolidating its presence within one of the most important purchasing groups in the country and laying the foundations for more widespread distribution of the Papernet brand.

Parent Reels -The European market

In 2019, in the face of increased production capacity and fluctuations in the cost of raw materials for semi-finished products, reels accounted for a greater percentage of total production.

USA

In 2019, Sofidel America saw very positive overall business development. The quantity produced has exceeded 200,000 tonnes and all divisions of the company have improved their contribution margin. With the new paper mill machine in Inola (Oklahoma) in operation from the beginning of 2020, we can expect significant growth over the next year. Sofidel America’s strategic plan also envisages a high positioning for our three business lines in terms of quality, efficiency and environmental responsibility.

Private Label -The US market

The strong growth trend in Private Label (PL) which emerged in 2018 continued in 2019, reaching a total volume of almost 90,000 tonnes with a growth in contribution margin per tonne of over 80%.

Further growth can therefore be expected in 2020 thanks to the intensive work done to date to expand the customer base. The Sofidel America 2020 business plan forecasts that the Private Label business line will grow by a further 60%. Sofidel has already entered into supply agreements with many of the country’s major customers. This commitment will obviously continue throughout 2020, accompanied by a focus on the Group’s strategic principles, which can only emerge strengthened.

Away-From-Home (AFH) -The US market

2019 was a year of progress for the American Away-From-Home (AFH) team: the product range was better aligned with financial objectives. The result of this work was a modest increase in volume of 4.4% but also a 30.2% increase in the contribution margin per tonne. In general, efforts were focused both on optimizing the Papernet range and on the Division’s financial results, aiming for a much stronger 2020. The Papernet brand is clearly helping to build Sofidel’s reputation in the United States by offering unique value-added products, ensuring highly reliable performance.

Sofidel’s footprint is growing steadily in the American market and optimism for a 2020 growth in volumes seems to be more than justified

Parent Reels -The US market

With the inauguration of the Circleville (Ohio) plant, Sofidel America has definitively established its presence in the Parent Reels market. This new business in fact adds to the existing production capacity in terms of “contract manufacturing”, thanks to which the requirements of many established customers are already satisfied.

In 2019 Sofidel laid the foundations for further development in 2020, when the paper mill machines at the new production plant in Inola (Oklahoma) will actually start production. In 2019 volumes grew by 16% and the contribution margin per tonne by more than 8%.



SOFIDEL'S E-COMMERCE STRATEGY

E-commerce is still at the development stage, with further growth expected. More and more brick & mortar customers are opening up to online sales, as new platforms try to erode market share from the leader. According to data on e-commerce growth in the Fast Moving Consumer Goods (FMCG) sector, compiled by Nielsen, global online sales in 2018 amounted to around 7% of the total. In particular, looking at some of the main countries in which the Sofidel Group operates, e-commerce in the United States accounts for 5.6% of sales, while in Europe the UK and France lead with 6.8% and 7% respectively, followed by all the other European countries, stopping at between 1% and 3%. It should be noted that, in the categories in which the Group operates, the weights are greater. For some years now, in this market context, Sofidel has launched its own strategy to better address multi-channel distribution.

In a completely innovative way, Sofidel has started to analyse the “digital shelf”, to monitor the effectiveness of its digital campaigns and has adopted the correct use of web crawlers as indispensable tools for a successful business.

The Sofidelshop.com website is also part of its digital and communication strategy (present, to date, only in Italy). In 2019 a complete restyling of the website was carried out, with special attention to the user experience, which made the new Sofidelshop even more usable for consumers. The main activities carried out on the e-commerce platform included the successful launch campaigns for Rotoloni Regina Eco and Regina Skin tissues (paper handkerchiefs), as well as the Sofidelshop Xmas programme created for the Christmas holidays. Based on the traditional advent calendar, this offered the consumer a new opportunity for discounts and surprises each day on the Sofidel e-shop during the Christmas period.



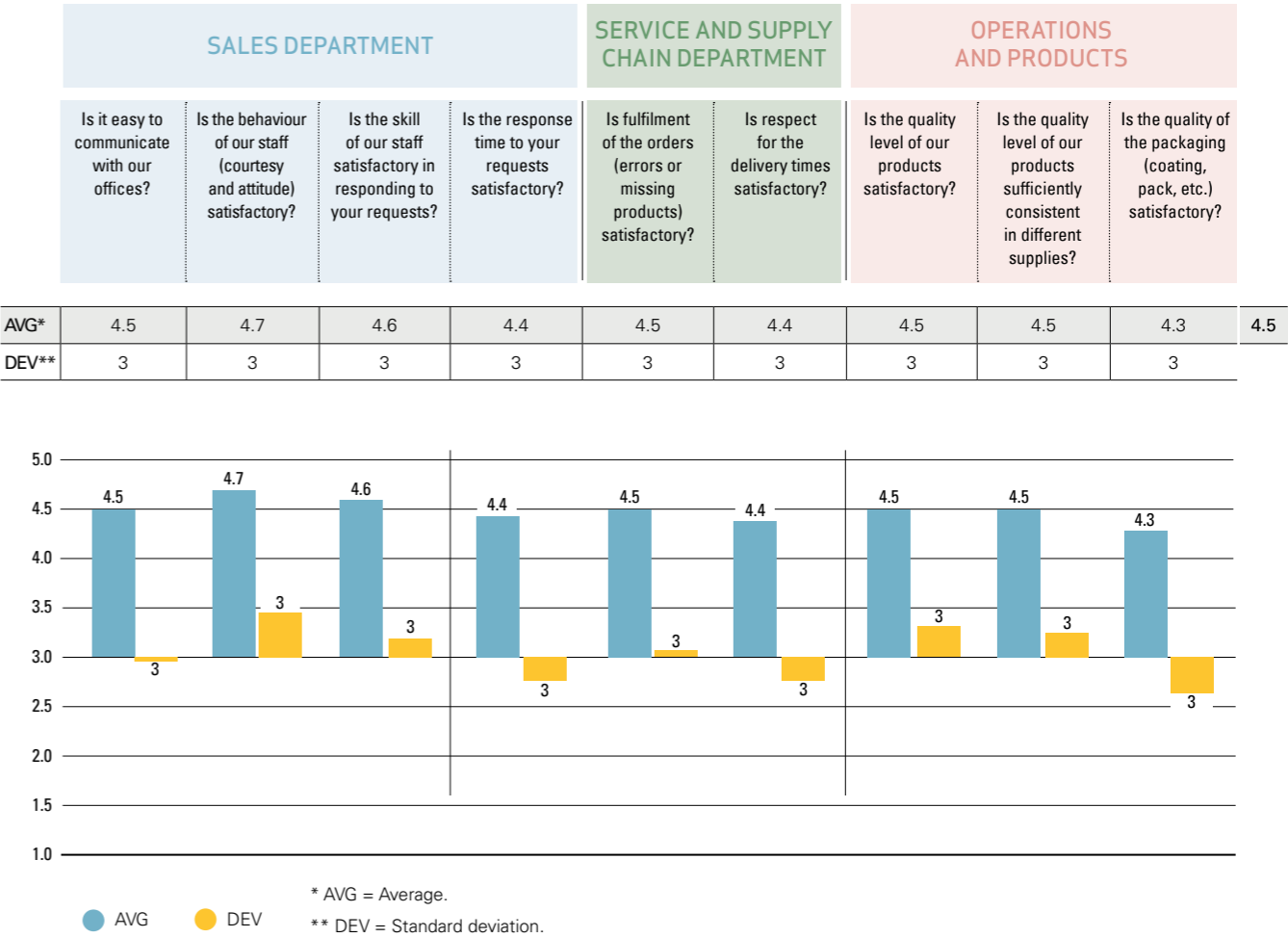
SERVICE QUALITY

For Sofidel, pursuit of customer satisfaction provides a continuous stimulus to improve dialogue with its stakeholders. Understanding customers’ desires and requirements and providing a product which meets their needs equates to ensuring customer satisfaction. Many initiatives are therefore put in place by Sofidel to collect information on and assess the degree of customer satisfaction, always based on the principles of listening, trans-

parency and dialogue. Several years ago, the Sofidel Group acquired a special IT management tool with the aim of maximizing the response to its Customer Satisfaction questionnaires to obtain more representative data.

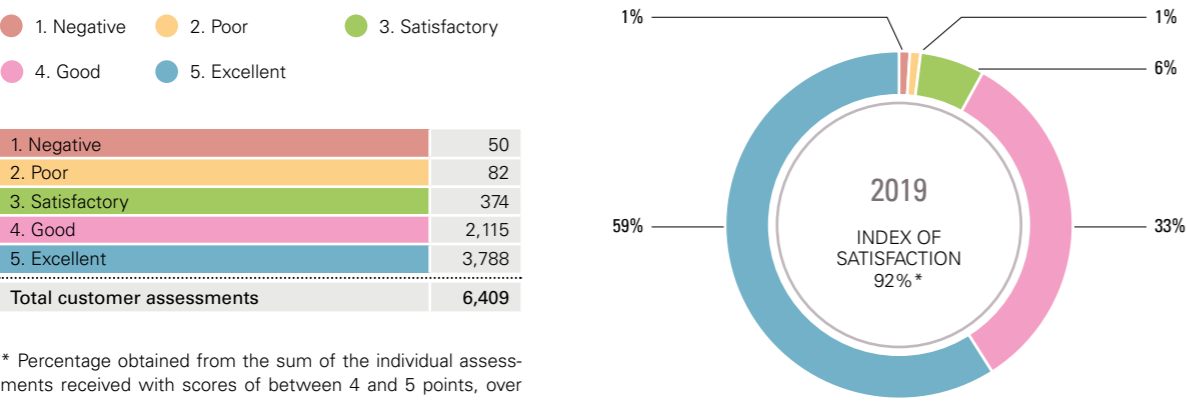
Converting plant

The outcome of the responses provided during 2019 has improved slightly, at 4.5 compared to 4.4 the previous year, out of a maximum score of 5.



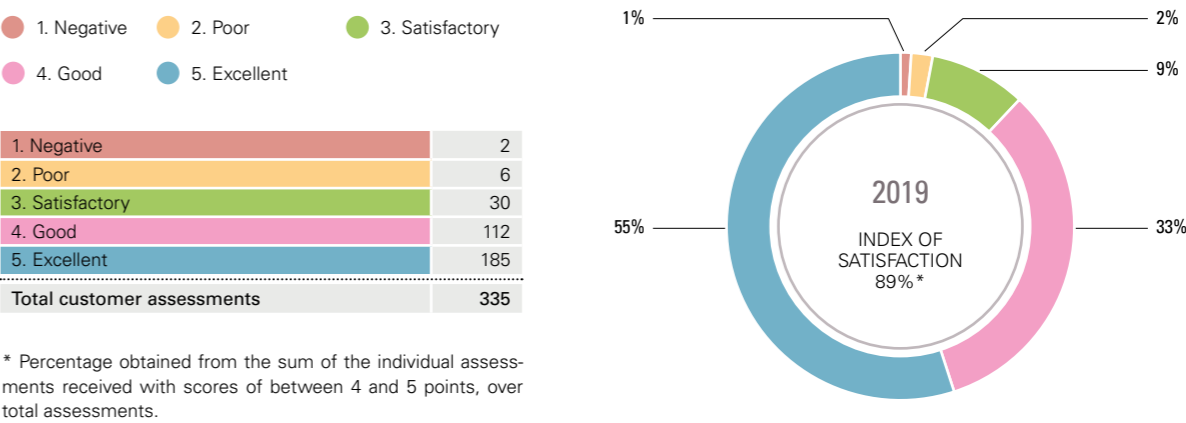
Further analysis of the results of the Customer Care Survey shows that the overall satisfaction rate has remained at respectable levels: 92% compared to 90% in 2018, a tangible sign that customers appreciate our products and services, both commercial and logistical.

INDEX OF OVERALL SATISFACTION WITH THE SOFIDEL GROUP – CONVERTING PLANTS



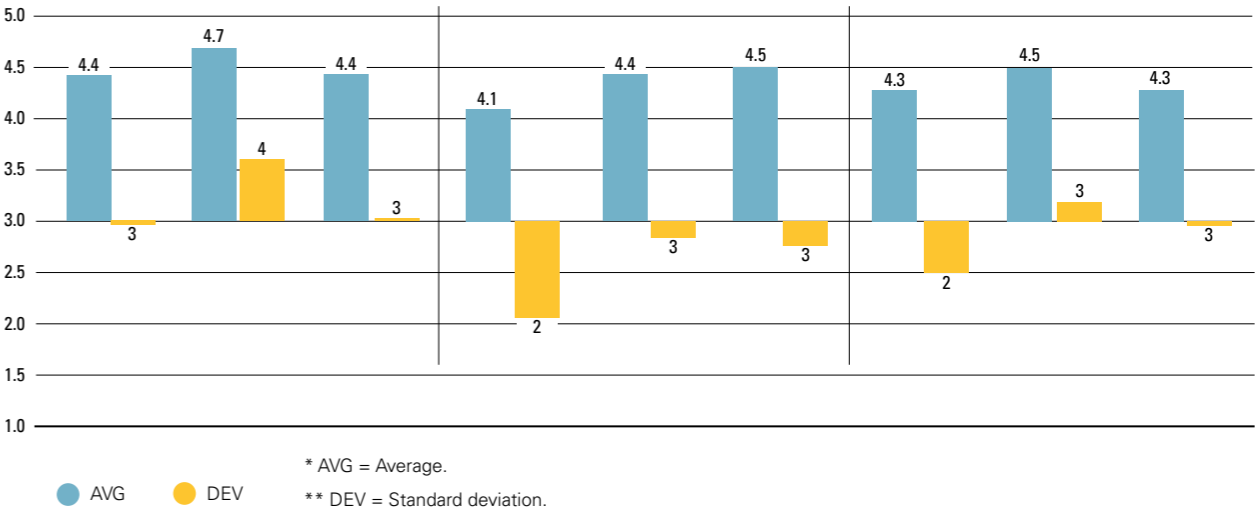
Paper mill
Since 2019 the company has started to analyse the Customer Satisfaction of its paper mill customers using the same system used for the converting plants. The overall level of satisfaction shown by this first research is an excellent 89%, in line with that already achieved at the converting level.

INDEX OF OVERALL SATISFACTION WITH THE SOFIDEL GROUP – PAPER MILL



The outcome of the responses provided is also perfectly in line with the converting results, averaging 4.4 points out of 5.

SALES DEPARTMENT					SERVICE AND SUPPLY CHAIN DEPARTMENT		OPERATIONS AND PRODUCTS		
Ease of contact	Staff behaviour	Staff competence	Adequate response time	Comparison with other suppliers	Orders managed correctly	Satisfactory waiting time for the order to arrive	Quality level of supplies	Flexibility w.r.t. technical requirements	
AVG*	4.4	4.7	4.4	4.1	4.4	4.5	4.3	4.5	4.3
DEV**	3	4	3	2	3	2	3	3	



The Sofidel Group offers a Customer Care service that follows the customer from the time of the order through to processing of the payment. The service employs around 90 people within the company and can be found in all the countries where Sofidel operates. The Customer Care service is centrally coordinated, but in organizational terms reports to local managers in order to offer a more concrete and accessible presence locally.

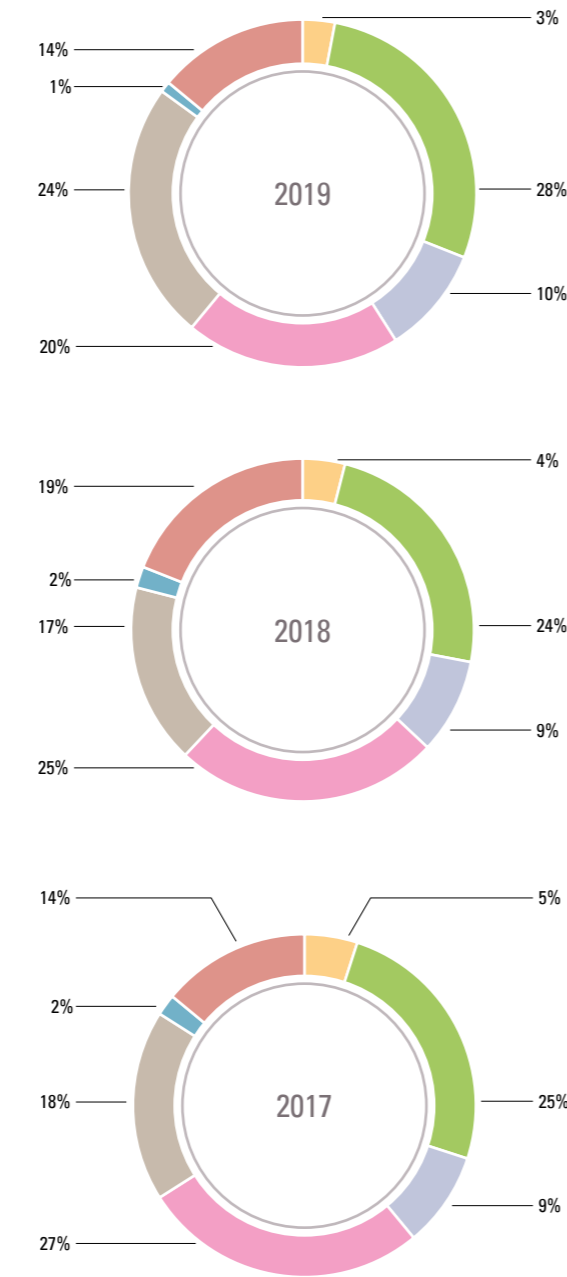
MANAGEMENT OF COMPLAINTS

The other side of the coin is the management of complaints and any claims from customers, whether distributors or final consumers. This type of interface is of fundamental importance in both the management of the relationship of trust with these stakeholders and the management of aspects linked to product quality. Complaints are managed through an electronic workflow which involves the different departments concerned. An internal Claim Management Efficiency tool analyses all complaints and sorts them by type (consumer complaint and retailer complaint), monitoring the relevant response time based on internal procedures to improve efficiency. A total of 3,609 complaints¹⁴ were received in 2019, compared with 3,474 the previous year.

Freephone number: Sofidel has set up dedicated freephone numbers for its main brands - Regina, Softis, Le Trefle, Sopalin and Volare - and for the Sofidel B-brand Nicky, guaranteeing a direct dialogue between the company and its consumers. In 2019 there was an increase in the number of calls, mainly in the Group's foreign countries (Germany, France, Romania and the UK), while the call volume remained almost stable in Italy.

DISTRIBUTION OF COMPLAINTS BY TYPE

- Paper quality problem
- Problem with quality of finished product
- Problem with machine processing
- Paper handkerchief labelling problem
- Dirty product problem (smell, stains, etc.)
- Pallet problem
- Packaging problem



COMMUNITY

COMMUNITY RELATIONS

Sofidel has always been careful to respond to the needs of its local community and to support the social causes promoted internally by its employees. In fact, the company assesses, on a case-by-case basis, which associations to support, also through special sponsorships and by granting its spaces free of charge for activities in the local area.

The Giuseppe Lazzareschi Foundation

Much desired by the Lazzareschi family, the Foundation was founded in 2003 in memory of their father Giuseppe, founder together with Emi Stefani of Sofidel, with the aim of promot-

ing cultural, social and entrepreneurial growth in the area of Lucca and the region of Tuscany in general, the historic base of the Group. A decisive influence in the economic development of the city of Porcari, Giuseppe Lazzareschi's private life and business was marked out by values such as honesty, respect and loyalty and, thanks to his great intuition and forward-thinking, always sensitive to environmental problems and workplace health and safety as well. These are also the principles that inspire the work of the Foundation which, with the cooperation of the Municipality of Porcari, has become a reference point for all the companies operating in the region. A driving force for the growth and enhancement of cultural,



14. For software-related reasons, the data on the type of complaint at the toll-free number is not currently extractable.

social and entrepreneurial capital, the Foundation has, over the last few years, held exhibitions, events, conferences and fairs, involving an ever wider public.

During 2019, events and conferences were held in the areas of environmental sustainability, art and culture, social aggregation and safety in the workplace.

These included a talk-show on sustainable mobility with the participation of experts in the area, in particular Luca Mercalli, meteorologist, climatologist and science presenter.

The round table, held in April, was also attended by representatives from companies, including Toyota, Piaggio and Enel, and institutions such as the Region of Tuscany.

The exhibition entitled "Paper. A story for the future" traced the history of paper in Italy, in sixty images taken by the "Amici di Satto" (a group of photographers), representing the most important stages in the evolution of the production process, starting from straw paper, produced in the ancient paper factories scattered throughout the provinces of Lucca and Pistoia, to the current production of tissue paper and corrugated cardboard, which make our district the biggest papermaking centre in Europe.

The exhibition entitled "Work bicycles. Italy on two wheels

between the '30s and '60s" has allowed us to retrace a cross-section of our history, with over twenty examples on display.

Porcari in Flower: a festival of arts, colours and tastes. Now in its fourth year, the event took place on the second week-end of April and the Saturday event was dedicated to sustainable mobility.

The third Porcari in Oriente event: a festival of arts, colours and traditions that took place in October. The initiative hosted a series of shows, martial arts performances, meditation sessions and magic games.

Now in its 15th year, the Target Zero project, an award created by the Giuseppe Lazzareschi Foundation to promote safety in the workplace, was awarded to thirty-one Italian paper mills and converting plants.

The Italian Safety Institute (IIS) took part in the May event once again.

Sofidel and WaterAid

Sofidel's three-year partnership with WaterAid continued throughout 2019, concluding at the end of the year. WaterAid is a non-governmental organisation founded in the

United Kingdom in 1981 that works to guarantee access to drinking water and sanitation in some of the poorest countries in the world.

The water problem now affects 2 billion people throughout the world, while over 785 million people have no access to clean water, causing the spread of otherwise avoidable illnesses.

WaterAid, which since 1981 has brought drinking water to 26.4 million people and sanitation to 26.3 million people in 34 countries, estimates that around 800 children die every day due to illness linked to lack of clean water and sanitation. Since 2018 Sofidel has been one of the partners of the ambitious WaterAid Healthy Communities project, launched in Mali to bring drinking water, decent sanitation and good quality hygiene to the districts of Kati and Bla. The scarcity of rainfall, together with domestic political difficulties, makes the water situation particularly precarious. WaterAid is active in the rural municipality of Samabogo within the district of Bla, Segou region. Here the Kanuya Group was established, an association of women who have received training and micro-credit to produce and sell karite soap to the local community. Before this, there was no local source of soap and getting it from distant villages was expensive and time-consuming. Thanks to Sofidel's support, WaterAid has been able to provide access to drinking water for 27,673 people, adequate hygiene conditions for over 67,000 people and access to decent sanitation for 52,907 people. In addition, more than 158,000 people have been reached with messages promoting good hygiene.

The partnership with WaterAid adds to and strengthens our commitment to responsible water management and, given our awareness of the importance that this resource has in terms of well-being and hygiene, represents another way of taking responsibility for an area of global interest together with a well-known NGO like WaterAid.

Luigi Lazzareschi, CEO of Sofidel Group

Sofidel and WWF

With WWF Sofidel continues a historic partnership that began in 2008 with the Climate Savers programme (see the section "Building an inclusive and sustainable future based on the UN's 17 Sustainability Goals", p. 27).

Sofidel also works with WWF internationally on other projects.

- Promoting responsible forest management. The agreement provides for the introduction of the joint WWF and FSC® (Forest Stewardship Council) logo on Regina, Sopalin and Le Trefle brand products in the Italian and French markets.
- Regina and the educational project "I'll take care of you" The digital educational project "Mi Curo di Te: il gesto di

ognuno per il Pianeta di tutti" ("I'll take care of you: everyone's contribution to a Planet for all") carried out by WWF Italia with the support of Sofidel, has completed its sixth year. The project, which involved students aged between 8 and 12 years, aims to raise awareness of the connections between everyday gestures and major global phenomena. Each class was allowed to participate in the final competition to win Regina prizes for the students and their school.

Nicky with the Telethon Foundation in Italy

Since 2012 Sofidel has been supporting, through its Nicky brand, the Telethon Foundation's project for the promotion of top scientific research in Italy into rare genetic diseases. Since 1990 the Telethon has developed research projects, thanks also to the support of donors like Sofidel, on over 571 different conditions, through institutions such as Tigem in Pozzuoli (Na), Tiget in Milan, the Dulbecco Telethon Institute (DTI) and calls for tender reserved for the best researchers. Nicky supports Telethon by promoting its projects on all its product packaging through a dedicated box, through communication on social media and the telethon on the RAI network which takes place in December.



Nicky with the Woodland Trust in the United Kingdom

Thanks to its partnership with the Woodland Trust, an organisation for the conservation of woodland heritage in the United Kingdom, Sofidel guarantees the planting of at least 20,000 native trees a year. The United Kingdom has one of the lowest percentages of woodland in Europe, only 11% compared to an average of 43% in other parts of Europe.

Sofidel and the world of schools and universities

In addition to the activities related to the "NextGen" project (see the section "Initiatives to promote dialogue with stakeholders", p. 35) taken forward with great enthusiasm in 2019, Sofidel's commitment to young people also continued at a local level in Italy.



Sofidel and the world of schools and universities

Sofidel has for many years paid constant attention and shown a steady commitment to the education and training of new generations. Over the years, it has taken on an important role in the life of many technical high schools and the University of Pisa, translating its social role into a real educational responsibility. Sofidel is committed to helping students, tutors, head teachers and rectors to develop more innovative, open training, built around skills, which is able to provide a real contribution to development in the tissue industry and for the region. Of particular importance is the scheme to alternate school and work experience and the offer of internships to students in preparation for their degree thesis. Among the more significant partnerships we would like to highlight: our participation, as founders, in the Professional Technical Hub for the development of mechatronics in the paper sector; the partnership with the ITI Marchi/Forti di Pescia for the Masters in Paper Technology; the partnership with the ITI Ferrari di Borgo in Mozzano for the Masters in Paper Chemistry; the partnership for the Paper section of the Chemical Engineering and Mechanical Engineering and Industrial Chemistry degree courses in Pisa, as well as the Paper and Cardboard Masters at the University of Pisa, which has been hosted for 17 years in Lucca and which Sofidel has helped to relaunch as an international qualification with teaching content closer to the real needs of the

sector. In addition, during 2019, the two-year post-diploma training course “ITS Papermaking” for the training of highly specialized senior technicians for the paper industry, was successfully launched. The study programme includes 800 hours of internship within the member companies.

Sofidel and the “Fairy Children”

In 2019 Sofidel continued to support the “Fairy Children,” a social enterprise that has been providing economic support for projects and social inclusion pathways for families with autism and other disabilities since 2005.

INVESTMENTS TO BENEFIT LOCAL COMMUNITIES

Sofidel’s commitment to local communities is expressed mainly through two objectives: an attentive environmental policy and a redistribution of wealth in the local area. This twofold objective is achieved on the one hand through the use of clean technologies, but also through logistics planning which enables CO2 emissions to be reduced, favouring, where possible, local purchases and thus contributing to the strengthening of the relevant supply chain. Sofidel suppliers are mainly located in Europe, where the majority of Group plants are present, except for raw materials suppliers, for reasons connected to the nature of the cellulose market. In 2019, Sofidel purchased on average 55.38% of goods and services from local suppliers.





10

METHODOLOGICAL NOTE

Reporting process
Report boundary
Assurance
GRI performance indicators

The bears of the Swedish Lycke Family have shown their environmental commitment also by wrapping this new toilet paper in kraft paper.

REPORTING PROCESS

The ninth edition of the Sofidel Group’s Integrated Report has been prepared according to specific principles and methodologies set out in the most recent standards published in 2016 by the Global Reporting Initiative (GRI Standards - Core option), integrated, as in the previous reporting year, with the guidelines of the International Integrated Reporting Committee (IIRC)¹⁵, better known as the IR framework.

The GRI Standards represent the main global reference standards for Sustainability Reporting, the disclosure of an organisation’s or an enterprise’s sustainability performance. This Report has been prepared in accordance with the principles of balance, comparability, accuracy, timeliness, reliability and clarity as required by the GRI. The guidelines of the “Framework for Integrated Reporting and the Integrated Report” of the Integrated Reporting Committee (IRC) of South Africa are the only reliable benchmark available to date. The IR framework focuses on the organisation’s capacity to create value in the short, medium and long term. In this way it maximises the attention given to:

- conciseness, strategic focus, forward-looking nature and links between information and capital, showing their mutual interdependence;
- the importance of integrated thinking within the organisation, which consists of considering the relationships between the operational units and the functions of an

organisation, as well as the capital that it uses or influences.

Aspects such as the description of the company’s business model, the focus on leadership and the centrality of the sustainability context demonstrate the company’s desire to move towards a more integrated and integral reporting model, within which sustainability is increasingly the lever used to rethink and redefine strategy and operating processes, to address change and to respond to the needs and expectations of the market and of society as a whole, with the ultimate objective of raising the level of innovation, competitiveness and profitability. Reference was also made to the SAS (Sustainability Accounting Standards – Pulp & Paper Products) used by listed companies on the American market for the reporting of material sustainability information. In this Report, according to the British convention, commas are used to separate thousands and points to separate decimals.

15. A body created by the International Federation of Accountants (IFAC), the Global Reporting Initiative (GRI) and The Prince’s Accounting for Sustainability Project Organism created by the International Federation of Accountants (IFAC), the Global Reporting Initiative (GRI) and the Prince’s Accounting Project for the development of an integrated reporting statement for the economic and financial, environmental and social performance of public and private organisations.

REPORT BOUNDARY

The reporting boundary for this Integrated Report includes all the companies controlled by the parent company, Sofidel S.p.A. and reflects the corporate simplification operations that took place during the year (for further details see the Consolidated Financial Statements and the Notes to the Financial Statements).

Sofidel Turkey, a company in liquidation, is not included within the reporting boundary for certain aspects as it has had no impact.

The reference period is the 2019 financial year, which coincides with the calendar year running from 1 January to 31 December 2019, except where otherwise specified in each

section. The reporting methodology, in line with that used for the Integrated Report in previous financial years, provides full comparability of the data contained in this Report.

Any reclassification of data already presented in the previous edition of the Integrated Report is clearly justified in the text.

For information on the Integrated Report and the reporting process adopted, please contact:

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ASSURANCE

DNV GL

Sofidel SpA – Integrated Report 2019 Independent Assurance Statement

Introduction

DNV GL Business Assurance Italia S.r.l. ("DNV GL") was commissioned by the Management of Sofidel SpA ("Sofidel") to undertake an independent assurance of the company's Integrated Report 2019 ("the Report") in accordance with the Global Reporting Initiative ("GRI") Sustainability Reporting Standards.

For details on the composition of Sofidel and its reporting boundary, reference should be made to the information in the relevant section of the Report.

Sofidel is responsible for the collection, analysis, aggregation and presentation of the information contained in the Report. The assurance engagement assumes that the data and information provided in good faith by Sofidel are complete, sufficient and authentic.

Our responsibility in conducting the work commissioned from us, in accordance with the terms of reference agreed on with Sofidel, is solely towards the management of Sofidel.

This Independent Assurance Statement is intended solely for the information and use of Sofidel's stakeholders, and isn't intended to be and should not be used by anyone other than these specified parties.

Scope of Assurance

The scope of work agreed on with Sofidel included the following aspects:

- Analysis, according to a *Moderate level of Assurance*, of the business and its data on sustainability, for the period January 2019 to December 2019, as contained in the Report.
- Assessment of the reporting standards referred to in the GRI Sustainability Reporting Standards, in accordance with the "Core" option.

Our audit was conducted in February (at the head office in Porcari - LU), March and April 2020.

The information and economic data were audited by an independent auditing firm and were not included in the scope of our audit.

Audit methodology

Our assurance engagement was planned and conducted in accordance with the VeriSustain audit protocol of DNV GL, which is based on our professional experience and international assurance best

In accordance with the Protocol, available on request from our website*, the Report has been evaluated according to the following criteria:

- Adherence to the principles of the GRI Sustainability Reporting Standards;
- GRI Sustainability Reporting Standards, with respect to requirements for the Core option;
- ISAE 3000, for the audit of non-financial information;

We have examined and subjected to review the data and other information made available by Sofidel.

We have obtained information and technical data from certified management systems.

We have conducted audits on a sample basis of:

- the mechanisms adopted by Sofidel for implementation of its sustainability policies, as described in the Report;
- the processes for determining the materiality of the contents to be included in the Report;
- the processes for the generation, collection and management of the quantitative and qualitative data included in the Report.

We interviewed 23 company representatives involved in the operational management of the aspects described in the Report.

Conclusions

In the opinion of DNV GL, the Sofidel's Integrated Report 2019 provides an accurate and impartial representation of the sustainability strategies, management systems and performance of the Organization.

Based on the work undertaken, nothing came to our attention to suggest that the Report is not in line with the Core requirements of the GRI Sustainability Reporting Standards.

Further conclusions and observations on the adoption of the reporting principles and information on specific areas of performance are given below.

* <https://www.dnvgl.com/assurance/reporting/index.html>

Stakeholder Inclusiveness: The document highlights Sofidel's commitment to the promotion and development of initiatives to regularly and systematically involve its stakeholders.

Sustainability context: The information and data presented within the Report adequately reflect the strategy, commitments and activities carried out by Sofidel in relation to the sustainability context in which the Organization works.

Materiality: The Report reflects Sofidel's commitment to providing information and data that allow its stakeholders to assess the economic, social and environmental performance of the Organization.

The contents of the Report are the result of a consolidated mapping of stakeholders and a structured process for identifying the topics they considered relevant.

Completeness: The Report enables stakeholders to evaluate Sofidel's sustainability performance in 2019 and to understand its sustainability strategies and goals. The information contained in the report refers to the structure defined in the boundary; in the case of data attributed to a more limited boundary, the document identifies such restrictions.

Accuracy: From our analysis of the data and the company processes which generate it, the data contained in the Report are the result of stable and repeatable activities. The information contained in the Report is therefore sufficiently detailed and accurate.

Balance: The Report is a complete and impartial description of the sustainability impacts and performance of Sofidel. The document reflects the Organization's desire to represent its activities and result for 2019 in a balanced manner, consistent with its company strategies.

Clarity: The information presented in the report is understandable, accessible and usable by Sofidel's stakeholders.

Comparability: The information reported enables stakeholders to analyze changes in the organization's current economic, environmental, and social performance against the organization's past performance.

Reliability: The data included in the Report which is the subject of our audit were shown to be identifiable and traceable; the personnel responsible were able to demonstrate in a convincing manner the origin and interpretation of the data. During our audit, we identified a limited number of non-material errors, which were corrected before the final version of the Report.

Timeliness: Sofidel reports regularly once a year making information available in a timely manner, to allow stakeholders to make informed decisions.

Improvement opportunities

Below is a summary of the observations and opportunities for improvement communicated to the management of Sofidel which, in any case, do not affect our conclusions on the Report:

- evaluate the opportunity of implementing data management and processing tools in order to reduce the operational data handling, considering that the data is currently managed on excel sheets;
- the customer satisfaction results can be better highlighted in the Integrated Report;
- evaluate effective strategies to reduce in itinere accidents (eg. Smart working, training, etc.).

Competence and independence of DNV GL

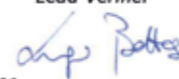
DNV GL is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries.

DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process.

DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

For DNV GL Business Assurance Italia S.r.l.

Luigi Bottos
Lead Verifier



Zeno Beltrami
Reviewer



Vimercate (MB), 29th May 2020




GRI PERFORMANCE INDICATORS

Reference was made to the “GRI Standards - Core option” for reporting of the economic, social and environmental performance of the Sofidel Group, integrated with the principles of the IR framework.












The table below shows the correspondence between the GRI indicators, the Sustainable Development Goals (SDGs) and their position in the text, highlighting the level of coverage reached with the Integrated Report.

TABLE OF GRI PERFORMANCE INDICATORS

	GRI STANDARDS	SDGs
LETTER TO STAKEHOLDERS	GRI 102-14	
GROUP PROFILE		
Sofidel Group in figures	GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7, GRI 102-8, GRI 102-9, G4 - 56, <IR> 4.4, <IR> 4.34	
Sofidel in the world		
Mission and vision		
Culture, ethics and values		
SUSTAINABILITY		
Sustainability strategy		
Strategic sustainability tools	GRI 102-11, GRI 102-12, GRI 102-32, GRI 102-16, GRI 102-17, GRI 102-18	
Main inspirations of the Group sustainability model	GRI 412-2, GRI 408-1, GRI 409-1	
Our main sustainability partners	GRI 102-13	
Materiality analysis and dialogue with stakeholders		
Key stakeholders	GRI 102-40, GRI 10241	
Materiality analysis	GRI 10245, GRI 10246, GRI 10247, GRI 103- 1, GRI 10248, GRI 10249, <IR> 3.17	
Management of relations	<IR> 3.10	
Initiatives to promote dialogue with stakeholders	GRI 10243, GRI 10244, GRI 103-2	
STRATEGY AND BUSINESS MODEL		
The strategy for growth (includes Circular Economy)		
Key elements of the model and flow diagram	<IR> 3.3, <IR> 4.10, <IR> 4.23, <IR> 4.27, <IR> 4.34	
Distinctive factors		
Outlook and strategic objectives		
Innovation in the Sofidel Group (includes Digital Company)		

	GRI STANDARDS	SDGs
GROUP ECONOMIC AND FINANCIAL PERFORMANCE	GRI 201-4, <IR> 4.30	
PRODUCT		
Products	GRI 102-2	
Tissue production process		
Product quality and safety	GRI 417-1, GRI 417-2, GRI 416-1, GRI 416-2	
OPERATIONS		
Governance		
Company structure	GRI 102-5, GRI 102-18, GRI 102-19, GRI 102-20, <IR> 4.8	
Organisational structure		
Internal control system		
Leadership and decision-making processes		
Risk management and monitoring	GRI 102-31, GRI 201-1, GRI 201-2, GRI - 201-3, GRI 205-1, GRI 205-2, GRI 416-1, GRI 416-2, <IR> 4.23	
Management systems	GRI 102-29, GRI 102-30, GRI 102-31, GRI 102-32	
The environment		
Objectives and results	GRI 102-18, GRI 102-51, GRI 102-53	
Energy efficiency	GRI 302-1, GRI 302-2, GRI 302-3, GRI 3024, GRI 302-5	
Management of greenhouse gas emissions	GRI 305-1, GRI 305-2, GRI 305-3, GRI 3054, GRI 305-5, GRI 305-6, GRI 305-7	
Protection of water resources	GRI 303-1, GRI 303-2, GRI 303-3	
Protection of forest resources	GRI 301-1, GRI 301-2, GRI 304-1, GRI 304-2, GRI 304-3, GRI 304-4	
Waste management	GRI 306-1, GRI 306-2, GRI 306-3, GRI 3064, GRI 306-5, GRI 306-6, GRI 306-7	
Ecological products		
Suppliers and the supply chain		
Objectives and results		
Supplier map	GRI 102-9	
Supplier qualification, selection and assessment	GRI 308-1, GRI 308-2, GRI 412-3, GRI 414-1, GRI 414-2	
Contract management		
Supply chain management	GRI 412-2, GRI 407-1, GRI 408-1, GRI 409-1, GRI 410-1, GRI 204-1	

NOTES

	GRI STANDARDS	SDGs
PEOPLE		
Objectives and results		
Management of partners/collaborators	GRI 401-1, GRI 401-3, GRI 405-1, GRI 408-1, GRI 408-2, GRI 103-2	
Training and professional development (includes Human capital)	GRI 404 -1, GRI 404-2, GRI 404-3, GRI 403-5	 
Protection and safety	GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 412-2, GRI 410-1, GRI 403-9	
Pay and incentives	GRI 202-1, GRI 202-2, GRI 401-1, GRI 405-2	 
Industrial relations	GRI 402-1, GRI 103-2, GRI 407-1	
MARKET & CORPORATE BRANDS		
Customers		
Objectives and results		
Service quality	GRI 416-1, GRI 416-2, GRI 418-1	
Customer satisfaction survey	GRI 102-43	
Management of complaints	GRI 102-43, GRI 418-1	
Markets		
Group companies and brands	GRI 102-2, GRI 102-4, GRI 102-6, GRI 102-7, <IR> 4.4	
Lines of business	GRI 102-2	
Main activities and markets		
Operating environment and market position		
Community		    
Community relations	GRI 203-1, GRI 203-2, GRI 411-1, GRI 413-1, GRI 413-2	
Investments to benefit local communities		
METHODOLOGICAL NOTE		
Reporting process		
Report boundary	GRI 102-50, GRI 102-51, GRI 102-52, GRI 102-53, GRI 102-54, GRI 102-55, GRI 102-56, GRI 102-56	
The principles applied and the reporting process		
Assurance		
GRI performance indicators		
Contacts		



REGINA ROTOLONI ECO



REGINA PETS



REGINA SERIOUSLY SOFT
& REGINA SERIOUSLY STRONG



REGINA BLITZ



REGINA WISH



NICKY STRONG ECO FRIENDLY



LE TRÉFLE MAXI DOUCEUR



PAPERNET DISSOLVE TECH



REGINA MIT HERZEN



LYCKE ECO-CARE



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provided in order to make it available for a wider audience.
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as the prevailing text.

