

S/report

Sofidel Integrated
Report Summary

2019

2019. A better year

Interview with the CEO of Sofidel, Luigi Lazzareschi, on developments in 2019 and the future strategies of the Group.

Less plastic, more sustainability

50% of plastic off the shelf by 2030.
Thinner plastic film being extended.
Packs made of paper, recycled plastic and bioplastic.

Sofidel NextGen

Raising the awareness of new generations for a more sustainable future. Strengthening dialogue through partnerships with schools and universities.



“A united, ambitious approach to plastic pollution over the coming years is urgently needed, and committed action from business is one key to a holistic solution”.

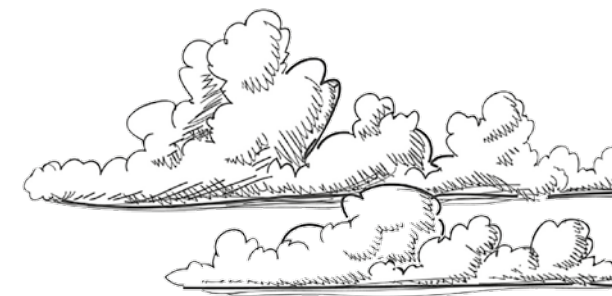
WWF - NO PLASTIC IN NATURE

Sofidel, as always, wants to be part of the solution to the problem.

COVER ILLUSTRATION: DIEGO CUSANO
PRODUCT: REGINA WISH

Summary

- 2 Sofidel at a glance
- 5 2019. A better year
- 8 Less plastic, more sustainability
- 11 Innovating means creating added value
- 13 Our production capacity is growing in the USA and in Europe
- 16 Sustainability to build an inclusive future
- 21 Environmental sustainability: the numbers
- 22 Working together for sustainability
- 24 Suppliers and the supply chain
- 25 The centrality of human capital
- 27 Sofidel NextGen
- 28 Together we win
- 31 Awards and certifications



THE GROUP IN FIGURES /

Sofidel at a glance

The Sofidel Group, founded in 1966 with Italian capital, is one of the world leaders in the production of tissue paper for hygienic and domestic use: toilet paper, kitchen towel, napkins, paper handkerchiefs and facial tissues.

53

YEARS IN BUSINESS


13

COUNTRIES


17

COMPANIES


ANNUAL PRODUCTION CAPACITY

 1,308,000 TONNES


GROUP NET SALES

 1,919 € MILLION


EMPLOYEES

 6,453


WATER CONSUMPTION

 7.3 l/kg
OF PAPER PRODUCED
(SECTOR BENCHMARK 15-25 L/KG)

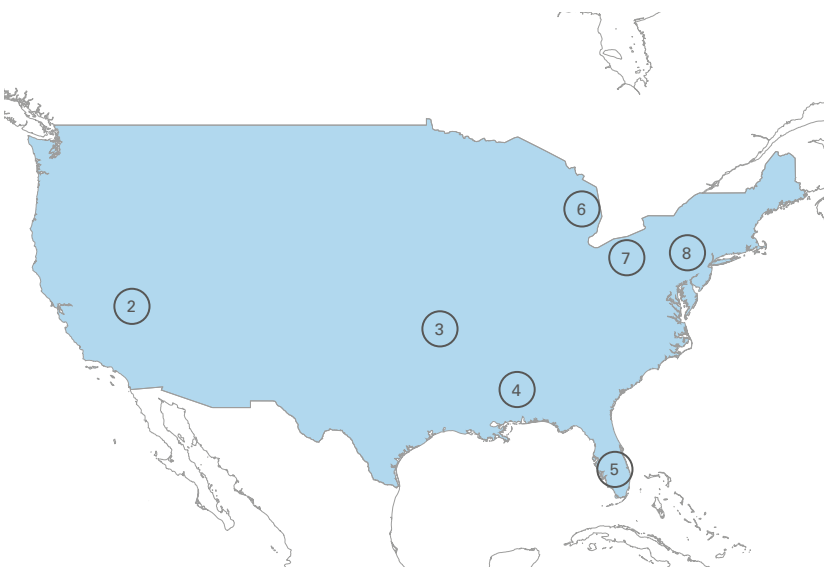
EMISSIONS

 -17.9%
REDUCTION IN CARBON INTENSITY
(COMPARED TO 2009)

ENERGY FROM RENEWABLE SOURCES

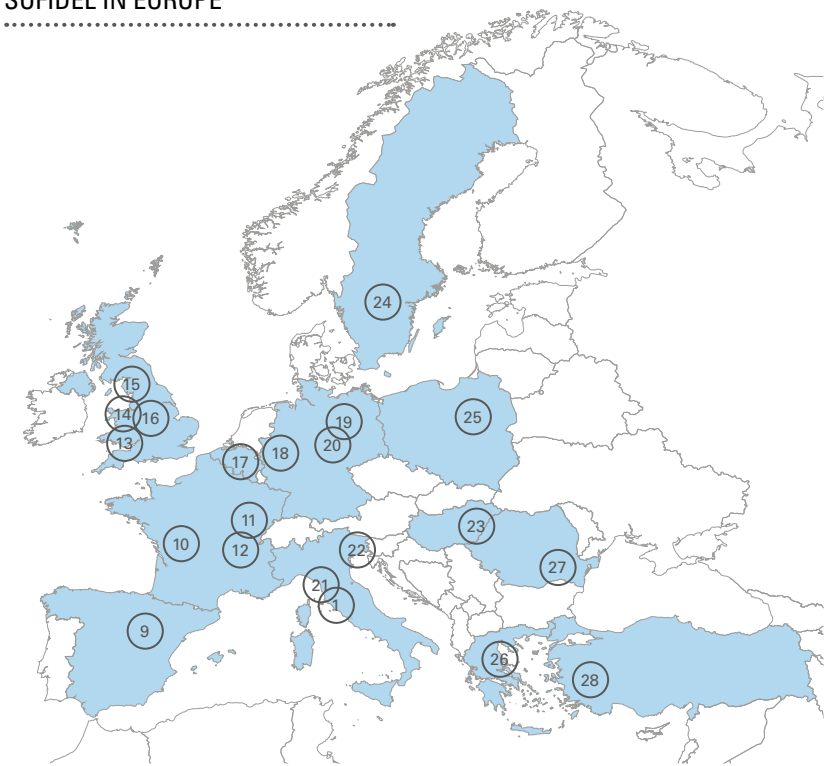
 492 TJ
TOTAL PRODUCTION OF ENERGY FROM
RENEWABLE SOURCES

SOFIDEL IN THE UNITED STATES



- SOFIDEL ITALIA**
1. Lucca - Porcari IT | Services
- 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 SPAIN**
9. Bunuel ES | Integrated plant
- SOFIDEL FRANCE**
10. Ingrandes FR | Converting plant
11. Nancy-Pompey FR | Integrated plant
12. Roanne FR | Integrated plant
- INTERTISSUE**
13. Swansea UK | Integrated plant
- SOFIDEL UK**
14. Lancaster UK | Paper mill
15. Leicester-Hamilton UK | Integrated plant
16. Leicester-Rothley Lodge UK | Converting plant

SOFIDEL IN EUROPE



- SOFIDEL BENELUX**
17. Duffel BE | Integrated plant
- SOFIDEL GERMANY**
18. Koln DE | Trading
19. Arneburg DE | Integrated plant
- WERRA PAPIER**
20. Wernshausen DE
Werra Papier Holding | Services
Werra Papier | 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
22. Gorizia-Monfalcone IT | Integrated plant
- SOFIDEL HUNGARY**
23. Labatlan H | Converting plant
- SOFIDEL SWEDEN**
24. Kisa SE | Integrated plant
- SOFIDEL POLAND**
25. Ciechanów PL | Integrated plant
- SOFIDEL GREECE**
26. Katerini EL | Integrated plant
- SOFIDEL ROMANIA**
27. Calarasi RO | Integrated plant
- SOFIDEL TURKEY**
28. Honaz Denizli TR | Converting plant

COMMITMENT AND INNOVATION /

2019. A better year

Interview with the CEO of Sofidel, Luigi Lazzareschi, on developments in 2019 and the future strategies of the Group.

Mr Lazzareschi, what is your assessment of the last financial year?

Sofidel returned to good levels of performance in 2019, in a difficult economic environment that was, however, more favourable than that of 2018. We have taken action to renew our products in every market. An approach based on innovation that, together with the rebalancing of the cost of raw material, has allowed volumes, margins and profitability to recover, and new customers to be acquired.

A year dedicated to the development of new products, then. What can you tell us about that?

2019 was marked by the launch of products with alternative wrapping to standard polyethylene - kraft paper, recycled plastic and bioplastics - starting with our leading brands in Europe. Our Research and Development has done more than just change the packaging: we have made changes on every single aspect of "product design". Just a few examples: we have extended the concept of "hand-sized sheets" to our main brands to avoid product wastage; we have increased the size of our kitchen rolls to improve the logistics and reduced the diameters of the cardboard cores to reduce waste. Finally, we made changes to paper thicknesses

and fibre mixes to produce in an increasingly sustainable way and in line with the dictates of the circular economy.

Coming back to plastic, what is Sofidel's commitment?

We are committed to a 50% reduction in the use of conventional plastic in our production by 2030 (compared to 2013), which is equivalent to the elimination of over 11,000 tonnes of plastic released onto the market every year. In addition to replacing the primary packaging, intended for the end consumer, Sofidel's commitment also extends to the secondary wrapping for multiple packs and the tertiary use of transport pallets. We have been reducing the thickness of the plastic film used in the production process under a programme pursued for several years now. As far as product packaging is concerned, we prefer paper because it comes from a renewable source, is biodegradable and above all because it is the most commonly recycled material in the countries where we operate.

Now let's talk about investment and new production capacity...

The new production capacity installed in Spain and Poland, now operating at full capacity for the first time, had an

impact across the entire year, making it possible to better support the launch of the Regina brand on the Iberian market and, more generally, to achieve higher levels of logistical efficiency. Overall in Europe, we see our position being strengthened also by the presence of production facilities in the UK, which reduces our worries over Brexit.

And what about the United States?

We continued to consolidate our hold on the US market. The large plant in Inola, Oklahoma, our 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.

We are committed to a 50% reduction in the use of conventional plastic in our production by 2030 (compared to 2013).



How will this affect the Group?

This represents a fundamental step in the actions that we are taking to raise the efficiency of production and logistics in this market which, while waiting for the plant to become fully operational, have already led to significant results in terms of optimising transport costs. In anticipation of the imminent expansion of our production capacity and a further improvement of geographical coverage, we have intensified our advertising and actions to promote visibility and build relationships, and are preparing to launch a first test product on the US market with a good quality/price ratio and attractive sustainability features.

How does Sofidel approach the issues of smart production and digitization?

We look in particular at the implications that these transformations may have in terms of production, distribution and communication. In addition to the

automation of the warehouses at the new plants, I would draw attention to the development of partnerships with some of the major distribution platforms, the customisation and enrichment of the logistics services offered to customers, the massive use of big data analytics and the greater attention paid to cyber security.

How do the Group's activities fit in with the wider concept of Corporate Social Responsibility (CSR)?

What has been undertaken during 2019 is consistent with the policies and investments of the last decade in terms of responsible raw material supply, energy efficiency of facilities and responsible use of water resources. From this point of view, the historical partnership with WWF has also helped to focus our attention on the centrality of natural capital. In addition, the company's commitment extends to various social activities, from our partnership with

WaterAid to bring water and sanitation to countries that need it, to constant collaboration with schools and universities for the training of young people, to welfare projects for our employees and initiatives to improve their health and well-being.

What critical issues do you see for 2020?

Elements of concern are linked to the health emergency caused by the COVID-19 coronavirus, whose spread is affecting many countries and whose health, economic and social impacts are currently difficult to assess. Against this background, on a precautionary and preventive basis, Sofidel has launched a specific "Action Plan against the spread of the COVID-19 coronavirus" to protect the health of its employees and maintain the efficiency of its production and service levels, and is closely monitoring the evolution of the situation.

"We have continued to consolidate our position in the US market, while in Europe, overall, we see our position being strengthened."



On this page: the integrated plant (paper mill and converting plant) in Inola, Oklahoma, the Group's second greenfield investment in the United States, 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.

Opposite: Sofidel's plant in Circleville, Ohio (USA), opened in 2018, is an integrated plant that includes both the paper mill stage (from pulp to paper) and the converting stage (leading to the finished product). The plant is characterised by the adoption of innovative technologies for the paper mill, converting and warehousing phases.

SUSTAINABILITY AS A MISSION /

Less plastic, more sustainability

Sofidel's commitment to sustainability has intensified with the adoption of alternatives to plastic for its product packs.

Innovation is technology combined with sustainability

Innovation plays a central role within 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. Responding, in a responsible manner, to the growing demand for efficiency, functionality and sustainability from customers, consumers and society in general.

The project "Less Plastic, More Sustainability": 50% of plastic off the shelf by 2030

Following the 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 - inspired by the guiding principle "Less is More" and the awareness that sustainability is core to Sofidel's strategic development model - attention has been focused on the definition and implementation of the "Less

Plastic, More Sustainability" project.

This project involved research into new materials, available on the market or developed ad hoc, for primary paper packaging, the evaluation of their use with current machinery and processes, the adaptation of the machinery to the characteristics of the new packaging and the adaptation of the packaging to the certifications required by customers. The "Less Plastic, More Sustainability" project, which will continue in the years to come, will draw a guideline for the sector. In addition to this, the company has continued to strengthen its collaboration with universities and research centres at an international level as well as its partnerships with cutting-edge suppliers, which are indispensable for designing radical innovations in products, technologies, new generation processes and know-how in the tissue paper sector.

For many years now, Sofidel has been implementing a programme to reduce consumption of its plastic packaging with optimisation measures and the selection of packaging materials with thinner film. This activity was accompanied by a plan to replace plastic with alternative materials. In the third and fourth quarters of 2018, paper-packed tissue products were finalised.

Paper is a widely recycled material,

Innovation is a critical success factor for Sofidel, enabling it to meet the evolving needs of consumers and customers. 2019 was marked by the launch of products with alternative wrapping to standard polyethylene (kraft paper, recycled plastic and bioplastics), further increasing the sustainability of its product range.



derived from a renewable resource and, if accidentally dispersed in the environment, biodegradable in 2 or 3 months. These products have met with the approval of many customers and, during 2019, Sofidel began to introduce paper as an alternative packaging material for many of its European brands (as a replacement for or alongside existing products). The Group has also introduced product lines with recycled plastic packaging or plastics produced from raw materials of plant origin (bioplastics).

Also, in the private label (PL) sector, Sofidel has won recognition for its commitment to providing more sustainable packaging solutions: the multinational discount chain Aldi, in the UK, was one of the first retailers to choose Sofidel as its supplier to bring its own-brand products with paper packs onto the market.

In recent years, thanks to this strategy, consumption of packaging has shown a distinctly positive trend, confirmed in 2019, with a 17% reduction in conventional plastic packaging.

Above: Nalys Velours, the luxury toilet paper par excellence in the Netherlands, is now available with new packaging made of kraft paper, a plant-based material that is renewable and easy to recycle. Illustration by Diego Cusano.

INNOVATION AS A STRATEGY /

Innovating means creating added value

This is a time of great transformation. New ways of producing and distributing goods. New habits and lifestyles. New social and environmental priorities.

Sofidel is working to respond to the new needs of customers and people, also by developing a new generation of higher performance and more sustainable products. In 2019, new product concepts were launched on the market:

Regina Skin tissues (paper handkerchiefs), with a slimmer handy package that makes them more practical and less bulky. The six graphic variations, based on typical themes from the world of fashion, reflect the latest trends.

The **Regina Pets** paper towel was created to provide pet owners with an aid to keep their pet dry and clean at all times. Its large sheets, “disposable” concept and patented “Odour control” technology make it more practical, safe and hygienic than traditional fabric towels.

The **Nicky Supreme Gold** toilet paper, the evolution of Nicky Supreme, is designed for those looking for an irresistible level of softness and a touch of elegance even in the bathroom. A high-performance product, with the

“three colours-three decorations” patent.

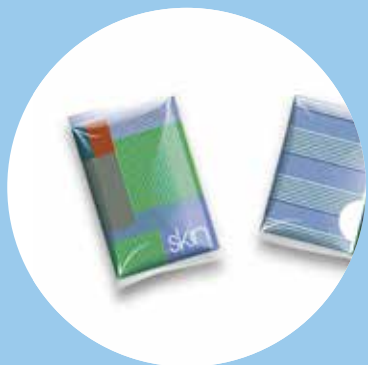
The **Nicky Happy Life** product line, with its attractive and modern decorations, is dedicated to events and festive days, to accompany consumers on all the special occasions of the year.

Finally, at a European level, the **Blitz**, **Wish** and **Sensation** product concepts have been extended to the most important Sofidel brands such as **Sopalin** and **Le Trèfle** in France and **Nalys** and **Cosynel** in the Benelux area.

SOFIDEL SHOP

The e-commerce strategy

E-commerce is developing well, with further growth expected. For some years now, in this market context, Sofidel has launched its own strategy to better address multi-channel distribution, starting to analyse the “digital shelf”, monitor the effectiveness of its digital campaigns and adopt the correct use of crawling tools. The Sofidelshop.com website, present to date only in Italy, is also part of this strategy. In 2019, a complete restyling of the website was carried out to make it even easier for consumers to use and the launch campaigns for the Rotoloni Regina Eco and Regina Skin tissues (paper handkerchiefs), as well as the Sofidelshop Xmas programme, were successfully implemented.



GROWTH PLANS /

Our production capacity is growing in the USA and in Europe

During 2019, the Group moved ahead on its investment policy, concentrating the bulk of expenditure on strengthening production capacity at the Circleville plant in Ohio, which started up in 2018, and completing the new integrated production site in Inola, Oklahoma.

In Ohio, the paper mill and converting plants were completed in the first part of 2019, while in Oklahoma, production of finished products began in mid-2019 using both the new machines and those already in use at the Tulsa plant, also in Oklahoma.

Work on the construction of a new integrated plant (paper mill and converting plant) in Inola started in March 2018 and most of the necessary buildings and infrastructure were completed during 2019. Between July and October, the first five converting lines were also started up (which then became nine at the end of the year), two of which were transferred from the Tulsa plant. The first paper mill machine was started up in January 2020 and the start-up of the second one, together with the completion of the converting plants, is scheduled to take place in the first half of 2020.

In 2019, Sofidel America saw very positive overall business development.

The amount of tissue paper produced exceeded 200,000 tonnes and all divisions of the company have improved their contribution margin. With the new Inola paper mill machine in operation at the beginning of 2020, we can expect significant growth in the course of 2020.

In general, all the other investments made relate to continuous improvements in all production processes, in line with the Group's growth and consolidation strategies in Europe and the United States. For example, in January 2019, the installation of two new converting lines was completed at the Sofass Converting via Giuseppe Lazzareschi plant in Italy. With their output the production capacity of the plant has increased to over 55,000 tonnes per year (+30%).

Opposite: part of the converting area at the integrated plant in Circleville, Ohio (USA).


In general, the other investments made relate to continuous improvements in all production processes, in line with the Group's consolidation and growth strategies in Europe and the United States.

Our investment
in Inola, Oklahoma

TOTAL INVESTMENT

 **360**
\$MILLION

ANNUAL PRODUCTION CAPACITY

 **120,000**
TONNES / YEAR

LAND

 **240** acres
(97 HECTARES)


PLANT SURFACE AREA

 **167,000** M²
(1.8 MILLION FT²)

EMPLOYEES

 **350** (600)
IF PRODUCTION CAPACITY DOUBLED

TECHNOLOGY

 **2** CONVENTIONAL PAPER MILL MACHINES
12 CONVERTING LINES

In Inola, about 50 km from the city of Tulsa, a new integrated Sofidel plant is under construction. The investment involves the installation of two paper mill machines with the relative converting lines for production of the finished product. Construction of the plant, which started in March 2018, will be completed by mid-2020. During 2019, most of the necessary buildings and infrastructure were constructed and 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.

360-DEGREE SUSTAINABILITY /

Sustainability to build an inclusive future

The Sofidel Group considers social and environmental sustainability an essential combination that creates shared value for the company and all its stakeholders.

Sofidel’s goal is therefore to incorporate sustainability in every aspect of its business, 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.

Ensuring lasting social and environmental benefits

In order to ensure lasting social and environmental benefits for stakeholders throughout the value creation chain,

Sofidel intends in particular to:

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

The sustainable growth strategy

Sofidel’s sustainable growth strategy is completely in line with “building an inclusive, sustainable and resilient fu-

ture for people and Planet” pursued by the United Nations (UN) through the 17 Sustainable Development Goals (SDGs) included in its 2030 Agenda. Sofidel intends in particular to contribute to 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); Partnership for the goals (Goal 17).

THE GLOBAL GOALS

13 CLIMATE ACTION

7 AFFORDABLE AND CLEAN ENERGY

3 GOOD HEALTH AND WELL-BEING

6 CLEAN WATER AND SANITATION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

15 LIFE ON LAND

4 QUALITY EDUCATION

17 PARTNERSHIPS FOR THE GOALS

Sofidel’s sustainable growth strategy is completely in line with “building an inclusive, sustainable and resilient future for people and Planet” pursued by the UN

One of the WWF Climate Savers targets for 2020 is to reach 8% energy from renewable sources based on the amount of fuel consumed annually.

The sustainability integration model
Sofidel's sustainability integration model is based on four pillars: People, Operations, Product, Market & Corporate Brands. This approach enables inclusion within the Group's strategy of all the initiatives that contribute to sustainable development, in line with the "Sustainability Plan," drawn up by all

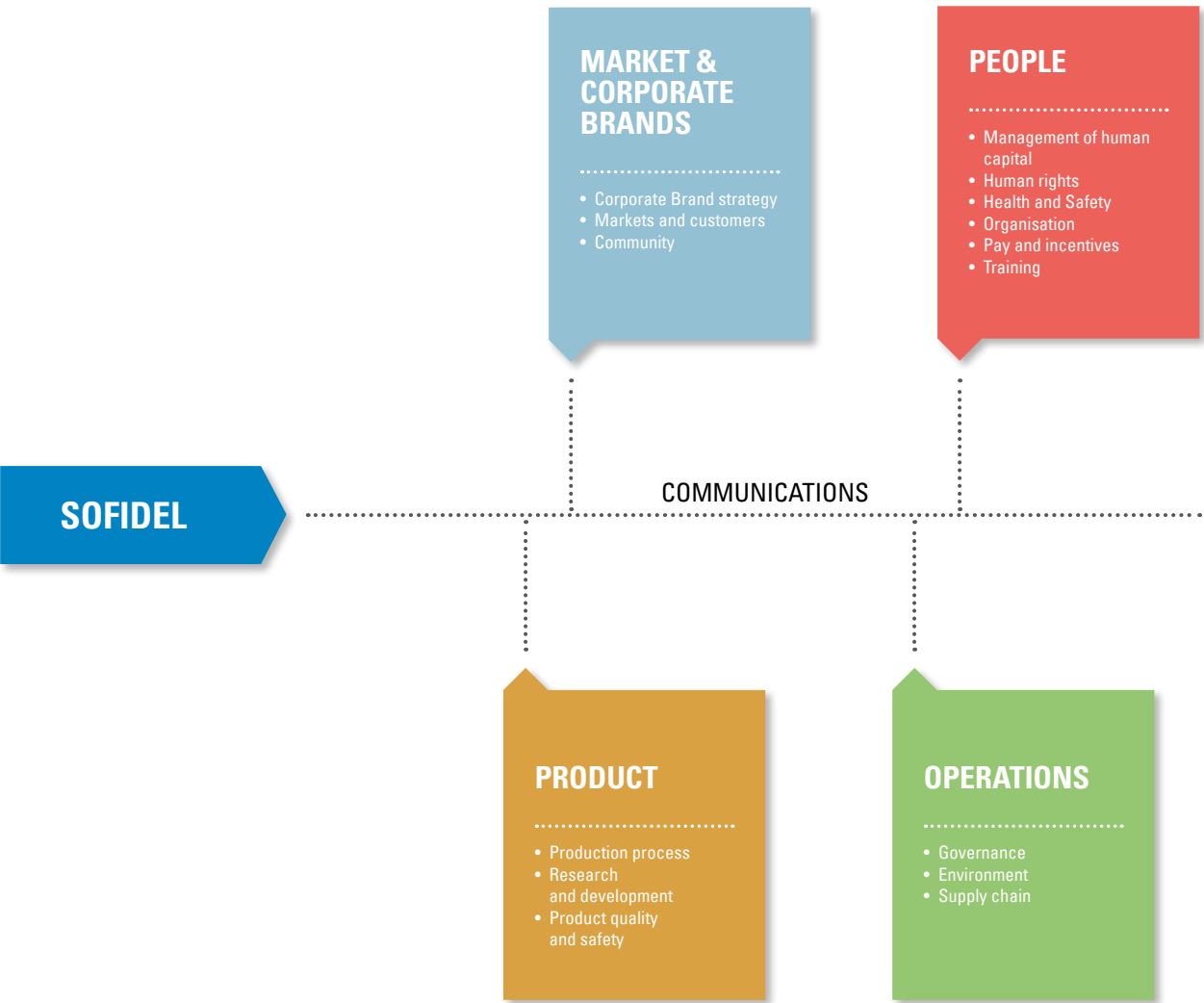
department heads and validated each year by the CEO of Sofidel.

An increasingly global interest in the environment

Despite the important goals 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 not only the indications of the Sustainable Development Goals (SDGs), but also the strategy recently adopted by the European Commission and described in the "European Green Deal".

SUSTAINABILITY INTEGRATION MODEL



Sofidel and climate change

The European Commission has launched an EU environmental policy that will shape the continent's economic strategy for the years to come. The plan provides for a reduction of at least 50% in emissions of climate-altering gases by 2030 compared to 1990 levels, to arrive at a net balance of zero emissions by 2050, with a strategy to be defined. In such a context Sofidel, based on its sense of ethical and economic responsibility, intends to follow this new course. In this regard, we should highlight the Group's participation in the international "Science Based Targets initiative" (SBTi) 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). WWF International recognizes the compatibility of its "Climate Savers" programme, which Sofidel has been participating in since 2008, with the SBTi initiative and encourages its partners to join to promote their integration. In November 2019 Sofidel submitted its goals, revised according to the SBTi programme, for analysis and, at the time of writing this Report, Sofidel's proposal is being evaluated by the technicians of the World Resources Institute. In addition, this year the Group began to apply a new "market-based" approach to the calculation of the Group's Scope 2 emissions, which takes into account the improve-

ment actions of the power generators and uses 2018 as the base year for the calculation. Compared to the emission figure recorded in 2018, Sofidel achieved a 4% reduction in CO₂ emissions per tonne of paper produced in 2019, a result that the previous "location-based" methodology would not have picked up, as it required the use of average national electricity emission coefficients.

Above: The new Regina Seriously Soft and Regina Seriously Strong toilet papers are packaged in Mater-Bi® – a biodegradable and compostable bioplastic, with a high content of renewable materials. Illustration by Diego Cusano.

A MEASURABLE COMMITMENT /

Environmental sustainability: the numbers

Sofidel’s commitment to sustainability translates into concrete and measurable actions aimed at increasing the economic, social and environmental value of its daily work.

Responsible sourcing of forest raw material

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. In 2019, the Group also joined the Economic Chamber of FSC® International and FSC® Italy and has constantly increased the production of products with eco-labels (FSC®,

PEFC™, Ecolabel, Swan Label, Blue Angel): items with at least one eco-label represented more than 65% of the finished products produced.

Optimising water use

Sofidel works to safeguard water resources by limiting their consumption within its production processes. In 2019, water use remained well below the industry benchmark: 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.

Energy balance

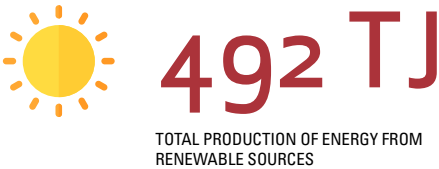
In 2019, total energy consumption at Sofidel’s production facilities was similar to 2018, with a value of 12.1 GJ/t paper compared to 11.9 GJ/t paper in the previous year. The modest increase in specific consumption is due to the start-up of new installations, which are not yet fully operational. Total production of energy from renewable sources amounted to 492 TJ.

“Less is More”: three words that sum up Sofidel’s commitment to give more in terms of values, products and services, reducing consumption, waste and negative impacts on the environment and people’s lives.

WATER CONSUMPTION



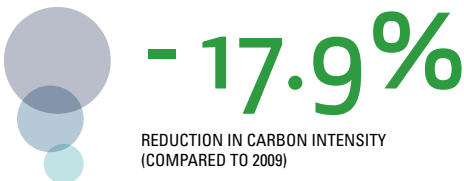
ENERGY FROM RENEWABLE SOURCES



RAW MATERIAL PROCUREMENT



EMISSIONS



INTERNATIONAL PARTNERSHIPS /

Working together for sustainability

Sofidel is working alongside a number of national and international organisations to support programmes for the development and protection of people, communities and natural resources.

Aware that it cannot achieve its sustainability goals 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 and Sodalitas.

WWF

Sofidel has been working alongside WWF for over ten years. In these years of partnership, both in Italy and interna-

tionally, the environmental association has supported the Group in developing an organic and systematic approach, contributing to the creation of an open, positive and responsible vision of the future. This cooperation has taken many forms. At the start, participation - as the first Italian company and the first in the world in the tissue sector - in the international WWF Climate Savers programme, which brings together companies voluntarily committed to reducing climate-altering emissions ("low carbon economy"). Over the years: the development of a strategy to improve the forest procurement process (in terms of the use of certified sources) and reporting to stakeholders; the environmental education project "I'll take care of you: everyone's contribution to a Planet for all", started in 2015 and directed at Italian primary and secondary schools; the signing, in 2017, of the Manifesto-Appeal "An S.O.S. (Safe Operating Space) for a sustainable human future", committing to help to spread awareness of the importance of achieving the 17 Sustainable Development Goals of the 2030 UN Agenda; and support, as the "Main Partner" for Italy, of various editions of the "Earth Hour" event, the global mobilization by WWF to raise public awareness of the

effects of climate change. At product level, the collaboration with WWF extends to the Regina, Le Trèfle and Sopalín brands.

WaterAid

2019 saw the continuation and conclusion of our three-year partnership with WaterAid, a non-governmental association for international cooperation, which works to ensure access to drinking water and sanitation in some of the world's poorest countries. In the last two years, the "WaterAid Healthy Communities" project was launched in Mali to bring drinking water, decent sanitation and good quality hygiene to the districts of Kati and Bla. In the rural municipality of Samabogo, within the district of Bla, Ségou region, the Kanuya Group has been established, an association of women who have received training and microcredit to produce and sell shea soap to the local community. Thanks to Sofidel's support, during our three years of working together WaterAid has provided 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. Over 158,000 people were also reached through messages promoting good hygiene.

Since 2008 Sofidel has been working alongside WWF, which has supported the Group in developing an organic approach, contributing to the creation of an open and responsible vision of the future.



The Kanuya Group, established as part of the "WaterAid Healthy Communities" project in Mali, to produce and sell shea soap to the local community.

A VIRTUOUS SUPPLY CHAIN /

Suppliers and the supply chain

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

This objective translates into two lines of action:

- adoption of a sustainable purchasing model;
- evaluation of suppliers’ sustainability strategies and performance.

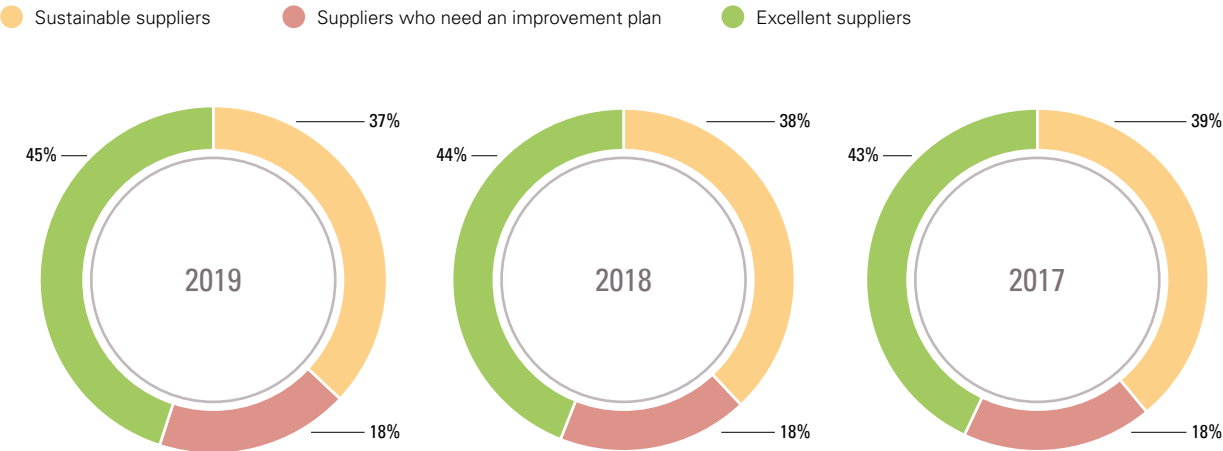
Sofidel has structured its sustainable purchasing model in line with the ISO 20400 Sustainable Procurement guidelines.

Reputational risk and supplier qualification

Sofidel has identified 13 product categories subject to reputational risk that define the portfolio of critical suppliers. The tool chosen for supplier sustainability assessment is the “TenP - Sustainable Supply Chain Self-Assessment Platform” developed by the Global Compact Network Italy Foundation. A pre-qualification system that assesses the individual supplier in relation to working conditions, respect for human

rights, environmental protection and the fight against corruption. The Group has also developed a rating system that gives each supplier a rating category (green, yellow, red) based on the score obtained during pre-qualification. In 2019 the improvement underway within the Group’s supplier portfolio was confirmed, with a rise in the percentage of suppliers assessed as excellent in terms of sustainability (45% in 2019 vs. 44% in 2018).

SOFIDEL GROUP SUPPLIERS



SOFIDEL PEOPLE /

The centrality 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 decisive factors, such as innovation and flexibility, for company competitiveness.

The human resources management policy is 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, alongside the values of equal treatment, development of individual abilities, teamwork, open communication and continuous learning. Sofidel has implemented specific management policies targeting the two minority age groups of staff (the under 30s and 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 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. The first stage of the project saw the creation

of a partnership benchmarking platform for universal skills and student orientation, co-designed by member companies and leading schools. The “Sofidel People” initiative, launched following the 2016 survey on organisational well-being, continued in 2019. The three areas identified for action concern improving internal communication flows, improving the spread and knowledge of company processes and procedures and optimising human resource management. In recent years the company has been developing the concept of “Safety at Work”, which has always been one of the Group’s priorities, from protecting employees from physical and psychological harm to promoting their health and well-being. The health of workers, contractors and visitors is protected 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. In this regard, in 2019,

Sofidel continued the “Workplace Health Promotion (WHP)” and “Welfare” projects.

Staff training and development

The development of skills, both technical and managerial, is a strategic factor for the Group, which in 2019 provided an average of 9.64 hours of training per employee (62,187 hours in total), with the aim of keeping employees up to date on topics of broad interest such as health and safety, increasing their knowledge of the English language and transferring consolidated methodologies and a culture of results to the people working in the production plants, for example 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. During 2019, remote training using the e-learning platform became more widespread.

LOOKING TO THE FUTURE /

Sofidel NextGen

During 2019 Sofidel worked to raise awareness among the younger generations to build a more sustainable future.

It did so through a series of communication actions, titled “NextGen,” focused on and featuring the younger generations. Numerous activities were developed throughout the year:

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

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.

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

Sofidel and WWF Italia continued to work together on the digital educational programme “I’ll take care of you: everyone’s contribution to a Planet for all”. 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.

Work with schools and universities

Sofidel, together with three of its stakeholders (FSC Italia, WWF Italia and Gruppo Végé), took part in workshops at the universities of Milan, Bologna and Salerno to talk about its commitment to sustainability and the importance and value of partnerships in the social, economic and environmental fields.

Project with CSRnatives

A project was launched with CSRnatives, the first network of young sustainability enthusiasts in Italy, to support the publication of the e-book “From Paper to Paper: Journey through Sustainability from Pulp to Packaging” on the subject of sustainable packaging.

Participation in the CSR and Social Innovation Fair

Sofidel took part in the seventh CSR and Social Innovation Fair, one of the main Italian events dedicated to sustainability.

The PAPER19 course

Sofidel took part in the design and implementation of the new two-year post-diploma PAPER19 higher (specialized) technology course, which provides certification of the qualification of “Senior Production Technician in the Paper Industry”.

Schools and universities

In 2019 Sofidel’s commitment to young people also continued at a local level in Italy. Over the years, the Group has taken on a leading 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 supporting students, teachers, head teachers and rectors in the implementation of innovative, open, competence-driven training that represents a real development factor for the tissue industry and the nation. 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.



Sofidel at the Pisa stage of “The CSR 2019 Giro d’Italia”.

SOCIAL COMMITMENT /

Together we win

Sofidel has always been careful to respond to the needs of local communities and to support the social causes promoted internally by its employees.

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 Giuseppe Lazzareschi, founder, together with Emi Stefani, of Sofidel. The aim of the Foundation is to promote the cultural, social and entrepreneurial growth of the Lucca area and the region of Tuscany in general, where the Group was founded and developed. In recent years, the Founda-

tion has organized exhibitions, events, conferences and other initiatives that have involved an increasingly wide public, building a fruitful and cooperative dialogue with numerous public and private entities in the area. During 2019, events and conferences were held in the areas of environmental sustainability, art and culture, social aggregation and safety in the workplace.

Nicky with the Telethon Foundation in Italy

Through the Nicky brand, since 2012 Sofidel has been supporting the Telethon Foundation in promoting excellent scientific research in Italy on rare ge-

netic pathologies. The Group supports Telethon by promoting its projects on the packaging of Nicky brand products, through communication on Nicky social channels and by participating in the television marathon that takes place in December on Italian RAI networks.

Nicky with the Woodland Trust in the United Kingdom

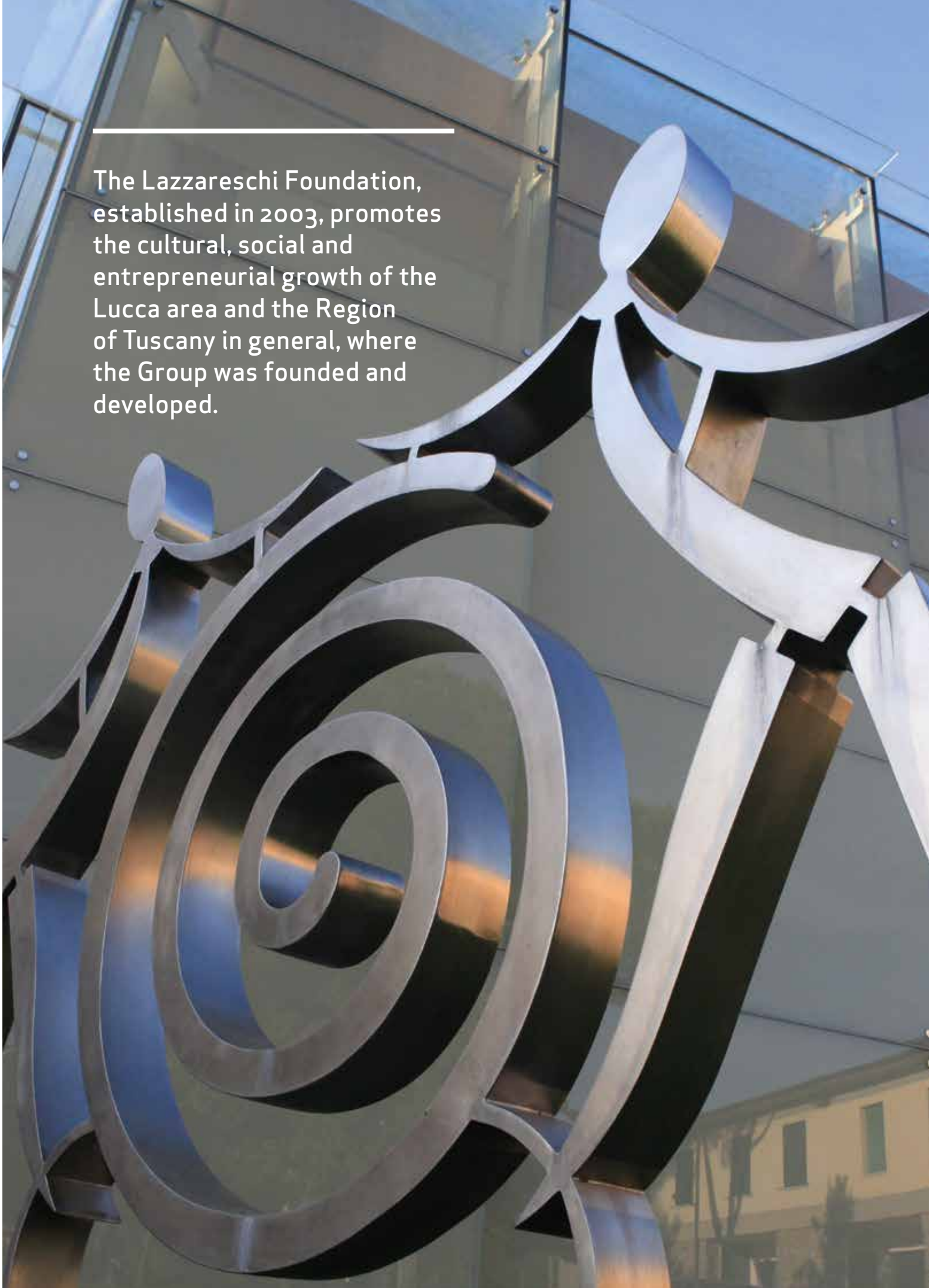
Thanks to its partnership with the Woodland Trust, an organisation for the conservation of woodland heritage in the United Kingdom, Sofidel guarantees the planting of at least 20,000 native trees a year. The UK has one of the lowest percentages of woodland in Europe: only 11% compared to an average of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

Investments to benefit local communities

Sofidel's commitment to local communities is expressed through two objectives: an attentive environmental policy and a redistribution of wealth in the local area. This dual objective is achieved, on the one hand, through the use of clean technologies and, on the other, by favouring local purchases and contributing to the strengthening of the relevant supply chains. With the exception of raw material suppliers, for reasons related to the nature of the pulp market, Sofidel's suppliers are located in Europe, where most of the Group's plants are located.



The Lazzareschi Foundation, established in 2003, promotes the cultural, social and entrepreneurial growth of the Lucca area and the Region of Tuscany in general, where the Group was founded and developed.



PAPERS IN ORDER /

Awards and certifications

The Group’s ability to innovate translates into new products, winners of important international awards, and various certifications of the production chain.

Product awards and special mentions

In the UK, “Product of the Year 2019” award in the “Household Paper” category for Regina Blitz Extra Large Triple Layer Sheets. The Product of the Year initiative is the UK’s most significant form of consumer market research into FMCG innovation.

“Product of the Year” award for innovation in the “House Cleaning Accessories” category for Regina Asciugoni, in Italy. The award was given for its absorption capacity - thanks to the new maxi-sheets - and its “proverbial” durability.

In the Away-From-Home line, Papernet Freshen Tech won the “PPI - Pulp & Paper International Award 2019” (promoted by Fastmarkets RISI) in the “Tissue Innovation” category.

Sofidel also received a mention from Coop Italia for the “fight against waste” and was among the finalists in the first “MIAC Innovation Award” for Italian paper industries introducing innovations in terms of process, product and energy efficiency.

The WWF Environmental Paper Company Index (EPCI)

In the 2019 edition of the EPCI report, Sofidel - with an overall rating of 77.2% - scored better than both the global

tissue industry average (67%) and the score assigned in the latest 2017 survey (76.6%).

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 its scores.

Membership of CEOs Call to Action

The Sodalitas Foundation launched in Italy the CEOs Call to Action, a CSR Europe initiative, promoted together with the European Commission, to involve top managers and companies from all over Europe that consider sustainability a central and characteristic aspect of their way of doing business. The Chief Executive Officer Luigi Lazzareschi is also among the Italian entrepreneurs who have joined the call to strengthen dialogue and interaction with political representatives, civil society and commercial and industrial counterparts and accelerate sustainable growth.

Supply chain sustainability

Sofidel was one of the first companies in Italy to obtain a certificate of compliance with the UNI ISO 20400:2017 standard, the international guideline on sustainable procurement that allows

the risk of reputational and economic damage resulting from poor supplier performance in terms of sustainability to be reduced.

ISO 50001 certification in Romania

The Călărași plant in Romania has an energy management system that complies with the ISO 50001 standard. The Romanian site joins the Group’s other plants that have already obtained this certification, becoming, among other things, the first tissue paper mill in Romania to achieve ISO 50001 certification.

ISO/IEC 27001 certification in Italy

Sofidel has undertaken on a voluntary basis the certification process for UNI CEI EN ISO/IEC 27001:2017, the international guideline on IT security. The aim was to equip the Group with an IT governance system appropriate for its size internationally and to implement a proper security strategy to protect data and company information, based on a management model updated to meet the most advanced standards and certified by an independent third party. The certification process, completed for the Sofidel holding company, will also be planned and implemented in the future for the other Group companies.

Regina Blitz Extra Large Triple Layer Sheets won the “Product of the Year 2019” award in the UK in the Household Paper category.

“My generation has failed where the Millennials will succeed”.

GUNTER PAULI, FOUNDER OF THE “BLUE ECONOMY”
AND THE “ZERO EMISSIONS RESEARCH INITIATIVE” (ZERI)

TO READ THE FULL VERSION OF THE 2019 INTEGRATED REPORT,
PLEASE VISIT THE DEDICATED SECTION ON OUR WEBSITE:

<https://integrated-report.sofidel.com/>

SOFIDEL S.P.A.

Via Giuseppe Lazzareschi 23
55016 Porcari (LU)
t +39 0583.2681
www.sofidel.com

DESIGN AND IMPLEMENTATION

A+C and Brand Angel Consulting

TRANSLATIONS

Issel Nord S.r.l.

PRINTED BY

Arti Grafiche Meroni - Lissone (MB)

This document is the property of the Sofidel
Group which reserves all rights over it.
Reproduction, including partial reproduction, is
not allowed without prior written authorisation.

