

CLEAN LIVING



**2020
Integrated
Report**

CLEAN LIVING

**FOR EVERYDAY
NEEDS.**

**FOR A HEALTHIER
PLANET.**

**FOR INTEGRITY
AND RESPECT.**

“Clean Living” is our company’s whole raison d’être because it defines our role in society and the benefits we want to bring to people and the planet.

It underlies our behaviors and actions. It inspires our production process and the products we offer the market. It is reflected in our sustainable business model and our steadfast commitment to a “cleaner” world.



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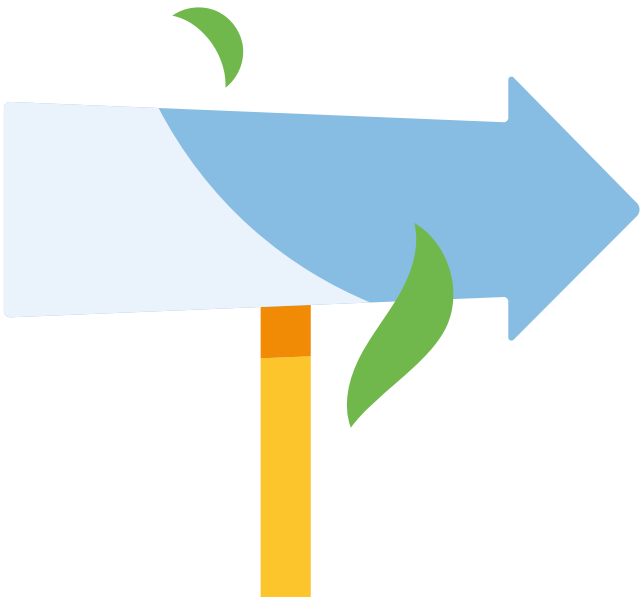
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LETTER TO STAKEHOLDERS

**Positive results in a difficult year,
for a future to be tackled with confidence and courage.**

2020, which was marked by the Covid-19 pandemic, was a difficult year on a global level and has left an indelible trail of suffering and unsolved problems.

Despite the heavy health impact and the economic and social repercussions caused by the virus, Sofidel ended the year on a positive note, in terms of both sales and net operating margins.

Six factors have enabled us to achieve this result:

- We belong to an industrial sector that has always remained active, even during lockdown periods, in all the countries where the Group operates, because we produce a commodity - paper for hygienic and domestic use - that is considered essential for the well-being of people and the hygiene of domestic environments and workplaces.
- The launch, in February 2020, of an effective and caution-oriented "Action Plan", coordinated and monitored by a dedicated control room. This plan, which is constantly updated according to directives from individual governments and international (WHO) and national health authorities in the various countries, has enabled us to protect Sofidel's plants and prevent the development of internal outbreaks and the spread of the virus.
- The strong increase in sales in the retail market (Private Labels and Brands), in particular in March and April 2020 during the first wave of the pandemic, when toilet paper and kitchen towels literally disappeared from supermarket shelves in several countries due to panic buying. This growth compensated for the decline in the Away-From-Home line which, for Sofidel, accounts for just over 12% of sales and was heavily affected by the emergency.
- Full operation, beginning in late summer 2020, of the new integrated plant in Inola, Oklahoma. A new-generation greenfield site which, in addition to increasing production capacity and improving the Group's geographical coverage in the United States, significantly strengthened its position and growth potential in the American market.
- The cost of pulp, our main raw material, remained stable and in line with the low values of the second half of 2019 after increases in previous years.
- Favorable energy prices throughout the period, which allowed us to limit production costs.

With regard to the Covid-19 emergency, we have focused on three priorities: protecting the health of our employees and of the partners we work with, supporting the communities in which we operate, and safeguarding production continuity to ensure product supply and meet the needs of customers and consumers.

Consistent with our commitment to inclusive, sustainable and lasting development, we have promoted various initiatives aimed at communities to offer support during health emergencies and prevent or counter situations of economic suffering and social hardship.

**“OUR DEVELOPMENT PATH IS ORIENTED
ALONG THREE FUNDAMENTAL
AXES: ECOLOGICAL TRANSITION,
TECHNOLOGICAL AND DIGITAL
TRANSFORMATION, INCLUSION AND
SOCIAL COHESION.”**

Opposite page: Luigi Lazzareschi, Sofidel's Chief Executive Officer.



The projects concerned a number of hospitals in the areas where our plants are located, families in difficulty - identified through collaboration with public bodies and non-governmental organizations - and sectors particularly affected by lockdown periods, such as the catering industry.

Also with regard to our commitment to responsible development, our targets for reducing greenhouse gas emissions by 2030 were approved by the Science Based Targets initiative (SBTi). An acknowledgement that confirms that our progress is in line with the reductions needed to limit global warming to below 2°C, as required by the 2015 Paris Agreement.

In 2020, Sofidel reaffirmed the priority of certain issues already at the heart of its strategy: the absolute importance of digital transformation (with its implications for production, maintenance, supply, logistics, e-commerce and cyber security); the increasingly widespread demand for innovation in all company areas (product, processes and services); the need for an even more shared and multilateral commitment to promote integral well-being and give people and the planet a positive future.

Today, people are increasingly attentive to the values that a company expresses. Brands are not only asked to develop high-quality products, they need to be authentic and contribute to the well-being of society and the planet.

In this very complicated year, we wondered about the true *raison d'être* of our company and the values that guide us. To give form and substance to these reflections, at the end of the year we presented our purpose within the company:

Clean Living.

For everyday needs. For a healthier planet. For integrity and respect.

This purpose, which will guide our future actions, clearly expresses how we want to participate in building the common good.

2020 ended with the distribution of the first doses of vaccine. While it is certainly not the time to lower our guard yet, it is time to start looking beyond the emergency to promote a recovery based on more balanced and sustainable development paradigms.

On a market level - pandemic permitting - we expect a recovery in the Away-From-Home line in the short term as well as a return to more stable and ordinary consumption conditions in the retail channel. Similar considerations apply to the cost of pulp, for which we expect a likely increase.

In this context, Sofidel will work to further strengthen its position in the American market (currently the Group's top market in terms of sales) and on the digital front, which is growing rapidly. In addition, we will strive to promote innovation, both in terms of production processes and product offerings, to create shared added value along the entire value chain.

Looking at the medium-long term, the Group intends to promote the "transformational change" needed to build a stronger, fairer society in harmony with the planet.

In a world where the speed of change generates imbalances and uncertainties, Sofidel is working to be among the companies that are committed to anticipating and governing this evolution in the best possible way. A role in tune with the main international institutions, which guides our development path along three fundamental axes: ecological transition, technological and digital transformation, inclusion and social cohesion.

Looking ahead to 2021 and beyond, this is the direction we intend to take together with all our stakeholders.

Emi Stefani
Sofidel Chairman

Luigi Lazzareschi
Sofidel CEO

SOFIDEL IN FIGURES

54

years
in business

14

countries in which
the Group is present

17

companies

2,173 m EUR

Group net
sales



SOFIDEL PRODUCTS

1,428,000 t

production capacity

102

products with new paper packaging

-6,300 t¹

reduction of plastics

88%

use of Euro 5 and Euro 6 trucks to deliver the products



1. Annual savings calculated on the reduction in specific consumption of conventional plastic compared to 2013.

SOFIDEL AND THE ENVIRONMENT

100%

cellulose certified with forestry certification schemes

7.2 l/kg of paper

water consumption

-24%

reduction in carbon intensity (compared to 2009)

427 TJ

total production of energy from renewable sources

-19.6%²

reduction in conventional plastic packaging

2. Reduction in specific consumption of conventional plastic packaging compared to 2013.



SOFIDEL AND PEOPLE

6,760

employees
in the world

44,341

hours
of training

20,273

hours of training
on health and safety

84%

"sustainable" and
"excellent" suppliers in
terms of sustainability



SOFIDEL IN THE WORLD

At the end of 2020, the Sofidel Group was present in 14 countries (in Europe and the United States) with 17 companies.³



SOFIDEL ITALY

Lucca-Porcari IT | Services

SOFFASS ITALY

Lucca-Bagni di Lucca IT | Paper mill
Lucca-Borgo a Mozzano IT | Paper mill
Lucca-Capannori IT | Converting plant
Gorizia-Monfalcone IT | Integrated plant
Lucca-Porcari IT | Paper mill/Converting plant
Lucca-Porcari IT | Paper mill/Converting plant

SOFIDEL AMERICA

Circleville OH | Integrated plant
Green Bay WI | Converting plant
Haines City FL | Integrated plant
Hattiesburg MS | Converting plant
Inola OK | Integrated plant
Las Vegas NV | Converting plant
Philadelphia PA | Services

SOFIDEL BELGIUM

Duffel BE | Integrated plant

SOFIDEL FRANCE

Frouard FR | Integrated plant
Ingrandes FR | Converting plant
Roanne FR | Integrated plant

SOFIDEL GERMANY

Arneburg (Plant A) DE | Integrated plant
Köln DE | Trading
Sofidel Germany Holding DE | Services
Wernshausen (Plant O, T, W) DE | Services/
Integrated plant

SOFIDEL GREECE

Katerini EL | Integrated plant

SOFIDEL HUNGARY

Lábatlan H | Converting plant

SOFIDEL POLAND

Ciechanów PL | Integrated plant

SOFIDEL ROMANIA

Calarasi RO | Integrated plant

SOFIDEL SPAIN

Buñuel ES | Integrated plant

SOFIDEL SWEDEN

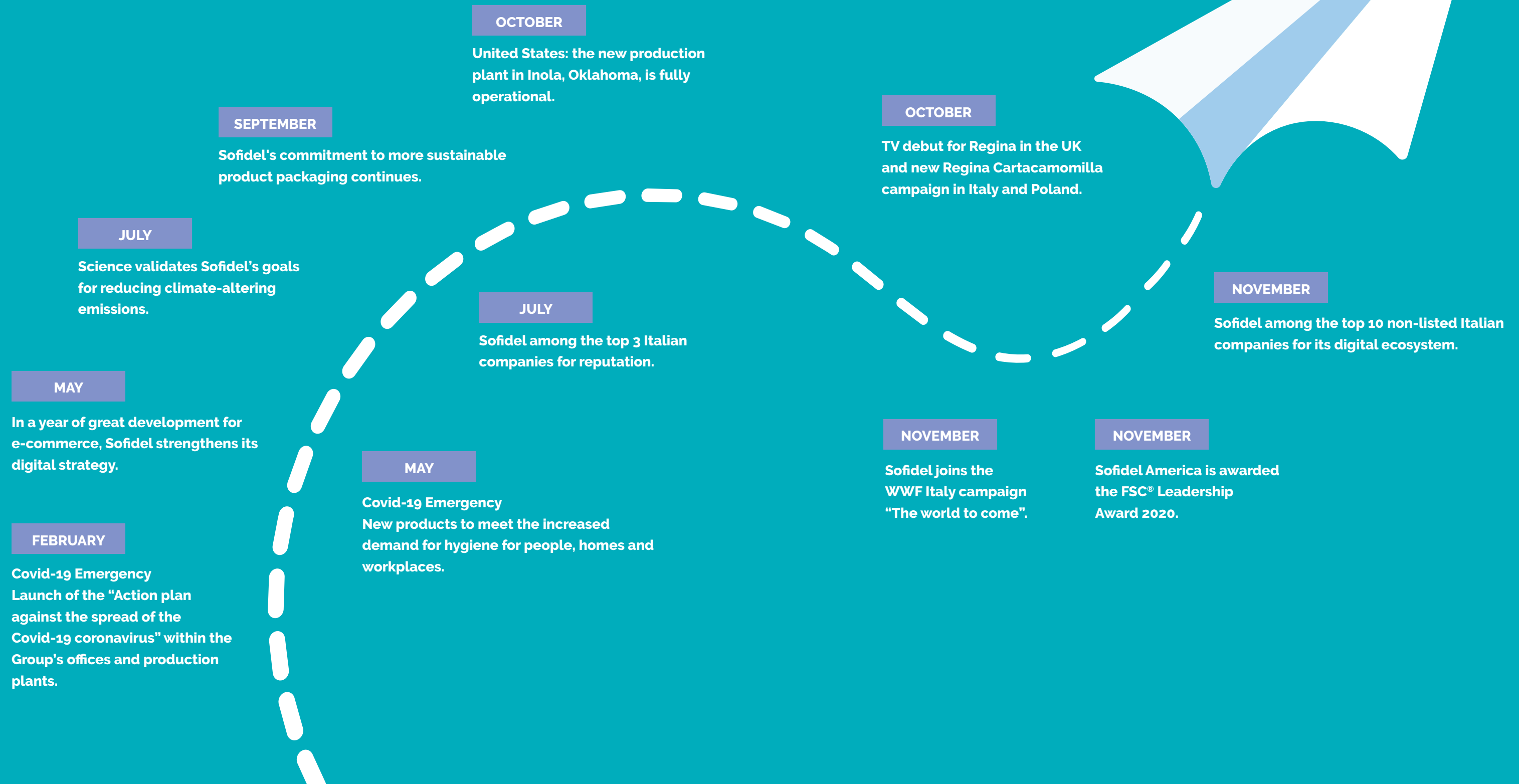
Kisa SE | Integrated plant

SOFIDEL UK

Baglan UK | Integrated plant
Lancaster UK | Paper mill
Leicester-Hamilton UK | Integrated plant
Leicester-Rothley Lodge UK | Converting plant

3. Sofidel Ireland Ltd, a new Group company incorporated in December 2020, started its import activities in the Irish territory from 1 January 2021. Intertissue Ltd is also part of the Group and on 1 June 2019 it sold its assets and business to Sofidel UK Ltd and began the winding-up process. On 14 December 2020, the Turkish company Sofidel Turkey (renamed Tasfye Hlinde Sofidel Turkey Kagit Sanayi ve Ticaret Anonim Sirketi) completed the winding-up process that began on 5 November 2019.

SOFIDEL AND THE MAIN EVENTS OF THE YEAR



COVID-19 EMERGENCY - LAUNCH OF THE "ACTION PLAN AGAINST THE SPREAD OF THE COVID-19 CORONAVIRUS" WITHIN THE GROUP'S OFFICES AND PRODUCTION PLANTS

Following the alarm from China in January 2020 and the appearance of the first cases in Italy at the end of February, Sofidel swiftly implemented an "Action Plan against the spread of the Covid-19 coronavirus". At the same time, a task force was set up to monitor the evolution of the situation in each individual country, identify possible problems and consequently launch appropriate plans. The three priorities were: to protect the health of the Group's workers and their families, safeguard continuity and production levels and guarantee customers and consumers the supply of products considered essential for personal hygiene and for public and work spaces. Further initiatives have been implemented since September, when the second wave of the outbreak occurred. The measures taken by Sofidel throughout the year - including the use of remote working, stopping trips, compartmentalizing personnel, changing production shifts, continuous application of strict hygiene measures in all environments (use of PPE, disinfectants and measuring body temperature) - made it possible to avoid the emergence of internal outbreaks.

COVID-19 EMERGENCY - NEW PRODUCTS TO MEET THE INCREASED DEMAND FOR HYGIENE FOR PEOPLE, HOMES AND WORKPLACES

The Covid-19 pandemic has drawn public attention to the use of disposable tissue paper products as an important hygiene aid.

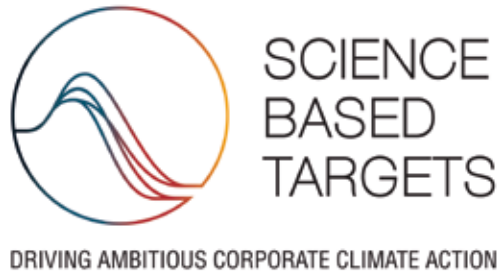
Sofidel has sought to respond to the growing demand for hygiene by moving swiftly to bring innovative solutions to the market. These include **Nicky Defend**, the disposable paper towel for the consumer market, and **Papernet Defend Tech**, a complete range of hygiene products for public and work spaces.

IN A YEAR OF GREAT DEVELOPMENT FOR E-COMMERCE, SOFIDEL STRENGTHENS ITS DIGITAL STRATEGY

Sofidel has embraced the digital revolution applied to production processes for years and, with an eye to Industry 4.0, cyber-security and remote maintenance, has created Digital Hub, the new corporate structure to better seize the digital transformation opportunities in the marketing area. From e-commerce to data analysis, through the organization of special training, Sofidel has strengthened its presence and proactivity on the web, in a year that, also due to the Covid-19 emergency, has seen an exponential growth in the use of the internet. Today the Group is one of Amazon's main suppliers in Europe, both as a producer of products sold under the platform's brand and with its own products. Digitalization is set to increasingly become one of the strategic levers of the Group's competitive growth.

SCIENCE VALIDATES SOFIDEL'S GOALS FOR REDUCING CLIMATE-ALTERING EMISSIONS

Science Based Targets initiative (SBTi) approved Sofidel's goals for reducing greenhouse gas emissions.⁴ The Group's targets were recognized as being in line with the levels required to meet the Paris Agreement objectives and with what the latest scientific evidence



on climate change suggests is necessary. The Sofidel Group's GHG emissions targets are consistent with the reductions required to maintain global warming at temperatures well below 2°C. Specifically, these targets call for a **reduction in scope 1, scope 2 and scope 3 (relating to its suppliers' pulp operations) carbon dioxide emissions of 40% per metric ton of paper by 2030** compared to the base year 2018. In addition, Sofidel has committed to reducing its scope 3 emissions by 24% per metric ton of paper by 2030 compared to the base year 2018.⁵ Science Based Targets initiative is a collaboration between CDP, United Nations Global Compact (UNGC), World Resource Institute (WRI) and WWF.

SOFIDEL AMONG THE TOP 3 ITALIAN COMPANIES FOR REPUTATION

Sofidel was among the Italian companies with the best reputation among consumers. This was certified by the 2020 edition of Italy RepTrak®.⁶ The Group achieved a score of 78.53 (out of 100) which places it well above average (71) and in eleventh place overall, third among Italian companies. The Italy RepTrak® survey measures how companies are perceived by Italian consumers based on about 40,000 individual interviews.

SOFIDEL'S COMMITMENT TO MORE SUSTAINABLE PRODUCT PACKAGING CONTINUES

New packs made of kraft paper, a plant-based, renewable and easily recyclable material, have been launched on some European markets. They replace or appear alongside existing products. In the UK and Ireland, replacement of the entire Regina Blitz household paper range was completed. In France, the Sopalin L'Expert kitchen towel was launched, an extension of the "Blitz" product concept. In Italy, the polyethylene packaging of all sizes of the Regina Cartacamomilla product has been replaced.

Kraft paper packaging, but alongside the traditional polyethylene packs, is also available for Regina Kamillenpapier toilet paper in Germany and Regina Rumiankowy toilet paper in Poland. Regina Camomila toilet paper was also launched in Spain with kraft paper packaging.

UNITED STATES: THE NEW PRODUCTION PLANT IN INOLA, OKLAHOMA, IS FULLY OPERATIONAL

Despite the difficult environment due to the Covid-19 pandemic, the Group's new integrated plant in Inola, Oklahoma, was fully commissioned on schedule. The plant, located on a site with 97 hectares (240 acres) of land, is in an area with an abundance of water, gas and electricity supplies, as well as a skilled workforce, and is

4. Source: <https://sciencebasedtargets.org/companies-taking-action>
5. The scope of the target includes biogenic emissions and removal of carbon arising from energy use for the manufacture of fibrous raw materials.
6. Source: <https://www.reprtrak.com/blog/italys-most-reputable-companiesreflect-changed-times-priorities/>



close to a strategic logistics hub with excellent inter-modal connections (roads, waterways, railways). The plant operates two Toscotec AHEAD-2.0L conventional paper machines with a total production capacity of 120,000 metric tons/year. As far as the converting phase is concerned, 13 converting lines have been started up for the production of finished products for both the Away-From-Home and Consumer markets.

This investment further improves Sofidel's geographic coverage and its ability to better meet the needs of large-scale retail operators and end consumers in the South Central and West Central areas of the United States.

TV DEBUT FOR REGINA IN THE UK AND NEW REGINA CARTACAMOMILLA CAMPAIGN IN ITALY AND POLAND

Sofidel has chosen television to present the new line of toilet paper launched in the UK, Regina Seriously Soft and Regina Seriously Strong, to British consumers. In Italy, a new Regina Cartacamo-

milla commercial is back on TV, starring the ant Milla. The Regina Rumiankowy commercial also went on-air on the main Polish TV networks.

SOFIDEL JOINS THE WWF ITALY CAMPAIGN "THE WORLD TO COME".

Sofidel has joined the WWF Italy campaign "The World to Come", an awareness initiative to guide the global future after the Covid-19 crisis.⁷ Using video testimonies collected from major players in the environmental world, culture and business, the campaign invited people to submit proposals for the construction of "a citizens' agenda".

In the campaign, Sofidel recalled the three main directions that guide its path in building a positive future for the planet and its people: ecological transition, technological and digital transformation, inclusion and social cohesion.

SOFIDEL AMERICA IS AWARDED THE FSC® LEADERSHIP AWARD 2020

Sofidel America has been recognized as a leader in the FSC® Certified Company category.⁸ The award recognized Sofidel's excellence in using and promoting FSC® (Forest Stewardship Council) certified products in the North American market and its commitment to responsible management of forest resources.

SOFIDEL AMONG THE TOP 10 NON-LISTED ITALIAN COMPANIES FOR ITS DIGITAL ECOSYSTEM

Sofidel was mentioned by the strategy consulting agency Lundquist within the .trust 2020 research among the companies with best practices regarding the **digital business ecosystem**.⁹ Sofidel was included in the top 10 non-listed companies, the only group in the tissue paper industry, alongside major players including Ferrovie dello Stato, Cassa Depositi e Prestiti and Italcementi. With its "Bronze Class" ranking, the Group has improved on the results obtained in

the previous edition of the research (2018). Lundquist's .trust 2020 research, carried out at the end of the first lockdown due to the Covid-19 emergency, analyzed the activities of 84 Italian non-listed, private and state-owned companies.



7. Source: <https://www.linkedin.com/company/wwf-italia>
8. Source: <https://us.fsc.org/en-us/get-involved/fsc-leadership-awards/2020-leadership-award-winners>
9. Source: <https://lundquist.it/trust/trust-italy-non-listed-2020/>





CLEAN
LIVING

**WE HAVE
A CLEAR
SENSE OF
DIRECTION.**

SOUND AND RESPONSIBLE
GOVERNANCE

Strong family governance allows us to pursue a long-term strategy that combines economic growth with the creation of value for all stakeholders.

For Sofidel it is fundamental to promote development and innovation, safeguarding the natural heritage of our planet and supporting the territory and communities in which it operates. We believe that a company can only exist in the long term if it acts every day with care, responsibility and integrity towards people and the planet.

To this end, we have created a task force involving all business functions to achieve goals in line with the United Nations 2030 Agenda and increasingly integrate sustainability into all aspects of the business.

Corporate structure

The corporate governance model adopted by Sofidel S.p.A. is a traditional one with the following corporate bodies: Board of Directors, Board of Auditors and an auditing firm that audits the accounts.

The **Board of Directors (BoD)** is elected by the Shareholders' Meeting and is composed of the controlling families. It is the body vested with the broadest powers. It has the task of directing management, assessing the adequacy of the organizational, administrative and accounting structure, supervising general performance and passing resolutions on matters that the Articles of Association reserve for the Board of Directors. It has full responsibility for the Group's financial, social and environmental performance, which is subject to approval by the Shareholders' Meeting each year.

The **Board of Auditors**, appointed by the Shareholders' Meeting, monitors compliance with the law and the Articles of Association as well as the principles of correct administration.

The auditing firm currently appointed to perform the **statutory audit of the accounts** in accordance with the law is EY S.p.A.

A task force for sustainability

In addition to the traditional bodies, Sofidel has established a Sustainability Task Force that is responsible for developing a three-year sustainability plan that is updated annually and approved by the CEO. This task force includes the organization's main operational body, the Executive Board, which decides on the main objectives for the next three years, the performance indicators and the priority actions to achieve them. All function managers are required to identify clear objectives and commit to achieving them.

“THE GROUP’S SHARED CULTURE IS CHARACTERIZED BY A STRONG AWARENESS OF ITS DUTIES OF RESPONSIBILITY TOWARDS PEOPLE AND THE PLANET.”



Corporate structure
of the Sofidel Group

Board of Directors	EMI STEFANI <i>Chairman and Board Member</i>	LUIGI LAZZARESCHI <i>Chief Executive Officer</i>
	PAOLA STEFANI CRISTINA LAZZARESCHI <i>Board Members</i>	EDILIO STEFANI LORENZA MAGAZZINI <i>Board Members</i>
IN OFFICE FOR THE FINANCIAL YEARS 2018-2020		
Board of Auditors	UGO FAVA <i>Chairman</i>	GABRIELE NENCINI GIULIO GROSSI <i>Permanent auditors</i>
	IN OFFICE FOR THE FINANCIAL YEARS 2019-2021	
Supervisory Board	GIANFRANCO DEL GRANDE SIMONE FERRETTI <i>Permanent members</i>	
	IN OFFICE FOR THE FINANCIAL YEARS 2019-2021	
Independent Auditing Company	EY S.P.A.	
	IN OFFICE FOR THE FINANCIAL YEARS 2019-2021	

For 2021 Sofidel has decided to renew its governance and open its board of directors to external directors in order to acquire new additional skills and professional expertise, which will be useful for the challenges that await the company in the future.

Organizational structure

The current organizational model addresses three main needs:

1. Defines the responsibility and authority of managers working at the holding company and production plants.
2. Makes the best use of resources to most effectively meet customer needs.
3. Ensures the company can rely on the most appropriate integration and control mechanisms and the best organizational culture to ensure its smooth running.

The goal is to ensure integrated management of value creation processes, **shifting the emphasis from individual activities to the overall flow**, so as to avoid duplication and make the process more fluid and streamlined.

Our organizational model is based on four macro-processes that operate in an integrated manner to promote responsible and sustainable growth:

1. The industrial process has a matrix organization with two macro-units, **Production** (COO) and **Technical and Engineering Support** (CTO), each with efficiency, optimization and time-to-market objectives.
2. The process of managing **Strategic Business Areas (SBAs) and markets** is organized by lines of business with the goal of ensuring maximum customer satisfaction and combining growth and margins with sustainability.
3. **Global Functions**, the central line functions, ensure the integration between the industrial process and the management process for Strategic Business Areas and markets.
4. **Strategic Services** oversees and supervises support processes and staff.

The **industrial process** is overseen by two organizational units:

- **Production**, which ensures the optimization of production efficiency and the sharing of best practices related to the production process (**Sofidel Manufacturing System**). The Production manager is reported to by the **Country Operation Managers** who oversee the industrial process in the country in question.
- **Technical and engineering support**, which ensures the technical and engineering support needed to assess and decide on industrial investments.

Marketing & Sales oversees the management processes for strategic business areas and markets organized into four lines of business: Brand, Private Label (PL), Away-From-Home (AFH), Parent Reels. Each line of business is organized by geographic area and is managed by a manager who is responsible for all activities related to marketing and sales as well as customer satisfaction.

Global Functions comprise the following functions:

- **Logistics**: supervises production scheduling and raw material procurement. It guarantees the traceability of raw materials and finished products, organizes transport services and optimizes costs.
- **Purchasing**: oversees supplier management and the purchase of strategic raw materials (cellulose and wastepaper) to respond strategically and effectively to market needs.
- **Quality**: proposes and manages certifications and ensures quality as the Group develops and grows. It plays a key role in developing products that satisfy customers.
- **Business development and innovation**:

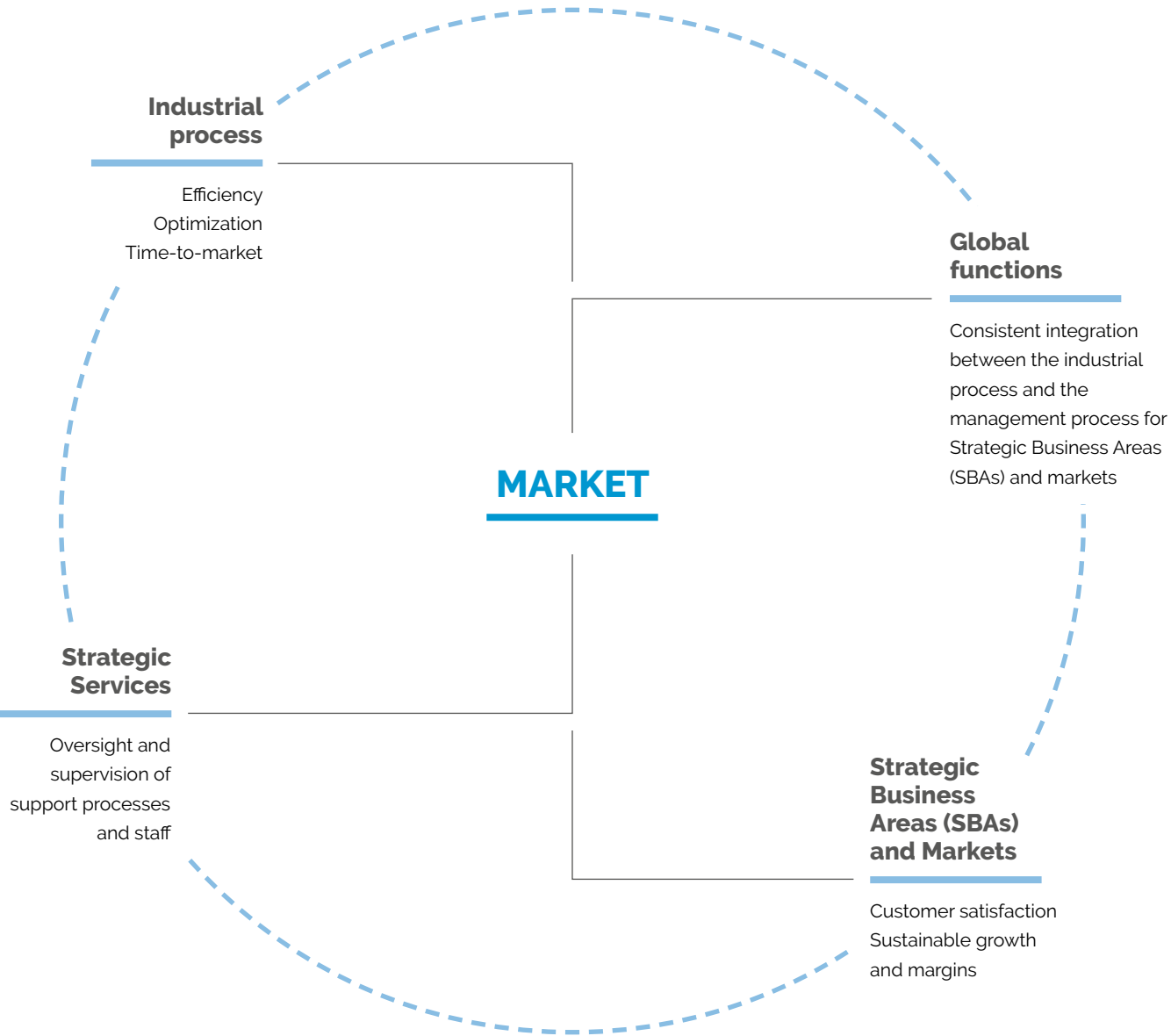
coordinates the process for development and integration of the business in Europe and the United States. It manages the Group's research and development activities.

Strategic Services comprise the following functions:

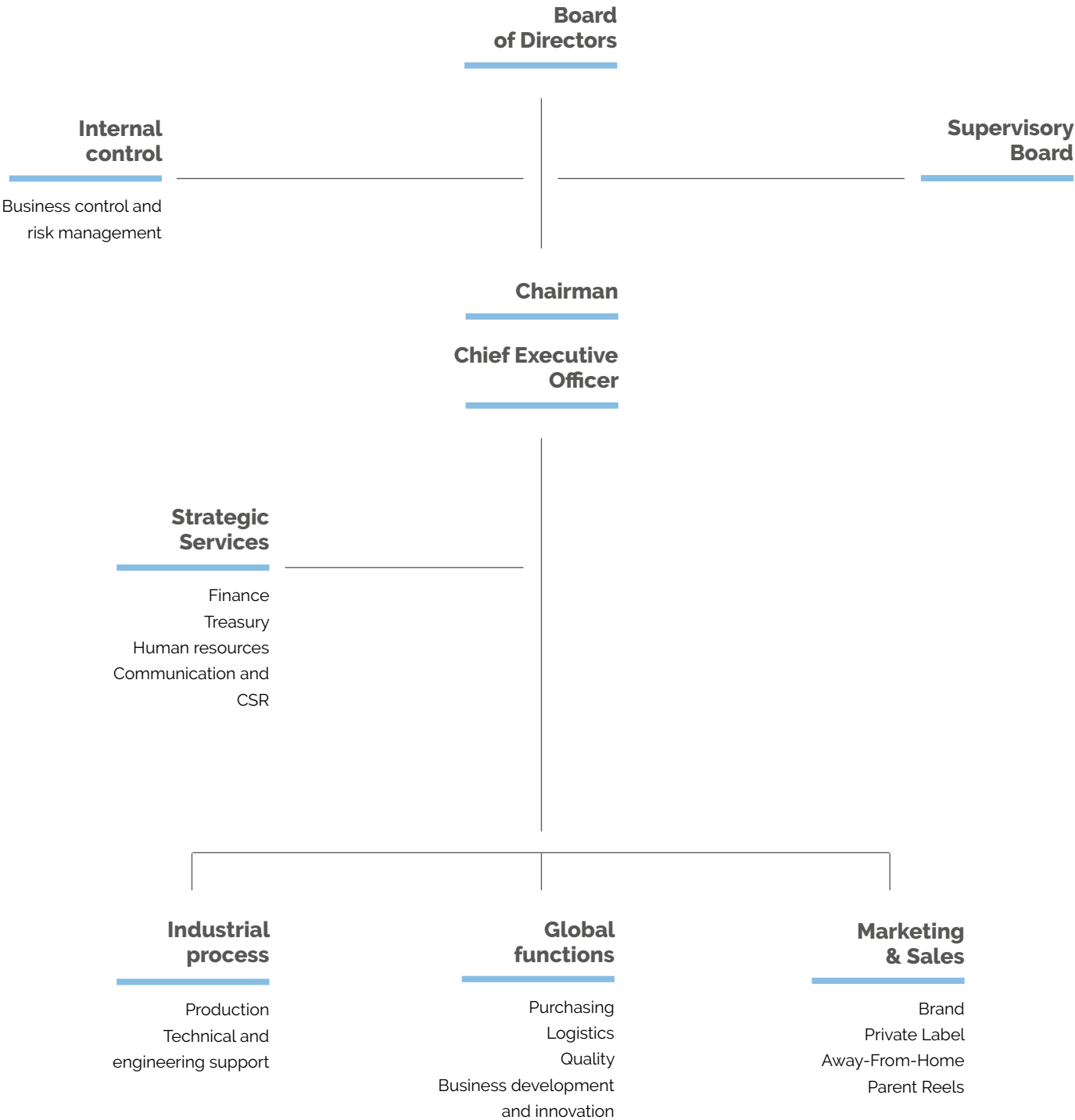
- **Finance**
Responsible for the Group's administrative management and the following activities: planning and control, credit management, Information & Communication Technology, Insurance.
- **Human resources**
Function in charge of personnel management, Group organization, training and management of safety and legal affairs.
- **Treasury**
Responsible for the Group's financial management, treasury and relations with banks and other credit institutions.
- **Communication and Corporate Social Responsibility (CSR)**
Function that handles the Group's institutional communication. It has the task of strengthening Sofidel's reputation and brand equity and promoting the company's commitment to social and environmental sustainability.

“SOFIDEL’S ORGANIZATIONAL CULTURE PROMOTES DIALOGUE AND DISCUSSION BETWEEN THE VARIOUS FUNCTIONS AND ENSURES THE SMOOTH RUNNING OF THE COMPANY.”

"Our goal is to ensure integrated management of value creation processes."



Sofidel Group
organizational model



Internal control system

Ours is an integrated risk management and control system involving several corporate functions: Supervisory Board, Business Control and Risk Management.

THE VALUES OF THE INTERNAL CONTROL SYSTEM

The Group's control system is guided by the principles of integrity, transparency and fairness. All Group employees are required to comply with the **Code of Ethics**, which sets out the principles underlying fair and lawful business conduct. In addition, the separation of tasks and responsibilities between decision-makers, those who carry out activities and those who monitor them makes it possible to verify all decision-making and authorization processes, guaranteeing transparent operating methods based on integrity.

We carry out a job rotation program in all our companies which, in addition to increasing people's skills, encourages the creation of relationships based on maximum ethicality with all our stakeholders. In order to strengthen the fight against corruption and meet the increasingly stringent regulatory requirements set by the legislators in the various countries in which the Group operates, as of 2018 Sofidel has adopted the **new international standard ISO 37001** and is implementing it in the various Group companies. In this regard, we have drawn up the Group **Ethics & Compliance Program**, i.e., the management model for preventing and combating corruption. 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 updating. In the future it will be extended to other European countries. We published the **Anti-Bribery** policy in 2020 and control and monitoring activities focused on sensitive activities continued, carried out based on the control plans adopted by the Anti-Bribery Compliance Officer. On this front, we have also developed a training program for employees working in the areas most sensitive to corruption.

“FOR SOFIDEL DOING BUSINESS MEANS ENSURING THE IMPLEMENTATION AND COMPLIANCE OF STANDARDS AND PRACTICES BASED ON INTEGRITY, TRANSPARENCY AND FAIRNESS.”

THE FUNCTIONS OF THE INTERNAL CONTROL SYSTEM

As regards the **Organizational, Management and Control Model** (Legislative Decree 231/01), the Supervisory Board has set up a monitoring and control activity in order to oversee its implementation, proper functioning and compliance.

In order to further ensure the integrity of our conduct, during 2020 we began updating the model to include tax offences.

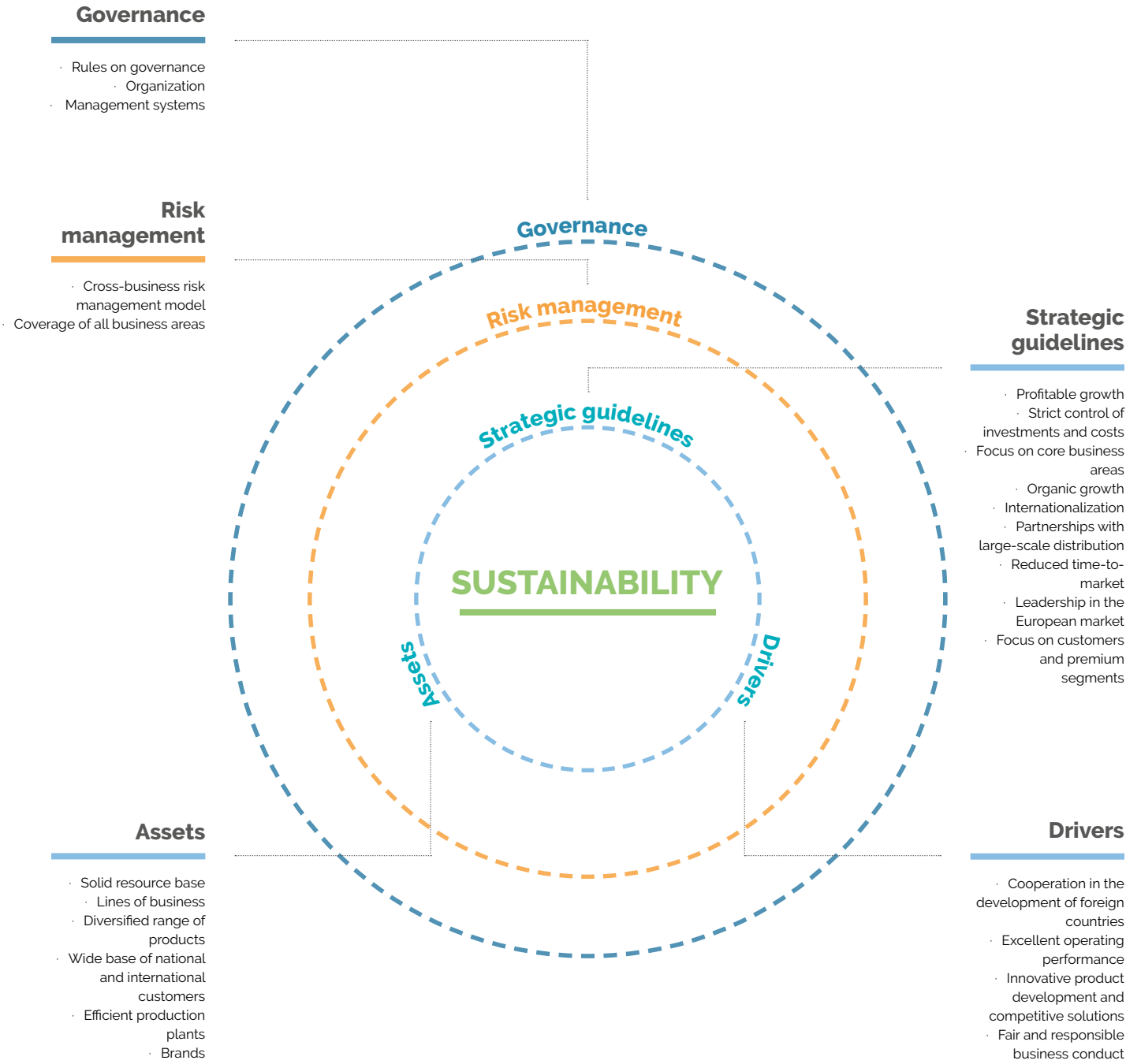
Thanks to the **Business Control** organizational unit, the various management systems adopted and the **Risk Management & Compliance** function, the company identifies and assesses risks, effectively controls the main processes, verifies compliance with procedures and assesses the system's suitability for mitigating risks and achieving corporate objectives.

During the year, the Supervisory Board, the Business Control unit and the Risk Management & Compliance function helped the various corporate functions to define controls and assess their effectiveness and functioning. They also carried out a training and information campaign to ensure employees understand the importance of and responsibility for the relevant checks and controls.

In 2020, the Risk Management & Compliance function, in addition to carrying out the activities described in the previous paragraph, began to develop the **Risk Management Manual**, which identifies the elements of the ERM (Enterprise Risk Management) Model, namely the risk management process, the risk management structure and the main information flows.

An integral part of the Sofidel Group's control system is the **Quarterly Report**, which is prepared every three months by the Legal Representatives of the Group companies. This report, consisting of a dashboard and a descriptive report, allows compliance of business processes and activities to be monitored, best practices to be identified and any risks overseen.

Sustainability at the heart of the organizational model



“IDENTIFYING, MEASURING AND MONITORING RISKS IS ESSENTIAL TO ENSURE A RELIABLE AND SUSTAINABLE VALUE CHAIN FOR ALL SOFIDEL STAKEHOLDERS.”



Risk management and monitoring

INTEGRATED MANAGEMENT OF BUSINESS, ECONOMIC AND FINANCIAL OBJECTIVES AND RELATED RISKS

Based on international best practices, the Group has implemented a process for the integration and standardization of its administrative, accounting and financial procedures through the implementation of a unique, integrated ERP SAP management program. The model we use is known internationally as **Integrated Finance Organization (IFO)** and is preparatory to the implementation of Integrated Business Planning (IBP), a model for the integrated planning, management and control of corporate activities and business objectives. This model is based on the idea of viewing the company as a whole and not as the sum of individual elements: a change of perspective that makes it possible to translate strategic planning into operational objectives that contribute to the achievement of performance and economic and financial sustainability, which for

the Sofidel Group goes hand in hand with environmental and social sustainability. Starting from the strategic objectives, we define the operational objectives that form the starting point for an Enterprise Risk Management system that identifies, measures, manages and monitors the business risks that may affect the achievement of those objectives. Risk management can in turn lead to investment needs that must be provided for in Integrated Business Planning. At Sofidel, the Risk Management & Compliance office was recently set up and by 2021 it has the goal of starting the risk assessment activity that will be fully operational in 2022. This will lead to the formalization of a Risk Register and will enable the risks identified to date and the related management policy to be updated. The main risks identified by Sofidel and the related management policy are described below.

Protection of resources to guarantee long-lasting social and environmental benefits

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Sustainable management of the supply chain

Type of risk	Risk management policy
Risks of "unqualified" supplies	<p>The Group's primary objective is to have a supply chain with no risk. Two lines of action are envisaged to achieve this goal: on the one hand, assessment of suppliers' sustainability strategies and performance and on the other, adoption of a sustainability model in purchasing.</p> <p>The sustainability risk analysis highlighted 13 critical product categories in the Sofidel Group's supply chain. These categories enable the critical supplier portfolio and critical expenditure (the portion of expenditure associated with the critical product categories) to be defined.</p> <p>The tool chosen for supplier sustainability assessment is the TenP Platform. Developed by the Global Compact Network Italy Foundation, TenP provides a self-assessment system that measures supplier performance 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 from the self-assessment.</p> <p>The summary index adopted to measure the effectiveness of monitoring is the percentage of the Group's total expenditure attributable to suppliers assessed through the TenP platform (coverage ratio).</p> <p>The coverage ratio for critical expenditure increased during 2020 and stands at 95% (+10% compared to 2019).</p> <p>Sofidel has structured its sustainable purchasing model in line with the ISO 20400 guidelines. During 2020, SGS Italia renewed the Group's certification confirming that our sustainable purchasing model complies with the reference standard.</p>
Supplier dependence risks	<p>The suppliers of goods and of services are interchangeable, because the company constantly diversifies its suppliers at a national and international level, meaning that the risk of dependence is negligible.</p>



Protection of economic and financial assets

Type of risk	Risk management policy
Credit risk	<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. The partnership with insurance companies is based on the sharing of sales objectives, collaboration in defining buyers' risk profiles, the transparency of our credit policy and our performance, both Group-wide and specific to each function, as well as the use of customized and innovative insurance products to measure and mitigate risk;· diversifying companies from country to country, as well as from company to company and sales channel;· observing insurance thresholds;· requiring advance payments where there is no insurance coverage;· a policy to minimize concentrations of credit;· quantifying the risk under analysis at budget level using the IFO model and subsequently sharing the 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 whose credit-worthiness needs to be checked;· compliance with payment terms by suspension of orders for customers in arrears for more than 10 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 due to relations in place with financial institutions. These risks are represented by:</p> <ul style="list-style-type: none">· partial or total revocation of uncommitted credit lines, which the Group manages 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.· The Group continues to systematically monitor developments in the European and US banking system, highlighting that, as of today, those taking place (concentrations, mergers and acquisitions) have had no impact on Group operations.· seizure of bank deposits (Bail-in), the risk of which is increasingly mitigated by using overdraft facilities;· longer timeframes for accessing new lines of credit, including with financial institutions with which the Group already has a relationship. In fact, despite the significant improvement in the Group's economic and financial situation, financial institutions are forced to give priority, in the list of support measures, to companies in economic and financial difficulties due to Covid-19.

Type of risk	Risk management policy
Price risk	<p>The risk of variations in the prices of commodities purchased (of which the main ones are cellulose and energy) can have a significant impact on the Group's operating and financial results.</p> <p>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 change in electricity and gas prices, the Group:</p> <ul style="list-style-type: none">· selects suppliers from among the leading players in the sector, in order to minimize the risks associated with their possible default;· favors indexed priced flexible supply contracts with the possibility of hedging if the market is too volatile;· monitors and participates in all possible opportunities for subsidies and reductions in energy costs. <p>In addition, in 2020, the Group launched a project aimed at mitigating the risk arising from periodic fluctuations in the prices of main commodities.</p>
Exchange rate risk	<p>Generally speaking, exchange rate risk 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 the purchase orders are concluded. This risk can 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 is mainly achieved by concluding 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. Hedging of this type of exchange rate risk is achieved by concluding 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 minimize the economic and transaction risk in question by resorting to financial instruments for hedging purposes, mainly represented by currency forward contracts.</p> <p>Further information is given in the Notes to the 2020 Consolidated Financial Statements.</p>
Interest rate risk	<p>The Group adopts an active policy of monitoring the risk linked to interest rate fluctuations, assessing the risk profile of its exposures, in order to stabilize net financial charges:</p> <ul style="list-style-type: none">· for medium/long-term structured financing operations, the Group prefers fixed rates, which provide certainty on the financial expenses to be incurred on long-term loans;· for short-term financing operations, the Group continues to prefer a variable rate (reference rate on the interbank market specific to the currency of the loan plus a spread differentiated on the basis of the type of credit line/market) with the objective, over a short time horizon, of constantly monitoring the trend of the rate curve on the various markets. <p>Furthermore, in order to manage/change the risk profile of its exposures, the Group could make use, as in the past, of "plain vanilla" derivative financial instruments (for example, Interest Rate Swaps and Interest Rate Options), without any risk or speculation content.</p>
Liquidity risk	<p>To this end, through careful treasury planning, the Group pursues the objective of guaranteeing an adequate level of liquidity, minimizing the associated opportunity cost and maintaining balance in terms of the duration and composition of the debt. 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>Further information is given in the Notes to the 2020 Consolidated Financial Statements.</p>

Type of risk	Risk management policy
Legal, compliance and reputational risk	<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 and consumers);· the integration of sustainability in the business as a strategic line of development. <p>Through its function dedicated to this purpose, the Group oversees the analysis of compliance risks at all companies. In addition, the Italian companies have adopted organizational models for the prevention of the offences set forth in Legislative Decree 231/2001 with the creation of a Supervisory Board for this purpose.</p>
Reporting risk	<p>To guard against this risk, the company has implemented and continues to implement administrative, financial and management procedures to help minimize its occurrence.</p> <p>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>The tools used include SAP, BW SEM, 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 IT platforms Piteco and Piteco CBC (Corporate Banking Communication) allow 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 authorization workflows, their traceability and the secure management of instruction flows via mobile devices and digital signatures.</p> <p>The certification of the annual financial statements by a leading independent auditing firm is an additional way to check the process.</p>
Cyber risk	<p>The issue of cyber security is of primary importance to Sofidel and it is dealt with using various risk mitigation measures. In addition, staff are continuously trained through the delivery of simulated phishing campaigns.</p> <p>From a technical point of view, the main measures pursued in 2020 were:</p> <ul style="list-style-type: none">· the ISO 27001 certification of the parent company Sofidel S.p.A.;· migration to Windows 10 to reduce risks related to the vulnerability of different operating systems;· data migration to Onedrive-Sharepoint which allows data to be shared securely and rendered unreadable if mishandled or fraudulently managed;· email protection through 3 levels of protection: Native Microsoft Anti-spam, Cloud-managed Cisco Anti-spam and Antigena Email;· strengthening of the credentials for accessing corporate resources;· use of the Global Protect platform to address the need for remote working and ensure that users working from home have the same levels of security as in the office. <p>In addition, at the end of 2020, a project began with the aim of drawing up a risk assessment on the IT security of the plants.</p> <p>We are also installing security patches released by manufacturers (Microsoft primarily) on user endpoints. Lastly, the Group has taken out an insurance policy that covers financial damage from cyber events.</p>

Protection of the competitive
advantage acquired over time

Type of risk	Risk management policy										
Country risk	<p>As shown in the table below, which provides a breakdown of revenues by country, the Group does not operate in countries that are socially, politically or economically unstable. 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. This means the company benefits from significant savings and can offer an efficient service on a global scale. Lastly, the proximity to markets allows the company to better understand consumers' needs.</p> <p><i>Source: Sofidel, produced from SAP.</i></p> <table><tr><td>United States</td><td>22.1%</td></tr><tr><td>United Kingdom</td><td>14.7%</td></tr><tr><td>Italy</td><td>14%</td></tr><tr><td>Other European countries</td><td>49.2%</td></tr><tr><td></td><td>100%</td></tr></table>	United States	22.1%	United Kingdom	14.7%	Italy	14%	Other European countries	49.2%		100%
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Italy	14%										
Other European countries	49.2%										
	100%										
Sector-related risks	<p>The Group has diversified its activities across a number of sectors (Private Label, Brand, Away-From-Home, Parent Reels and in the e-commerce sector), seeking to offer increasingly high-performance and innovative products and dedicating specific internal resources to each. The breakdown of turnover by line of business is given below.</p> <p><i>Source: Sofidel, produced from SAP.</i></p> <table><tr><td>Parent Reels</td><td>6.6%</td></tr><tr><td>Away-From-Home (AFH)</td><td>11.7%</td></tr><tr><td>Brands and B-Brands</td><td>31.5%</td></tr><tr><td>Private Label</td><td>50.1%</td></tr><tr><td></td><td>100%</td></tr></table>	Parent Reels	6.6%	Away-From-Home (AFH)	11.7%	Brands and B-Brands	31.5%	Private Label	50.1%		100%
Parent Reels	6.6%										
Away-From-Home (AFH)	11.7%										
Brands and B-Brands	31.5%										
Private Label	50.1%										
	100%										
Production risks	<p>The policy of planned maintenance implemented for years and the continuous technological upgrading of plants minimizes 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 insured against the main risks (fire, flood, theft, etc.) with leading international insurance companies whose levels of insurance cover are regularly reviewed.</p> <p>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.</p>										
Risks associated with distribution logistics	<p>To avoid risks in the logistics area, the Group carries out:</p> <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 logistics planning to reduce inefficiencies to a minimum, monitored through specific KPIs;· continuous monitoring of performance through specific KPIs (e.g. the service rate and stock reduction);· constant attention to customer requirements through customer care policies. <p>The solutions applied and continuous monitoring enabled better planning of the exchange of goods, semi-finished products, raw materials and finished products between continental Europe and the UK in the period before Brexit.</p>										
Risk of customer dependency	<p>The risk of customer dependency is mainly related to the Private Label business, which mitigates the risk through a customer portfolio diversification strategy and careful monitoring.</p> <p>Another contribution to reducing this risk is given by the policy of expanding the Brand line, based on the development of strong brands and the launch of innovative products.</p>										



Management systems

Sofidel has chosen to voluntarily adopt the main Management Systems in order to continue to improve its performance and respond effectively to the needs of its various 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 Self-Controlled Health-Hygiene 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 Systems
Ecolabel, Der Blaue Engel and Swan Label	Product certifications
ISO 27001:2017	Information Security Management System
ISO 20400:2017	Sustainable procurement

“AN EFFICIENT AND INTEGRATED
MANAGEMENT SYSTEM GUARANTEES
A PROCESS OF CONTINUOUS
IMPROVEMENT, BUT ABOVE ALL IT
GENERATES TRUST, REPUTATION
AND SECURITY AMONG ALL ITS
STAKEHOLDERS.”

Summary of the certified Management Systems
and product certifications in Group companies

	Product safety¹		Quality¹	Self-Controlled Health-Hygiene System¹	Health and Safety		Environment							Energy	Information security	Sustainable procurement¹¹
	BRC	IFS	ISO 9001		BS OHSAS 18001	ISO 45001	ISO 14001	EMAS	Ecolabel	Der Blaue Engel	Swan Label	FSC*	PEFC**	ISO 50001	ISO 27001	ISO 20400
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 Italy			•	x	•							Δ	Δ		•	•
Sofidel America Circleville	•			•								•	•			
Sofidel America Green Bay				•								•	•			
Sofidel America Haines City	•			•								•	•			
Sofidel America Hattiesburg				•								•	•			
Sofidel America Inola				•								•	•			
Sofidel America Las Vegas				•								•	•			
Sofidel Belgium	•		•	•		•	•		◊			•	•	•		
Sofidel France Frouard		•	•	•		•	•		•			•	•	•		
Sofidel France Ingrandes		+	•	•		•			•			•	•			
Sofidel France Roanne		+	•	•		•	•		•			•	•			
Sofidel Germany Arneburg		•	•	•		•	•		•		•	•	•	•		
Sofidel Germany Omega		+	•	•	•		•		•	•		•	Δ	•		
Sofidel Germany THP		+	•	•	•		•		•			•	•	•		
Sofidel Germany Werra			•	•	•		•		•	•		•	Δ	•		
Sofidel Greece			•			•	•					•	•			
Sofidel Hungary			•	•								•	•			
Sofidel Poland		+	•	•		•	•				•	•	•			
Sofidel Romania		+	•	•		•	•		•			•	•	•		
Sofidel Spain		+	•	•		•	•		•			•				
Sofidel Sweden			•				•		•		•	•	•	•		
Sofidel UK Baglan	•		•	•		•	•					•		•		
Sofidel UK Hamilton, Leicester	•		•	•		•	•					•		•		
Sofidel UK Lancaster			•			•	•				•	•		•		
Sofidel UK Rothley Lodge, Leicester	•		•	•		•	•				•	•				

◊ Only for reels Δ Only trading x n.a.
+ Self-Controlled Health-Hygiene System in place. The certification renewal audit was not conducted in 2020 due to the Covid-19 pandemic and was postponed until 2021.

* Plants with self-monitoring system: 23 | Total plants: 26 | Percentage: 88%.
** The ISO 20400 guideline allows sustainability to be integrated into the organization's procurement policies and is applied throughout the Sofidel Group.



CLEAN
LIVING

TRANSPARENCY
INFORMS
EVERYTHING
WE DO.

TRANSPARENT FINANCIAL
PERFORMANCE

The way we operate is based on values that are common to the whole Group – integrity, honesty and fairness – and on actions that have a positive impact on the environment and society.

An approach oriented towards transparency of results, precise analysis of the economic and financial performance of the business, monitoring and management of risks and constant reporting of the investments made, aimed at pursuing growth and development that are truly sustainable.

In Sofidel we believe that companies have a responsibility to play a fundamental role not only in terms of the production and distribution of goods and services, but also in guaranteeing long-term economic, social and environmental advantages (shared value) for all stakeholders at all stages of the value creation chain.

2020 Highlights

2,173 m EUR

Group net sales
(vs. 1,919 m EUR 2019)

418 m EUR

EBITDA

19.25%

EBITDA percentage

484 m EUR

net operating cash flow
(vs. 160 m EUR 2019)



Performance
of the world economy

The year 2020 will be remembered in the history books as the year of the Covid-19 pandemic. The infection, which started in the city of Wuhan, China, in December 2019, quickly spread to all other countries, affecting over 100 million people (confirmed cases) and causing over 2 million deaths in just under twelve months. Health authorities and governments around the world, taken by surprise by the rapid spread of the virus, have been forced to react swiftly and practically to deal with an unprecedented health crisis that has claimed - and continues to claim - a very high number of victims. Right from the start, while awaiting a vaccine and effective treatments, social distancing, the careful and constant cleaning of hands and the use of a mask appeared to be the only solutions to slow down the spread of the virus. As the pandemic spread, all the governments of the affected countries took extraordinary measures to limit the movement of people and opportunities for contagion. In many cases, in order to avoid as much contact as possible between citizens, they have gone so far as to close down all activities considered non-essential to people's lives, such as schools, universities, public offices and a great many commercial and entertainment businesses. The immediate consequences of these emergency measures, i.e., a drastic drop in consumption and the closure of many productive activities, inevitably led to a fall in national GDP. The second quarter of 2020 saw the sharpest contraction in global gross domestic product (GDP) ever recorded in a single quarter. The subsequent recovery due to the easing of restrictive measures during the summer period was not sufficient to recoup the losses. The International Labor Organization (ILO) estimated that more than 15% of global work hours were lost during the lockdown in the second quarter of 2020, representing more than 500 million jobs. And according to the International Monetary Fund report, updated at the end of January 2021, the contraction of the global economy

in 2020 will be 3.5%, with US GDP expected to fall by 3.4% and Japanese GDP by 5.1%. For the Eurozone, a 7.2% drop in GDP is expected, but for Italy the reduction will be even stronger and will most likely reach 9.2%. The situation is slightly better in Germany, where the updated forecast shows a GDP decline of 5.4%. The UK, on the other hand, simultaneously grappling with the uncertainties of Brexit and the difficulties arising from the pandemic, will end 2020 with a 10% drop in GDP. The effects are also dramatic among emerging countries, where India, the second most populous country in the world, has seen a sharp drop of 8%. The only major economy to be saved from the 2020 recession is China, which is showing the first signs of recovery, posting growth of 2.3%, according to International Monetary Fund estimates. It is a remarkable achievement that offers the world a glimmer of hope, especially given that China suffered in 2020 from both the spread of the pandemic and deep-seated tensions with America under former President Donald Trump.

Source: International Monetary Fund, World Economic Outlook Reports, update 26 January 2021.

“SOFIDEL BELIEVES IN THE CONCEPT OF
EXTENDED GOVERNANCE AND CORPORATE
SOCIAL RESPONSIBILITY AND IS COMMITTED
TO ENSURING TRANSPARENT MANAGEMENT
AND LASTING ECONOMIC, SOCIAL AND
ENVIRONMENTAL BENEFITS FOR ALL
ITS STAKEHOLDERS.”

Group economic
and financial performance

Despite an uncertain and difficult economic and social scenario, 2020 was a positive year of growth for Sofidel. Faced with the health and economic emergency, the company was able to react swiftly and efficiently, managing to keep its employees safe and ensure business continuity. In all countries our products have been considered indispensable for people's hygiene and health and production has never stopped. Not only that, but we were able to benefit from some favorable economic conditions, such as the low cost of cellulose and the reduction in electricity costs.

OPERATING COSTS

During 2020, the Group continued its development plan, confirming scheduled investments and completing the greenfield project in Oklahoma. In January 2020, we started the first paper machine in Inola and in July we were able to start the second one as well. These two very important start-up operations, which have immediately recorded good performance and in future will be able to guarantee high levels of effectiveness and efficiency for the Group, will last over time along with highly competitive operating costs. However, in spite of the positive picture, operating costs had to take into account the extraordinary expenses necessary in order to start up the new plant:

- staff recruited in advance of plant start-up in order to provide the necessary on-site training;
- the start-up costs of production facilities (energy, raw materials, machinery set-up, etc.);
- training activities to ensure the best preparation of staff;
- material procurement costs (reels, boxes) because the paper mill was not immediately operating at full capacity;
- distribution costs of the finished products, because at first we had to supplement production with products from our plant in Ohio.

CELLULOSE AND ENERGY

The cost of cellulose, the main raw material in our production cycle, has continued to fall and this has certainly benefited us. The average purchase cost decreased by 20% compared to the previous year. The cost of energy used by the Group has also been reduced by approximately 20% compared to 2019. The main factors contributing to this reduction were the low utility costs (energy and gas) in the state of Oklahoma and, most importantly, the efficiencies we were able to achieve in our plants. For example, at the Circleville production site we have a cogeneration plant that, after producing electricity and steam, also uses the waste heat coming out of the turbine to dry the paper in the drying process. Combining the cogeneration plant with the drying plant allows us to save energy and have a more efficient system overall.

TRANSPORT

Transport costs decreased by around 5% at Group level. The main driver for this reduction was the optimization of logistics in both our markets (Europe and the USA).

OVERHEADS

Taking advantage of the synergies available due to its size, the Group continues to increase the effectiveness and efficiency of its organizational structure, focusing on process control and the optimization of resources employed. However, during 2020, overheads have increased in order to meet the costs associated with the Covid-19 emergency for making work environments safe for all our employees. With regard to the US business, the significant increase in costs is closely linked to the new greenfield site in Oklahoma, which has allowed us to considerably expand our production facilities and capacity.

Economic and financial performance

The tables below are taken from the 2020 Consolidated Financial Statements approved by the Shareholders' Meeting on 26 February 2021.

Consolidated balance sheet

Description (thousands of Euro)	31/12/2020	31/12/2019
ASSETS		
Non-current assets		
Property, plant and equipment	1,823,047	1,972,540
Investment property	6,611	6,820
Goodwill and investment property with indefinite useful life	76,717	83,541
Trademarks and other intangible assets	45,086	45,877
Rights of use for leasing	37,121	40,983
Equity investments	1,848	1,808
Other non-current financial assets	9,779	2,981
Deferred tax assets	113,179	109,213
TOTAL NON-CURRENT ASSETS	2,113,389	2,263,765
Current assets		
Inventories	392,539	434,785
Trade receivables	112,727	74,779
Other current assets	20,073	34,887
Tax receivables	7,975	15,132
Other current financial assets	17,477	6,770
Cash and cash equivalents	81,177	32,680
TOTAL CURRENT ASSETS	631,967	599,033
Assets held for sale	-	869
TOTAL ASSETS	2,745,356	2,863,666

Description (thousands of Euro)	31/12/2020	31/12/2019
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	659,951	665,509
Profit (loss) for the year	141,047	43,215
TOTAL GROUP SHAREHOLDERS' EQUITY	842,657	750,383
Share capital and reserves pertaining to non-controlling interests	60	65
Loss attributable to non-controlling interests	3	(2)
TOTAL NON-CONTROLLING SHAREHOLDERS' EQUITY	63	64
TOTAL SHAREHOLDERS' EQUITY	842,720	750,447
Non-current liabilities		
Employee severance fund and other provisions regarding personnel	18,701	18,285
Deferred tax liabilities	86,750	70,086
Provisions for risks and charges	2,347	2,817
Non-current financial liabilities	652,624	1,127,482
Non-current leasing liabilities	29,196	31,279
Deferred revenues from capital grants	20,035	23,768
Other non-current liabilities	41	41
TOTAL NON-CURRENT LIABILITIES	809,693	1,273,758
Current liabilities		
Trade payables	427,325	451,189
Current financial liabilities	103,191	103,598
Current portion of medium/long-term borrowings	462,181	209,054
Current leasing liabilities	7,855	9,003
Other current liabilities	82,676	56,966
Tax payables	9,716	9,650
TOTAL CURRENT LIABILITIES	1,092,943	839,461
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,745,356	2,863,666

Consolidated income statement

Description (thousands of Euro)	31/12/2020	31/12/2019
Revenues		
Revenues from contracts with customers (net sales)	2,172,855	1,919,460
Rental income	739	1,017
Other revenues and income	30,600	27,857
TOTAL REVENUES	2,204,195	1,948,335
Operating costs		
Purchase of raw materials, finished products and changes in inventories	(907,137)	(898,371)
Services	(446,719)	(412,192)
Leases and rentals	(30,491)	(25,196)
Other operating costs	(28,573)	(29,623)
Payroll costs	(372,985)	(324,318)
GROSS OPERATING MARGIN	418,290	258,635
Amortization, depreciation and write-downs	(159,114)	(151,413)
Provision for risks	(2,177)	(2,446)
OPERATING PROFIT	257,000	104,776
Financial income	1,765	334
Financial expenses	(44,162)	(29,190)
Foreign exchange gains and losses	(23,417)	(20,499)
Total financial income and expenses	(65,813)	(49,355)
PROFIT (LOSS) BEFORE TAX	191,186	55,421
Current taxes	(40,667)	(16,678)
Deferred/(prepaid) taxes	(9,469)	4,469
PROFIT (LOSS) FOR THE YEAR	141,050	43,213
Attributable to:		
Minority interests	3	(2)
GROUP	141,047	43,215

Consolidated cash flow statement

Description (thousands of Euro)	31/12/2020	31/12/2019
Profit (loss) for the year	141,050	43,213
Income taxes	50,136	12,208
Financial income and expenses	42,271	28,689
1. Profit/(loss) for the year before income taxes, interest, dividends and capital gains/losses from sale	233,457	84,110
Adjustment of non-monetary revenues	(14,726)	(11,563)
Amortization/depreciation	159,027	150,874
Provisions	2,264	2,985
2. Cash flow before changes in net working capital	380,022	226,406
Change in trade receivables	(37,948)	(31,070)
Change in inventories	42,246	(4,028)
Change in trade payables	(21,103)	(10,749)
Change in short-term assets/liabilities	52,411	(4,329)
3. Cash flow after changes in net working capital	415,628	176,230
Change in other provisions and deferred tax assets	4,395	(7,311)
Income taxes (paid)	(40,667)	(16,678)
Interest paid on leasing liabilities	(1,514)	(1,647)
Other changes*	56,692	(14,257)
Cash flow from operating activities (A)	434,534	136,337
Disposals of tangible and intangible fixed assets	1,916	2,579
Investments in tangible and intangible fixed assets	(99,582)	(241,184)
Purchase (sale) of other financial fixed assets	(40)	45
Capitalized interest	817	9,235
Change in trade payables - investment	8,054	(7,645)
Gains on disposal of fixed assets	2,843	-
Cash flow from investing activities (B)	(85,992)	(236,970)
Opening of medium/long-term loans	61,518	365,596
Redemption of medium/long-term loans	(288,023)	(129,245)
Change in short-term loans	1,877	(125,782)
Change in financial assets	(22,006)	(11,075)
Interest received/(paid)	(43,088)	(37,924)
Dividends (and interim dividends) paid	-	(1,600)
Capital payments for leasing liabilities	(9,302)	(9,253)
Cash flow from financing activities (C)	(299,024)	50,718
Increase (decrease) in net cash and cash equivalents (A+-B+-C)	49,519	(49,915)
Initial net cash and cash equivalents	32,680	81,094
Net exchange rate differences	(1,022)	1,501
Final net cash and cash equivalents	81,177	32,680

* 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)	2020	2019
Rights, trademarks and brands	1,739	1,448
Intangible fixed assets in progress	145	138
Land and buildings	5,626	69,111
Investment property	-	60
Plant and machinery	57,040	48,101
Industrial and commercial equipment	378	836
Other tangible assets	5,876	3,236
Tangible fixed assets in progress and advance payments	28,780	118,254
TOTAL	99,582	241,184

The investments for the year mainly related to Sofidel America and, to a lesser extent, all other Group companies.

As far as Sofidel America is concerned:

- Circleville, Ohio: construction of the integrated plant was completed in 2019. The production site houses two paper mill machines and several converting machines for converting reels into finished products. The paper mills and converting plants were completed in the first part of 2020.
- Inola, Oklahoma: the company began construction on a new greenfield investment for an integrated plant (paper mill and converting) in 2018. The investment relates to the installation of two paper mill machines, with a total production capacity of 120,000 metric tons per year, and several converting lines. During 2020, most of the necessary buildings and infrastructure were completed and 9 converting lines were started. The first paper mill machine was started on January 22, 2020 and the second machine was completed in July 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.

The main changes compared to 2019 relate to land and buildings and property, plant and equipment. These changes are due to the completion of the Circleville and Inola buildings and infrastructure in 2019 and in the early part of 2020. In particular, the paper mill and converting plants for both sites were completed in 2020.

For further information on the economic and financial results, please refer to the 2020 Consolidated Financial Statements.

SIGNIFICANT POST BALANCE SHEET EVENTS

There are no events which require mention in this report.

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/amortization provisions and other operating expenses. The Gross Characteristic Added Value is obtained by deducting extraordinary and accessory items.



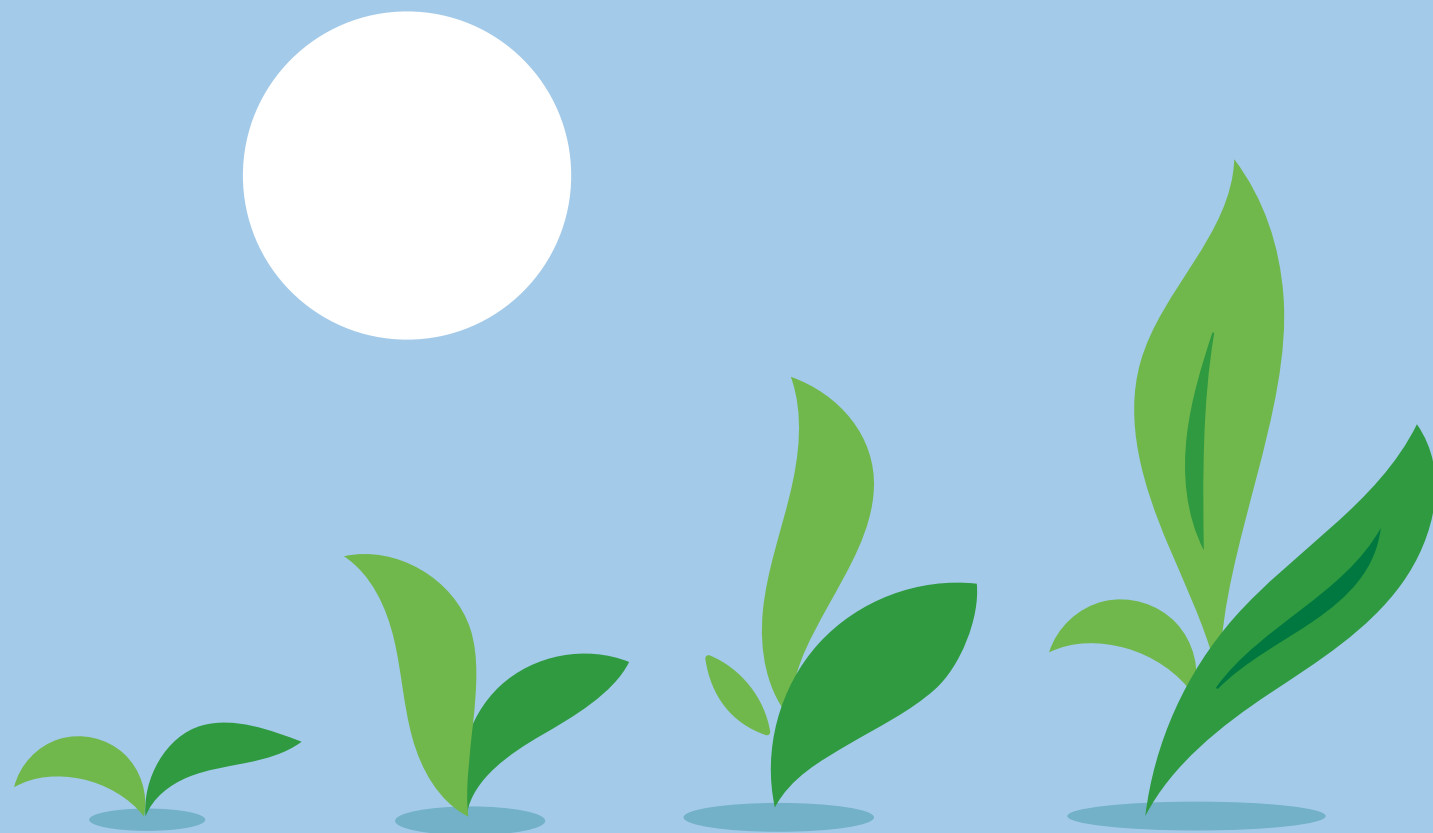
(thousands of Euro)

(A) Value of production	2020	2019
Revenues from sales and services	2,172,855	1,919,460
Rental income	738	1,017
Other revenues and income	30,601	27,857
Revenues from characteristic production	2,204,194	1,948,335
B) Intermediate costs of production	2020	2019
Consumption of raw material, consumables and goods for resale	907,137	898,371
Costs of services	446,719	412,192
Leases and rentals	30,491	25,196
Other operating charges	28,573	29,623
Costs of characteristic production	1,412,920	1,365,382
GROSS CHARACTERISTIC ADDED VALUE	791,275	582,953
C) Accessory and extraordinary items	2020	2019
12. +/- Accessory balance of operations	(25,593)	(22,945)
Accessory revenues	-	-
- Accessory costs	(25,593)	(22,945)
GLOBAL GROSS ADDED VALUE	765,681	560,006

Distribution of Global Added Value

(thousands of Euro)

	2020	2019
(A) Human Resources remuneration	372,985	324,318
Personnel		
a) direct remuneration	317,156	273,830
b) indirect remuneration	55,829	50,488
B) Loan Capital remuneration	42,397	28,885
Charges for short or long-term capital	42,397	28,885
(C) Public Administration + Community remuneration	50,136	12,209
Direct and indirect taxes	50,136	12,209
(D) Company remuneration	300,164	194,625
Profit (loss) for the period	141,050	43,213
Amortization/depreciation	159,114	151,413
GLOBAL GROSS ADDED VALUE	765,681	560,006



**CLEAN
LIVING**

SUSTAINABILITY IN EVERY STEP WE TAKE.

**STRATEGY AND SUSTAINABLE
BUSINESS MODEL**

Sustainability and innovation are inseparable for our business model.

They are two key levers to drive change, seize new market opportunities early and create shared value for all our stakeholders.

Sustainability, as a factor in cultural development and competitive growth, permeates all aspects of our business. It helps us improve the quality of life for people and for the communities in which we operate, reduce our carbon footprint, meet the needs of customers and consumers, and develop strong relationships with employees and suppliers.

Integrating sustainability and innovation into our organizational culture allows us to build truly responsible development, looking to the future with confidence and optimism.

“Clean Living” and our business model

OUR CONTRIBUTION TO THE WORLD TO COME

Planet Earth is our environment, our home. The growing focus on our planet's state of health and the plethora of scientific research testifying the urgent need for action to safeguard it – increasingly under the media spotlight – have made us reflect on the close relationship between nature and society. Recent global events, not least the Covid-19 pandemic, also make it clear that these are not two separate entities.

Humans, by their actions, are strongly interconnected to natural ecosystems. There is increasing talk of “integral ecology”, emphasizing that there are not two separate challenges, one environmental and one social, but rather a single socio-environmental challenge to which we can make our contribution.

The United Nations 2030 Agenda – the plan of action for people, planet and prosperity, signed in September 2015 by the governments of the 193 UN member countries – represents, now more than ever, a global framework to look to in order to build “an inclusive, sustainable and resilient future for the world's people and the planet”. The 17 Sustainable Development Goals (SDGs) call on companies, governments, institutions, non-governmental organizations and citizens to pursue common economic, social, ethical and environmental objectives in order to build truly sustainable development together.

“HUMANS, BY THEIR ACTIONS, ARE STRONGLY INTERCONNECTED TO NATURAL ECOSYSTEMS. THERE ARE NOT TWO SEPARATE CHALLENGES, ONE ENVIRONMENTAL AND ONE SOCIAL, BUT RATHER A SINGLE SOCIO-ENVIRONMENTAL CHALLENGE TO WHICH WE CAN MAKE OUR CONTRIBUTION.”

Knowing that nature is not something set apart from us, we asked ourselves:

- **What is the true raison d'être of a company like ours?**
 - **How can we engage to make our contribution to the great challenges humanity is facing and will face in the coming years?**
 - **What can we do to help build a healthier, cleaner and fairer future?**
-

OUR WAY OF DOING BUSINESS

We are convinced that a new form of commitment and integrity from companies is needed today. An active role, one in which companies take the field alongside institutions to safeguard our common home and pass on to the new generation a heritage of values involving care and a deep sense of respect. Our response to this call to action for the future arose from these reflections:

Clean Living.
For everyday needs. For a healthier planet. For integrity and respect.

This mission is the basis of our behaviors and actions, as well as our production process and the products we offer on the market. It is our company's whole raison d'être, it defines our role in society and the benefits we want to bring to people and the planet. It is a concept that is particularly rich in sense and meaning. Its three main components are the pillars of the way we do business.

THE PRODUCT

"Clean Living" is a mission that comes from our products, devised and developed to perform an essential task: to contribute to people's daily hygiene and well-being and to the cleanliness of the home as well as public and work spaces. Disposable tissue paper products that have a vegetable origin – cellulose – from a renewable raw material – wood – which is easily recyclable and reintegrated into the natural life cycle.

THE ENVIRONMENT

It is the focus of our "ecological transformation" approach to production, aimed at fostering the transition to an economy with a low-carbon impact and reduced consumption of natural capital. A production model that translates into the responsible sourcing of forest-based raw materials, the careful use of water resources, attention to the energy sources used, energy efficiency of our plants, processes and machinery, reduction of waste and limitation of the use of conventional plastic in the packaging of our products.

THE PEOPLE

In order to build a sustainable business culture, it is important to be collaborative and respect the area and communities in which we operate. The relationships we develop with all our stakeholders are inspired by respect for the values of professionalism, substance, honesty and transparency and the pursuit of practices of inclusion, sharing and correct information. An approach based on integrity of behavior and mutual respect, fueled by the courage and moral strength to imagine, all together, a positive future for people and the planet. And to start making it a reality today.

These three pillars are the areas in which we want to engage in order to play an active role in helping to create the world of tomorrow. A world inspired by the concept of "Clean Living", to minimize the environmental impact of our activities and develop people, the territories and communities where we operate. Where innovation leaves no one behind, helping to create a more equitable and inclusive society. Where the desire to look ahead spurs us to constantly find new solutions to satisfy consumers and our business partners, putting safety, hygiene and the well-being of people first.

“OUR WAY OF DOING BUSINESS IS BASED
ON THREE PILLARS: THE PRODUCT,
THE ENVIRONMENT AND PEOPLE.”

CLEAN LIVING

For everyday needs.
For a healthier planet.
For integrity and respect.



Our sustainable
business model



“Creating shared value with a strategic, global, multi-stakeholder approach.”

Less is More

Reduce environmental impact
Avoid waste
Promote responsible consumption

Every activity of the Sofidel Group is inspired by the principle “Less is More”. This orientation translates into three fundamental rules: reducing environmental impact, avoiding waste and promoting responsible consumption. Continuous efforts in this direction have enabled us to make products that contain reduced amounts of natural capital and perform better in terms of comfort, hygiene and services for the consumer.



LEVERS FOR RESPONSIBLE
AND SHARED GROWTH

To promote the company's responsible growth and sustainable development, Sofidel relies on four key levers.

Sustainability

For Sofidel sustainability is a lever for strategic development and growth. We aim to integrate sustainability into all aspects of the business to reduce the impact of our activities on natural capital and generate benefits for all our stakeholders: Shareholders, customers, suppliers, employees and the communities in which we operate. Sofidel considers sustainability to be closely linked to innovation. This is an inseparable combination to ensure the economic, social and environmental sustainability of our business. From the procurement of raw materials to production processes, from products to logistics, from the promotion of responsible consumption to correct information, the ability to innovate and look ahead allows us to drive change and seize new opportunities for growth and development earlier. This mindset drives us to continuously improve in order to make a positive contribution to society.

Asset quality

Thanks to production facilities that are newer and more efficient than the industry average, the Group is able to operate with great production efficiency and high environmental performance. In 2016, Sofidel embarked on an extensive renovation of its technological assets. In the paper mill phase, it installed **new generation machines** for the production of standard and textured tissue paper. In the converting phase, it has started up **new, higher performance lines** with technology that ensures better winding

quality, preserves the softness of the product and guarantees uniform sheets from the beginning to the end of the rolls.

Geographical coverage
and greenfield plants

Over the years, in order to reduce the incidence of transport costs and improve the service offered to customers, Sofidel has built and acquired its own plants **close to its end markets**. In Europe, production sites are located within a 350/400 km radius of customers, while in the United States they are 700/800 km away, close to densely populated areas and important communication routes. Our greenfield plants have ample space and have been designed with scalable features so that their production capacity can be increased over time. In many cases, production capacity can be doubled and tripled quickly with a relatively modest investment. In Europe, the Group is focusing on organic growth by increasing production capacity and upgrading certain sites, such as in Ciechanów in Poland (2017) and Buñuel in Spain (2018). In the United States, where we have been present since 2012, the two new greenfield plants in Circleville (Ohio) and Inola (Oklahoma) – opened in 2018 and 2020 respectively – were conceived with the same strategic objectives in mind.

Digitization

Innovation is one of our strengths, which is why we are committed to fostering a culture of digitization in all business divisions. As far as production is concerned, for more than twenty years Sofidel has been investing in automation for precision control of all the process variables in the paper mill plants and to increase flexibility in the converting lines.

For example, in our converting production departments we have created integrated systems for monitoring and managing the finished product, **with fully automatic handling** using laser-guided vehicles. Strengthened by the expertise gained by our management and our technicians, we immediately looked with interest at the digital revolution and the **applications of Industry 4.0 in the tissue paper industry**. In this regard, we have already activated a proprietary supervision system for all our converting lines that allows us to collect and elaborate process data in real time to monitor performance and reduce resource use. In the future, this database will allow the development of predictive analysis logic to be applied to both process quality control and maintenance policies. In addition, we have implemented a **Remote Assistance** system that, thanks to wearable devices (smart glasses and smart helmet) based on Augmented Reality technology, ensures faster diagnostics, lower costs and greater productivity. During the health emergency, these devices proved to be extremely useful and will continue to be so in the future, making it possible to limit the travel of internal technicians and suppliers and to reduce the costs and CO₂ emissions associated with travel.

“SUSTAINABILITY AND INNOVATION
ARE KEY TO ENSURING
THE ECONOMIC, SOCIAL AND
ENVIRONMENTAL SUSTAINABILITY
OF OUR BUSINESS.”

The success of our responsible and sustainable growth strategy is based on the following factors:



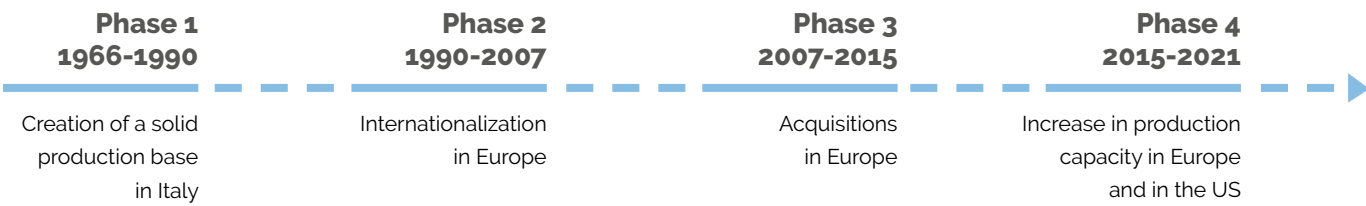
The strategy for steady and “clean” growth

STEADY AND “CLEAN” GROWTH

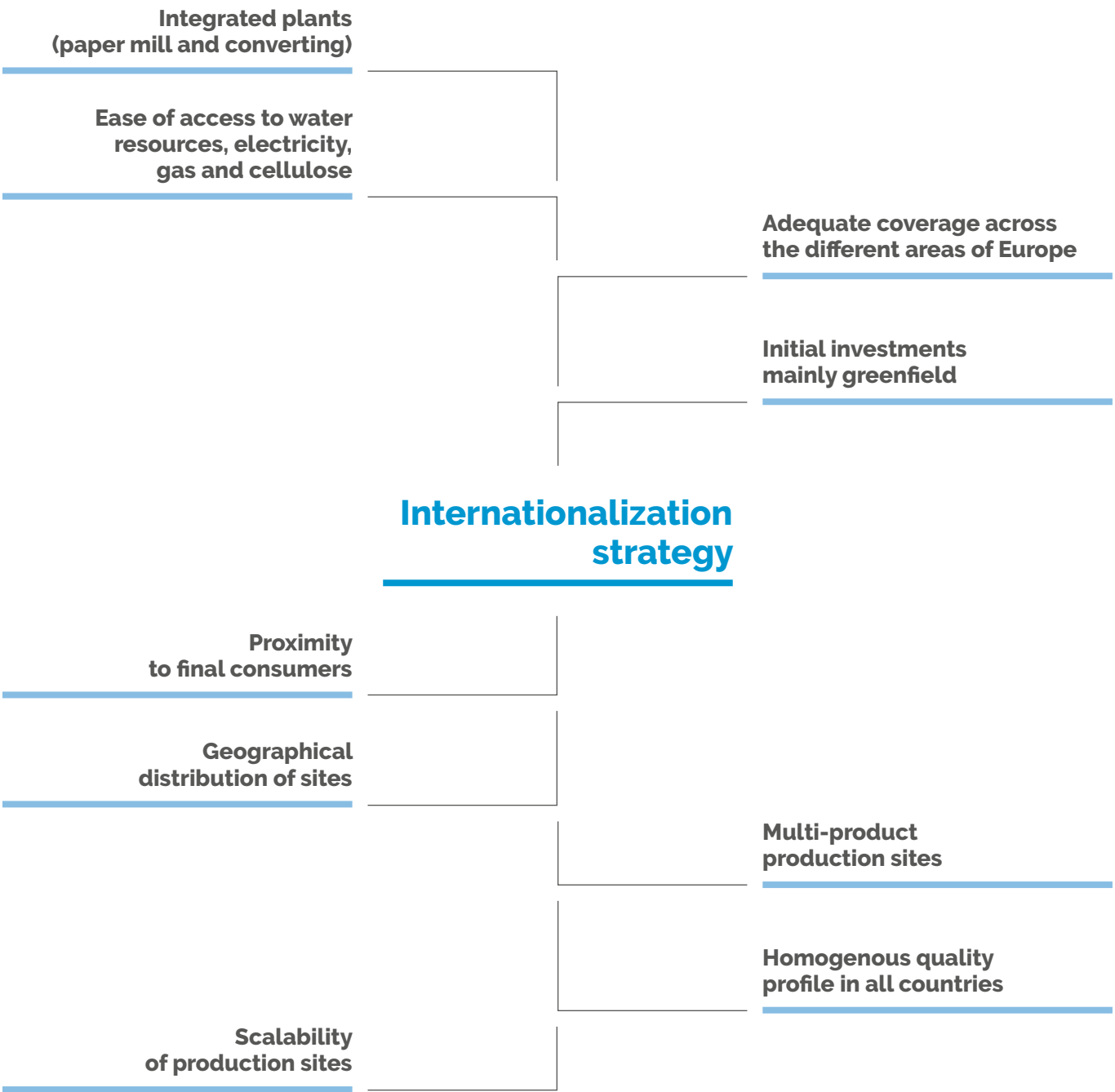
Sofidel's steady growth is the expression of a long-term strategy that has developed according to four strategic phases. Underpinning this is a management and operational approach based on a system of values – professionalism, substance, honesty, ethicality, sustainability and transparency – which permeate the company as a whole. The decision to invest in the Piana di Lucca (Plains of Lucca), a flat area rich in groundwater, has proved a winning choice. This territory encapsulated – and still encapsulates today – a wealth of relationships and know-how that are fundamental to the development of the Sofidel Group. The two factors that have contributed most to growth have been the presence in the area of companies with **strong technical expertise**, specific to the tissue paper sector, and the **relationship of trust** developed with **the local manufacturing district**.

Growth in Italy continued thanks to collaboration with the large-scale retail trade and the development of the Regina brand. Once its presence was established, Sofidel began to explore new markets, first in Europe and then in the United States. Expansion has been accompanied by the gradual integration of sustainability into all aspects of the business. An evolution that has made it possible to strengthen competitiveness and generate shared value for all stakeholders.

The process that led Sofidel to become an international group was also very important for the corporate culture and the motivation of its people, because it enabled them to look at a broader horizon and gain experience and skills that are valuable for future development. For more details on the four phases of the Group's growth, see “Our history” on the Sofidel website.



Strategic basis for the internationalization process



Sofidel and the UN Global Goals

TOGETHER FOR SUSTAINABLE DEVELOPMENT

Since 2010, Sofidel has adhered to the United Nations Global Compact, the pact that binds companies that have taken on responsibility for contributing to the development of sustainable business and building a better world and a better future.

A company's environmental, social and

economic responsibility starts with the system of principles and values that guide its approach to business. That is why we have decided to embrace the ten principles of the United Nations Global Compact on human rights, labor standards, environmental protection and anti-corruption. Integrating these principles into our strategies, policies and procedures allows us to create a cor-

porate culture based on integrity and to lay the foundation for truly sustainable development over the long term.

The ten principles of the UN Global Compact are universally shared and are derived from the Universal Declaration of Human Rights, the International Labor Organization (ILO) Declaration, the Rio Declaration and the United Nations Convention against Corruption.



From principles to behaviors

Values are important, but they are not enough. We have to put them into practice and bring them to life in the company, in all our daily activities. This is why we have developed the Code of Ethics, the Sustainability Charter, the Sustainability Decalogue, and the Supplier Code of Conduct. These four documents guide the conduct of everyone who works with Sofidel and encourage dialogue and collaboration with our stakeholders to develop lasting relationships based on trust and transparency. They are our starting point for taking responsibility for people and the planet.

Code of Ethics Sustainability Charter Sustainability Decalogue Code of Conduct for Suppliers



SOFIDEL AND THE UN 2030 AGENDA

Sofidel Group's growth strategy is completely in line with the United Nations 2030 Agenda and its 17 Sustainable Development Goals (SDGs) to build an inclusive, sustainable and resilient future for people and the planet.

This document is the point of reference for companies, institutions, organizations and citizens who today wish to engage the challenge and work for the common good. Its values are also reflected in the European Green Deal, the grand plan with which the European Union aims to become the first continent with zero climate impact by 2050.

While we recognize the importance of all the Sustainable Development Goals of the 2030 Agenda, we have identified eight of them as priorities because they are directly related to our business and sphere of influence. We want to focus our efforts on these objectives in order to contribute, through our activities, to generating value and having a tangible positive impact.



The Sofidel Group is committed to **promoting hygiene and well-being** to improve the daily lives of consumers, employees and all other stakeholders. For us, the culture of health - from the production environment, to the hygiene and sanitary characteristics of products and their distribution - is one of the fundamental elements for creating value for people. We share good practices, promote the adoption of a healthy lifestyle and work to continually improve the work environment, business organization and the mental and physical well-being of our employees, including by promoting active participation and encouraging personal development.



The Sofidel Group has always paid close attention to the **training of new generations**, even more so at a time when the digital revolution, Industry 4.0 and new sustainability requirements are bringing about profound innovations in the world of industry. Our commitment is aimed at promoting a more innovative, open, and skills-based training that represents a real development factor for the entire district. We also collaborate with WWF Italy on the educational project "I'll take care of you", aimed at primary and secondary schools in Italy, to raise awareness among the younger generations about care and respect for our planet. The Earth is our home: We all inhabit it and we have a duty to keep it clean, efficient and healthy.



Being aware of how precious water is for the survival of the planet, we are especially careful to ensure **good water**

management and our production processes are constantly monitored in order to optimize water use.

This goal is pursued through management measures, specific investments and policies of reusing waste water.

We aim to achieve a production process that is as efficient as possible using the water taken from the environment for several production cycles. A substantial part of non-recoverable water is, instead, reintroduced into the environment as water vapor, during the final part of the tissue paper drying process, while the remaining part, once treated in the purification plants, is returned to the environment.



To reduce impacts on natural capital and facilitate the **transition to a low-carbon economy**, Sofidel pays attention to the sustainability of the energy sources it uses and the energy efficiency of its plants and processes. As a member of the WWF Climate Savers program, Sofidel is committed to the reduction of climate-altering emissions. Since joining the program in 2008, as of 2020 the Group **has reduced its CO₂ emissions by 24%**, thanks to investments in cogeneration, solar and hydroelectric power plants, biomass power plants and, in general, constant improvement of energy efficiency and company logistics.



Containing environmental impacts, reducing waste and **promoting responsible consumption** are the cornerstones of Sofidel's development policies. Our objective is to create products with an ever-shrinking ecological footprint, which perform better at the same time. In 2019, we set ourselves a challenging goal: to **reduce the conventional plastic used in our production by 50%** by 2030, compared to the 2013 base year. This means eliminating over 11,000 metric tons of plastic per year. A goal that we pursue by reducing the thickness of the plastic film used in the packaging of our products, introducing new kraft paper packaging and using bioplastics or recycled plastics.



Sofidel was the first Italian manufacturing company, and the first in the world from the tissue industry, to join the **WWF Climate Savers** international program in 2008 to guide the transition to a zero-emissions economy. In 2020, we received Science Based Targets initiative (SBTi) approval of our targets to reduce greenhouse gas emissions by 2030. Sofidel's targets (scope 1 and 2) were recognized as being in line with the levels required to meet the goals of the Paris Agreement and prevent the most dangerous consequences of climate change.



Sofidel's commitment to **safeguarding forests and biodiversity** translates into a rigorous sourcing policy for cellulose, the raw material for our production process. We use only cellulose certified by independent third parties under forestry certification schemes. Since 2016, 100% of the virgin fibers used in our production processes have been certified by FSC®, PEFC™ and to a minor extent by FSC®-CW. In 2017, we joined the Vancouver Declaration, launched at the FSC General Assembly to promote a sustainable supply chain for forest products.



No one can save themselves by themselves. We cannot overcome the challenges that humanity will face in the coming years by relying solely on our own strengths. Cooperation with governments, non-profit organizations, academia, the scientific community and civil society is essential. Our actions, like humans and nature, are closely interconnected and can enhance or frustrate each other. Today, there is an increasing need to **develop inclusive collaborations** – at national, regional and local levels – based on a global multi-stakeholder strategic approach. At Sofidel, we have been working for years with partners of recognized value and reputation, such as the WWF and the United Nations.

Stakeholder priorities and materiality analysis

To improve our sustainability policies and identify the issues to be included in the reporting in a more precise and timelier manner, starting in 2016 we began to analyze "material" aspects, i.e. all those aspects that are considered most relevant to us and our stakeholders.

Promoted by the Global Reporting Initiative (GRI) and the International Integrated Reporting Committee (IIRC), materiality analysis aims to define the company's reference ecosystem and the priority issues for its stakeholders.

- To this end, Sofidel:
- has identified its stakeholders, involving the various corporate functions;
 - collected and assessed the expectations and issues of greatest interest to its stakeholders;
 - launched a reflection on the company's dialogue and listening channels in order to assess their ability to grasp possible critical issues and opportunities in the company-stakeholder relationship.

MATERIAL ASPECTS

In order to identify the most relevant aspects for each stakeholder, we rely on ongoing dialogue with the various stakeholders.

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 organizations and representatives	<ul style="list-style-type: none">• Identities and values• Enhancement, motivation and development of human capital• 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 bodiesNational and local government administrationsPublic AdministrationEuropean Community Work Groups	<ul style="list-style-type: none">Respect for laws and regulations and industry standardsTransparent communicationSocially responsible corporate managementDevelopment of partnerships on common projectsContribution to the development of countries in which Sofidel operatesSocial contributions and charges
Community	<ul style="list-style-type: none">Local area/regionCharitable associations (non-profit organizations, charities, etc.)Universities and the world of researchMedia and opinion leaders	<ul style="list-style-type: none">Protection of the local areaResearch and development partnerships with the academic worldConsumer protection and safetyInnovationSupport for social initiatives
Environment	<ul style="list-style-type: none">EcosystemMinistry of the EnvironmentEnvironmental organizationsEuropean working groupsFuture generations	<ul style="list-style-type: none">Attention to possible environmental impactsReduction in consumption of natural resourcesEnergy efficiencySeparated collectionSustainable transport
Competitors	<ul style="list-style-type: none">Main global competitors	<ul style="list-style-type: none">Product quality and innovationEthics and environmentHealth and safetyHuman rights

METHODS OF ENGAGEMENT

We carry out numerous engagement initiatives to discuss the most important aspects with our stakeholders, choosing the most suitable methods and tools each time, depending on the objectives

and nature of the issues being discussed, the frequency and intensity of reporting and the level of knowledge of the issues being discussed.

Category	Inform	Listen	Consult	Involve	Work with
Environment	<ul style="list-style-type: none">Voluntary disclosure initiativesProduct environmental informationAdhesion to stakeholder initiatives to collect informationWebsite, social media, corporate newsletterIntranetCertification bodiesSofidel internal committees	<ul style="list-style-type: none">Specific meetings with customersEvents/initiatives organized by NGOsSpecific meetings with environmental authoritiesSpecific meetings with trade associationsCertification bodiesSofidel internal committees	<ul style="list-style-type: none">Specific meetings with customersEvents/initiatives organized by NGOsSpecific meetings with environmental authoritiesSpecific meetings with trade associationsCertification bodiesSofidel internal committees	<ul style="list-style-type: none">Specific meetings with customersEvents/initiatives organized by NGOsSpecific meetings with environmental authoritiesSpecific meetings with trade associationsCertification bodiesSofidel internal committees	<ul style="list-style-type: none">Specific meetings with customersEvents/initiatives organized by NGOsSpecific meetings with environmental authoritiesSpecific meetings with trade associationsCertification bodiesSofidel internal committees
Shareholders	<ul style="list-style-type: none">Consolidated Financial Statements and Report on OperationsIntegrated ReportCorporate websiteFinancial solidity and sustainability	<ul style="list-style-type: none">Shareholders' MeetingBoard MeetingsQuarterly/Six-monthlySpecific 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 (Toll-free 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 programs
Institutions	<ul style="list-style-type: none">Corporate websiteIntegrated ReportSocial media, PR media and eventsSoft & Green blog	<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 organizational communications"People & 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 PeopleWelfare Project	<ul style="list-style-type: none">CRAL (Workers' Recreational Club)

MATERIALITY ANALYSIS

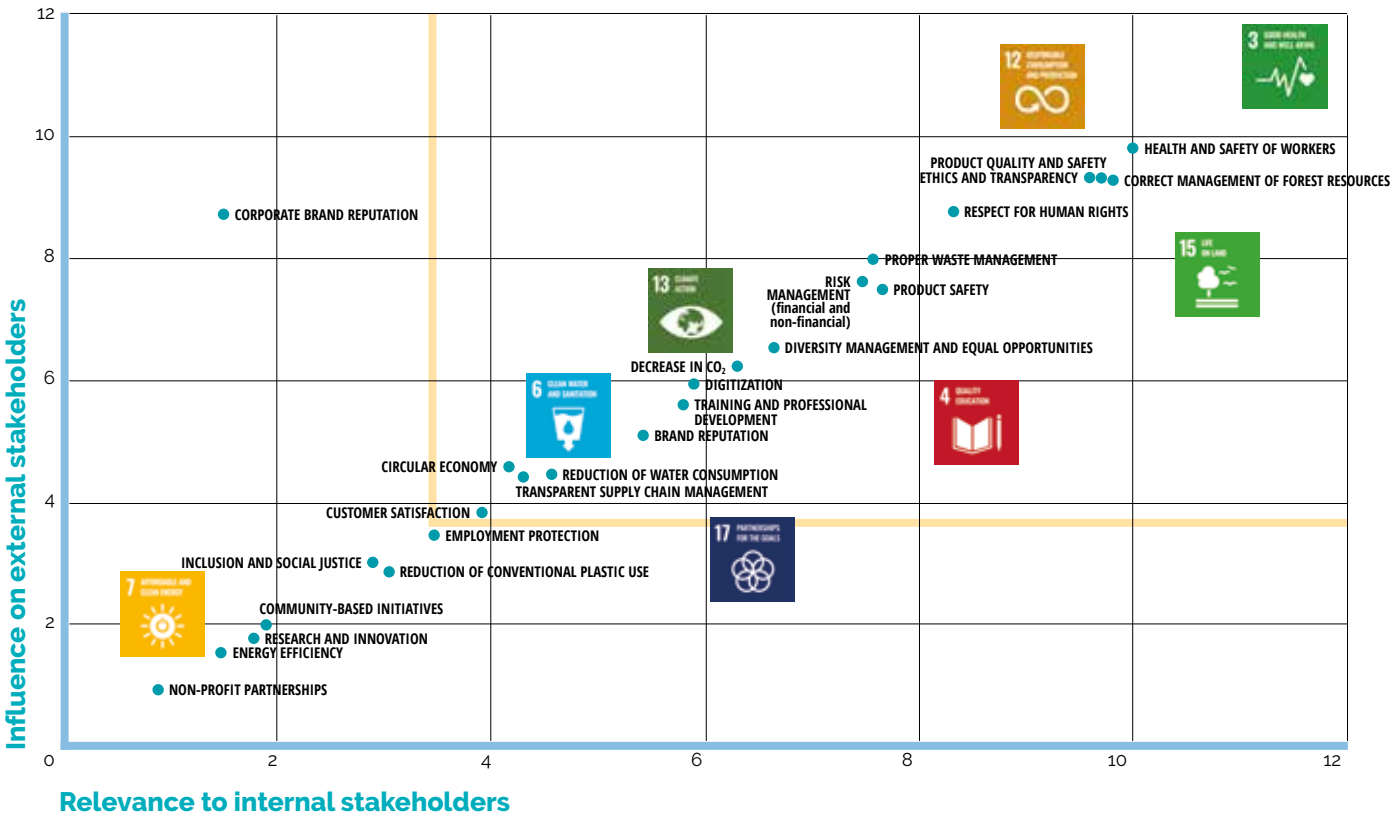
In 2020, to strengthen dialogue and discussion with our stakeholders in a scenario deeply marked by the pandemic crisis, Sofidel decided to renew its materiality matrix. We have developed a significant operation to listen to our stakeholders in collaboration with DNV, our partner in the certification of the Integrated Report. Our benchmark was the **AA1000 Stakeholder Engagement Standard – Accountability**.

The first step was to identify the material aspects, building on those considered in previous years but integrating them with new topics of interest. We then carried out an

audit of the company's key stakeholders, involving viewpoints from inside and outside our organization and with different levels of experience and seniority. In particular, we involved 30 Italian employees from all corporate functions, 30 Italian partners in the field of sustainability and Corporate Social Responsibility (CSR), 30 European customers and 30 suppliers at various levels of the Group's supply chain.

The same questionnaire was given to all the stakeholders involved, which included four clusters of topics: product, environment, people, and organizational commitment. The structure of the questionnaire allowed us not

only to detect the importance of the various topics for our stakeholders, but also to put the different clusters in a hierarchy in order to understand the priority given to each topic. Based on the results of the 76 completed questionnaires, a new materiality matrix was created in which the classified issues were placed in three bands of relevance (high, medium and low). It should be noted that, despite the fact that the four different categories of stakeholders were structured homogeneously, we noted lower participation in the questionnaire by customers. This may have influenced, in part, the results of the survey and the new 2020 materiality matrix.



The graphic representation above shows the results of the audit. The most relevant material aspects are represented in the top right area. The health crisis we are experiencing has increased interest in corporate social responsibility and certain material issues have become even more of a priority. Compared to last year, there is a stronger interest in workers' health and safety and for most stakeholders it is essential to manage forest resources correctly in order to safeguard biodiversity and the Earth's green lungs. Another material issue that has gained more prominence than in the past is that of human rights, along with ethics and transparency. Today the importance of respect for and appreciation of diversity, guaranteeing equal opportunities for all, regardless of any difference in gender, race or origin cannot be overlooked. Just as the need to adopt ethical and transparent behavior towards all company stakeholders is more apparent than ever. The importance of product quality and safety was confirmed, followed by waste management, an issue that is becoming increasingly important to public opinion, and the reduction of CO₂ emissions. In addition to the materiality analysis, we also used **SDG Lens**, a tool developed by DNV to help companies reflect on their role and

the contribution they can make to achieving the UN 2030 Agenda goals. Together with DNV, we organized a workshop attended by the entire CSR and Communication team in order to share the SDG Lens results and define the priority goals for Sofidel within its own reference ecosystem. Based on this very useful and stimulating path of reflection, Sofidel confirms its commitment to positive change by contributing more to the following Sustainable Development Goals (SDGs):

- 3 – Good health and well-being
- 4 – Quality education
- 6 – Clean water and sanitation
- 7 – Affordable and clean energy
- 12 – Responsible consumption and production
- 13 – Climate action
- 15 – Life on land
- 17 – Partnerships for the goals

These goals form our roadmap for helping to build together a positive, cleaner, fairer and more inclusive future for all people and the planet.



CLEAN
LIVING

IMPROVING HYGIENE FOR A CLEANER LIFE.

A PRODUCT
THAT IS BORN "CLEAN"

Sofidel products were created to protect a primary asset in the lives of us all. In fact, they are designed and developed to contribute to the daily hygiene and well-being of people and to the cleanliness of the home as well as public and work spaces.

They are disposable tissue paper products that have a vegetable origin – cellulose – from a renewable raw material – wood – which is easily recyclable and reintegrated into the natural life cycle.

Solutions that, through our constant commitment to Research and Development, express the strategy of a Group that makes innovation, safety and attention to health and hygiene, personal well-being and protecting the environment the reference points of our value creation process.

The production process and innovations

The Sofidel Group produces and markets tissue paper for hygienic use: toilet paper, kitchen towels, paper napkins, paper handkerchiefs, and facial tissues.

Primary goods for personal care and cleaning of domestic environments as well as public and work spaces.

The companies within the Group oversee the entire production process, from cellulose procurement to tissue production (parent reel) and converting, all the way to the finished product.

Sofidel's production chain is required to comply with the principles of sustainability that are the basis of the system for creating shared value among all its stakeholders. An objective pursued through numerous strategic levers, which include: policies for the responsible procurement of raw materials from forest resources, limiting water usage, reduction in climate-altering gas emissions and waste, limitation of the use of conventional plastic in product packaging and the promotion of responsible consumption, also through the development of innovative products.

The "Less is More" principle - which guides us in the creation of products with reduced amounts of natural capital and better performance in terms of comfort, hygiene and services for the consumer - and attention to economic, environmental and social sustainability are the basis of the Group's development model and have inspired, also during 2020, our commitment to Research and Development.

THE RESEARCH & DEVELOPMENT DEPARTMENT AND COLLABORATION WITH UNIVERSITIES AND RESEARCH CENTERS

The activities of the R&D department focused on implementing the "Less Plastic, More Sustainability" project, launched in 2019 to reduce the incidence of plastics of petrochemical origin used in the production process by 50% by 2030. In particular, in 2020, the polyethylene (PE) or polypropylene (PP) packaging of 102 products was replaced by new paper packaging. This is an important result that has allowed us to reduce the consumption of plastic materials by about 550 metric tons. The project, which will continue in the years to come, is setting a course for the entire tissue paper industry.

In addition, in response to the increased hygiene requirements caused by the Covid-19 pandemic, the Research and Development

department has worked with other corporate functions to develop and launch a range of products containing antibacterial active ingredients, specifically designed to offer higher standards of hygiene for people, for the home and for public and work spaces. At the end of 2020, the range included 18 products designed for the Away-From-Home (AFH) and Brand business lines.

Sofidel has also continued and strengthened its collaborations with universities and research centers at the international level and its partnerships with cutting-edge suppliers, essential development engines for developing new technologies, sharing know-how and designing product and process innovations in the paper industry and, more specifically, in the tissue paper sector. The three-year research program in the field of tissue paper was also concluded at the end of 2020. It was led by RI.SE, the Swedish research center financed by the Swedish Crown, European funds and by the companies belonging to the consortium. The program was divided into two phases: the first, a "pre-competitive" phase, in which studies and basic research activities were carried out, involved all the member companies. In this phase, the relationship between raw material, production process and properties of the final product was analyzed in detail. The second step, the "application" phase, involved a subgroup of four companies (including Sofidel) that developed a new technology for rapid industrial implementation.

“THIS IS AN IMPORTANT RESULT THAT HAS ALLOWED US TO REDUCE THE CONSUMPTION OF PLASTICS BY ABOUT 550 METRIC TONS IN 2020. THE PROJECT, WHICH WILL CONTINUE IN THE YEARS TO COME, IS SETTING A COURSE FOR THE ENTIRE TISSUE PAPER INDUSTRY.”

Tissue production process



A safe and quality product

The consumer and our business partners are at the heart of all our activities. We devote the utmost attention to developing innovative products and services that meet their expectations, guarantee consistent quality and comply with the highest safety standards to protect their health. These are essential assets that the Group's companies pursue through the application of procedures, training of resources, monitoring of processes and the drive towards continuous improvement.

Quality (i.e. the presence of constant technical characteristics that make the products suitable for use) is guaranteed through the **Quality Management System**, while safety – according to the regulations in force in each country and the requirements of individual customers – is ensured by the **Self-Controlled Health-Hygiene System**. Two synergistic management systems, whose ultimate goal is customer and consumer satisfaction, which allow us to control the entire production chain, from suppliers to the delivery of products to our business partners, scrupulously monitoring the production, converting and storage processes.

Our quality and safety policies testify to the way we operate. They encourage us to pursue excellence and to continuously improve in order to be ready to meet market needs, in terms of consumption and services, and to anticipate new regulatory requirements.

“QUALITY IS NOT ONLY IN THE PRODUCT. QUALITY STARTS WITH THE HANDS AND MINDS OF SOFIDEL MEN AND WOMEN WHO EVERY DAY DEVELOP PRODUCTS DESIGNED FOR A SAFER, CLEANER WORLD.”



PRODUCT QUALITY

Product quality is monitored through the Product Compliance Index¹, a parameter that takes into account all "nonconformities" detected during production and resolved before the products are placed on the market. Non-compliant products are those that do not meet legal requirements and do not

meet the needs of customers and the various Group companies. The following table shows the values of the Product Compliance Index in the Group production sites in Europe for the last three years. Considering that the maximum value that can be obtained is 100 and that the Compliance Index is based on stricter crite-

ria than the simple ratio between compliant product and total production, the data trend shows excellent results in all companies. The lack of reporting for some sites, in particular those in the United States, is due to the adoption of different calculation indices, depending on the individual reference markets, and which are therefore not comparable.

Product Compliance Index

	Soffass Converting Via Lazzareschi (ITA)	Soffass Via Fossanuova (ITA)	Soffass Monfalcone (ITA)	Soffass Tassignano (ITA)	Sofidel Belgium	Sofidel France Frouard	Sofidel France Ingrandes	Sofidel France Roanne	Sofidel Germany Arneburg (Plant A)	Sofidel Germany Werns- hausen (Plant O)
2020	99.13	98.78	96.86	96.63	98.42	97.27	98.55	99.10	99.17	99.73
2019	98.49	97.58	98.10	94.26	98.23	96.87	98.35	97.28	98.34	97.58
2018	98.54	98.40	99.34	97.10	97.68	96.20	96.87	95.94	98.74	97.71

	Sofidel Germany Werns- hausen (Plant T)	Sofidel Germany Werns- hausen (Plant W)	Sofidel Greece	Sofidel Hungary	Sofidel Poland	Sofidel Romania	Sofidel Spain	Sofidel Sweden	Sofidel UK Baglan	Sofidel UK Leicester
2020	98.09	99.50	98.17	98.95	98.88	98.64	97.99	96.64	97.82	99.59
2019	97.76	99.58	94.58	94.49	98.39	98.65	97.47	95.34	97.50	97.68
2018	96.34	99.43	98.99	98.75	98.99	98.62	98.58	89.45	97.11	97.95

Source: Sofidel, produced from SAP.

1. Our methodology for calculating the Compliance Index is described in the Quality Management System procedure on product manufacture. The "nonconformities" are weighted according to their severity and compared to total production. The formula we use is as follows:

$$IQ = 101 - \frac{A + (B \times 50) + (C \times 500)}{N}$$

A = quantity of products manufactured in compliance
B = quantity of minor nonconformities detected
C = quantity of major nonconformities detected
N = total quantity of products manufactured

50 and 500 are two empirically calculated multiplication coefficients

PRODUCT SAFETY

The system for self-monitoring in health and hygiene (Self-Controlled Health-Hygiene System) ensures compliance with the regulations for the tissue sector, through the application of the voluntary standards: **BRC Global Standard for Consumer Products, Personal Care and Household and the International Food Standard (IFS), Household and Personal Care Products**. It also meets all the requirements of the main customers of the large-scale retail trade. The basis for the Self-Controlled Health-Hygiene system is the assessment of the potential risks of physical, chemical and biological contamination connected to the various phases of the production cycle (for example, raw materials, production phases, production facilities and storage). 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). Control activities include audits, traceability tests and product recalls, as well as verification that all hygiene rules are properly

applied. In addition, chemical and biological tests are carried out on products by accredited external laboratories in accordance with the main regulations and guidelines. The scheduling of the various tests is periodically updated taking into account the evolution of regulations and special requirements of the market. This process ensures consumer safety by minimizing product risks. In plants where the Self-Controlled Health-Hygiene System is implemented (88% of European plants), 100% of the products are subject to assessment of the impact on the health and safety of consumers. Good manufacturing practices are also adopted at all production sites.

CERTIFICATIONS

This year, due to the Covid-19 pandemic, the body in charge of IFS and BRC certifications has not been able to perform all the audits to renew the certifiable voluntary standards, leading to a decrease in the number of certified sites: from 17 in 2019 (equal to 74.68% of total production) to 7 at the end of 2020 (38.14% of total production). However, even though they could not be

certified, all management systems were maintained and continued to meet product quality and safety standards. BRC certification is scheduled for 2021 for Sofidel America's plants in Inola (Oklahoma), Green Bay (Wisconsin), and Las Vegas (Nevada). As far as the European plants are concerned, the implementation of the Self-Controlled Health-Hygiene System in Sofidel Sweden and the IFS certification of Sofidel Hungary and Sofidel Greece have been scheduled.

“TWO SYNERGISTIC MANAGEMENT SYSTEMS, WHICH ALLOW US TO CONTROL THE ENTIRE PRODUCTION CHAIN, FROM SUPPLIERS TO THE DELIVERY OF THE PRODUCTS TO OUR BUSINESS PARTNERS, SCRUPULOUSLY MONITORING THE PRODUCTION, CONVERTING AND STORAGE PROCESSES.”



Creating added value for the consumer and our business partners

A RESPONSIBLE APPROACH THAT LOOKS TO THE FUTURE

Our goal is to create value for consumers and our business partners. In line with Goal 12 of the United Nations 2030 Agenda, **Responsible Consumption and Production**, the Sofidel teams working in the Marketing and Research & Development departments are committed to developing innovative products that make careful and efficient use of natural resources. Our products are designed to increase comfort and hygiene in people's daily lives and satisfy their desire for well-being and cleanliness inside and outside the home. This allows us to respond to a fundamental need, but we want to make a contribution that goes beyond our products. Today, consumers and the large-scale retail trade demand a greater commitment that embraces the entire ecosystem in which the company's business is embedded. The public expects companies to commit to environmental protection and to promote virtuous behaviors that help reduce waste and renew resources.

To help set positive change in motion, we further reduced the thickness of plastic film used for our product packaging in 2020 and continued to introduce **kraft paper**, **recycled plastic** or **bioplastic packaging** in our main product lines. The search for alternative materials to standard polyethylene, to make our range more sustainable, is a practical response to the market's growing demand for environmental care and attention.

On this front, **Sofidel has committed to reducing the use of conventional plastics in its production by 50% by 2030**. This commitment is consistent with the policies and investments that Sofidel has made in recent years to develop and strengthen the Group's sustainability path. At the end of 2020, we exceeded our target to replace conventional plastic on 20% of our products and we plan to launch new products with plastic-free packaging in 2021. The priority for us is to be competent and reliable allies that consumers and our business partners can rely on. For the small needs of daily hygiene and cleaning, as well as for building a clean, fair and responsible future.

-50%
reduction of conventional
plastic use



**“THE PRIORITY FOR US IS TO BE
COMPETENT AND RELIABLE ALLIES
THAT CONSUMERS AND OUR BUSINESS
PARTNERS CAN RELY ON FOR THE
SMALL NEEDS OF EVERYDAY LIFE,
BUT ALSO FOR BUILDING A CLEAN,
FAIR AND RESPONSIBLE FUTURE.”**

ATTENTION TO THE NEEDS OF THE CONSUMER AND OUR BUSINESS PARTNERS

To be able to meet the needs of consumers and our customers, the first step is to be able to listen. In order to understand a constantly evolving market and grasp the new needs and signs of change in advance, Sofidel uses various listening channels.

Sales force

Our sales force is the first point of contact with the market. It is provided with constant training in order to understand the needs of large-scale retailers and consumers and translate them into solutions, in collaboration with the Marketing and Research & Development teams.

Customer Care Service

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

Complaints management

Sofidel has a thorough system for analysis and management of complaints and claims from business partners and consumers. On this front, responsiveness is essential to maintain a strong relationship of trust and to better manage any problems related to product quality.

Complaints are managed through an electronic workflow which involves the different departments concerned. Thanks to a special internal tool, Claim Management Efficiency, all complaints are analyzed and broken down by type. We also monitor the response time with the aim of being more responsive.

Toll-free numbers

The Toll-free numbers created for our brands – Regina, Softis, Le Trèfle, Sopalin, Volare – and for the B-Brand Nicky, ensure direct dialogue between the company and consumers. The questions we receive every day in the various countries give rise to important suggestions and ideas for improvement.

Customer satisfaction

The annual survey that measures customer satisfaction is a very important indicator that prompts us to improve and to maintain a constructive and collaborative dialogue with our stakeholders. Sofidel measures and analyzes the satisfaction of its customers in both the converting and paper mill sectors.

Social Media

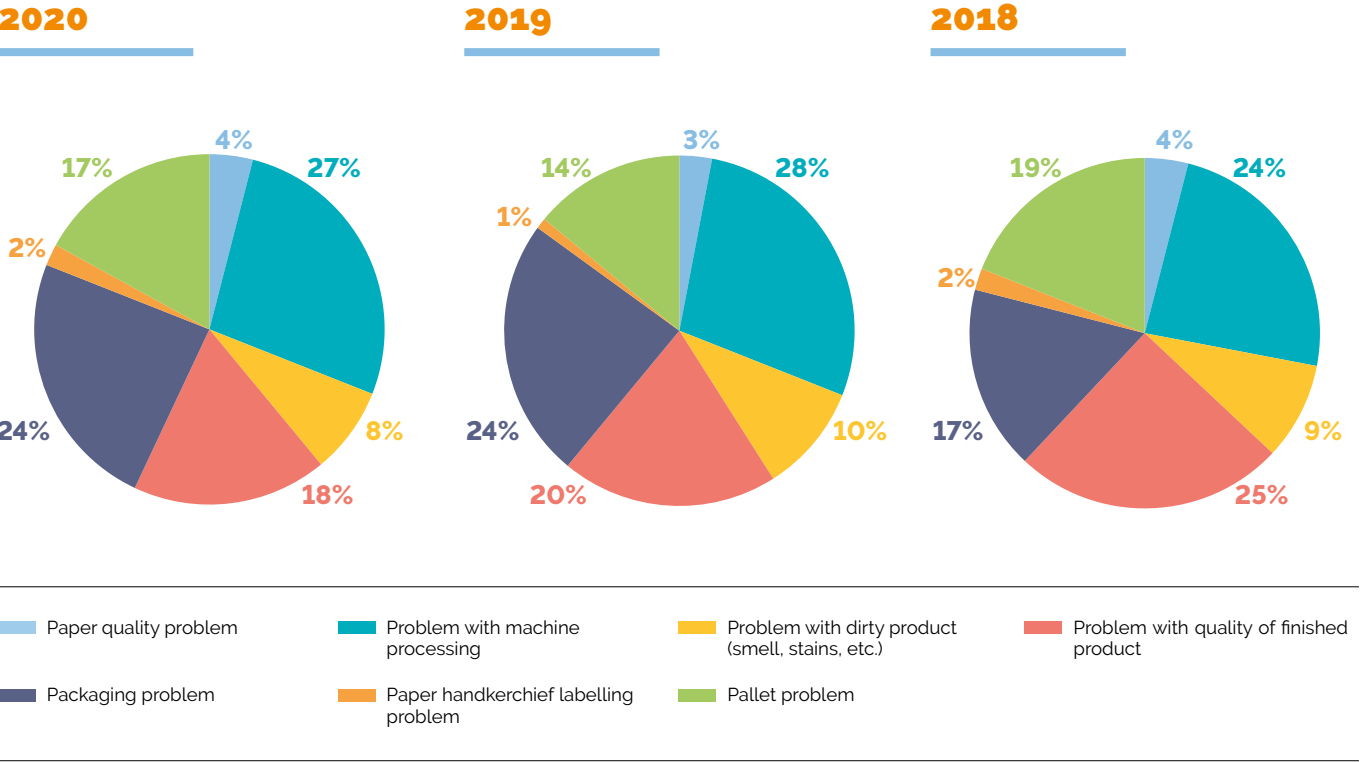
Social media management is a continuous source of feedback, comments, and interactions that teach us a lot about preferences, values and the way consumers and our customers think.

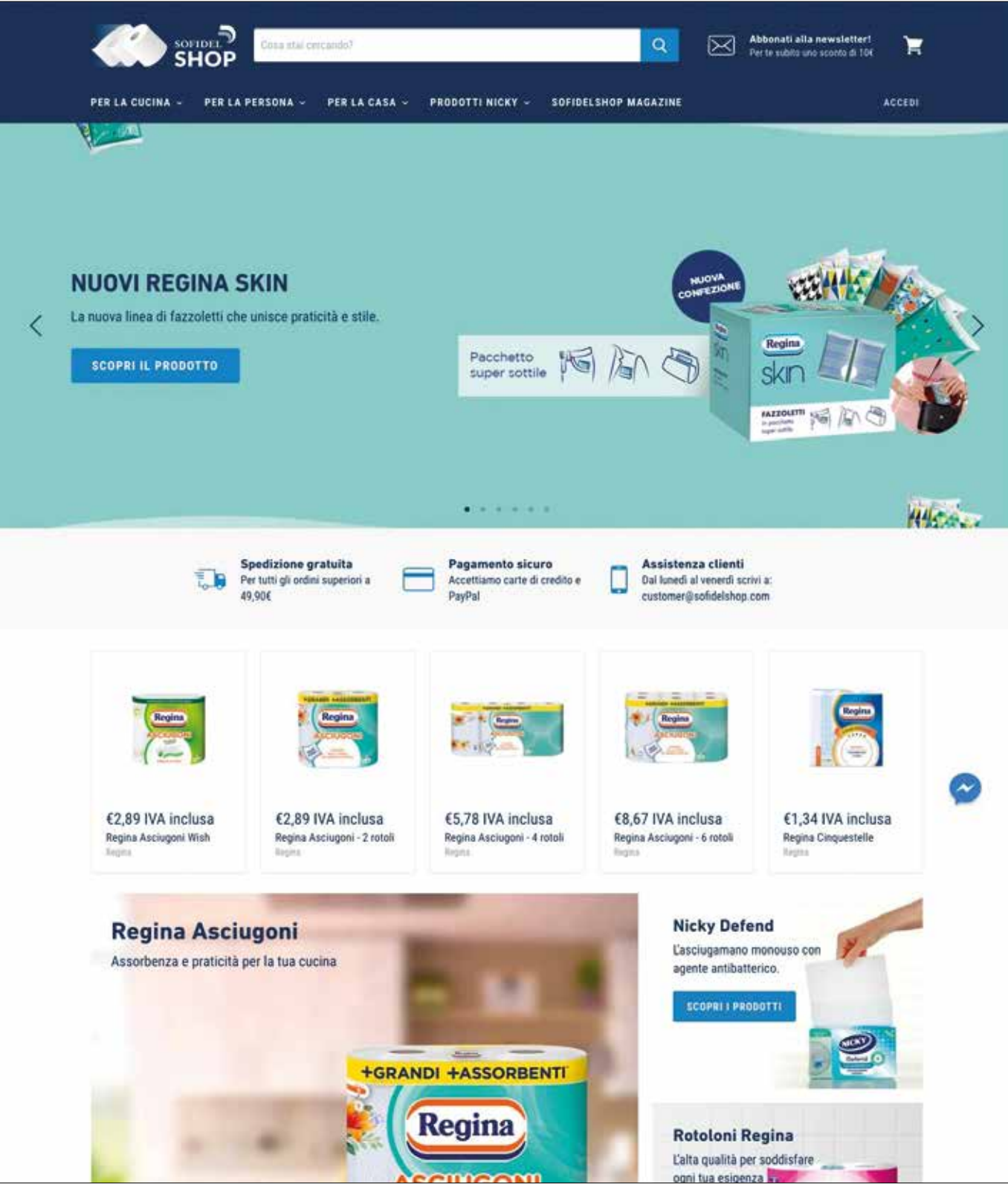
Listening is very important to us. We are convinced that an open and collaborative attitude, based on the principles of dialogue and transparency, is the starting point in order to improve the daily experience of those who use our products and to support the large-scale retail trade.



Distribution of complaints by type – Europe

In 2020, Sofidel received a total of 3,067 complaints, compared to 3,609 in the previous year. A significant reduction has been achieved thanks to the introduction of ever more thorough controls.





Lines of business,
markets and products

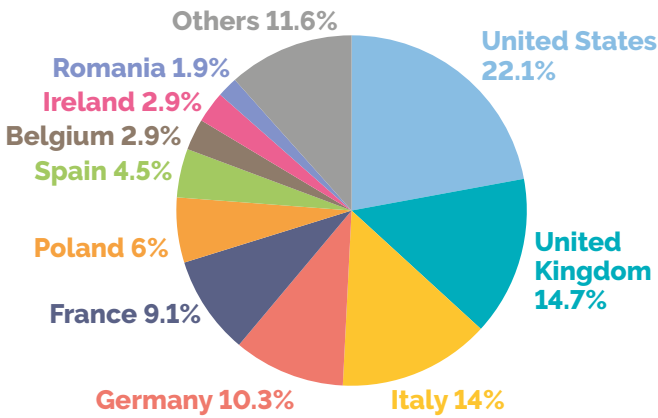
THE TISSUE MARKET AND OUR LINES OF BUSINESS

The Sofidel Group has production plants in two regions: **Europe** and the **United States**. The geographic proximity between the production sites and the end markets is a strategic choice that allows us to offer higher levels of service to our customers and to have lower environmental impacts and more sustainable logistics. The production and distribution of the products manufactured by the Sofidel Group are divided into four different lines of business: **Brand**, **Private Label**, **Away-From-Home (AFH)**, and **Parent Reels** (tissue reels).

“SOFIDEL’S LINES OF BUSINESS HAVE A SINGLE FOCUS: THE WELL-BEING OF PEOPLE AND PROTECTION OF THE ENVIRONMENT.”

Breakdown of
turnover by country

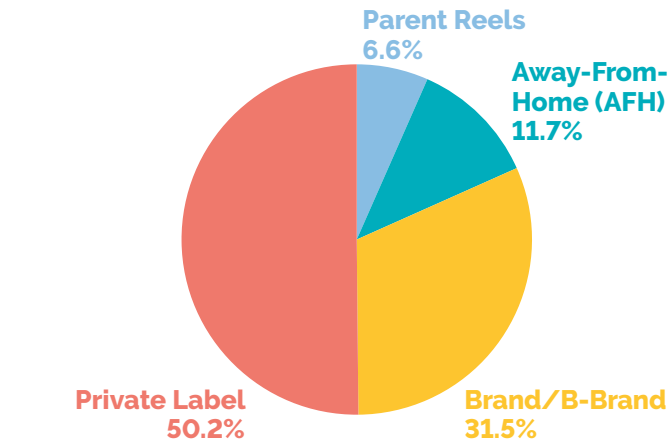
2020



Source: Sofidel, produced from SAP.

Breakdown of
turnover by line of business

2020



Source: Sofidel, produced from SAP.



The Brand line

REGINA, IN THE HOMES AND HEARTS OF CONSUMERS FOR 30 YEARS

Brand leader in Italy and on the European market, particularly in the United Kingdom, Ireland and Poland, Regina is the main brand in this line of business. Launched at the end of the 1980s, the Regina brand was distributed first in Italy and then in many European markets.

Regina products have become authentic pop icons among consumer goods in Italy. They have taken their place in the hearts and homes of Italians thanks to their convenience, strength, absorbency, and softness, and to adverts that gave rise to catchphrases ("Never-ending rolls") that have become a part of Italian tradition and advertising history.

A success due both to the high quality and guaranteed performance of the products and to the breadth of the product range and

the ability to innovate, an example of which are products such as Rotoloni Regina, Regina Asciugoni, Regina Cartacamomilla, Regina Blitz, Regina Wish, Regina Sensation and Regina Skin.

Today Regina is the only brand in the tissue sector to be marketed in around 30 countries worldwide. Its extensive distribution is consistent with a commercial strategy that, over the years, has enhanced a strong brand identity. In particular, the "Paper for People", launched in 2017 at an international level, expresses the brand's double objective: on the one hand, helping people with their little everyday challenges at home and, on the other hand, the commitment to developing increasingly innovative and sustainable products. An emotional concept based on the certainties that each of us needs in the place where we feel most comfortable: the home. Certainties that Regina products can offer thanks to their characteristics of quality and innovation.



OTHER BRANDS IN EUROPE

Regina is joined by seven other brands acquired or launched by the Group in various European countries: Softis in Germany and Austria, Le Trèfle and Sopalin in France, Cosynel and Nalys in the Benelux area, KittenSoft in Ireland and Lycke in Sweden. Over the years, Sofidel has enhanced the reputation of these brands in the various countries so as not to lose the bond established with the respective consumers. Each brand has therefore developed its position and brand promise in line with the relevant market and consumers.



PRODUCT INNOVATIONS
OF THE BRAND LINE

In 2020, the Brand line launched a number of European-wide innovations. The packaging of **Regina Blitz**, the household paper towel for cleaning glass and glossy surfaces, has been renewed with new kraft paper packaging - a plant-based material and therefore renewable and easily recyclable - replacing the previous polyethylene packaging. The substitution took place on all formats and in all European countries where the product is marketed. To date, Regina Blitz is the only "pan-European" tissue product packaged in kraft paper.

In the UK and Ireland, where Regina Blitz is the brand's flagship product, two new products have also been launched that add to the Regina range: **Regina Seriously Soft** and **Regina Seriously Strong** toilet paper.

Thanks to the mix of cellulose fibers and special paper weaves, these products offer, respectively, a softness (Soft) and a resistance (Strong) that is unique in the reference market. The packaging is made of Mater-Bi®, a biodegradable and compostable bioplastic with a high content of renewable materials, obtained from corn starch. In addition, the paper converting process uses only electricity from renewable sources, generated at Sofidel's own plants.

There is also new kraft paper packaging for the kitchen towels **Regina Najdluzszy** in Poland and **Sopalin L'Expert** in France, an extension of the Blitz product concept. On the French market, the **Sopalin Maxi Rouleau** kitchen towel has also been the subject of innovation, with hand-sized sheets which last twice as long as standard rolls. The product was presented in a white and

In 2020, two brands - Volare in Romania and Forest in Hungary - completed the migration process to the Regina brand, further strengthening the brand's presence in Europe. During 2020, this line of business took action to reduce the amount of conventional plastic used for the product packaging of all its major European brands, mainly through the introduction of new kraft paper packaging instead of the classic polyethylene.

decorated version, with packaging that contains 80% recycled plastic. The relaunch of **Le Trèfle Maxi Douceur** toilet paper was also completed, which, in addition to 50% longer rolls and a new weave with the image of a four-leaf clover to recall the logo, features packaging containing 80% recycled plastic.

Also in line with the Group's commitment to more sustainable packaging, the polyethylene packaging of the entire **Regina Cartacamomilla** (toilet paper) product range has been replaced with new kraft paper packaging. The corresponding toilet paper **Regina Kamillenpapier**, in Germany, and **Regina Rumiankowy**, in Poland, were launched with kraft paper packaging, alongside the polyethylene pack. In Spain, on the other hand, the new **Regina Camomila** toilet paper was presented to the large-scale retail trade in kraft paper packaging.



The Private Label line

EUROPEAN MARKET

2020 was a very positive year for the Private Label line, which increased its market share and won new customers in the world of large-scale retailers. Thanks to an efficient and technologically advanced production structure, the company was able to cope with the huge peaks in demand that occurred in March and April 2020, when toilet paper literally disappeared from the shelves of the large-scale retailers due to panic buying. In addition, the Private Label line has been able to meet the exceptional growth of the home segment, where the Covid-19 pandemic has multiplied the purchase of kitchen towels and tissues for quick and easy hygiene and cleaning.

There are four main growth drivers for the Private Label line:

- Reliability and ensuring product availability on the shelf as much as possible.
- Great flexibility and ability to develop products tailored to different distribution needs, ranging from the simplest products to premium and higher-end products.
- Providing sustainable and environmentally friendly products, in tune with Sofidel's values and the market's new sensitivity.
- Creating partnerships and relationships of trust with our customers, based on dialogue and sharing, to better meet their needs.

For the future, Sofidel will continue to focus on cutting-edge production technologies and sustainability to develop the market further and promote a responsible, planet-friendly approach to business.

PERFORMANCE OF EUROPEAN MARKETS

United Kingdom and Ireland. 2020 saw a strong growth in volumes and margins on the back of an extraordinary increase in demand for paper for hygienic and domestic use caused by the Covid-19 pandemic. The cost of cellulose has remained stable and this has greatly benefited margins.

Italy. During the lockdown, the local store has made a comeback and, thanks to its proximity, it has seen a strong increase. The Discount channel and specialized stores were more negatively impacted. In order to meet the new needs of consumers and sup-

port the world of large-scale retailers, Sofidel has launched a new line enriched with antibacterial agents and expanded its range of references with paper packaging.

Poland. In 2020, the Private Label line pushed production to the highest level, creating the conditions for the start of a new converting machine. A great deal of attention has also been paid to sustainability, creating packaging in recycled plastic for a quarter of the products.

Scandinavia. 2020 was a year of strong growth, which brought the plant to maximum production and logistic capacity. Under the banner of Sofidel's sustainable footprint, we introduced the first products with kraft paper packaging to the market.

Germany. During the pandemic, we strengthened our strong cooperation with German, Swiss and Austrian large-scale retailers. Sofidel has stood out for the impeccable service offered to Top Customers and has launched a stakeholder engagement project with the Migros Group to increase its presence on the shelves of the well-known Swiss retailer.

France. Major retail players have introduced non-conventional packaging to promote the fight against plastic. Sofidel has supplied recycled plastic solutions to the main leaders of the French market. In addition, it has expanded and differentiated its product range to strengthen the relationship with its commercial partners.

Spain. The pandemic has aroused strong interest in safeguarding the environment and natural resources, changing the purchasing behavior of consumers, who are more attentive to hygiene and sustainability. Sofidel has achieved double-digit growth by focusing on efficiency and functionality and by launching new products with recycled paper and plastic packaging.

Hungary. This is a particularly aggressive market where competition is played out on price. To differentiate itself, Sofidel relies on reliability and a high level of service.

Romania. This is a stable market driven primarily by price. To stand

out Sofidel invests in expanding its range and developing tailor-made solutions in the medium-high range.

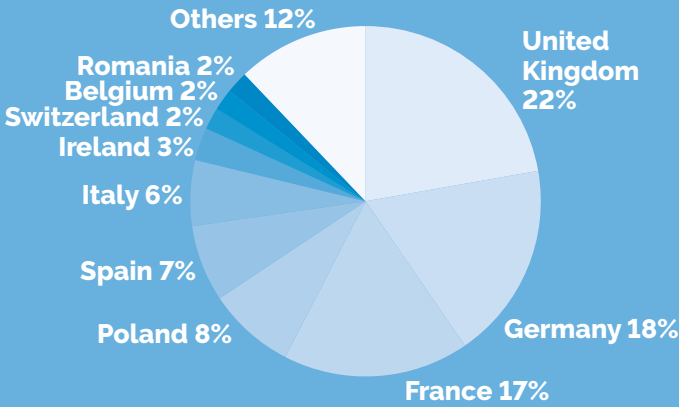
UNITED STATES MARKET

In this line of business, the strong growth momentum initiated in recent years continued. Total volume reached 146,000 metric tons and there was an improvement in margins. 2020 was a pivotal year

for this line of business. Sofidel America experienced significant volume increases across all customers due to the Covid-19 pandemic, and was able to reach new business partners. It is therefore safe to assume further growth for the year 2021. In order to pursue profitable growth in the coming years, Sofidel America will continue its strategy based on high paper quality, cutting-edge production technologies and attention to sustainability issues.

European Private Label market by value

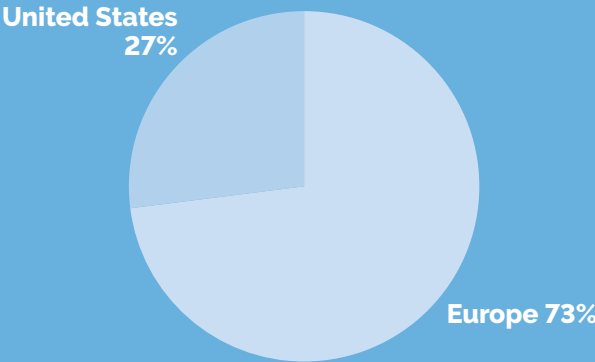
2020



Source: Sofidel, produced from SAP.

Worldwide Private Label market by value

2020



Source: Sofidel, produced from SAP.

The Away-From-Home (AFH) line

EUROPEAN MARKET

In 2020, the health emergency linked to the Covid-19 pandemic completely turned the market upside down, leading to a drop of over 40% in European sales. Against this backdrop of a general double-digit loss, Sofidel managed to maintain almost stable volumes compared to 2019. On the one hand, the "Cleaning" segment, where the Group is most present, has suffered less than the catering (hospitality) segment, where the drop in business has been greater. On the other hand, the Away-From-Home (AFH) business line has been able to react very quickly and intercept people's new hygiene needs. The pandemic scenario has in fact changed consumers' daily habits and behaviors, focusing attention on hygiene, safety and prevention. The challenge of this business line has been to develop an approach that is even more health and personal care oriented by offering products that can guarantee a strong sense of protection in public and work spaces.

UNITED STATES MARKET

2020 saw the US Away-From-Home (AFH) business face numerous challenges due to the significant impact the Covid-19 pandemic has had on the industry. In fact, many end customers have faced temporary or long-term closure and the entire business model has suddenly been turned upside down. Sofidel America responded to this new situation by strengthening partnerships with customers and keeping them supplied throughout the year. Overall, volume grew slightly compared to 2019 to 79,000 metric tons, even though the industry faced an estimated 25% reduction in demand. Despite this situation, the contribution margin per metric ton continued to show strong improvement, growing by more than 20%.

Sofidel America has focused on helping customers manage the crisis caused by the healthcare emergency through unique value-added product offerings that are expected to drive further growth in 2021. The focus on the Papernet brand's offer, proprietary products and strategic partnerships with key customers will drive strong growth in 2021.

PRODUCT INNOVATIONS

IN THE AWAY-FROM-HOME (AFH) LINE

In 2020, **Papernet** promoted the Hygienic Closed Loop model to spread the culture of hygiene, focusing on the safety of people in common environments and raising awareness of the adoption of correct daily behaviors. The brand's continuous research and innovation led to the **new range of Defend Tech products**, specifically developed to increase the level of hygiene and cleanliness of public places, workplaces and toilets for greater safety of the people who use them. These products feature active ingredients with antibacterial, antimicrobial and sanitizing properties. The Papernet Defend Tech product range includes disposable paper products with antibacterial active ingredients (towels, interleaved toilet paper, cleaning rolls), antibacterial dispensers, spray detergents, hydroalcoholic gel, antimicrobial soaps, antibacterial plastic baskets and medical sheets. The new range also features a special "door-opener" paper towel, also made with antibacterial active ingredients, to protect hands from contact with common surfaces (such as handles or taps). Finally, this line is completed by facial tissues treated with Ultraviolet Light Technology, a technology used in various hospital facilities that reduces the germs and bacteria on the tissue sheet, offering the highest standards of hygiene.

The Parent Reels line

Our paper mills operate on a continuous cycle, without interruption. Their high capacity has allowed us to develop a business line dedicated to the semi-finished product.

EUROPEAN MARKET

The parent reels produced in our plants are also marketed in South America, Central America and North Africa. This year, due to the health crisis, the reel business has declined slightly, but we expect it to grow again next year.

UNITED STATES MARKET

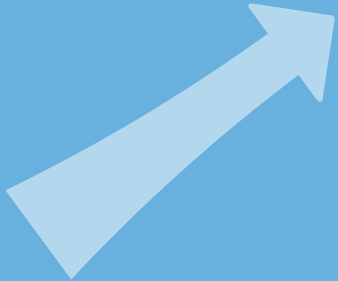
The opening of the second paper machine at the new plant in Inola, Oklahoma, has increased the availability of high-quality tissue paper in the U.S. market.

In particular, the increased availability of tissue paper during the Covid-19 pandemic allowed Sofidel America to meet the increased demand for these semi-finished products from customers and converting

plants who, in turn, were faced with meeting increased market demand for finished tissue products. In 2020, volumes grew by more than 200%.

+200%

**growth in Parent Reels line
volumes in the United States**



Logistics

Logistics plays a key role in our business. Each year we handle hundreds of thousands of journeys to ensure on-time delivery of our products. This function contributes to the Group's Sustainability Plan through the identification of precise objectives and constant commitment to their achievement.

In 2020, logistics focused specifically on the following activities:

- **Increasing the Service Rate**, i.e. the level of service provided to the customer, with the aim of improving performance and meeting the needs and expectations of our business partners.
- **Increasing the use of trucks with lower CO₂ impact**, reducing greenhouse gas emissions into the atmosphere during transport activities. In 2020, we used lower-emission Euro 5 and Euro 6 trucks for 88% of our trips.
- **Limiting obsolete and slow-moving items** that are an unutilized use of raw materials and thus natural resources. This is why we are working to reduce low turnover and low margin products managed through our warehouses (using stock-keeping units - SKUs) to ensure more efficient use of natural resources.

- **Carrying out breathalyzer tests**, to ensure that trucks arriving at and departing from Group plants are driven by sober drivers, in order to prevent road accidents caused by drunk driving. Road safety is one of our priorities, but this year, due to Covid-19, we had to suspend testing to avoid any risk of infection.

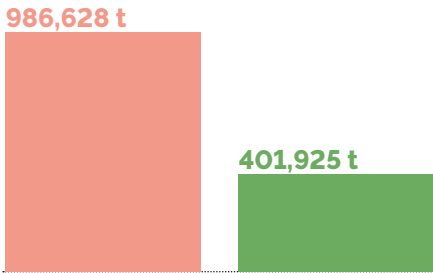
PREVENTION MEASURES

Due to the constraints imposed by the Covid-19 pandemic, preventive measures were taken to limit contagion among employees and between employees and external personnel, mainly carriers, including:

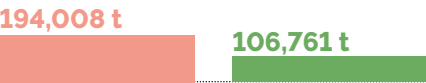
- isolated shifts to prevent an employee from passing from one shift to another;
- prohibition on movement of employees between plants;
- mandatory use of masks in the workplace;
- use of transparent screens to protect employees and carriers during goods acceptance;
- use of remote working for office staff.

Goods movements – 2020

Europe



United States



Finished product Parent reels

Source: Sofidel, produced from SAP.
Movements relate both to deliveries to customers and to the movement of goods between Group plants.





CLEAN
LIVING

**WE BELIEVE IN
ECO-FRIENDLY
TRANSFORMATION.**

THE ENVIRONMENT AND OUR
COMMITMENT TO A "CLEANER" WORLD

Our commitment to care and respect for the planet translates into an “ecological transformation” approach to tissue paper production.

Our production model is designed to foster the transition to an economy with a low-carbon impact and reduced consumption of natural capital. We are pursuing this objective through the responsible sourcing of forest-based raw materials, the prudent use of water resources and increasing the use of renewable energy sources. But also through the energy efficiency of plants, processes and machinery, reduction of waste and limitation of the use of conventional plastic in the packaging of our products.

We are guided by a sustainable development project in line with the United Nations 2030 Agenda.

2020 Highlights

SBTi

approved Sofidel's targets
for reducing climate-altering
emissions by 2030

100%

certified cellulose,
of which 74% with FSC®

-24%

WWF Climate Savers goal of reducing
carbon intensity achieved

-19.6%

reduction in conventional
plastic compared to 2013

FSC® Leadership Award

Sofidel America wins 2020 award



The environment and the changes underway

Without a doubt, 2020 will forever be remembered as the year of the most important viral pandemic of the century, a phenomenon that has affected - and continues to affect - the global economy and politics, as well as the lives of millions of people around the world. Entire economic sectors have seen their activities reduced, in many cases dramatically, particularly those related to transport and tourism, catering, hospitality, culture and entertainment.

Contrary to what was initially perceived, this global event did not mitigate the environmental impacts related to economic activities. From the very beginning of the spread of the Covid-19 virus, the United Nations, in their document entitled "Shared Responsibility, Global Solidarity: Responding to the Socio-Economic Impacts of Covid-19" (March 2020), alerted the international community to the risks that the spread of the disease could pose for the achievement of the United Nations Sustainable Development Goals (SDGs), including those related to environmental protection.

2020 was one of the hottest years ever, according to the World Meteorological Organization. In its report, entitled "State of the Global Climate 2020", the year that has just ended could be classified as the third warmest year ever. The study points out that, during 2020, greenhouse gas emissions will increase and with them all the related phenomena, such as the frequency of extreme weather events (floods, hurricanes), rising sea levels and the progressive melting of the ice caps.

On the political front, many events were cancelled. COP 26, scheduled to be hosted in Glasgow (UK) in November 2020, has been postponed to 2021 due to restrictions imposed by the Covid-19 pandemic. However, this has not stopped the European Commission from raising its ambitions to reduce greenhouse gas emissions and proposing to the European Parliament in September 2020 a program to reduce emissions by 55% by 2030. This target consolidates the already proposed plan to achieve climate neutrality by 2050. It seems clear that important concerns about the consequences of climate change remain in the background of the pandemic and that action on this front remains a priority for both business and the international community.



“TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS CONSEQUENCES.”

Protection of forest resources and certifications

PROTECTION OF FOREST RESOURCES

Sofidel carefully evaluates supplies of fibrous raw materials and monitors suppliers through a rigorous and in-depth questionnaire relating to both the performance of the plants that produce cellulose pulp and the origins of the wood used for the extraction of cellulose.

On this point, we have adopted a specific policy for protecting forest resources, the main raw material that the Group procures.

The predominant use of raw material composed of virgin cellulose and knowledge of the role that the forests play in protecting the global environment and maintaining and enriching biodiversity have driven us to adopt a strict policy for the purchasing of fibrous raw materials. In 2020, we purchased 1,257,884 ADMT (Air Dry Metric Tons) of virgin fiber and confirmed that we are serious about our commitment to responsible sourcing of raw materials. **100% of the cellulose we buy is certified by independent third parties** with forest certification schemes. There is also a strong tendency to exclude areas that are controversial in terms of legality or sustainability, such as South-East Asia.

We participated again this year in the CDP Forests Report: "Deforestation-free supply chains: from commitments to action." Sofidel achieved a score of B on a scale between A and F, a result that has not changed since 2019 and which, in 2020, places it above the European average for the timber category and above the average for the tissue paper industry.



“PROTECT, RESTORE AND PROMOTE THE SUSTAINABLE USE OF LAND ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, AND HALT THE LOSS OF BIODIVERSITY.”

Fibrous raw material procurement policy

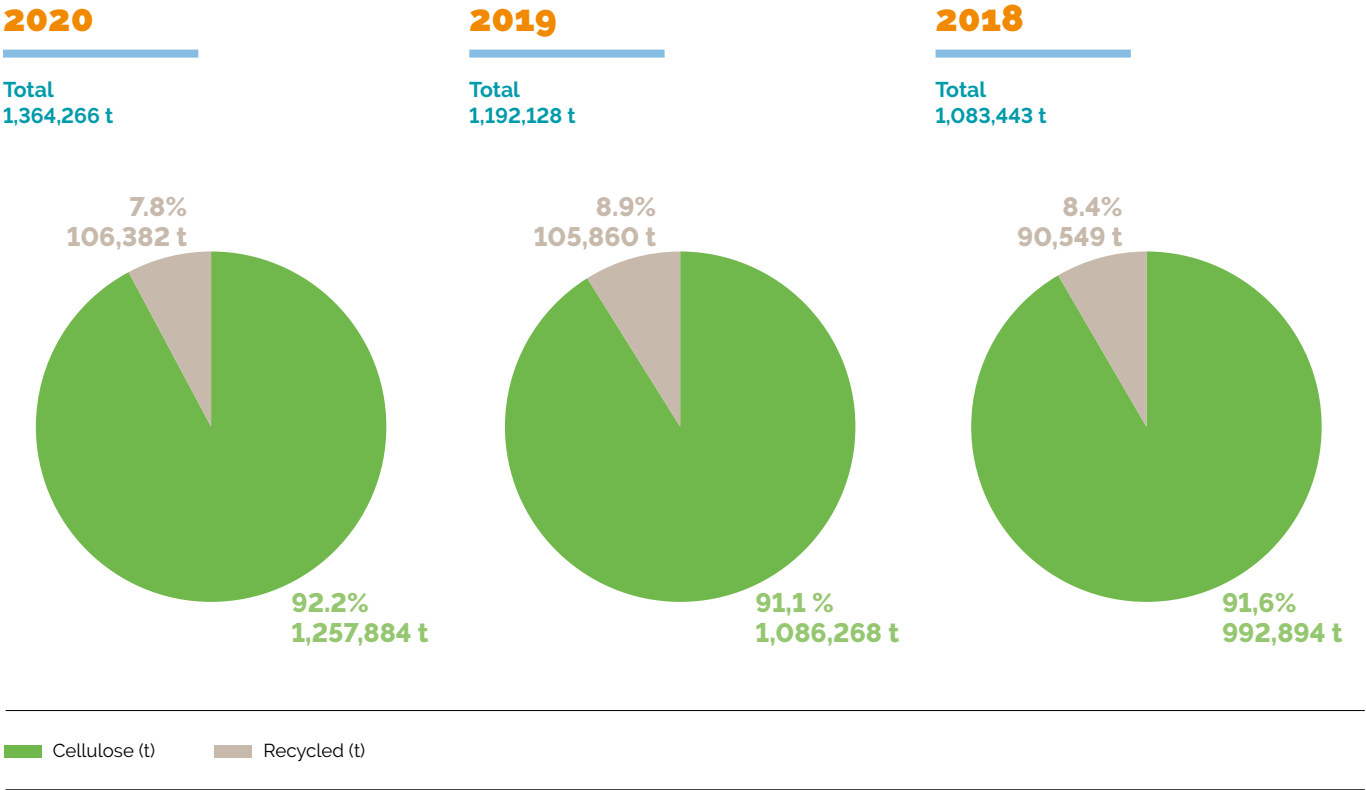
- The Sofidel Group condemns the practice of illegal felling, the conversion of natural forests into plantations and takes measures to ensure that its suppliers can prove the source of the timber used to produce pulp.
- Sofidel believes in the use of sustainable forest management systems, certified in accordance with recognized, 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.
- 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 and from protected zones. Sofidel also does not buy pulp from plants that have been genetically modified.

SOFIDEL AND FORESTRY CERTIFICATIONS

Sofidel Group's products on the European market have been awarded ecological quality marks, 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 2020, all raw materials of forest origin purchased by Sofidel were certified in accordance with the Chain of Custody schemes or with good forest management certifications.

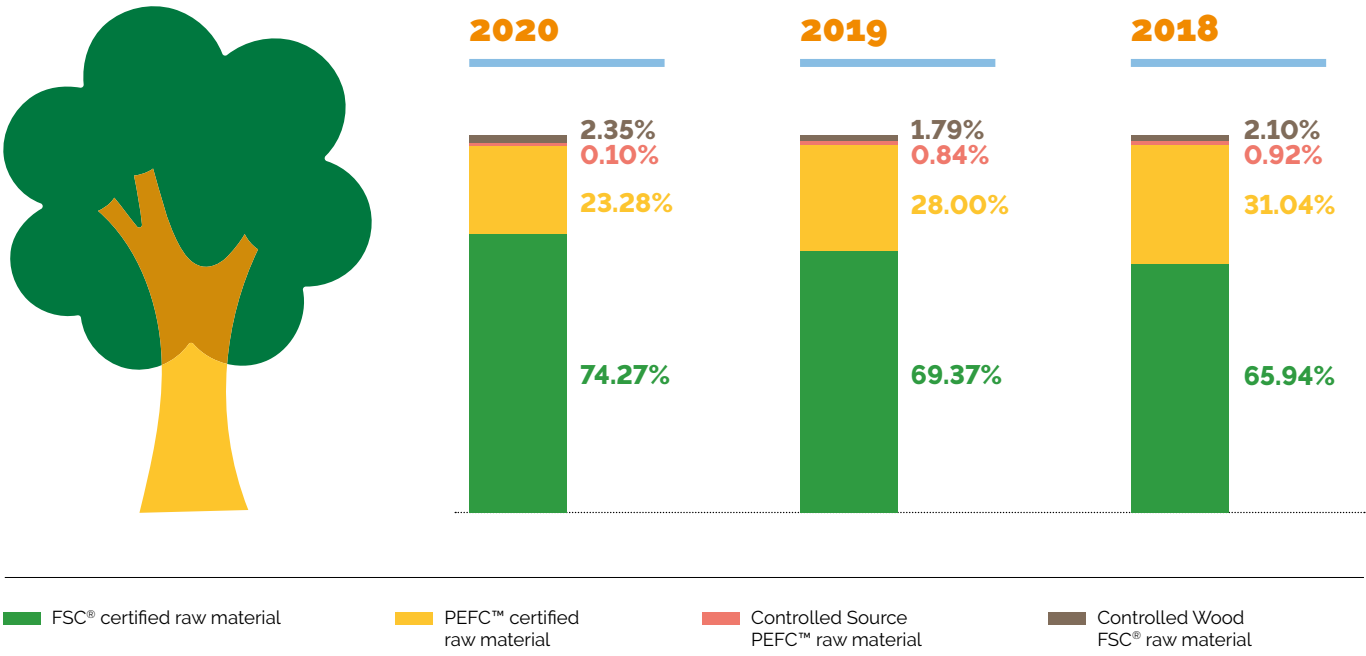
More than **74% of the cellulose purchased has FSC® certification**, a significant increase compared to 2019. In November 2020, **Sofidel America**, the U.S. subsidiary of the Sofidel Group, **was awarded the FSC® (Forest Stewardship Council) Leadership Award 2020**. The award recognizes Sofidel's excellence in using and promoting FSC® certified products in the North American market and its commitment to responsible management of forest resources. Sofidel America has been recognized as a leader in the FSC® Certified Company category.

Purchases of virgin fibrous and recycled raw material



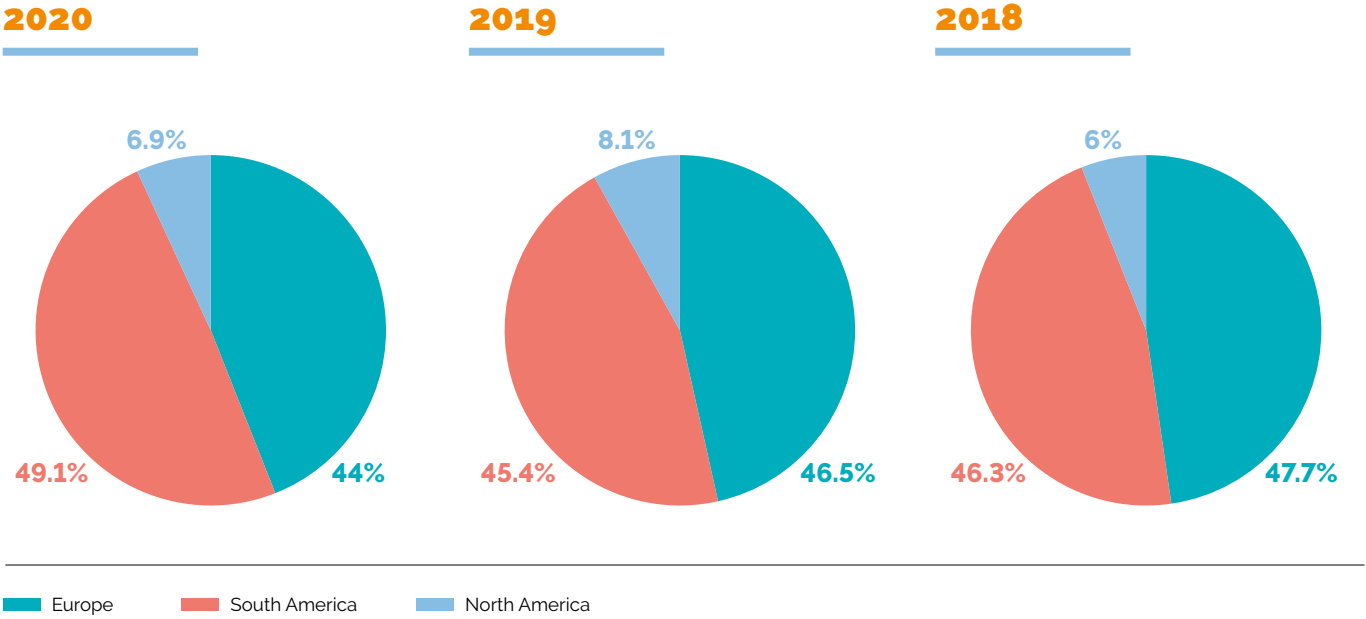
Source: Sofidel, extrapolation from SAP.

Purchases of virgin fibrous raw material by forest certification scheme



Source: Sofidel, extrapolation from SAP.

Countries of origin of the virgin cellulose purchased



Source: Sofidel, extrapolation from SAP.

The energy balance and reduction of climate-altering emissions

THE ENERGY BALANCE

The Covid-19 pandemic has had a very strong impact on the prices of all energy commodities. The marked reduction in consumption caused natural gas and electricity prices to literally plummet, reaching record lows in April and May 2020. This complex scenario has put many small and medium-sized energy suppliers in difficulty and they have seen a significant decrease in their revenues. LNG exports to Europe have also plummeted causing a state of distress throughout the U.S. shale gas industry. It was only towards the end of the year that prices started to rise again, driven by forecasts of a colder-than-normal winter and optimism regarding the arrival of the first vaccines.

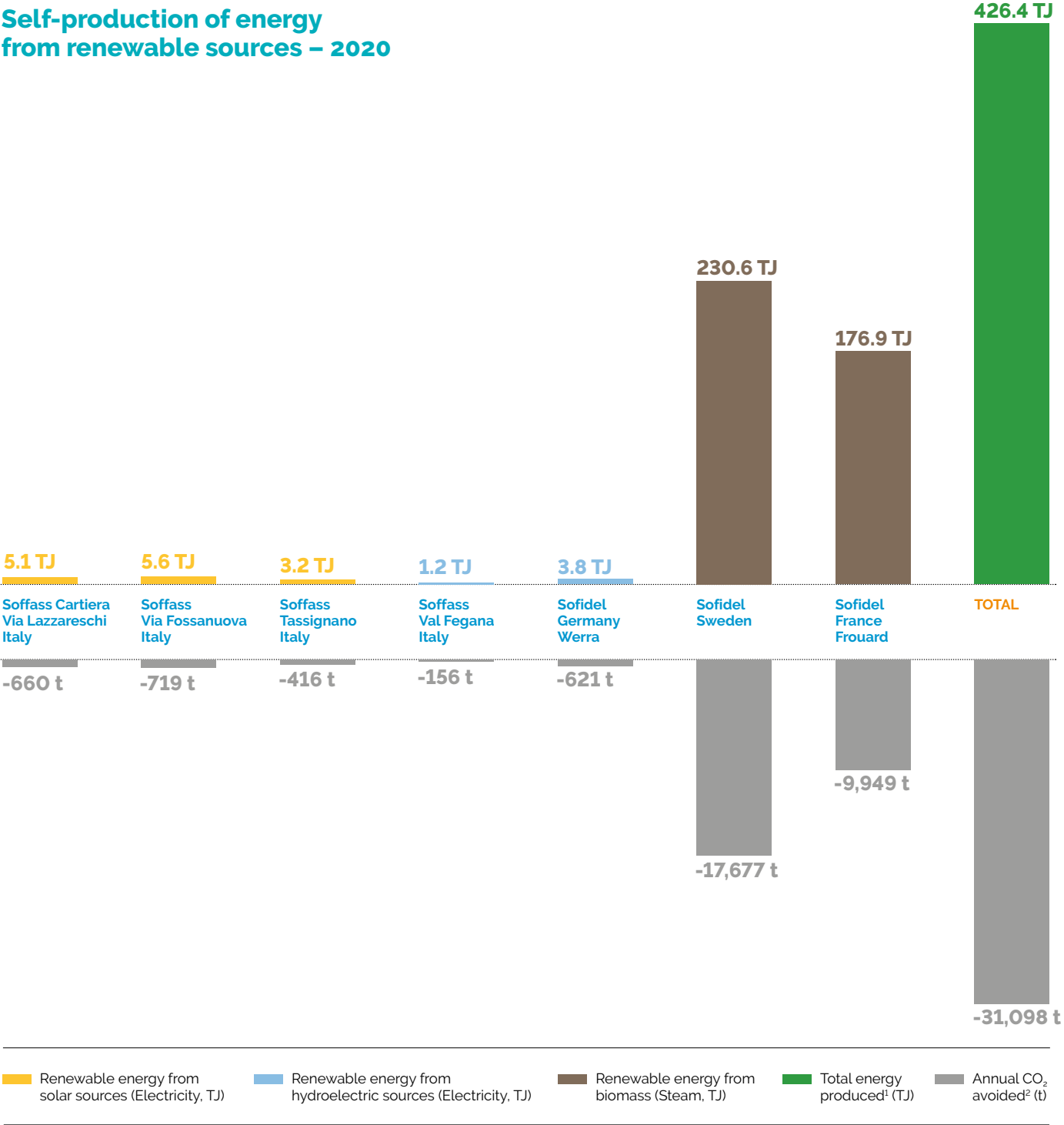
On the industrial investment front, the latest major production investment made by Sofidel in the United States, at Inola, a small urban center a few miles from Tulsa, Oklahoma, became fully operational during 2020. The entire plant has a production capacity of over 120,000 metric tons per year, thanks to two production lines with conventional technology. This important plant is in addition to the two production lines started up at the U.S. plant in Circleville (Ohio) and the other production line at the plant in Buñuel, Spain, all equipped with NTT (New Tissue Technology) and commissioned between 2018 and 2019.

In Italy, an ambitious project to modernize the combined electricity and steam generation plants at Soffass S.p.A. was launched in 2020. The project involves the total removal of the three existing turbines, dating back to the 1990s, which will be replaced with a gas turbine and a latest generation endothermic gas engine. The project will be completed over the two-year period 2021-2022 and will be managed through a specialist energy services company. This investment fits in with the strategy that Sofidel is adopting to reduce climate-altering gas emissions, adding to the more than 100 million euros invested in optimizing the management of energy resources from 2008 to 2020. In 2020, notwithstanding the start-up of the new Inola plant, all of these interventions in fact resulted in substantial improvements, **reducing the energy demand of the production facilities to 11.7 GJ/t paper** compared to the previous 12.1 GJ/t paper in 2019. In addition to these investments in plant modifications to improve efficiency, Sofidel also promotes the spread of an environmental culture and the introduction of Energy Management Systems. The certification process for the **ISO 50001 standard** (Energy Management System) started in 2012 at the German and Swedish plants and continued with the certification of our plants in Sofidel Belgium, Sofidel UK, Soffass, Sofidel France Frouard and Sofidel Greece.



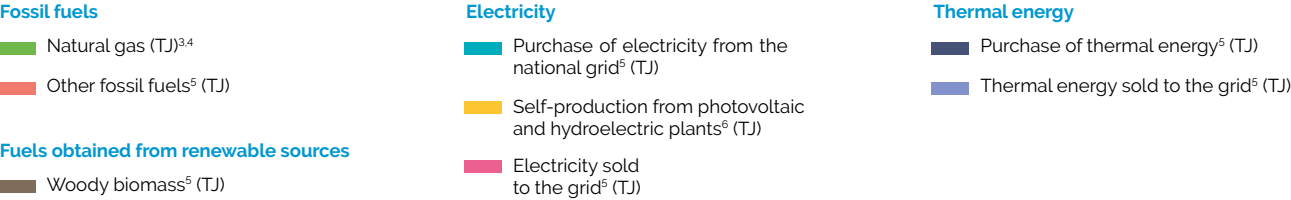
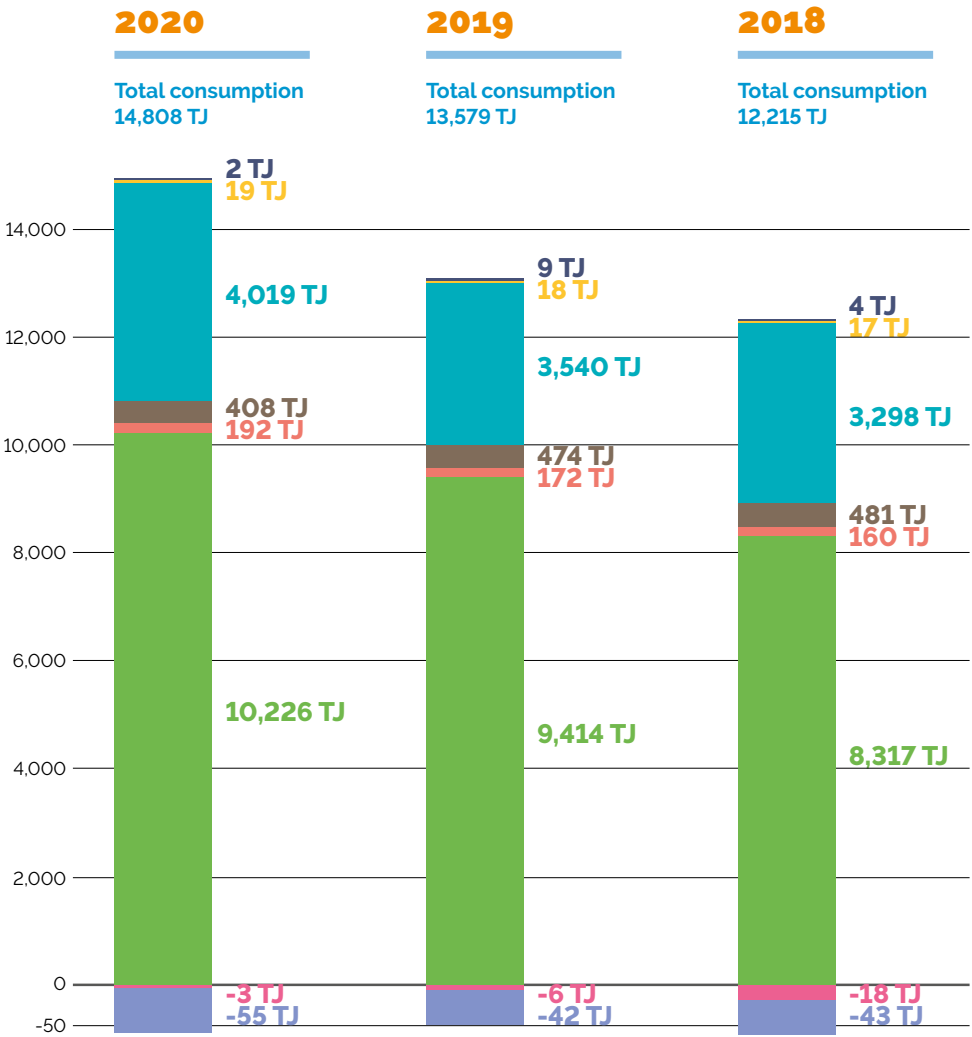
“ENSURING ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY SYSTEMS FOR ALL.”

Self-production of energy from renewable sources – 2020



1. Internal readings/fiscal meters are the source for electricity generation. Available invoices are the source for biomass production.
2. Avoided emissions related to self-production of electricity have been calculated with a market-based approach, using the emission coefficients contained in the most up-to-date AIB European Residual Mix publication. Avoided emissions achieved by using biomass were calculated using the coefficients described in the UNFCCC National Inventory Publication 2020 for natural gas substituted in Sofidel France Frouard and for fuel oil substituted in Sofidel Sweden.

Energy balance of the Sofidel Group



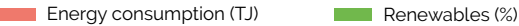
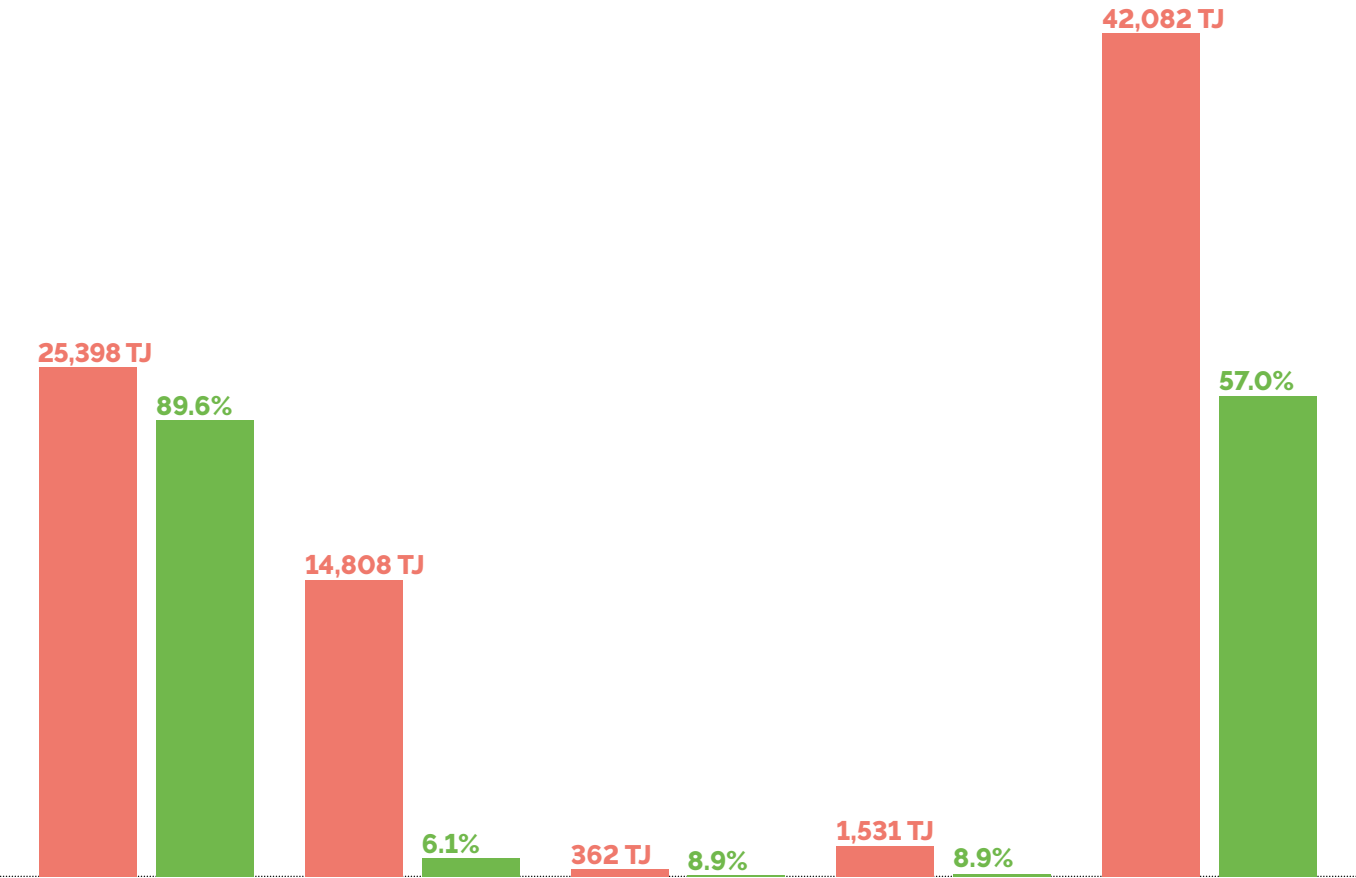
3. Energy calculated based on LCV (Lower Calorific Value).

4. Data is calculated using available invoices as a source. It should be noted that for consumption by the Werra, Omega, THP plants, reference is made to the internal readings for December, as not all 2020 invoices are available.

5. See note 1 (p. 111).

6. Internal readings/fiscal meters are the source for electricity generation.

Sofidel supply chain energy consumption – 2020



7. The data were obtained using the most up-to-date questionnaires completed by suppliers (99% of the total, the remaining 1% was obtained using an average of the data possessed).

8. Calculations based on kilometers travelled (source ERP software) multiplied by consumption coefficients obtained from GHG Protocol-Mobile Guide v.13 (21/03/2005). The percentage of renewable energy was obtained from "Share of Energy from Renewable Source in Transport". Source: Eurostat.

9. See note 4 (p. 112).

SOFIDEL AND CLIMATE CHANGE

The year 2020 confirmed and further strengthened political will to deliver an environmental breakthrough in line with the UN 2030 Agenda. Among the various activities undertaken, the European Commission urged the European Union to be more ambitious, proposing to reduce greenhouse gas emissions by at least 55% compared with 1990 levels by 2030, in line with the objectives of the Paris Agreement to keep the global temperature increase well below 2 °C and continue efforts to keep it below 1.5 °C. This is an important step compared with the previous goal of a reduction of at least 40%. This increased ambition for 2030 implies a firm commitment from policymakers and investors to ensure that decisions taken in the coming years do not lead to emission levels that are inconsistent with the EU's goal of achieving climate neutrality by 2050. Indeed, the European Green Deal, the complex strategic plan published by the European Commission in December 2019 to combat climate change, has taken its first concrete steps towards the goal of achieving climate neutrality in 2050, contributing targeted support of at least €150 billion over the period 2021-2027 to mitigate the socioeconomic impact of the transition. In this context, large companies like Sofidel inevitably feel an ethical and economic responsibility to collaborate in this new direction. It is precisely because of this assumption of responsibility that Sofidel has joined the international Science Based Targets initiative (SBTi), a project arising from the cooperation between the international

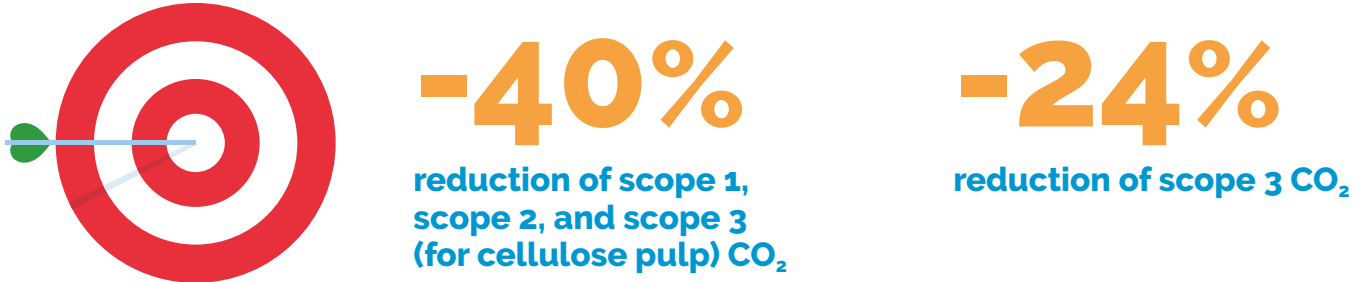
non-profit organization CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). WWF International's Climate Savers program, which Sofidel has been participating in since 2008, recognizes the SBTi plan and encourages its partners to join. The two programs are perfectly compatible and integrated. In 2020, the targets for reducing climate-altering emissions from activities of the Sofidel Group (scope 1 and 2) were approved by the Science Based Targets initiative (SBTi) and recognized as consistent with the reductions needed to limit global warming to well below 2 °C, as required by the Paris Agreement. Specifically, these objectives include:

- A reduction in scope 1, scope 2, and scope 3 (relating to its suppliers' cellulose pulp operations) CO₂ emissions of **40% per metric ton of paper by 2030** compared to the base year 2018.
- A reduction in scope 3 CO₂ emissions of **24% per metric ton of paper by 2030** compared to the base year 2018.

The scope of the target includes biogenic emissions and removal of carbon arising from energy use for the manufacture of fibrous raw materials. Sofidel's commitment to achieving the SBTi 2030 targets is pursued through the consistent use of renewable electricity and the continuous introduction of systems to optimize energy consumption at its production sites.



Sofidel's targets for 2030



CDP Report

CDP is the international non-profit organization that assesses risks and opportunities related to environmental data to support businesses, cities and states in pursuing their goals of transparency and improvement for more sustainable development. In 2020, CDP had over 525 investors with assets in excess of \$96 trillion. The 2020 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, ranking above the average of

European companies (C in Climate Change and B- in Forests) and of its own sector, Paper Products and Packaging (D in Climate Change and C in Forests). In addition to these achievements, Sofidel achieved an A rating on the Supplier Engagement Leader Board for supply chain engagement on carbon reduction and climate change actions, placing it among the top 3% of companies awarded a leadership position in recognition of actions taken.

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 factor relating to the electricity supplier's residual mix is used, after removing the component linked 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.

SOFIDEL'S EMISSIONS INVENTORY

In order to be able to monitor the reduction of climate-altering emissions, the first step is to draw up an annual emissions inventory. 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.

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 7.9% reduction in CO₂ emissions per metric ton of product in 2020.

This result was achieved by selecting electricity suppliers based on their energy mix,

favoring the use of electricity generated from renewable sources.

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 2020 in the report.

The emissions arising from the distribution of both semi-finished and finished products were thus calculated as a total of 175,339 t CO₂, corresponding to 147 kg CO₂/t paper.¹⁰ In addition, the impact of the use of the packaging (paper and plastic packaging) was assessed, and amounted to 160,556 t CO₂, corresponding to 137 kgCO₂/t paper.

-7.9%
CO₂ reduction
per metric ton of product



10. 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 half load.

11. Direct emissions from combustion in the production plants (scope 1) are calculated in accordance with the European Union Emissions Trading Scheme (EU ETS), which regulates CO₂ emissions in Europe for industrial sectors with higher emissions. Scope 1 emissions from non-ETS plants were estimated using the UNFCCC 2017 coefficient of the Italian national inventory. The same coefficient has been applied for the calculation of other less significant emissions not regulated by the ETS, such as those related to the use of forklifts and heating of work environments.

12. The scope 2 emissions were calculated using the market-based GHG approach. The Sofidel UK plants, except Sofidel UK Baglan, and the plants of Sofidel Germany and Sofidel Spain have been attributed emission coefficients corresponding to the specific electricity supply declared by the suppliers.

The remaining emissions for 2019 and 2018 were calculated using the residual mix coefficients.

Sources: Green-e Residual Mix for plants in the USA, AIB European Residual Mix for the plants in Europe.

13. See note 11.

14. The new plants of Sofidel America Circleville and Sofidel America Inola were not considered.

15. The base year data has been updated from the 2019 environmental report following the publication of more up-to-date emission coefficients and the inclusion of additional sources linked to CH₄ and N₂O emissions.

16. Scope 2 emissions were calculated using a GHG location-based approach, using the average of the 2016-2018 emission coefficients.

Source: IEA (2020) Emission Factors.

17. Scope 2 emissions were calculated using a GHG location-based approach, using the average of the 2005-2007 emission coefficients.

Source: IEA (2020) Emission Factors.

CO₂ emissions
Scope 1¹¹ and 2¹² / market-based

2020	2019	2018
Scope 1 589,870 t	Scope 1 539,427 t	Scope 1 477,423 t
Scope 2 377,214 t	Scope 2 334,641 t	Scope 2 375,219 t
Total CO ₂ emissions 967,084 t	Total CO ₂ emissions 874,068 t	Total CO ₂ emissions 852,642 t
Carbon intensity 765 kg CO ₂ /t paper	Carbon intensity 781 kg CO ₂ /t paper	Carbon intensity 830 kg CO ₂ /t paper
Reduction -7.9%	Reduction -5.9%	Reduction /

WWF Climate Savers CO₂ Emissions
Scope 1¹³ and 2 / location-based¹⁴

2020	2009 ¹⁵
Scope 1 476,924 t	Scope 1 430,981 t
Scope 2 286,498 t ¹⁶	Scope 2 418,422 t ¹⁷
Total CO ₂ emissions 763,422 t	Total CO ₂ emissions 849,403 t
Carbon intensity 703 kg CO ₂ /t paper	Carbon intensity 924 kg CO ₂ /t paper
Reduction -24%	Reduction /



Climate Savers target achieved

In 2008 Sofidel became the first large Italian company and the only tissue company in the world to join the international WWF Climate Savers program. An international program that asks large companies to voluntarily adopt plans to reduce emissions of greenhouse gases, through the development of innovative strategies and technologies which will allow them to take on the

role of leaders in the reduction of CO₂ emissions in their sector. Between 2009 and 2020, Sofidel had set itself the target of achieving a 23% reduction in its greenhouse gas emissions. Today we can proudly say that we have exceeded the goal, with a **reduction of 24%** that rewards the more than 100 million euro invested over these 11 years and encourages us to achieve even more ambitious results.

OTHER EMISSIONS INTO AIR

In addition to CO₂, other significant emissions arising from production are nitrogen oxide (NO_x) produced by combustion plants, i.e. boilers and sheet drying plants. Today, almost all combustion equipment at Sofidel's plants is low NO_x and already meets the standards of future regulations for the control of pollutant emissions from medium-sized combustion plants. 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.

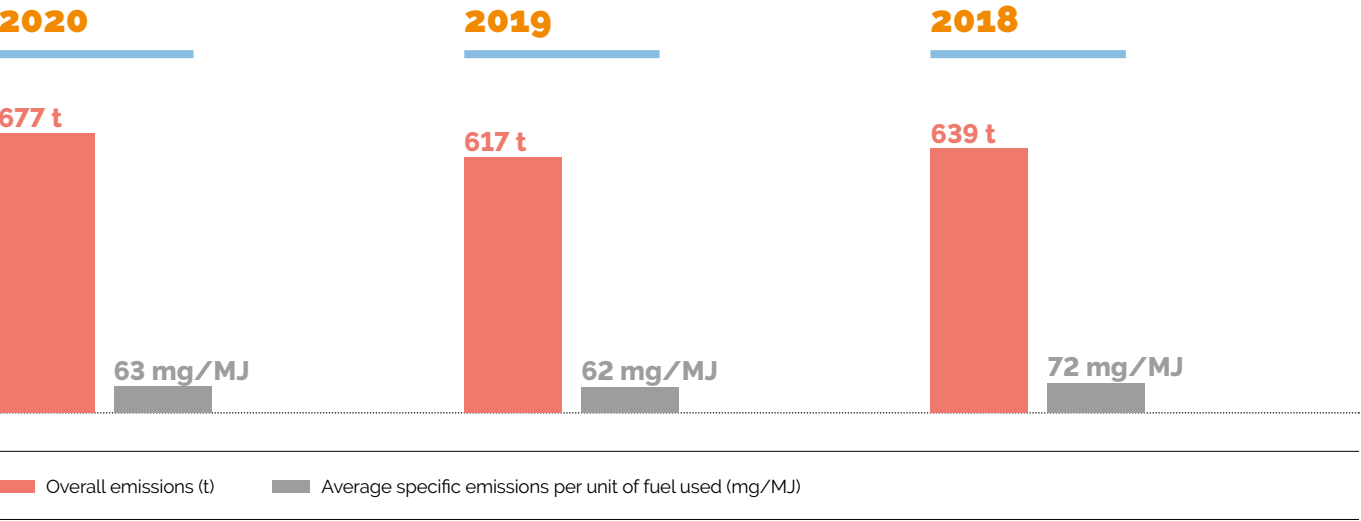
Where measures are not required (Sofidel America Haines City, Sofidel America Circleville, Sofidel France Roanne, Sofidel Germany,

Sofidel Greece, Sofidel Poland, Soffass Monfalcone), emissions were estimated using the Group average.

In addition, 479 kg of SO_x were emitted related to the use of biomass to fuel the boilers at the Sofidel France Frouard and Sofidel Sweden plants. Emissions of other greenhouse gases, such as leaks of fluorinated refrigerating gases equivalent to emissions of about 262 metric tons of CO₂, were negligible, being extraneous to the Group's typical business.¹⁸

18. Equivalent emissions calculated using the GWP (Global Warming Potential) coefficients described in V Assessment Report IPCC.

Total and specific nitrogen oxide (NO_x) emissions of plants in the Sofidel Group



Source: Sofidel.

Responsible management of water resources

SOFIDEL AND WATER RESOURCE MANAGEMENT

Global water use has increased six-fold in the last 100 years, and continues to grow steadily at a rate of about 1% per year as a result of population growth, economic development, and changes in consumption patterns. In anticipation of more erratic and uncertain rainfall patterns, climate change is expected to worsen the situation in currently water-stressed regions and generate droughts in regions where water resources are still abundant.

Water scarcity is often a seasonal rather than a chronic phenomenon, and it is likely that climate change will result in variations in seasonal water availability, rather than an absolute shortage throughout the year. The water-related effects of climate change generate risks for businesses and energy production, as water stress can stop the production of goods or the emission of energy. Low water availability can also affect the supply of raw materials, leading to disruption of supply chains.¹⁹

In this context, Sofidel has for years pursued policies and undertaken activities to reduce water consumption, both to safeguard the environment and to protect production continuity, especially in countries with already high water stress. The water consumption reduction objective is pursued through both management measures and specific investments in policies to rationalize water consumption and re-use industrial waste water.

Although specific activities and investments aimed at reducing water consumption can be listed, including the collection and reuse of rainwater at the Sofidel UK Baglan plant and the Waste Water ReUse plant at Soffass Cartiera Via Lazzareschi, the activities that have so far enabled Sofidel to achieve levels of water consumption well below industry averages are the **optimization of production cycles and the careful design of industrial plants.**

All production staff have received thorough training on water saving and each plant has its own water consumption target. The levels of specific consumption currently achieved represent the culmination of years of work, beyond which it will not be easy to see further improvements, except with the use of very sophisticated technologies. In fact, the figures for 2020 are close to the previous years.

With regard to the quality of water discharges, there has been a marked improvement thanks to the coming into full operation of the four new paper machines started up in previous years. The more efficient organization of production has also had a positive impact on the management of the waste water treatment plants, with a gradual reduction in all the main indicators, in particular the measured value of BOD²⁰ and suspended solids in the outgoing water. The percentage of water recycled in Sofidel paper mills in 2020 can be estimated as above 96.6%.²¹

19. Source: Water and Climate Change – The United Nations World Water Development Report 2020.

20. Biological Oxygen Demand.

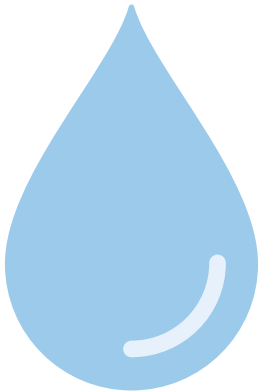
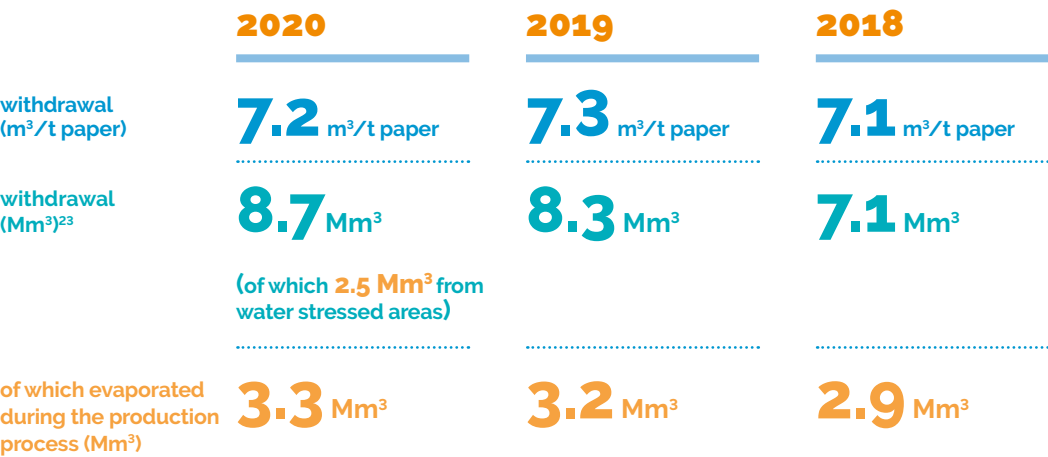
21. The recycling rate has been calculating using the method given in the publication "Methods for measuring water recycling in paper mills" (Assocarta – Confindustria – Aticelca, February 2017).



“ENSURING THE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FACILITIES FOR ALL.”

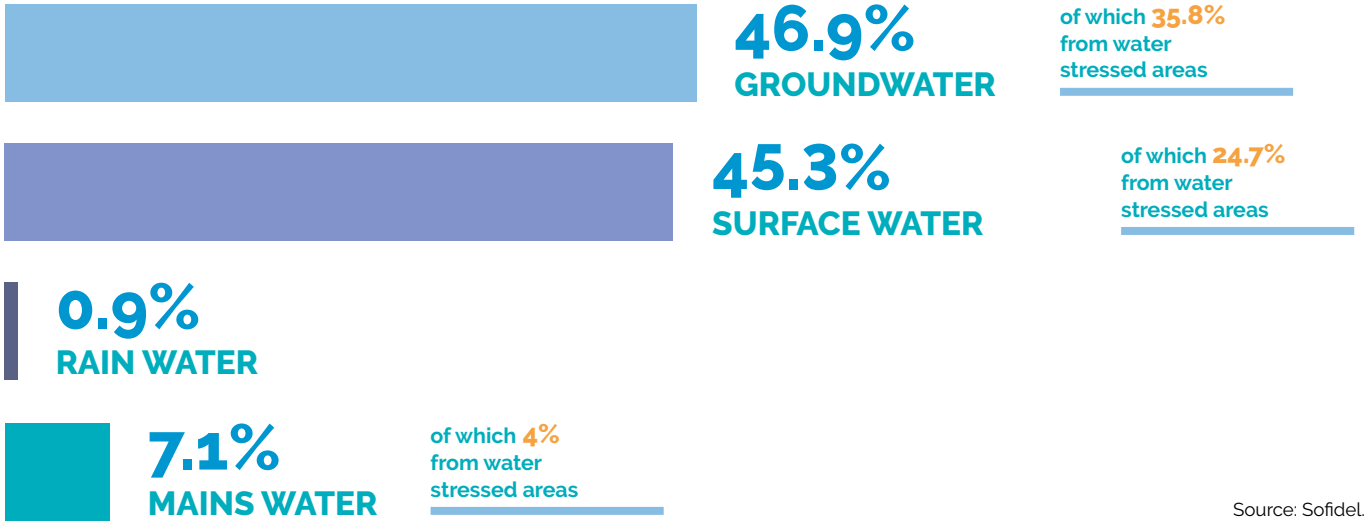
96.6%
rate of water recycling

Annual specific water withdrawal
of the Sofidel Group plants²²



Source: Sofidel.

Water supply sources – 2020



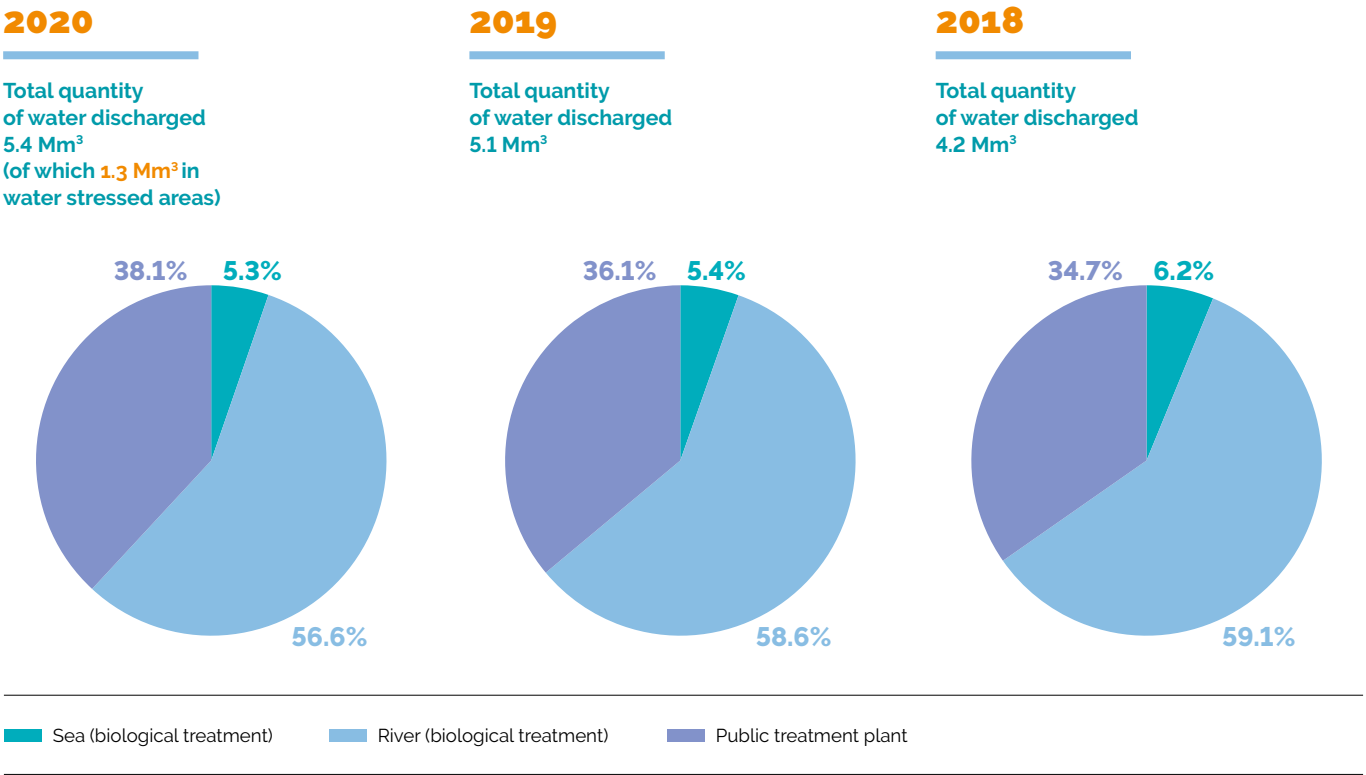
Source: Sofidel.

22. It does not include the Sofidel America plant in Inola.
23. The water withdrawn is freshwater, ≤ 1,000 mg/l total dissolved solids (GRI 303).
24. The water discharged is freshwater, ≤ 1,000 mg/l total dissolved solids (GRI 303).

25. See note 22.
26. Data do not include Sofidel America's Haines City and Inola plants (analysis not performed in 2020).
27. Data do not include Sofidel America's Inola plants (analysis not performed in 2020).

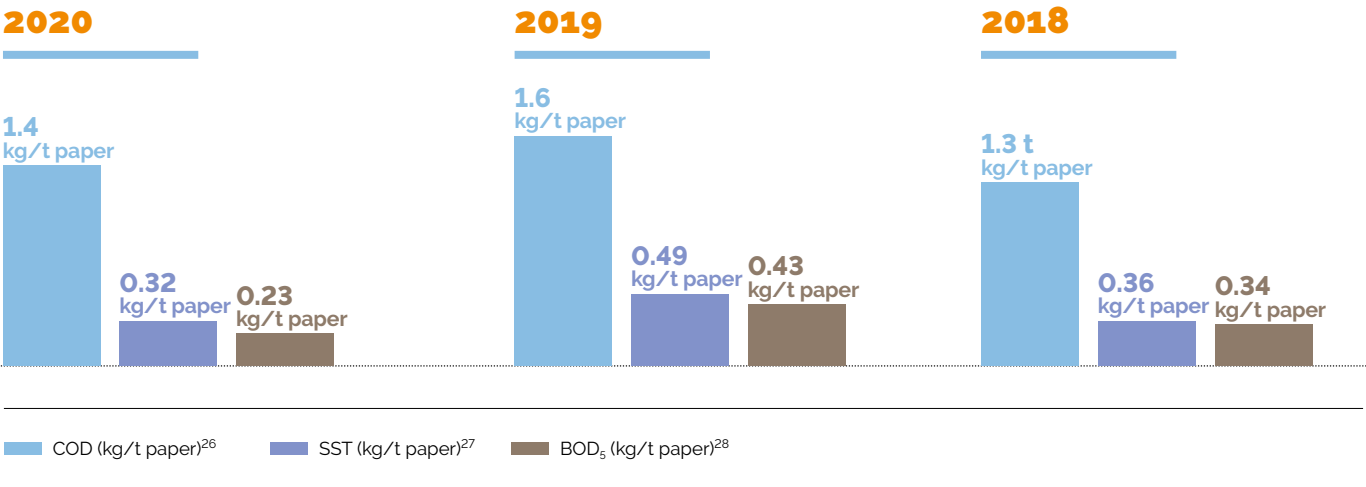
28. Data do not include the Sofidel America Inola plant, the Sofidel Spain plant and the Soffass plants in Via Giuseppe Lazzareschi and Via Leccio (analysis not performed in 2020).

Total amount of water discharged,²⁴
destination and treatment of waste water²⁵



Source: internal water discharge analysis.

Specific emissions of pollutants into water



Source: internal water discharge analysis.

²⁶ COD (kg/t paper) ²⁷ SST (kg/t paper) ²⁸ BOD₅ (kg/t paper)

Responsible production, consumption and management of waste

WASTE MANAGEMENT

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

Waste generated by papermaking mainly consists of sludge deriving from production waste generated by activities that use wastepaper as a raw material. This type of refuse 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 and includes fluorescent tubes, used oil, spent batteries, and accumulators.

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

In addition to the waste produced directly by Sofidel's activities, if we adopt a life-cycle analysis approach, we can say that the reduction of plastic packaging has had a virtuous effect, allowing the end consumer to produce less waste.

During 2020, the entire cost of waste management operations exceeded 8 million euros.



“ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS.”



50% less plastic on the shelf by 2030

Over the past 50 years, the role and importance of plastic in our economy has grown steadily. World production of plastic has increased twentyfold since the 1960s, reaching over 330 million metric tons in 2020, while annual consumption of plastic in the European Union is around 49 million metric tons.

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 metric tons 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 and, while landfill use has decreased over the past ten years, 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 metric tons of plastic end up in the oceans

every year. Plastics are estimated to account for over 80% of marine litter.

In the EU, 150,000 to 500,000 metric tons 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.

To help protect the environment and combat plastic pollution, Sofidel has decided to start reducing the use of conventional plastics in the packaging of its products.

Since 2013, the company has already decreased its use of plastics by nearly 20% and plans to further reduce it by up to 50% by the end of 2030. A commitment that has **saved 6,300 metric tons of plastic** this year.

In addition to the progressive use of recycled plastics and bioplastics, Sofidel has introduced paper as an alternative packaging material for many of its products. Paper is the most widely recycled material, comes from a renewable resource and, if accidentally dispersed into the environment, is biodegradable within 2 to 3 months.

ECOLOGICAL PRODUCTS

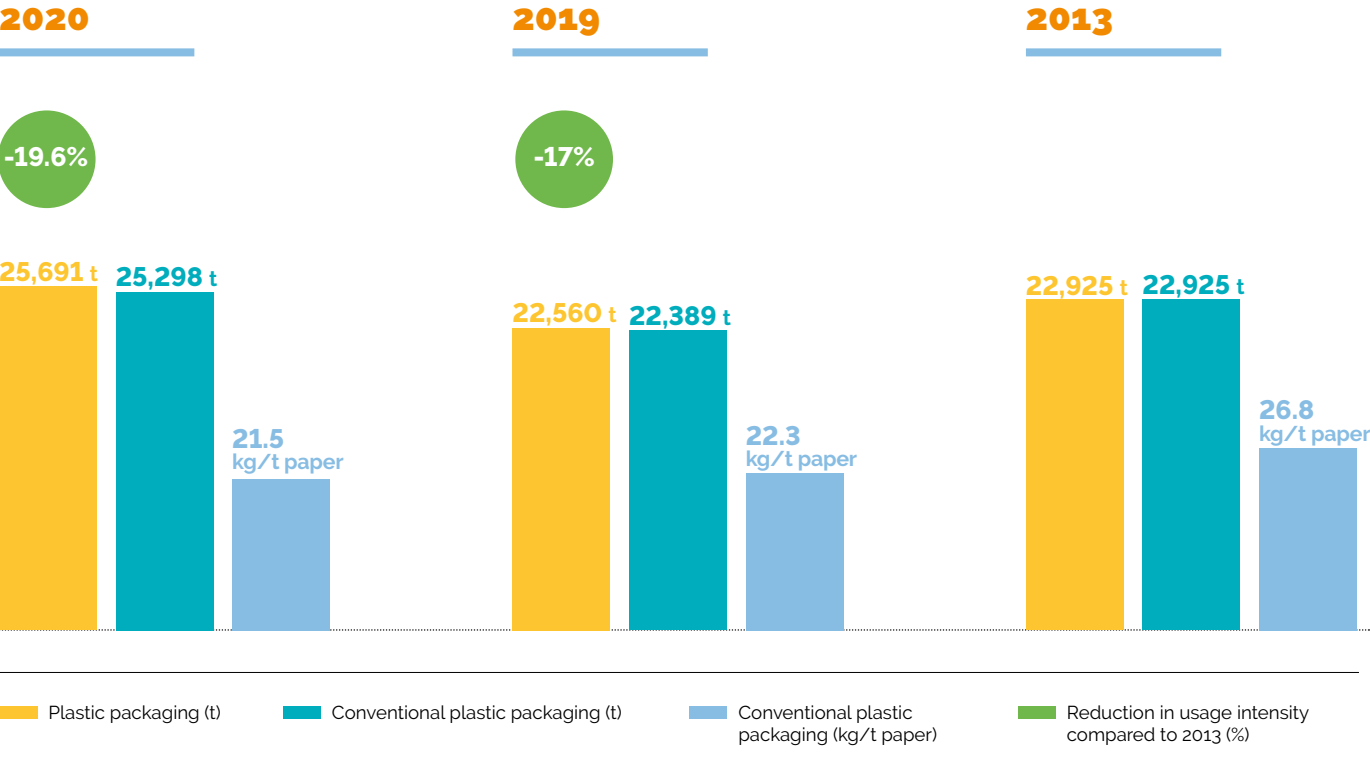
In 2016, the year of its fiftieth anniversary, Sofidel took on an important commitment in the area of its own-brand products so that all the Group's Brand products now carry the FSC® label, a guarantee of sustainable forestry management from both an environmental and a social point of view. This commitment is supported by the raw materials procurement policy which has directed purchases towards certificated cellulose for years.

The partnership with FSC has also been consolidated with the Sofidel Group becoming part of the Economic Chamber of FSC International and FSC Italia. During 2020, fulfilling its commitment, Sofidel carried out an awareness-raising campaign on the protection of the forest heritage through its communication tools. In addition, it has constantly increased the production of products

with eco-labels (FSC®, PEFC™, Ecolabel, Swan Label, Blue Angel), to meet the demands of customers, who are increasingly sensitive to environmental issues. Today, more than 80% of our finished products have at least one eco-label.

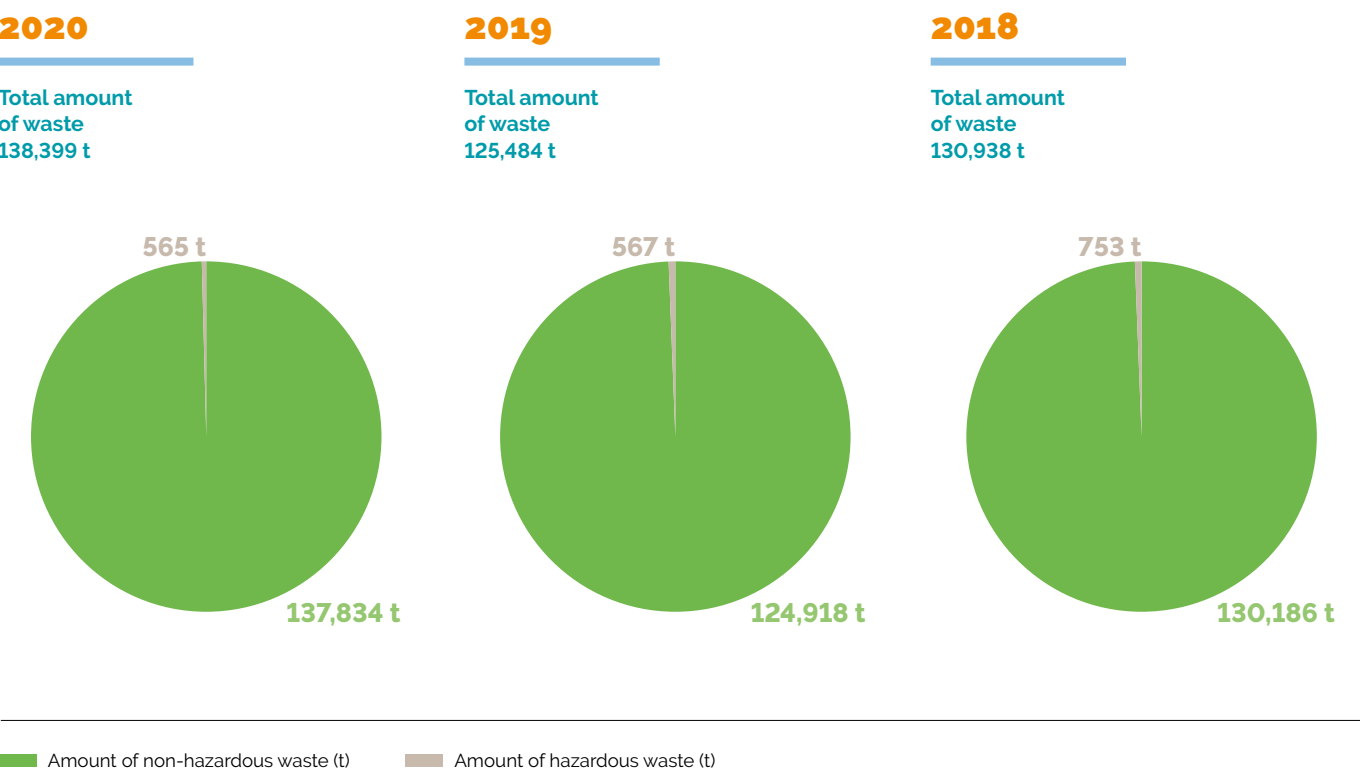
This choice confirmed the company's commitment to the selection of raw materials guaranteed not only for their certified forestry origin but also for production processes with a lower environmental impact, with a view to improving the life cycle. The issue of the circular economy is considered an important 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 conventional plastic packaging and to introduce materials with greater recyclability and renewability.

Consumption of packaging



Source: data extracted using ERP software.

Waste produced by the Sofidel Group



Amount of non-hazardous waste (t)

Amount of non-hazardous waste sent for recycling (t) ²⁹
2020 110,301 t
2019 92,009 t
2018 89,346 t

Amount of non-hazardous waste sent for disposal (t) ²⁹
2020 10,167 t
2019 27,951 t
2018 25,599 t

Amount of hazardous waste (t)

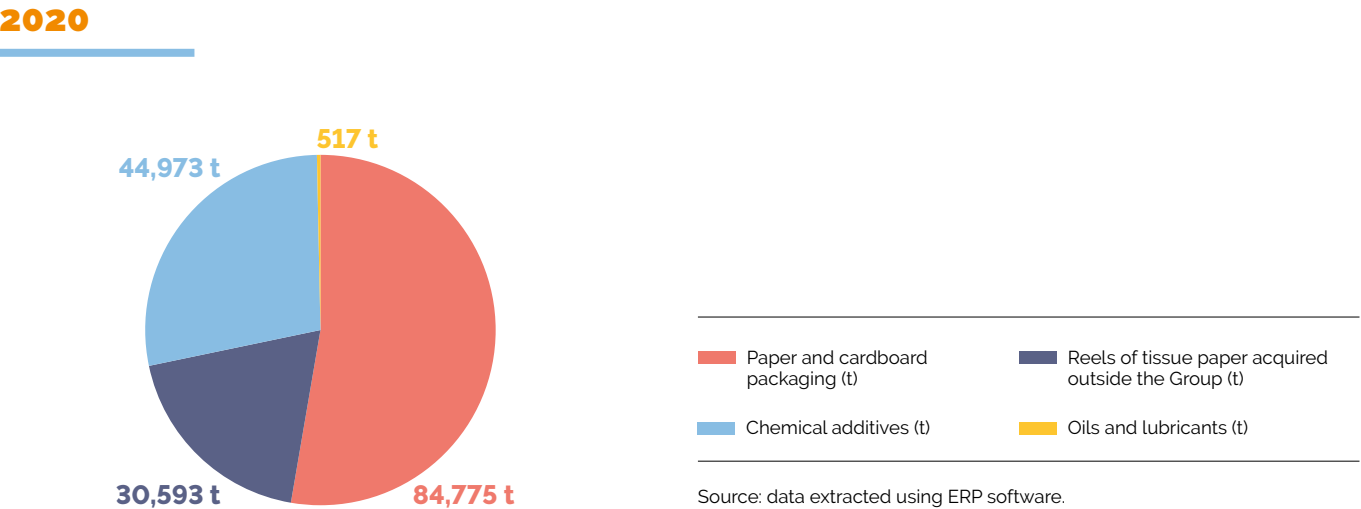
Amount of hazardous waste sent for recycling (t) ²⁹
2020 366 t
2019 355 t
2018 461 t

Amount of hazardous waste sent for disposal (t) ²⁹
2020 152 t
2019 206 t
2018 292 t

Source: Sofidel.

29. 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 plants.

Other raw materials



RESPONSIBLE CONSUMPTION AND PRODUCTION

The European Green Deal is a new growth strategy aimed at transforming the European Union into a fair and prosperous society with a modern, sustainable, competitive and zero greenhouse gas emission economy by 2050.

The urgent transformation outlined in the Green Deal is a strong call to change the way we produce, trade and consume. One of the Green Deal's most important contributions to the UN 2030 Agenda will be the pursuit of Sustainable Development Goal (SDG) 12, which aims to achieve "sustainable consumption and production patterns".

Two key pillars for achieving the targets identified in SDG 12 are the reduction and recycling of packaging waste.

In response to this important policy direction, Sofidel immediately activated a program to reduce the consumption of plastic packaging, choosing solutions with thin plastic film.

Alongside this activity, which has been in progress for many years, the Group has a plan to replace petroleum-derived plastics with alternative materials. Beginning in the third and fourth quarters of 2018, we launched product lines with packaging made from renewable materials (such as kraft paper and plastics made from plant-based raw materials) to replace petroleum-derived plastic materials.

Environmental Management
System certifications

Ensuring consistent environmental performance and minimizing pollution risks requires a robust organization³⁰ with properly formalized and regularly updated procedures and systems.³¹

Compliance with the ISO 14001:2015 standard provides a guarantee of proper management aimed at continuous environmental improvement. All Group plants have implemented the revised version of the ISO 14001 standard, which provides for a company risk assessment on all aspects related to the environment (risks related to reputation, continuity of supply, relations with local communities, the market, etc.). A significant change that allows us to strengthen the relationship with stakeholders outside the company. Since 2018, all European paper mills and integrated plants have been certified with this international standard.

For Sofidel, the continuous renewal of its environmental certification systems is an absolute priority, because it guarantees the health and well-being not only of the environment but of all the Group's stakeholders, inside and outside the organization, and indirectly of all the inhabitants of the planet. Protecting and safeguarding everyone's health is an ambition that a global Group like Sofidel cannot shirk.



“ENSURING HEALTH AND
WELL-BEING FOR ALL PEOPLE
OF ALL AGES.”

30. The cost of managing the staff involved was almost 1,300,000 euros.
31. More than 1,700 hours of environmental training were provided.

The figures on environmental management at Sofidel Group plants

	Water consumption [m³]	Fossil fuel consumption [TJ]	Energy from biomass [TJ]	Consumption of electricity [TJ]	Heat purchased from national grid [TJ]	Heat self-produced by cogeneration [TJ]	Heat 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]	Nitrogen emissions [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 Lazzareschi	441,745	1,153.5	-	388.9	154.4	229.4	5.1	0.0	0.0	0.0	43.2	n.a.	4.1	2.7	2.3	101.4	-	67,899	1,624
Soffass Tassignano	4,629	0.0	-	24.7	22.0	0.0	3.2	0.6	0.0	0.0	-	-	-	-	-	-	-	0	1,118
Soffass Via Leccio	224,417	558.4	-	187.2	98.7	88.5	0.0	0.0	0.0	0.0	22.6	n.a.	2.7	0.6	0.0	9.7	-	31,252	457
Soffass Via Fossanuova	11,544	1.0	-	32.1	27.6	0.0	5.6	1.0	0.0	0.0	-	-	-	-	-	-	-	56	1,837
Soffass Valdottavo	220,655	194.7	-	114.2	103.7	10.6	0.0	0.1	0.0	0.0	14.7	1.2	1.6	1.1	0.2	10.4	-	10,630	357
Soffass Monfalcone	213,623	382.3	-	107.5	17.4	90.2	0.0	0.1	0.0	0.0	5.9	1.1	1.7	0.0	0.0	52.7	-	21,246	602
Soffass Val Fegana	110,228	202.3	-	50.9	8.5	41.3	1.2	0.1	0.0	0.0	5.9	0.5	0.7	0.5	0.1	13.4	-	11,359	235
Sofidel France Frouard	517,455	597.5	176.9	426.7	426.7	0.0	0.0	0.0	0.0	0.0	79.5	2.7	2.0	0.9	0.3	55.1	0.3	33,607	1,870
Sofidel France Roanne	213,887	188.0	-	105.6	105.6	0.0	0.0	0.0	0.0	0.0	86.6	21.3	32.6	0.6	0.1	10.6	-	10,717	532
Sofidel France Ingrandes	1,704	4.0	-	14.6	14.6	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	229	557
Sofidel Hungary	0	0.4	-	9.6	9.6	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	27	942
Sofidel Poland	613,257	753.2	-	359.0	223.6	136.2	0.0	0.9	1.6	54.6	259.0	84.8	22.5	6.0	1.2	48.2	-	41,689	2,202
Sofidel Spain	929,677	472.6	-	312.7	312.7	0.0	0.0	0.0	0.0	0.0	318.7	n.a.	51.0	21.9	2.6	33.2	-	26,761	3,693
Sofidel Germany Arneburg	292,771	370.0	-	232.5	232.5	0.0	0.0	0.0	0.0	0.0	27.5	2.4	2.5	0.6	0.1	10.2	-	20,266	1,584
Sofidel Germany Werra	280,661	123.8	-	75.4	71.6	0.0	3.8	0.0	0.0	0.0						6.9	-	6,958	23,315
Sofidel Germany Omega	647,448	246.5	-	183.2	183.2	0.0	0.0	0.0	0.0	0.0	423.1	88.5	210.0	4.8	5.2	13.8	-	13,829	49,768
Sofidel Germany THP	227,602	190.6	-	132.3	132.3	0.0	0.0	0.0	0.0	0.0						10.7	-	10,424	313
Sofidel Greece	161,809	175.8	-	78.2	78.2	0.0	0.0	0.0	0.0	0.0	40.1	13.7	5.2	1.5	0.1	9.9	-	9,776	173
Sofidel Belgium	832,944	563.0	-	268.4	268.4	0.0	0.0	0.0	0.0	0.0	36.0	1.8	4.1	5.0	0.2	38.6	-	31,627	1,426
Sofidel Romania	306,528	241.2	-	139.3	139.3	0.0	0.0	0.0	0.0	0.0	24.6	3.4	3.2	3.1	0.3	14.1	-	13,304	20,651
Sofidel Sweden	493,616	140.5	230.6	237.3	237.3	0.0	0.0	0.0	0.0	0.0	70.5	20.7	5.6	1.3	0.2	30.9	0.1	10,133	173
Sofidel UK Baglan	335,328	391.8	-	214.3	214.3	0.0	0.0	0.0	0.0	0.0	24.9	1.0	5.5	1.3	0.5	13.2	-	22,110	1,661
Sofidel UK Hamilton	435,002	493.4	-	231.2	231.2	0.0	0.0	0.0	0.0	0.0	83.1	23.9	26.3	1.2	0.3	16.4	-	27,837	1,214
Sofidel UK Rothley Lodge	0	3.5	-	32.9	32.9	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	225	492
Sofidel UK Lancaster	166,366	200.2	-	85.4	85.4	0.0	0.0	0.0	0.0	0.0	17.4	6.7	3.6	0.2	0.0	6.7	-	11,418	248
Sofidel America Haines City	332,094	740.5	-	222.6	84.4	138.2	0.0	0.0	0.0	0.0	n.a.	20.1	7.2	4.4	1.0	47.4	-	41,649	3,835
Sofidel America Circleville	627,865	1,531.7	-	489.0	147.7	341.3	0.0	0.0	0.0	0.0	129.1	2.6	5.5	0.2	2.0	97.8	-	86,176	4,884
Sofidel America Las Vegas	n.a.	0.0	-	17.4	17.4	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	3	n.a.
Sofidel America Hattiesburg	n.a.	0.1	-	24.7	24.7	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	4	10
Sofidel America Inola	n.a.	475.3	-	283.7	283.7	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	-	-	26,771	2,635
Sofidel America Green Bay	n.a.	5.3	-	29.9	29.9	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	304	5,518

■ Paper mill ■ Converting plant ■ Integrated plant (paper mill + converting)



CLEAN
LIVING

**CARING
FOR PEOPLE
IS ABOUT
VISION AND
RESPONSIBILITY.**

FAIRNESS AND
RESPECT FOR PEOPLE

Our way of doing business and the relationships we develop with our stakeholders are based on respect for the values of professionalism, substance, honesty, ethics and transparency.

In our daily work we promote inclusion, sharing, participation and correct information. These values guide our relationships with all our collaborators, suppliers, customers, local communities and the non-governmental organizations with which we work nationally and internationally.

An approach based on integrity and mutual respect, fueled by the courage and moral strength to imagine, all together, a positive future for people and the planet. And to start making it a reality today.

Safeguarding of human capital and corporate well-being

People are the heart and strength of the company. We are convinced that enhancing the value of human resources and integrating them into the company's organizational culture is essential to promote innovation and flexibility, two characteristics that are increasingly important in order to compete successfully in a global market.

Our 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. For Sofidel, people are a strategic asset of the company, which is why we promote respect for equal opportunities and diversity as wealth to be cultivated, as well as the values of equal treatment, development of individual skills, teamwork and continuous learning.

The development of technical and managerial skills is a strategic factor for the company, which aims to motivate and update employees, improve their knowledge of English and transfer know-how, consolidated methodologies and a results-oriented culture.

During 2020, due to the Covid-19 pandemic, we introduced the **remote working** tool for the first time, involving almost all employees and managers of the Sofidel Group. In a complex and delicate year such as 2020, marked by several lockdown periods in the countries where the company operates, the remote working tool has allowed staff to continue to carry out their work activities on a regular basis, eliminating the risk of contagion in the workplace and guaranteeing the possibility of managing their tasks remotely.

We got organized very quickly, starting with Italy (the first country affected by the lockdown in March 2020) but successfully extending remote working to all the Group's European and American offices in the subsequent weeks. This solution promoted a complex organizational change, which still requires a careful assessment of business priorities and the technological, cultural and managerial features of the different offices.

In the difficult pandemic scenario, remote working has allowed us to protect the health of workers and carry out daily activities while working remotely.

This evolution was possible thanks to a skillful use of digital innovation that supported Sofidel's strategy of focusing on collaboration between people and integration between the different offices, with

the aim of developing the company's business and all the functions involved.

In 2020, we also launched an initiative aimed at employees over 50, participating in the **"Lifelong Employability & Corporate Welfare"** workshop promoted by the Sodalitas Foundation, with the aim of identifying effective solutions for lifelong employability and sustainable human resource management.

Also in collaboration with the Sodalitas Foundation, in 2020 we continued the project **"We 4 Youth"**, aimed at the new generations. Together we have created a benchmarking platform for student guidance, designed together by member companies and forward-looking schools. An initiative that allows companies to compare notes and collect ideas for improvement to support the school and help young people enter the world of work.

2020 also saw the continuation of **"Sofidel People"**, the project launched following the organizational well-being survey carried out in 2016. In particular, we concentrated on three areas of action: improving internal communication flows, improving knowledge of company processes and procedures and optimizing human resource management.

During 2020, Sofidel also continued with its **"Welfare"** project, which allows employees to benefit from de-taxation of production bonuses and access to a basket of goods and services on favorable terms.

"TAKING CARE OF PEOPLE MEANS PROTECTING THEIR PHYSICAL, SOCIAL AND PSYCHOLOGICAL WELL-BEING, WITH A FOCUS ON THE GOOD, THE RIGHT AND THE BEAUTIFUL. A RESPONSIBLE COMPANY HAS A UNITED AND MOTIVATED HUMAN CAPITAL."

Sofidel People. Improving internal communication flows

To encourage internal communication and employee participation in the life of the company, Sofidel uses various communication tools:

- a constantly updated **intranet** where employees can find information about the company, an area dedicated to human resources and a series of tools to facilitate their daily work;

- the **Soft & Green** blog 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 people who do not work in the offices.

Sofidel People. Spread and knowledge of company processes and procedures

We have carried out several initiatives to disseminate greater knowledge of company processes and procedures. For example, we have developed an **e-learning platform** to disseminate the company procedures that need training in a way that is faster, more widespread and traceable way. Active since 2018 for the whole Group, this platform is successfully used for the dis-

tribution of company documents, tutorials and training courses. Another project carried out in 2020 aims to simplify employee access to information about the company's organizational structure. Thanks to **new software** all employees can consult the company organization chart in real time and easily retrieve information about their colleagues and the work teams they are part of.

Sofidel People. Optimizing human resource management

Defining the distinctive Sofidel leadership style is one of the improvement projects of "Sofidel People". The initiative 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 optimize personnel management, the following projects were launched and implemented during 2020:

- **Recruitment project**, which aimed to standardize the approach and operating methodologies for recruiting processes managed by the various HR Managers of the Sofidel Group's foreign subsidiaries. In particular, during 2020, a project was implemented within the Sofidel Group's new Recruitment portal

on "SAP - SuccessFactors", through the creation of the new ATS module. The new portal will make it possible to further homogenize personnel search and selection processes within all Group companies.

- **Induction project**, which aimed to standardize the induction and initial training process for new employees at Group level.
- **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). This project also proved to be critical in the management of staff engaged in remote working during 2020.

Welfare. The employee support program

With the **"Welfare"** project, Sofidel makes available to workers a basket of essential goods and services that guarantees discounts and tax advantages (from education, assistance, health and supplementary pensions to the "shopping trolley" stocked, if they wish,

by their trusted supplier). The project, launched in Italy in 2018, has been very successful and the company is considering extending it to all Group offices.



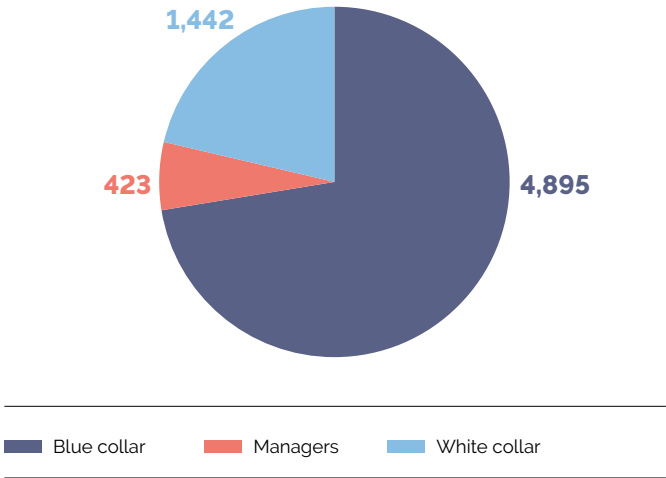
Staff composition and distribution

The results of the Sofidel Group were contributed to by 6,760 staff, of which 72.41% were blue collar, 21.33% white collar and 6.26% managers. The number of employees increased compared to the previous year, mainly due to the growth of the US plants. Sofidel's people work in 14 countries.

Breakdown of Sofidel Group staff by level

2020

Employees worldwide
6,760



Source: Sofidel.

The increase in the number of employees over the years

2020
6,760 employees

2019
6,453 employees

2018
6,327 employees

Source: Sofidel.

“THE WORKFORCE AT SOFIDEL IS INCREASING EVERY YEAR AND INCLUDES A WIDE VARIETY OF TALENTS, EXPERIENCES AND SKILLS, REFLECTING A HEALTHY, GROWING GROUP THAT IS READY FOR THE CHALLENGES OF THE FUTURE.”

The data highlight the preponderance of American staff within the Sofidel Group (23.53%). This is followed by large groups of employees in Italy (19.43%), the United Kingdom (12.17%) and Germany (11.15%). The **close connection between the company and the areas in which it operates** was again confirmed in 2020. Sofidel favors the employment of workers from the local communities where it carries out its

business, thus contributing to the 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**.

Breakdown of Sofidel Group employees by level and geographical area – 2020

	Belgium	Germany	Spain	France	UK	Hungary	Greece	Italy	Poland	Romania	Sweden	USA	TOTAL
Blue Collar	105	578	227	527	647	119	47	799	278	191	132	1,245	4,895
Managers	22	28	29	58	55	10	5	111	16	7	9	73	423
White Collar	46	148	52	111	121	47	8	404	146	46	40	273	1,442
TOTAL	173	754	308	696	823	176	60	1,314	440	244	181	1,591	6,760

Source: Sofidel.

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
TOTAL	164	734	243	680	803	182	56	1,267	416	247	173	1,488	6,453

Source: Sofidel.

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
TOTAL	171	744	228	697	811	184	59	1,278	393	262	182	62	1,256	6,327

Source: Sofidel.

TYPES OF CONTRACT

The absolute majority of contracts are open-ended (95.04%) and almost all employees (98.31%) have a full-time contract.

Part-time employment, as regulated by current work contracts, is recognized as a useful tool for providing a flexible response to the organization of work, as well as to the needs of individuals.

Breakdown of employees of Sofidel Group
Companies by level, gender and type of contract – 2020

	FULL-TIME			PART-TIME		
	Women	Men	TOTAL	Women	Men	TOTAL
Blue Collar	438	4,424	4,862	7	26	33
Managers	81	335	416	6	1	7
White Collar	531	837	1,368	64	10	74
TOTAL	1,050	5,596	6,646	77	37	114

Source: Sofidel.

Breakdown of employees of Sofidel Group
Companies by level, gender and type of contract – 2019

	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
TOTAL	1,012	5,320	6,332	83	38	121

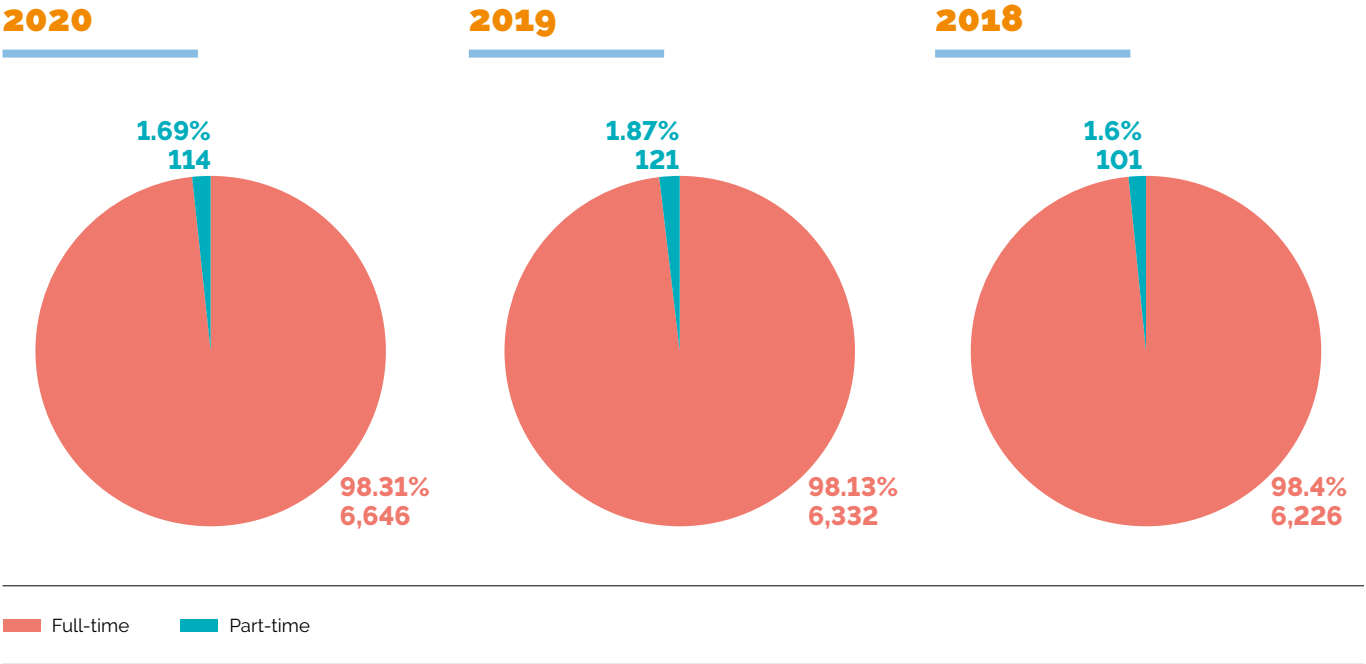
Source: Sofidel.

Breakdown of employees of Sofidel Group
Companies by level, gender and type of contract – 2018

	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
TOTAL	1,007	5,219	6,226	77	24	101

Source: Sofidel.

Breakdown of Sofidel Group employees by type of contract



Source: Sofidel.



PERSONNEL CHARACTERISTICS

The Sofidel Group's resources include many young people. The majority (57.78%) of the Group's population has an average age between 30 and 50 years. The number of workers over 50 is also significant and will require appropriate management tools in the future.

As part of the "Lifelong Employability & Company Welfare" work-group, promoted by the Sodalitas Foundation, Sofidel has the opportunity to assess and collect best practices developed in Italy and abroad in order to maintain an active role and adequate motivation for older workers in the company context.

Breakdown of employees of Sofidel Group companies by level, gender and age – 2020

	AGE < 30			AGE 30-50			AGE > 50		
	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men	TOTAL
Blue Collar	68	738	806	224	2,490	2,714	153	1,222	1,375
Managers	2	9	11	59	188	247	26	139	165
White Collar	67	107	174	414	531	945	114	209	323
TOTAL	137	854	991	697	3,209	3,906	293	1,570	1,863

Source: Sofidel.

Breakdown of employees of Sofidel Group companies by level, gender and age – 2019

	AGE < 30			AGE 30-50			AGE > 50		
	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
TOTAL	146	794	940	680	3,079	3,759	269	1,485	1,754

Source: Sofidel.

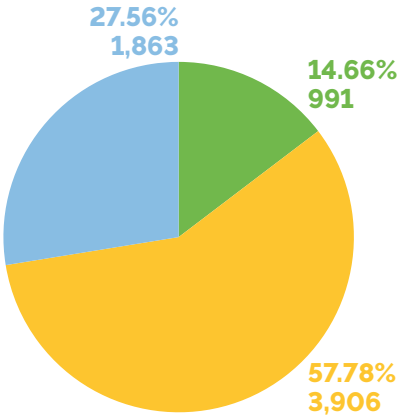
Breakdown of employees of Sofidel Group companies by level, gender and age – 2018

	AGE < 30			AGE 30-50			AGE > 50		
	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
TOTAL	131	736	867	707	3,093	3,800	246	1,414	1,660

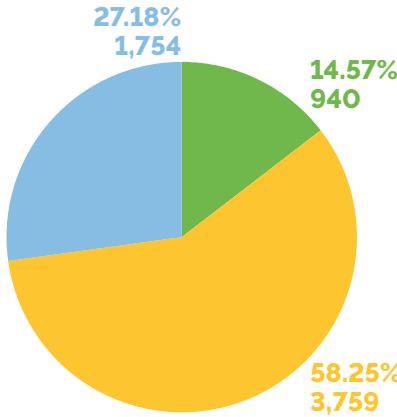
Source: Sofidel.

Breakdown of Sofidel Group employees by age

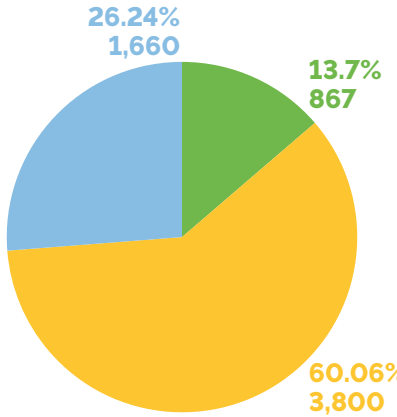
2020



2019



2018



Age < 30 Age 30-50 Age > 50

Source: Sofidel.



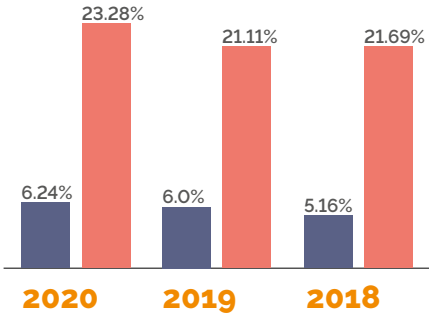
TURNOVER

The rate of turnover¹ for the Group is in line with the previous year, but a higher rate is found abroad. In this respect, the data on voluntary turnover for foreign companies have risen in recent years mainly due to the growth in the US market, where frequent turnover of personnel is a physiological characteristic of employee management.

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

Rate of turnover of the Sofidel Group
by geographical area, gender and age range – 2020

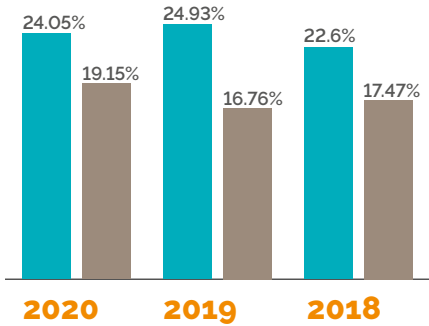
by geographical area



Italian companies Foreign companies

Source: Sofidel.

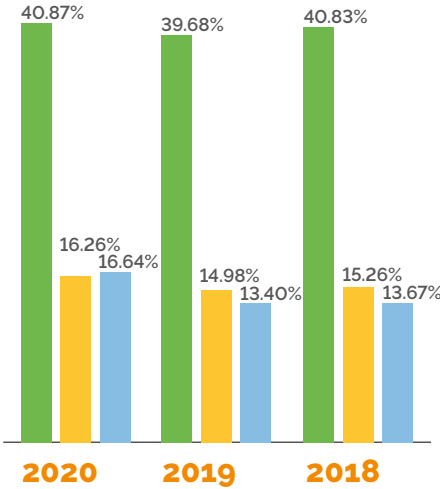
by gender



Women Men

Source: Sofidel.

by age range

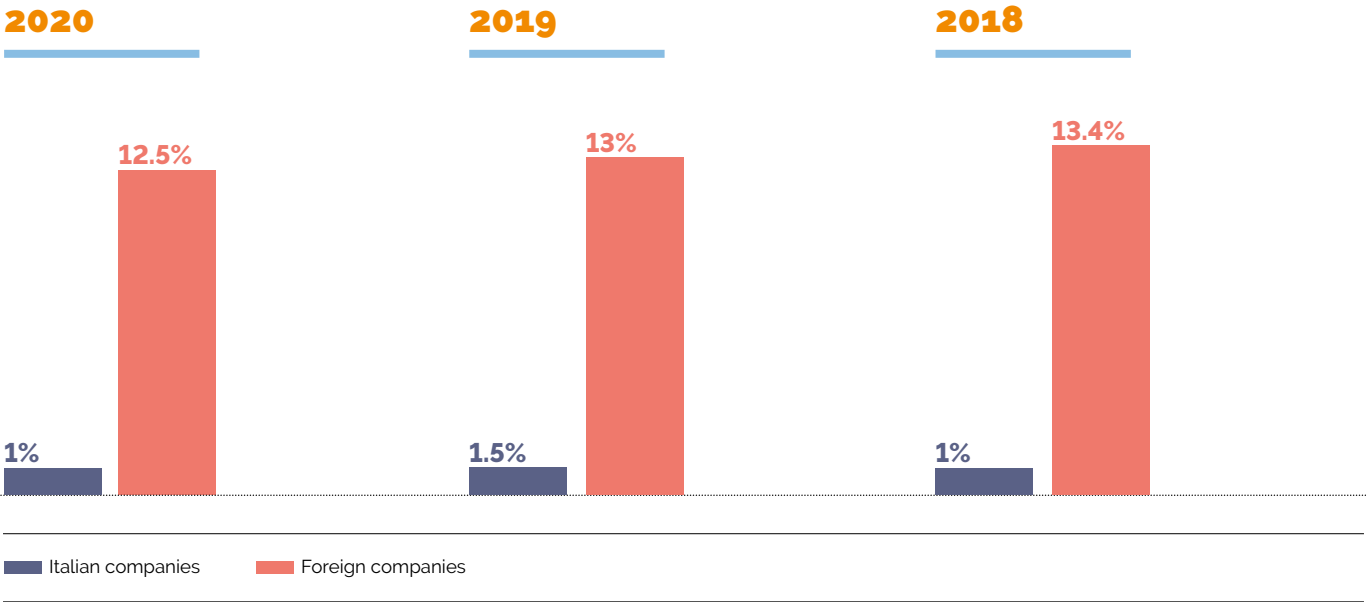


< 30 years 30-50 years > 50 years

Source: Sofidel.

The data shown below were calculated on the basis of voluntary resignations that occurred among Sofidel Group employees, divided by geographical area.

Rate of turnover of the Sofidel Group - voluntary resignations



Source: Sofidel.

Pay and incentives

In line with its principles, the Sofidel Group decides 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 shows that minimum salaries, where set, are amply respected. In addition, there are **performance evaluation programs** 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 behavior. 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 2020, **79.67% of Group employees benefitted from increases in their pay and 89.11% received an award or bonus**. The benefits granted to employees are paid without any distinction between full-time and part-time employees. The employment relationship with Sofidel is also marked by the number of provisions and initiatives in favor 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, there is a special Solidarity Fund in Italy, promoted through CRAL Italia (Workers' Social Organization), intended to offer support to those who find themselves in situations of great need.

Performance Evaluation Program

The qualitative assessment of performance is based on the constant evaluation of a series of parameters that measure performance: individual commitment, skills and professionalism, problem-solving, ability to work together (teamwork), communication and interpersonal skills, spirit of initiative, delegation, control and development of co-workers.

The behavioral 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 progress and the possibility of making changes and corrections designed to improve it.

INDUSTRIAL RELATIONS

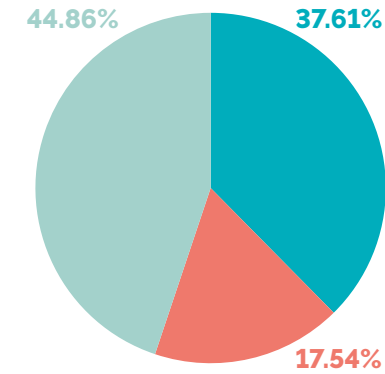
Sofidel shares with the various trade union organizations an industrial relations system based on constant and constructive dialogue, in compliance with the principles of the contracts managed. In the Italian companies of the Sofidel Group, the National Collective Bargaining

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 type of contract (NCBA, company and individual contracts)

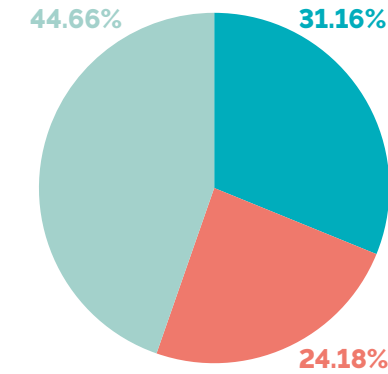
2020

Total employees at 31/12/2020
5,446



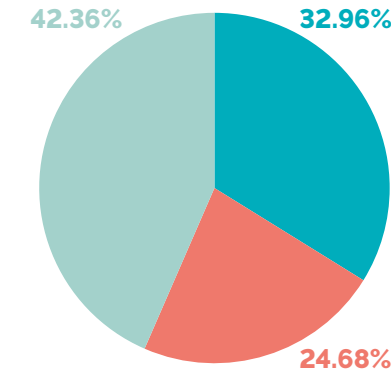
2019

Total employees at 31/12/2019
5,186



2018

Total employees as at 31/12/2018
5,049



■ NCBA ■ Company contract ■ Individual contract

Source: Sofidel.

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.



Focus on people

EQUAL OPPORTUNITIES, HUMAN RIGHTS
AND PROTECTED CATEGORIES

Sofidel bases its work on the principles of the Fundamental Conventions of the International Labor Organization 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. Our **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 we operate. In addition, we condemn child or forced labor and any gender, religious, cultural, ethnic or sexual discrimination, or physical, psychological, verbal or sexual abuse.

People are at the core of the company's activities, both as employees and collaborators, and as communities in the areas where the company operates. Workers are recognized the right to form or join trade unions or other organizations for collective bargaining, or to abstain from membership of such organizations.

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 favors the type of flexibility in work organization that helps to maintain a work-life balance, such as 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 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.

In 2020, the Group began an evaluation process to develop an internal human rights policy which will continue during 2021. The company reaffirms its commitment to promoting respect for human rights in all situations involving its organization and towards all stakeholders who are involved in its activities: customers, suppliers and the community.

Companies in the Group do not make any direct or indirect contributions to parties, movements, committees or organizations 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 2020, there were 75 employees in these groups - 14 women and 61 men. 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 16.67%, with relative percentages of 20.56% among managers, 41.26% among white collar staff and 9.09% among blue collar staff. The prevalence of men, especially among blue collar workers, is due to the characteristics of the tasks performed.

“SOFIDEL'S CORPORATE CULTURE ADOPTS ETHICAL AND SOCIAL BEHAVIORS THAT ENSURE INFORMED, SAFE, EQUITABLE AND INCLUSIVE PARTICIPATION IN THE BUSINESS ORGANIZATION.”

Breakdown of Sofidel Group employees by level and gender – 2020

	Women	Men	TOTAL
Blue Collar	445	4,450	4,895
Managers	87	336	423
White Collar	595	847	1,442
TOTAL	1,127	5,633	6,760

Source: Sofidel.

Breakdown of Sofidel Group employees by level and gender – 2019

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

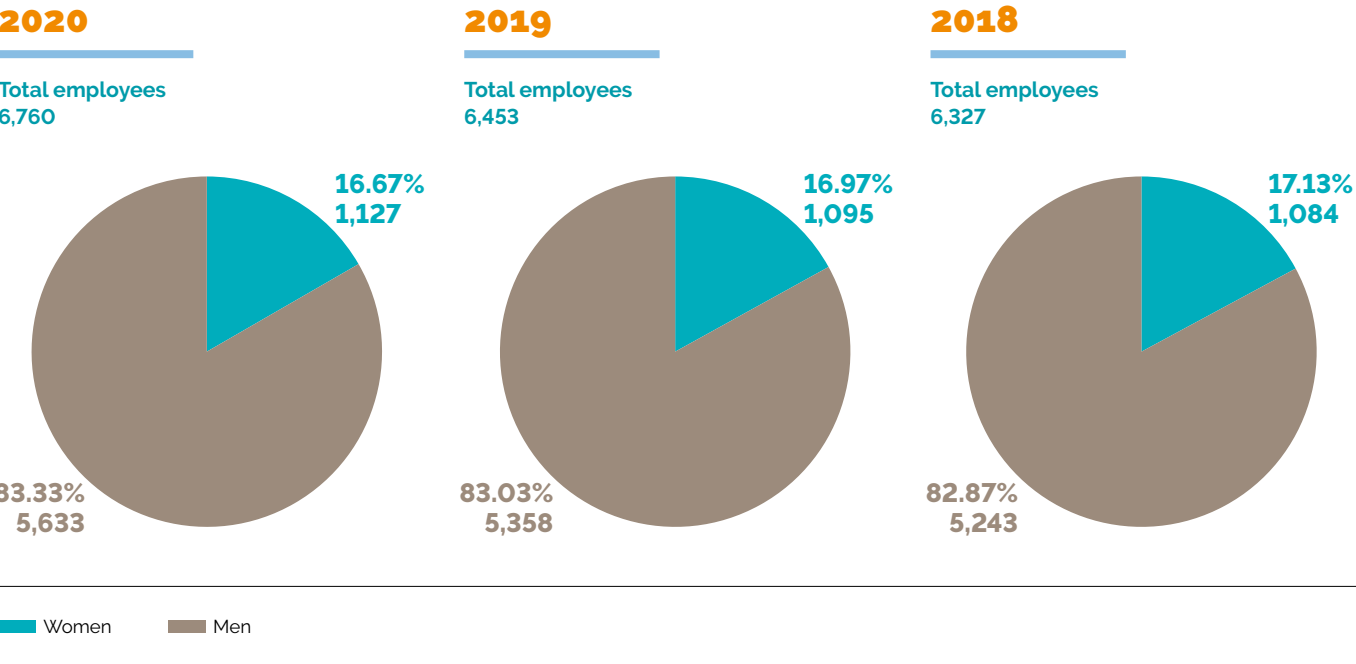
Source: Sofidel.

Breakdown of Sofidel Group employees by level and gender – 2018

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

Source: Sofidel.

Breakdown of Sofidel Group employees by gender



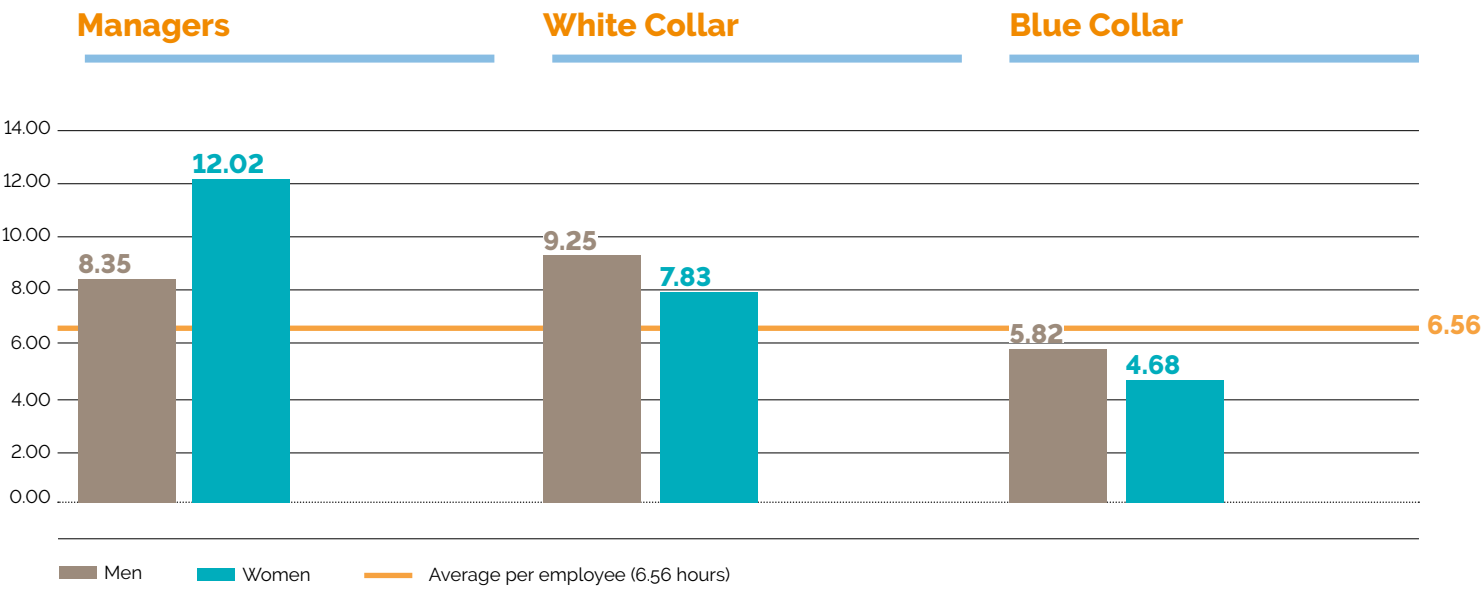
Source: Sofidel.

In 2020, 47 employees in Italy, 18 women and 29 men, took parental leave while in the foreign companies the number was 100, 50 women and 50 men. No worker decided to leave the Group at the end of their maternity leave.

Staff training and development
Sofidel believes in training and continuous updating to develop new skills, motivate people and encourage dialogue and individual initiative. In 2020, a total of **44,341 hours of training** were provided.



Average hours of training for Sofidel Group staff by gender and qualification – 2020

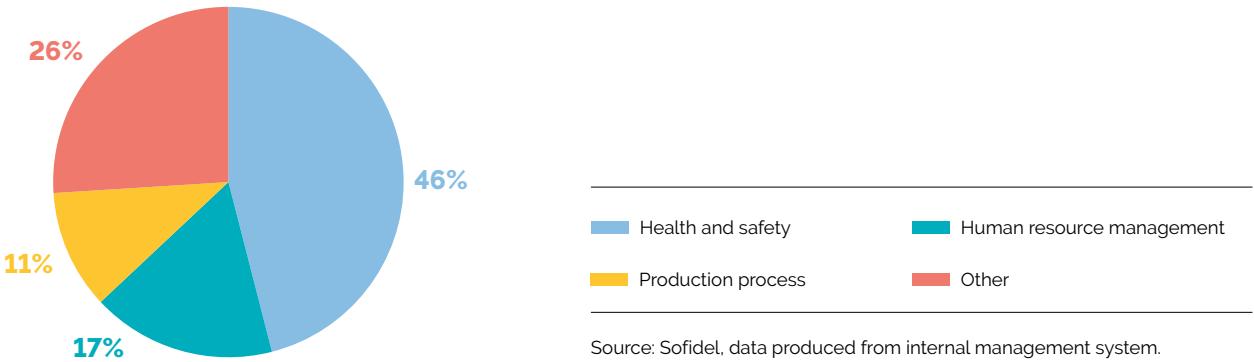


Source: Sofidel, data produced from management system

Training topics

2020

Total employees
6,760



Source: Sofidel, data produced from internal management system.

The spread of the Covid-19 pandemic has had a major impact on training courses. The containment measures taken, such as remote working for most employees, reducing access by outside consultants to company areas and the inability to travel due to restrictions, as well as the impracticality of bringing several people together in one environment, forced the cancellation of many training courses.

As soon as possible after the end of the first lockdown period, courses resumed, giving priority to practical training programs requiring the use of tools and equipment, including courses on the health and safety of workers, which must necessarily be carried out in person.

Other courses have been converted, where possible, into distance learning classes. This method, although it guaranteed delivery of the theoretical content and allowed training to continue, showed that for many issues, presence in the classroom would have been more effective, especially due to the opportunity to meet directly to other colleagues, exchange experiences and share a common space. This is particularly true in the area of soft skills, where the presence of the teacher facilitates the transfer of knowledge and its transformation into new behaviors. In the future we plan to adopt a blended method, alternating individual online lessons with opportunities to meet with the teacher and other participants to maximize the effectiveness of the training.

Despite the difficulties, for many workers social distancing and remote working have been an opportunity to engage with the digital world and become familiar with online communication platforms. This has had a positive effect, **accelerating the company's digital transformation**.

In addition to qualified outside entities, Sofidel relied on the experience and skills of its own resources for teaching (55.37%). **Investment in training totaled €706,811.24.**

Health and safety

For Sofidel, the health and safety of the individual are two essential elements for the sustainable development of its resources and business and for contributing to the improvement and well-being of society. Accordingly, we have drawn up a specific policy in which we recognize 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, we have 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 2020, the plants of Soffass, Sofidel Poland, Sofidel France (Ingrandes and Roanne production sites), Sofidel Belgium, Sofidel Spain, Sofidel Romania and Sofidel Germany (Arneburg production site) switched from the BS OHSAS 18001 management system to ISO 45001.

The protection of workers, contract workers and visitors is ensured through constant monitoring of working environments, with implementation of the best safety standards for machines and equipment, and by conducting training programs and providing information. To this end, we pay careful attention to the choice of personal protective equipment (PPE) and we constantly check its efficiency and continually improve its effectiveness so as to ensure ever better levels of protection and comfort.

We promote a culture of health and safety through communication, participation and dialogue in the workplace. In 2020, the **"Leadership in Safety 4.0"** project continued with the provision of specific training for health and safety managers and supervisors, the roles provided for by legislation on health and safety in the workplace.

"Leadership in Safety 4.0" will be rolled out over the next few years in all the Group's countries.

In 2020, with reference to the health emergency linked to the Covid-19 pandemic, Group plants implemented anti-contagion measures, complying with current national protocols aimed at protecting and guaranteeing the health of workers and their families. Anti-contagion safety protocols have been continuously monitored by company management.

Every year, the Group offers training plans in all its companies. In 2020, **20,273.06 hours of training were delivered on health and safety topics**. The training sessions mainly concerned, for both new recruits and existing employees, the aspects required by national legislation, such as job-related risks and the resulting sector-specific prevention and protection measures and procedures, use of work equipment, management of emergencies and fires, first aid, organization of company prevention and the rights and duties of the different company figures.

In addition, **on-the-job training** and safety awareness programs are defined at plant level for each category of worker.

Our partnership with the European Agency for Safety and Health at Work (EU-OSHA) continued in 2020, with membership in the new two-year campaign (2020-2022) focused on the prevention of musculoskeletal disorders, with the aim of raising public awareness, addressing specific categories of workers and promoting a culture of prevention in the workplace throughout the whole of the European Union. 72% of the Group's employees are represented by Health and Safety Committees, made up of management representatives and workers' representatives at plant level, who aim to disseminate knowledge and correct conduct practices among workers.

The "Action plan against the spread of the Covid-19 coronavirus" within the Group's offices and production plants

In keeping with the measures taken by public health, and inspired by the principle of utmost caution to safeguard the health of employees, their families, those who come into contact with the company and, more generally, public hygiene and health, since February 24, 2020 we have put in place numerous containment measures to counter the spread of the Covid-19 coronavirus. These include: the use of the thermo-scanner on entry into the company, mandatory quarantine for those who have had contact with people affected by the disease or for those who, in the previous 14 days, have arrived in Italy after being in China or other "hotspots" for the epidemic and prohibiting people who have suspected symptoms

(runny nose, cough, difficulty breathing, fever, etc.) from coming into the company.

In addition, measures have been taken such as increasing the frequency and thoroughness of cleaning of company premises, rotating access to food and beverage dispensers, strictly online meetings and training, and suspending visits to the company by consultants and suppliers. Unfortunately, we also had to discontinue the school-to-work experiences.

Throughout the period, the company has been committed to providing useful information to prevent infection and share guidance on correct behavior.



CEO Luigi Lazzareschi greets colleague Moreno Gemignani on the occasion of his retirement.

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 Rate² (FR) and the Severity Rate³ (SR). Measurement of this 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.

Frequency rate (FR) and severity rate (SR) for group companies by country (accidents with absence of more than 3 days)

	IF			IG		
	2020	2019	2018	2020	2019	2018
Belgium	0.00	8.42	4.07	0.00	0.63	0.07
France	11.90	24.07	17.07	0.31	1.17	0.51
Germany	17.14	30.24	37.23	0.21	0.65	1.29
Greece	0.00	0.00	10.32	0.00	0.00	0.08
Italy	7.12	10.14	13.00	0.35	0.28	0.22
Poland	24.05	18.20	20.54	0.94	0.39	0.31
Romania	0.00	0.00	0.00	0.00	0.00	0.00
Spain	21.29	25.12	32.49	0.35	0.60	0.66
Sweden	0.00	7.81	17.26	0.00	0.21	0.16
United Kingdom	10.22	8.96	3.80	0.43	0.34	0.50
Hungary	23.76	16.85	16.78	0.48	0.50	0.61
United States	5.50	4.21	3.42	0.18	0.13	0.17
TOTAL ⁴	10.07	12.36	12.90 ⁵	0.31	0.38	0.40 ⁶

Source: Sofidel.

2. Frequency Rate (FR): number of accidents/hours worked x 1,000,000.
3. Severity Rate (SR): days of absence due to accidents/hours worked x 1,000
4. The total values for the Sofidel Group's 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.

5. The total figure for 2018 also includes Turkey (Sofidel Turkey), which is no longer part of the Group.
6. For the year 2018, U.S. data are excluded.
7. For the year 2018, U.S. data are excluded.
8. For the year 2018, U.S. data are excluded.

For completeness of reporting, the following are the total values for accidents with absences of three days or less and commuting accidents. We provide the overall figure because, given the small number of people, it would otherwise be insignificant.

Frequency Index (FR) and Severity Rate (SR) for injuries with an absence of 3 days or less⁷

	IF			IG		
	2020	2019	2018	2020	2019	2018
TOTAL	2.07	2.26	1.17	0.001	0.005	0.002

Source: Sofidel.

Frequency Rate (FR) and Severity Rate (SR) of Group companies for commuting accidents⁸

	IF			IG		
	2020	2019	2018	2020	2019	2018
TOTALE	0.17	1.44	1.52	0.001	0.029	0.036

Source: Sofidel.



Suppliers and responsible supply chain management

Our sustainability model for procurement ensures a **socially, environmentally and economically responsible supply chain**.

The supply chain is the ecosystem within which the Sofidel Group deals with its suppliers to purchase goods or services. There are multiple purchasing solutions for the same need and each solution corresponds to a different value created for Sofidel and for the customer. Our sustainable business model involves enriching the purchasing process through the adoption and integration of a set of corporate social responsibility principles and recognizing these principles as key elements in decision-making, while ensuring that the purchasing process contributes to creating value for Sofidel and its stakeholders.

Sofidel has structured its sustainability model for procurement based on the **ISO 20400** guidelines, and during 2020 the Group's recognition by SGS Italia was renewed when the latter confirmed the compliance of Sofidel's sustainable procurement model with the reference standard.

	Global compact principles	Sustainable development goals
Economic dimension	Anti-corruption	<div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>
Social dimension	Human Rights, Employment	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div>
Environmental dimension	Environment	<div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>13 CLIMATE ACTION</div> <div>15 LIFE ON LAND</div>



“ANTI-CORRUPTION, HUMAN RIGHTS, EMPLOYMENT AND THE ENVIRONMENT ARE AT THE HEART OF OUR SUSTAINABILITY CONCEPT. AN APPROACH THAT SOFIDEL IS COMMITTED TO EXTENDING THROUGHOUT ITS SUPPLY CHAIN.”

Anti-corruption, Human Rights, Labor and the **Environment** are the significant issues that help define our concept of sustainability in relation to our activities and stakeholders. These issues are studied in depth throughout the supply chain, from the

selection of suppliers to their systematic monitoring and the promotion of training and awareness initiatives. The sustainability risk analysis revealed 13 critical product categories in our supply chain that define the critical supplier port-

folio and the associated critical expenditure, i.e., the portion of expenditure associated with the critical product categories. These categories can be classified according to the Kraljic matrix.

Kraljic matrix: distribution of critical categories

		market complexity	
		low	high
importance for the production process	high	LEVERAGE labels inks transport adhesives virgin polyethylene	STRATEGIC electricity natural gas cellulose chemicals fragrances
	low	NON-CRITICAL printing marketing & gadgets	BOTTLENECK waste disposal

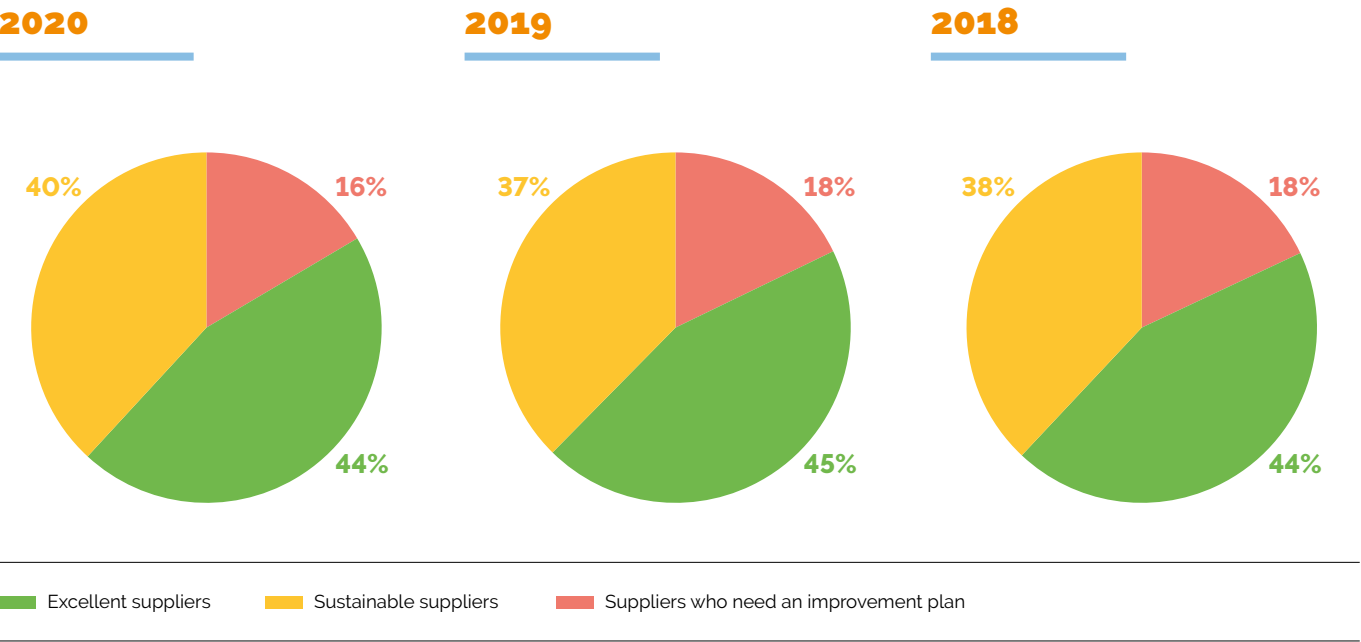
Source: Sofidel. Risk analysis on supplier portfolio.

THE TenP PLATFORM AND SUPPLIER ASSESSMENT

The tool chosen for supplier sustainability assessment is the "TenP - Sustainable Supply Chain Self-Assessment Platform" **developed by the Global Compact Network Italy Foundation (GCNI)**. TenP provides a self-assessment system that measures supplier performance in terms of **working conditions, respect for human rights, environmental protection and the fight against corruption**. The Sofidel Group, together with GCNI, has developed a rating system

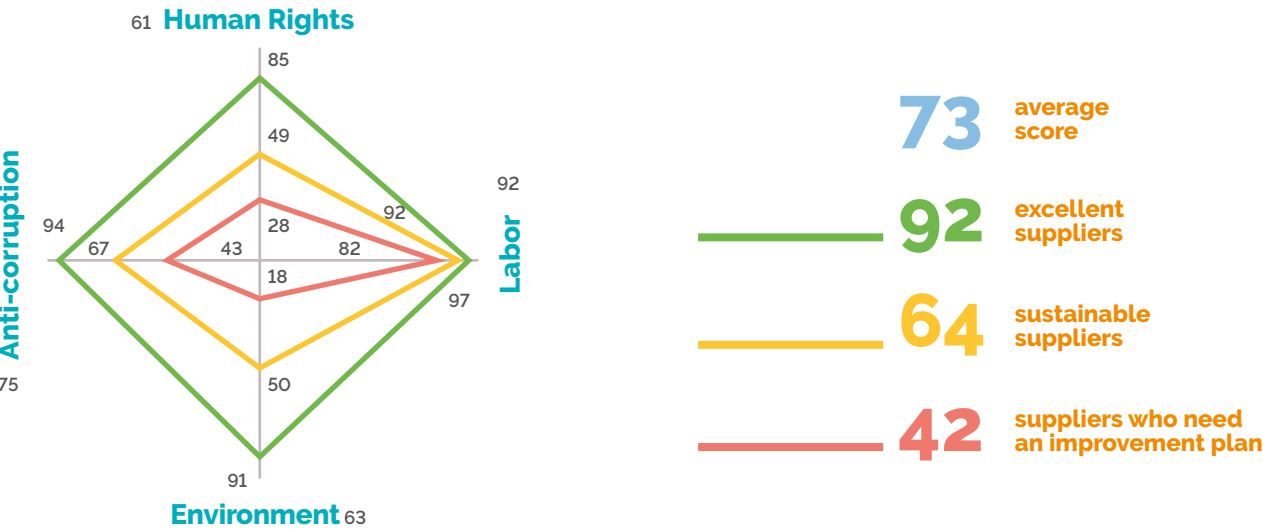
which puts each supplier into a different category (green, yellow and red) based on the score obtained from the self-assessment. The year 2020 saw an improvement within the Group's supplier portfolio with the consolidation of the overall share of suppliers belonging to the "sustainable" (yellow) and "excellent" (green) merit classes, against a decrease in the portion of suppliers "needing improvement" (red category). This result is partly related to the type of companies that completed the self-assessment during 2020.

Breakdown of Sofidel suppliers by merit class



Source: Sofidel: number of suppliers by merit class.

Average score analysis



Source: Sofidel: SMOSC (Sustainable Management of Supply Chain).

The detailed analysis of the suppliers' portfolio 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). There are weaknesses in these areas including among "sustainable" suppliers;
- Labor 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 effectiveness of monitoring is measured through the coverage ratio. Having defined the perimeter of expenditure under analysis, i.e. the sample expenditure, the coverage ratio is the ratio between the expenditure attributable to the suppliers evaluated through the

TenP platform, i.e. the monitored expenditure, and the sample expenditure. This index can be broken down in terms of merit categories and may refer to a subset of expenditure on specific product categories.

Structure of sample expenditure

Macro Area	No. of expenditure categories included	% breakdown
Raw materials	15	59%
Machines and plants	1	11%
Energy	2	10%
Logistics services	2	15%
Services	4	5%

Source: Sofidel, business warehouse.

87%

(+6% compared to 2019)

Coverage ratio for 2020.

87% of the sample expenditure is generated from business partnerships with suppliers that have a valid self-assessment report on the TenP platform.

Coverage ratio by macro area of the sample expenditure

Raw materials	Machines and plants	Energy	Logistics services	Services
98%	54%	84%	90%	29%

The quality of the monitored expenditure shows a clear prevalence of excellent suppliers who alone cover 80% of the total (+5% compared to 2019). The coverage ratio for critical expenditure increased during 2020 to 95% (+10% compared to 2019).

Quality of monitored expenditure (Sofidel Group: Europe + United States)

Expenditure class	No. of suppliers			Share of expenditure monitored			Expenditure class
> € 1,000,000	7	41	107	11%	12.7%	73.8%	> € 1,000,000
> € 500,000 ÷ ≤ 1,000,000	13	30	45	0.8%	1.9%	2.7%	> € 500,000 ÷ ≤ 1,000,000
> € 100,000 ÷ ≤ 500,000	46	114	118	0.9%	2.3%	2.8%	> € 100,000 ÷ ≤ 500,000
≤ € 100,000	89	196	150	0.3%	0.5%	0.4%	≤ € 100,000
TOTAL	155	381	420	3%	17%	80%	TOTAL

Source: Sofidel: SMOSC (Sustainable Management of Supply Chain).

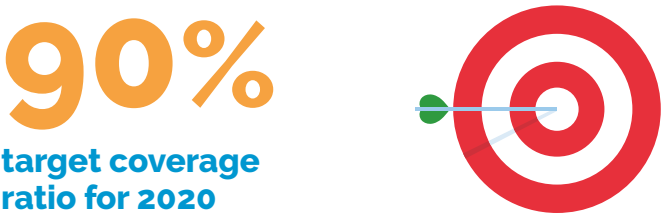
Excellent suppliers

Sustainable suppliers

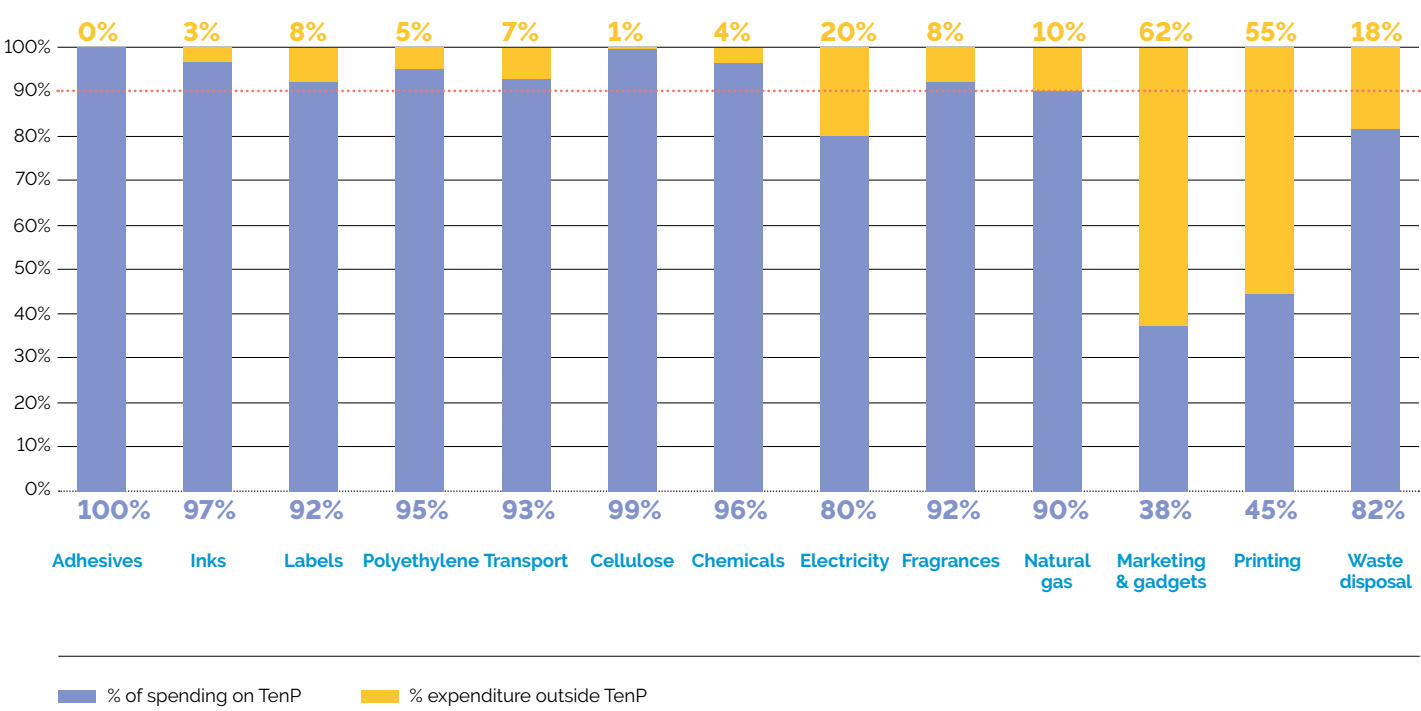
Suppliers who need an improvement plan

A CLEAR TARGET
FOR ALL PRODUCT CATEGORIES

For the year 2020, the target to be achieved for all product categories, in terms of the coverage ratio, has been set at 90%. Adhesives, inks, labels, polyethylene, transport, cellulose, chemicals, fragrances and natural gas categories met the target annual coverage ratio. Details of the coverage ratios achieved for the 13 product categories are shown below.



Coverage ratios by critical category (Sofidel Group: Europe + United States)

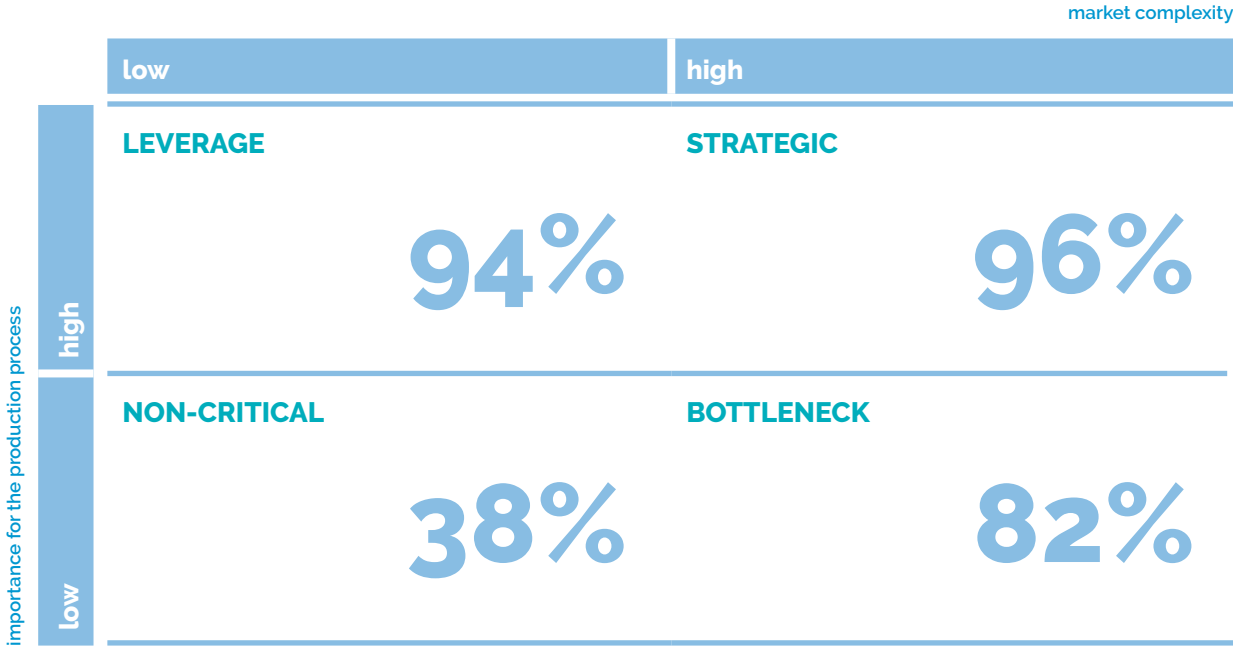


Source: Sofidel: SMOSC (Sustainable Management of Supply Chain).

In aggregate form, previous results can be related to the Kraljic matrix: Particularly significant was the increase in the LEVERAGE areas (+14% compared to 2019), where the more effective monitoring of the categories labels (+43% compared to 2019), inks (+15% compared to 2019) and transport (+17% compared to 2019) stands out, and STRATEGIC (+10% compared to 2019) was due to a widespread improvement in monitoring in all critical categories and, in particular, in the category relating to natural gas suppliers (+41% compared to 2019).



Kraljic Matrix: distribution of critical spend covered by TenP



Source: Sofidel: SMOSC (Sustainable Management of Supply Chain).

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 is divided into two distinct macro-phases, both subject to approval by the Group:

- Registration
- Qualification

The macro-phase registration 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 qualification macro-phase is differentiated according to the product category to which the supply belongs. This is the point of contact between **sustainability self-assessment 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 summary index adopted to measure the effectiveness of qualification is the percentage of the sample expenditure attributable to suppliers with a valid qualification on the Ariba platform (control ratio).

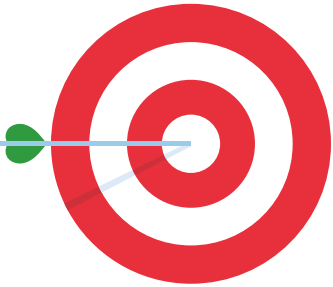
The SLP module of the Ariba platform is integrated with the Group's management system: integration takes place at supplier master data level.

This is what transforms supply chain monitoring (measured by the coverage ratio) into process control (measured by the control ratio): the sustainable attribute enters the business model through a purchasing process that includes supplier status (qualified/unqualified) as a discriminating element for the completion of the process itself.

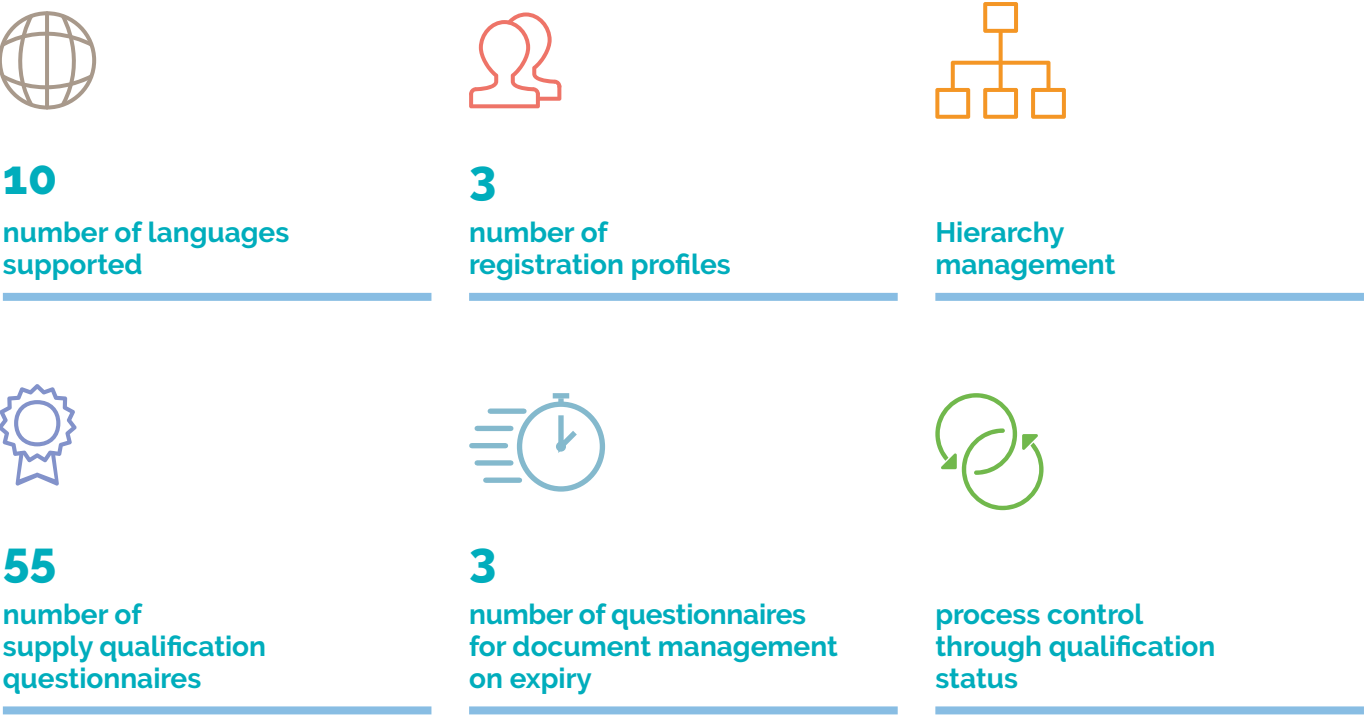
The other features of the SLP module are shown here.

85%

The value of the control ratio achieved in 2020 is higher than the set target of 80%.



The Sofidel SLP module – Main features



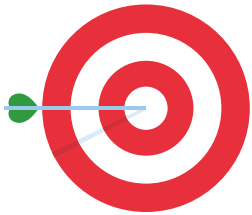
Source: Ariba Supplier Lifecycle.



The SLP module of the Ariba platform has reached maturity: the next step is to consolidate the good result obtained during 2020 and exploit the platform's potential to streamline processes and automate activities. The target control ratio for the year 2021 has been set at 95%.

95%

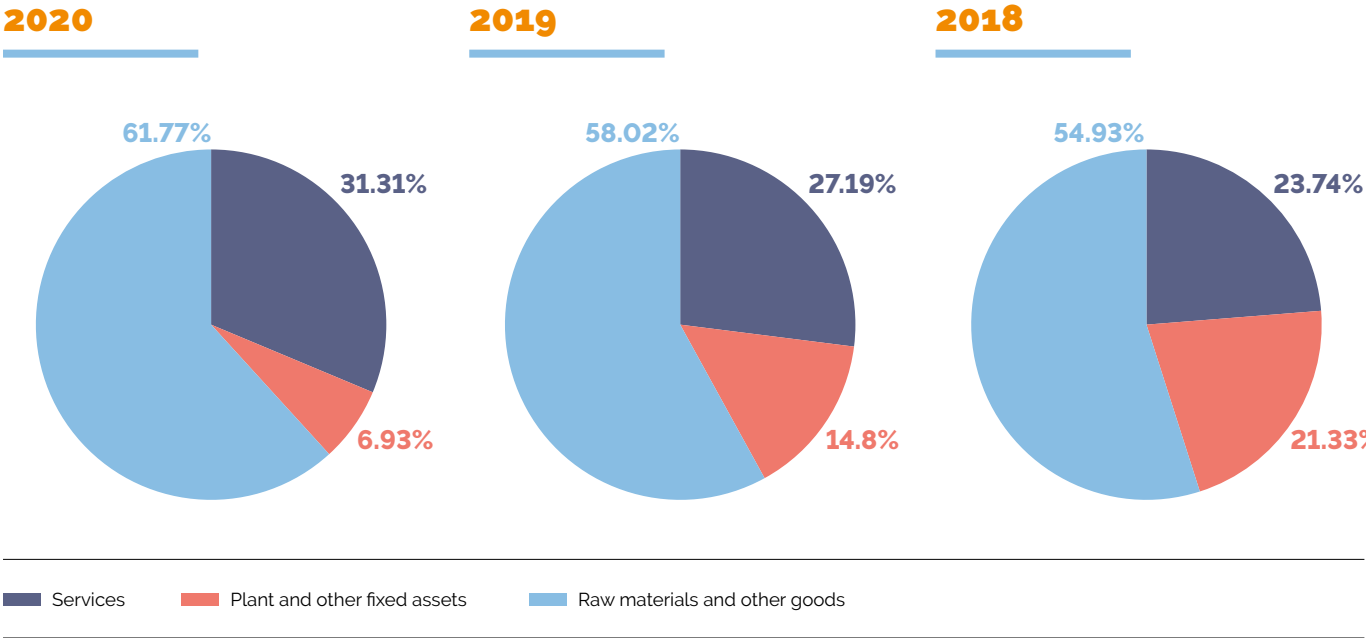
target control ratio for 2021



SUPPLIER MAP

In 2020 Sofidel mainly purchased raw materials with a total value amounting to 61% of total expenditure on supplies.

Turnover - Sofidel Group suppliers

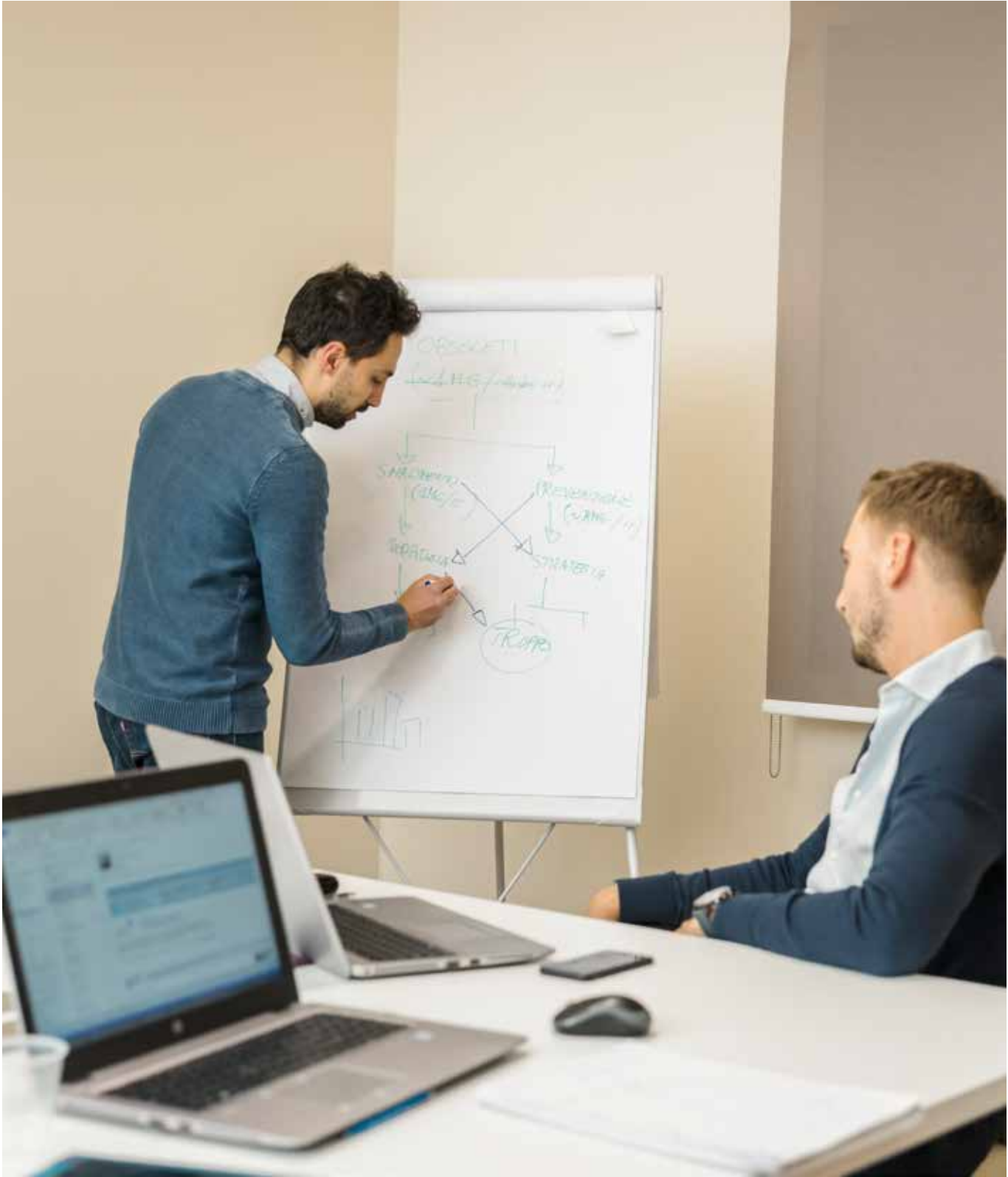


Source: Sofidel, produced from SAP.

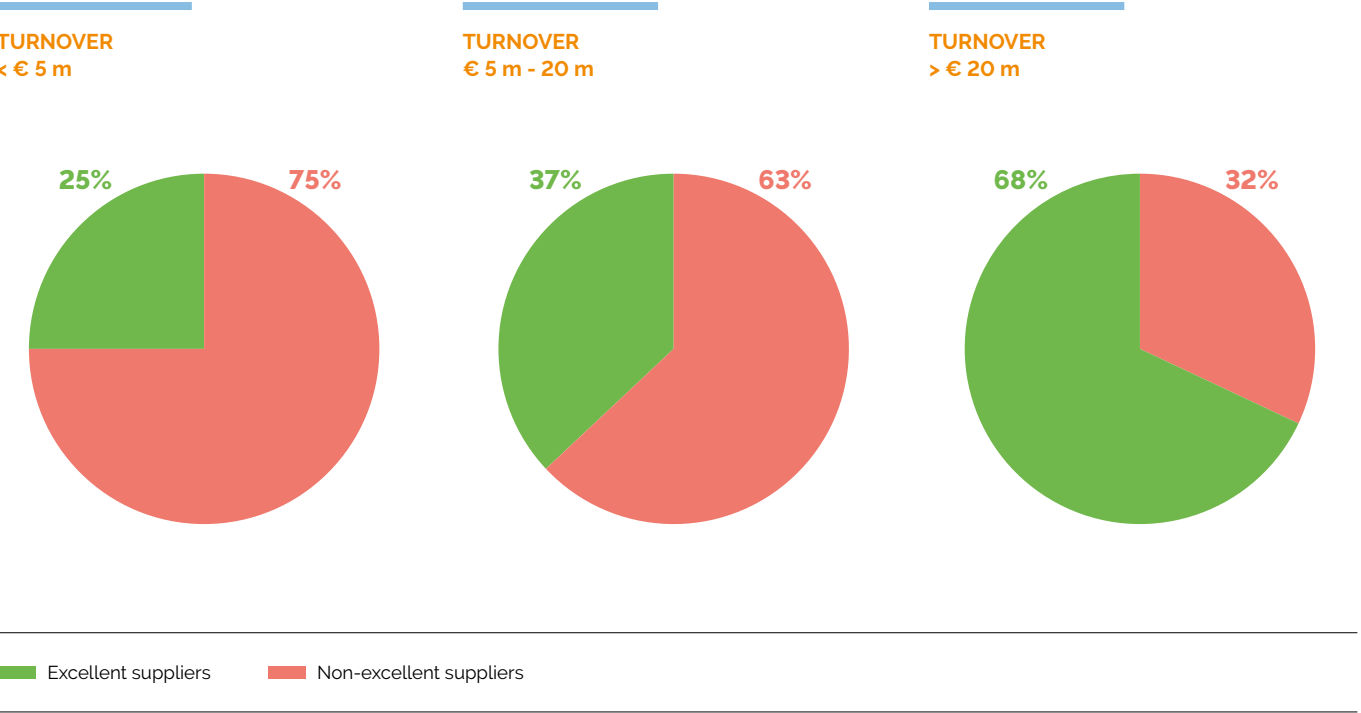
NEW CHALLENGES

Achieving the goal of having a **supply chain with zero risk** means that we have to continually monitor and stimulate sustainability all along our supply chain. Analysis of the current supplier portfolio from a sustainability view-point clearly indicates the challenge ahead of us: **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. During 2020, we launched a **massive training campaign** targeting top-level suppliers on the TenP platform. The tool chosen to convey the training content is the SAP Success-

Factors platform through which specific e-learning modules have been distributed. The comparison with the data for the year 2019 shows that the transformation in a sustainable direction also seems to have started within small companies (with turnover < € 5 m): the share of excellent suppliers in this sector is +4% compared to 2019. On the other hand, a stable condition is seen in the other segments (suppliers with turnover between € 5 m and € 20 m and suppliers with turnover > € 20 m) which did not improve their 2019 results. This result is partly related to the types of companies that completed the self-assessment in 2020.



The SME challenge – 2020



Source: Sofidel

During 2021, the massive training campaign should continue to support smaller companies to help reduce the gap between them and other companies in the Group's supplier network. At the same time, attention will also have to be paid to larger companies (with turnover between € 5 m and € 20 m and with turnover > € 20 m) in order to help consolidate the results achieved and avoid dangerous setbacks.

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 thus far.

However, the Sofidel Group intends to pursue the challenge of a qualified second-tier supply chain: the first step in this direction consists of a preliminary screening with the objective of acquiring basic information on the sub-supply chain of our first-tier suppliers.

The tool developed is a dedicated section in the qualification questionnaire asking the supplier to specify whether they use sub-contractors, whether they have a codified process for managing sub-contractors and **what tools they use to monitor their supply chain**. During 2021, the updating and renewal of the qualification questionnaires will help to extend the request for this information to the Group's qualified suppliers.

Initiatives promoting dialogue with stakeholders, commitment to communities and community relations

Our institutional communication is based on the values of honesty, inclusion and correct information, and on those actions that can have a positive impact on people and the planet. This is why we push forward with the causes we believe in and where we feel we can add value in terms of knowledge and expertise.

In 2020, the year marked by the Covid-19 pandemic, we continued to clearly inform our stakeholders, with the aim of creating a constructive and fruitful dialogue. We believe in useful and proactive communication, capable of raising awareness and generating a positive change in people's habits and choices. Especially in a complex and transformative time like the one we are experiencing.

DIALOGUE WITH OUR STAKEHOLDERS

Covid-19 Emergency - Awareness raising activities within the Group

With the aim of raising awareness and keeping the attention of all employees constantly focused on the need to take preventive measures to limit Covid-19 infection, in addition to the communications sent by the CEO and the task force and the information activity carried out through its magazine "People & Paper", in the second half of the year Sofidel produced and disseminated video testimonials featuring some of the Group's employees (in Italy, Romania, Sweden and the United States) who had to deal personally with the virus.

Strengthened commitment to the UN Global Compact

CEO Luigi Lazzareschi signed the "Statement from Business Leaders for Renewed Global Cooperation" of the United Nations Global Compact, demonstrating his support for the UN and inclusive multilateralism. The statement was presented by the CEO and Executive Director of the United Nations Global Compact, Sanda Ojiambo, to António Guterres, Secretary-General of the United Nations, at the celebration of the organization's 75th anniversary. More than 1,000 CEOs signed, from over 100 countries around the world. Sofidel's CEO also attended the "Business & SDGs High-Level Meeting" event organized by the Global Compact Network Italia and signed the "Women's Empowerment Principles" (WEPs), demonstrating his attention to the issue of gender equality and his support for the values set forth in these principles.

Sofidel at the Online Energy Talk of RCS Academy:
"Green Finance and Social Responsibility: New Assets for More Competitive Businesses"

In November 2020, Sofidel CEO Luigi Lazzareschi spoke at the event organized by *Corriere della Sera* and dedicated to the methods of transition to the circular economy and the main competitive assets for companies. The initiative was attended by numerous representatives of institutions, the world of finance and business who discussed European policies, the regulatory environment, new drivers of green finance, profitability and the environment. Sofidel's CEO spoke at the session "Profitability and the Environment. The perspective of companies", moderated by Nicola Saldutti, head of the *Corriere della Sera* Economics Department, and introduced by Federico Testa, chairman of ENEA. RCS Academy's Online Energy Talks are meetings with the protagonists of the world of energy,



“OUR COMMUNICATION IS BASED ON THE VALUES OF HONESTY, INCLUSION AND CORRECT INFORMATION, AND THOSE ACTIONS THAT CAN HAVE A POSITIVE IMPACT ON PEOPLE AND THE PLANET.”

sustainability and finance. An opportunity to share proposals and design new strategies consistent with the guidelines of the European Green Deal.

Sofidel and the “NextGen” project in universities

Activities related to the “Next-Gen” project (launched by the Group in 2019) continued in 2020. In particular, Sofidel and WWF Italia took part in three meetings organized in as many Italian universities: the University of Udine (Multifunctional Center in Gorizia), the University of Turin (Department of Management) and the University of Naples Suor Orsola Benincasa (Course in Business Economics and Green Economy). All the meetings, held in virtual mode and introduced by Rossella Sobrero, president of FERPI (Italian Public Relations Federation), addressed the issue of the value of partnerships between for-profit and non-profit organizations, starting with the experience of the sustainability projects of Sofidel and WWF Italy.

“I’ll Take Care of You”: working with schools towards the 2030 Agenda

The educational project “I’ll Take Care of You”, promoted by WWF and Sofidel through its Regina brand, has been renewed and strengthened. Aimed at Italian primary and secondary schools, the program is

free of charge and is designed to convey a love of our planet to children and raise their awareness of the objectives of the UN 2030 Agenda. Established in 2014, “I’ll take care of you” has involved, during the six previous editions, more than 265 thousand children and young people through in-depth studies on the topics: “Forests”, “Water” and “Climate”.

“I’ll take care of you” is integrated with the new ministerial guidelines on the teaching of Civic Education (Sustainability), also adapting to distance learning at a time when the Covid-19 emergency has made this method increasingly more widespread. The 2020/2021 edition is dedicated to the importance of plants and forests for life on Earth.

Sofidel in the “CSR and Social Innovation Fair”

In 2020, Sofidel took part in the eighth edition of the “CSR and Social Innovation Fair”, one of the main meetings in Italy dedicated to the theme of sustainability and Corporate Social Responsibility (CSR), entitled “The Faces of Sustainability”. During the event, which took place online on the dedicated website, Sofidel participated in two talks: the first was hosted in the session “A low-carbon economy: critical issues and opportunities” and the second took place in the meeting “Responsible organizations and businesses: educate for sustainability”.



COMMITMENT TO COMMUNITIES AND TERRITORIES
AND COMMUNITY RELATIONS

Sofidel has always been careful to respond to the needs of its local communities, the territories in which it operates and community relations and to support the social causes promoted internally by its employees.

We evaluate which associations to support on a case-by-case basis, also through donation and sponsorship activities to support the specific initiatives we believe in. In 2020, in particular, due to the health emergency arising from Covid-19, we increased our action with targeted interventions in the social field in favor of hospitals, people in distress and economic activities in difficulty.

Covid-19 Emergency – Donations to hospitals

With the initiatives #RotoloniReginaChallenge in Italy and #ElRe-toRegina in Spain a total of 80,000 euros were donated to four Italian and two Spanish hospitals. Moreover, in Italy, thanks to a voluntary collection among the workers of the Group’s offices and plants, doubled by the company, two ultrasound scanners were donated to the San Luca Hospital in Lucca, for a value of 70,000 euros, and an ultrasound scanner and an electrocardiograph to the Gorizia Hospital, for a value of 17,000 euros.

Covid-19 Emergency – Product donations in Europe
and the United States to counter situations of distress

In Italy, 135 metric tons of paper (toilet paper, kitchen towels, napkins, handkerchiefs and place mats) were donated to Caritas Italiana, the equivalent of about 1,680,000 rolls of toilet paper, a quantity of paper able to meet the monthly needs of about 160,000 people. All for a total value of 160,000 euros. In addition, 200 kg of paper were donated to the parish in the historic center of Lucca, which offered support to 70 families in difficulty, and 200 kg of paper to the Museo Casa Natale di Giacomo Puccini in Lucca. In Europe and the United States, again through third sector associations or local entities, 300 metric tons of paper were donated (200 in Europe and 100 in the United States), equivalent to 3,730,000 rolls of toilet paper, capable of satisfying the monthly needs of 375,000 people. More specifically, in Europe, 23 metric tons were donated to France, Benelux, United Kingdom, Spain, Germany and Poland, and 15 metric tons to Sweden, Hungary, Romania and Greece.

Covid-19 Emergency – Initiatives in favor of economic activities in difficulty

In June 2020, at the end of the first wave of the pandemic, Sofidel launched, with its own brand Away-From-Home Papernet, the #RiparticonPapernet aid program that made 10,000 free supplies of napkins and dispensers available to pizzerias with employees, for a total value of about 1 million euros.

Also during the month of June, the Lazzareschi Foundation – in collaboration with the Porcari Attiva association and the Municipal Administration – made three vouchers worth €3, €5 and €10 available to families in Porcari (Lucca) and to Sofidel employees in the Lucca area. The vouchers could be spent in bars, restaurants, ice cream parlors, pastry shops and pizzerias in Porcari, for a total value of 100 thousand euros.

Covid-19 Emergency – Other initiatives in favor of local communities in Italy

To support the territory in which it operates, burdened by the difficulties and uncertainty of the health emergency, Sofidel donated 25,900 euros to the Misericordia di Montecarlo (Lucca), 10,850 euros to the Misericordia di Borgo a Mozzano (Lucca), 7,440 euros to the Misericordia di Capannori (Lucca), 20,000 euros to the Croce Verde di Porcari (Lucca) and sent a supply of paper products to the Croce Bianca Alpeadria Soccorso di Monfalcone (Gorizia) and to the Protezione Civile di Chiesina Uzzanese (Pistoia). In addition, 501 liters of sanitizing gel were donated to the San Luca Hospital in Lucca, for a value of 3,000 euros, and a sanitizing kit was given to shops in the municipality of Porcari (Lucca).

Covid-19 Emergency – During the Christmas period initiatives in favor of the territories

In the countries where the Group is present, Sofidel allocated the equivalent of the resources that would have been used for the traditional Christmas dinner in favor of public bodies and third sector associations active in the territory in the fight against economic and social hardship. In Italy, in order to provide breathing space and support the restart of local economic activities, the customary Christmas gift given to the Group’s employees only featured products from the areas where the Group is active.

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. The aim of the Foundation is to promote the cultural, social and entrepreneurial growth of the Lucca area, the Group’s historical headquarters, and of the Tuscany region in general. A key figure in the economic development of the town of Porcari, Giuseppe Lazzareschi, who had always been sensitive, thanks to his intuitive and far-sighted abilities, to environmental problems and safety in the workplace, based his life and his entrepreneurial activity on the values of honesty, respect and loyalty. These principles also inspire the work 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, bringing people and enterprise together to assist the growth and enhancement of cultural, social and entrepreneurial capital, the Foundation has, over the last few years, held exhibitions, events, conferences and fairs, involving an ever wider public. During 2020, several artistic, cultural and social initiatives were carried out for the territory. Among these, the event "The Strength of Ideas", promoted by the cultural association "Venti d'Arte", which re-counted the great themes of life through the words of famous writers and emerging talents, opening with *Invisible Cities* by Italo Calvino. The painting exhibition "I am no one" was also inaugurated, with the exhibition of works by Nicola Pierotti, and the exhibition entitled "Working bicycles. Italy on two wheels between the 1930s and 1960s" was concluded, which allowed us to retrace a cross-section of our history, with over twenty examples on display. In addition, the catalogue of the exhibition "Paper. A story to the future", realized in 2019 to tell the story of paper and paper mills in the Lucca and Pistoia area, was published by "La Nazione".

The Foundation is also committed to social activities dedicated to the local community, including "Porcari gets going!". The initiative provided for the donation of three vouchers worth €3, €5 and €10 to the families of Porcari to spend in bars, restaurants, ice cream parlors, bakeries and pizzerias in the town. A concrete gesture, in collaboration with the Porcari Attiva association and the Municipal Administration, to support the restart of local activities in the hospitality industry, particularly hard hit by the economic crisis following the Covid-19 pandemic.

"Objective Zero", a project started in 2003 with the mission of spreading the culture of safety in the tissue paper industry, in schools and in public opinion, also saw a large number of Italian paper companies joining in 2020. 27 companies were awarded for their meritorious achievements in terms of reducing accidents in the workplace, and 600 production workers received a certificate of merit for not having had any accidents in recent years. Thanks to the contributions made by the companies that took part in the "Objective Zero" award, the Foundation donated 10,000 euros to support the non-profit association ANMIL (National Association of Workers with Disabilities at Work), which has always been committed to accident prevention and safety policies.

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 time, we have become a constant presence in the life of numerous technical high schools and the University of Pisa, translating our social role into a true educational responsibility. In particular, we are committed to supporting students, teachers, school managers and academics with the aim of including topics

in the educational programs that are useful for future employment in the paper industry and to achieve training built on skills, able to represent a real development factor for the tissue sector and for the territory.

In addition to these collaborations (which can be consulted on our website), the experience of alternating school and work, now called "Paths for Transversal Skills and Orientation" (PCTO), and the reception of students for curricular internships in preparation for their thesis are of particular value. These experiences have taken on particular importance as a pedagogical and didactic method and as an occasion for the integral formation of the individual.

In 2020, due to health emergency restrictions imposed by Covid-19, these training activities were suspended or severely curtailed. It was only possible to continue "remote" university internship experiences based on distance learning.

As evidence of its commitment to the training of new generations, in 2020, Sofidel was awarded the "Bollino per l'Alternanza di Qualità" (BAQ) and the "Bollino Impresa in ITS" (BITS) by Confindustria. The aim of both awards is to encourage partnerships between businesses and educational institutions, improve the quality of training courses and create the conditions for increasing youth employment. In particular, the BAQ is awarded to companies that stand out for the creation of "Paths for Transversal Skills and Orientation" through the activation of virtuous collaborations with secondary schools. On the other hand, BITS rewards those companies that have launched partnerships with Technical High Schools (ITS). Sofidel, in particular, as a member of the Foundation ITS Prime, has activated in Lucca the project PAPER19 – "Advanced Technician for production in the paper industry" and the project PAPER GEAR 2020 – "Advanced Technician for innovation of processes and mechanical products in the mechanical papermaking sector".

The historical collaboration with WWF

The collaboration with WWF has been going on for over ten years, thanks to which Sofidel has developed, both in Italy and internationally, an organic and systemic approach to environmental sustainability issues, contributing to the creation of an open, positive and responsible vision of the future. In particular, since 2008, Sofidel has been a partner in the international WWF Climate Savers program for the voluntary reduction of climate-altering emissions. Over the years, the Group has also embarked on a path to improve its forest procurement process, choosing to use certified sources to help safeguard natural capital and to produce tissue paper products for hygienic and domestic use with an ever smaller ecological footprint. The collaboration with WWF also includes initiatives linked to some products of the Regina, Sopalin and Le Trèfle brands in support of the main nature conservation projects promoted by WWF in Italy and around the world.

Sofidel, with Nicky, alongside Telethon

Sofidel, through Nicky products, has renewed its partnership in Italy with the Telethon Foundation, active in supporting research into rare genetic diseases. Sofidel has supported the Telethon Foundation since 2012 by contributing directly and promoting the Foundation's projects on the packaging of Nicky brand products, as well as on the brand's Facebook and Instagram pages.

Sofidel, with Nicky, supporting Woodland Trust in the UK

Thanks to its partnership with the Woodland Trust, an organization for the conservation of woodland heritage in the United Kingdom, Sofidel guarantees the planting of at least 20 thousand native trees a year. The United Kingdom has one of the lowest percentages of woodland in Europe, only 12% compared to an average of 45% in the rest of Europe.

Sofidel alongside Talea for an urban forestation project

Sofidel has become a main sponsor of the "New Trees" project, conceived by the Talea association of Lucca and created with the aim of promoting, organizing and disseminating events, projects and initiatives linked to environmental education and sustainability, with particular attention to the territory of the Province of Lucca. The project, carried out in collaboration with the Municipality of Lucca and the support of other local entities, aims to plant at least 3,000 native trees in the period between October 2020 and March 2023, 750 of which will be funded by Sofidel. The planting of the first tree took place in Lucca on November 7, 2020.

Sofidel and the "Fairy Children"

In 2020 Sofidel continued to support the "Fairy Children", a social enterprise that has been providing economic support for projects and social inclusion pathways for family units with autism and other disabilities since 2005.



METHODOLOGICAL NOTE

Reporting process

The tenth 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)¹, better known as the IR framework. The GRI Standards represent the main global reference standards for an organization's or an enterprise's Sustainability Reporting. This Report has been prepared in accordance with the principles of balance, comparability, accuracy, timeliness, reliability and clarity as set forth in the GRI. The guidelines of the "Framework for Integrated Reporting and the Integrated Report" of the Integrated Reporting Committee (IRC) are the only reliable benchmark available to date. The IR framework focuses on the organization's capacity to create value in the short, medium and long term. In this way it maximizes 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 organization, which consists of considering the relationships between the operating units and functions of an organization, as well as the capital that the latter 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. According to the British convention, in this Report commas are used to separate thousands and points to separate decimals.

Report boundary

The reporting boundary for this Integrated Report includes all the companied controlled by the parent company, Sofidel S.p.A. and it contains the corporate simplification operations that took place during the year (for all details see the Consolidated Financial Statements and the Explanatory Notes). The reference period is the 2020 financial year, which coincides with the solar year running from 1 January to 31 December 2020, 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:
Antonio Pereda (antonio.pereda@sofidel.com)
Elena Faccio (elena.faccio@sofidel.com)

1. Organism created by the International Federation of Accountants (IFAC), the Global Reporting Initiative (GRI) and the Prince's Accounting for Sustainability Project for the development of an integrated reporting statement for the economic-financial, environmental and social performance of public and private organizations.



Sofidel SpA – Integrated Report 2020 Independent Assurance Statement

Introduction

DNV GL Business Assurance Italia S.r.l. ("DNV") was commissioned by the Management of Sofidel SpA ("Sofidel") to undertake an independent assurance of the company's Integrated Report 2020 ("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 2020 to December 2020, 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 remotely audit was conducted in January, February and May 2021, due to the Covid-19 pandemic (SARS CoV-2).

The information and economics 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, which is based on our professional experience and international assurance best practices.

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 22 company representatives involved in the operational management of the aspects described in the Report.

Conclusions

In the opinion of DNV, the Sofidel's Integrated Report 2020 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.dnv.com/services/sustainability-report-assurance-11175>

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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 2020 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 2020 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 to formalize sustainability governance within the organisation;
- evaluate the opportunity to extend controls to second and third level suppliers to trace the supply chains of the most critical products in terms of sustainability (e.g. wood and paper supply chain);
- evaluate the opportunity to integrate the individual incentive system by strengthening the link with the three-year corporate sustainability plan: in addition to the environmental objectives already present, also develop social ones;
- 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.


Competence and independence of DNV

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

DNV 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



Chiara Murano
Verifier



Massimo Trombetta
Reviewer

Vimercate (MB), 24/05/2021










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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.

	GRI Standards	SDGs
Letter to stakeholders	GRI 102-14	
Sofidel in figures		
Sofidel in the world	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 and the main events of the year		
Sound and responsible governance		
Corporate structure	GRI 102-5, GRI 102-18, GRI 102-19, GRI 102-20, <IR> 4.8	
Organizational structure		
Internal control system		
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	
Transparent financial performance		
Economic and financial performance	GRI 201-4, <IR> 4.30	
Strategy and sustainable business model		
"Clean Living" and our business model	GRI 102-11, GRI 102-12, GRI 102-32, GRI 102-16, GRI 102-17, GRI 102-18	   
The strategy for steady and "clean" growth	GRI 412-2, GRI 408-1, GRI 409-1 <IR> 3.3, <IR> 4.10, <IR> 4.23, <IR> 4.27, <IR> 4.34 GRI 102-13	  
Stakeholder priorities and materiality analysis	GRI 102-40, GRI 102-41, GRI 102-45, GRI 102-46, GRI 102-47, GRI 103- 1, GRI 102-48, GRI 102-49, <IR> 3.17	

	GRI Standards	SDGs
A product that is born "clean"		
Production process and innovations		 
A safe and quality product	GRI 417-1, GRI 417-2, GRI 416-1, GRI 416-2	
Creating value for the consumer and our business partners	GRI 416-1, GRI 416-2, GRI 418-1, GRI 102-43, GRI 102-43, GRI 418-1	
Lines of business, markets and products	GRI 102-2, GRI 102-4, GRI 102-6, GRI 102-7, <IR> 4.4, GRI 102-2	
Logistics	GRI 103-3, GRI 308-1, GRI 414-1	
The environment and our commitment to a "cleaner" world		
The environment and the changes underway		
Protection of forest resources and certifications	GRI 301-1, GRI 301-2, GRI 304-1, GRI 304-2, GRI 304-3, GRI 304-4	
The energy balance and reduction of climate-altering emissions	GRI 302-1, GRI 302-2, GRI 302-3, GRI 302-4, GRI 302-5, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI 305-6, GRI 305-7	 
Responsible management of water resources	GRI 303-1, GRI 303-2, GRI 303-3	 
Responsible production, consumption and management of waste	GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-4, GRI 306-5, GRI 306-6, GRI 306-7	
Environmental Management System certifications		
Fairness and respect for people		
Safeguarding human capital and corporate well-being	GRI 401-1, GRI 401-3, GRI 405-1, GRI 408-1, GRI 408-2, GRI 103-2, GRI 202-1, GRI 202-2, GRI 401-1, GRI 405-2, GRI 402-1, GRI 103-2, GRI 407-1	
Staff composition and distribution		
Focus on protected categories and equal opportunities, staff training and development, health and safety of people	GRI 404 -1, GRI 404-2, GRI 404-3, GRI 403-5, GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 412-2, GRI 410-1, GRI 403-9	   
Suppliers and responsible supply chain management	GRI 102-9, GRI 308-1, GRI 308-2, GRI 412-3, GRI 414-1, GRI 414-2, GRI 412-2, GRI 407-1, GRI 408-1, GRI 409-1, GRI 410-1, GRI 204-1	

	GRI Standards	SDGs
Initiatives promoting dialogue with stakeholders, commitment to communities and community relations	<IR> 3.10, GRI 102-43, GRI 102-44, GRI 103-2	   
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	
Assurance		
GRI performance indicators		
Contacts		



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