

# FOREST PROCUREMENT POLICY



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To develop this policy, the Sofidel Group has collaborated with WWF and followed the guidelines provided by the **Accountability Framework Initiative (AFI)**.

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## 1

**SOFIDEL GROUP PROFILE**

Sofidel Group is an Italian industrial group and one of the world's leading producers of paper for hygienic and domestic use. The main material for the manufacture of tissue paper is cellulose fiber, which Sofidel Group buys on the world market in the form of virgin pulp, or extracts from recycled/recovered paper.

Although the most common origin of Sofidel Group's cellulose fiber for papermaking is wood, a raw material produced by the forest industry, the company is also exploring the use of alternative fibers (such as bamboo or material recovered from other sectors such as agriculture and textile), when these can reduce the pressure on global forests.

Sofidel Group's awareness of the important role that forests play in protecting the global environment and maintaining and enriching biodiversity, as well as civil society's growing expectations with regards the protection of the world's forests, have encouraged the Sofidel Group to adopt a robust policy for the responsible purchase of raw materials of forest origin.



## SECTOR CONTEXT

Many studies show that the loss of forest area, driven by many human activities, such as agriculture, cattle ranching, logging, mining, human induced fires, among others, is increasing. As forests are home to 80% of the Earth's biodiversity, deforestation and forest degradation have a severe impact on climate change and biodiversity.

Protecting forests is therefore essential to achieve the Paris Agreement's goals and the 2030 Agenda for Sustainable Development.

Forests provide subsistence and income for about 1.5 billion people worldwide, many of them are forest dependent people, such as local communities and Indigenous People. Deforestation and illegal harvesting /unsustainable forest management, which happens sometimes in violation of indigenous people and local communities' rights, threaten their livelihoods and traditional way of life.

In this context, many instruments have been developed to reduce deforestation and the illegal trade in timber and timber products:

- United Nations Sustainable Development Goal number 15 aims to protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss.
- The European Union, in the context of the EU Green Deal, has promoted an action in favour of forests that is divided into 5 priorities, the first of which provides for the reduction of the EU consumption footprint on the territories and the promotion of products from supply chains that do not contribute to deforestation.
- The European Union and the United Kingdom have adopted a specific regulation (EU Timber Regulation, UK Timber Regulation) to combat illegal trade in timber and timber products, including paper and pulp cellulose.

### PURPOSE OF THE POLICY

As the Sofidel Group does not own forest land, nor does it conduct forestry activities or process timber and has no capital directly invested in such activities, **the following procurement policy relates exclusively to the purchase of cellulose pulp**, obtained by chemical, semi-chemical or mechanical methods, whether bleached or raw, and applies to all production activities directly controlled and coordinated by Sofidel Group which make use of that raw material.

This policy complements what is already described in the Sofidel Group's "Code of Conduct for Suppliers". For matters not described in this policy, reference should therefore be made to that Code of Conduct.



## OBJECTIVES AND TARGETS

In view of its role as a leading company in the tissue paper industry, **Sofidel Group undertakes to operate according to the following principles and to put in place an effective monitoring system:**

- To develop a supply chain that is, in any of its phases, free from deforestation (Zero Deforestation). Deforestation is defined as the loss of natural forests due to conversion of forest land to agricultural or other non-forest land use, conversion to tree plantations, or the creation of conditions of severe and continuous degradation.
- To develop a supply chain that does not cause or contribute, at any stage, to the conversion or environmental degradation of natural ecosystems.
- To verify that through its procurement policies and in accordance with the Suppliers' Code of Conduct, the human rights of stakeholders directly involved in the supply chain, the rights of workers participating in the supply chain and the rights of indigenous communities directly or indirectly affected by procurement activities in the areas where the raw material originates, are not violated.
- To develop strategies for mitigation/prevention of harm, where there are serious human rights violations or evidence of environmental degradation in raw material supply areas, not only in the Sofidel Group supply chain but also in other areas of our suppliers' operations.
- To carry out active controls in high-risk countries to ensure the legality of forestry operations, logging, processing and timber trade and the resulting raw material that forms part of the supply chain.
- To verify the absence of Genetically Modified Organisms (GMOs) in the species from which the raw material originates.
- To give preference to supplies and producers who can show valid forestry management and chain of custody certificates, obtained from the application of credible and internationally recognized standards of responsible forest management and issued by third party and independent bodies in view of periodic checks.

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## POLICY IMPLEMENTATION INSTRUMENTS

For the proper implementation of the commitments described in paragraph 4, Sofidel Group intends to maintain a number of management tools in place throughout the life of this document:

### 5.1 Forestry Chain of Custody Certifications

1. Sofidel Group is committed to prove that all material procured meets the requirements of FSC Controlled Wood, i.e. it is not mixed with material that may come from:
    1. illegally harvested wood;
    2. wood harvested in violation of traditional and civil rights;
    3. wood from forests where High Conservation Values are threatened by management activities;
    4. wood harvested in forests converted to plantations or other non-forestry use;
    5. wood from forests where genetically modified trees are used.
  2. Sofidel Group is committed to maintaining a level of raw material sourcing that is certified with a forestry chain of custody of no less than 95% of its purchases in a calendar year and has received at least 100% good forest management certifications, including certifications such as FSC® Controlled Wood, PEFC™ Controlled Sources and SFI.
  3. Sofidel Group undertakes to maintain a level of raw material sourcing FSC chain of custody certified of no less than 80% of its calendar year purchases.
  4. Sofidel Group is committed to establishing specific control measures in the material's countries of origin, based on the risks present and in accordance with the Suppliers' Code of Conduct.
  5. Sofidel Group is committed to carrying out a quantitative and qualitative mapping of the smallholders present in the supply chain, as a first step to increase their involvement in the supply chain.
  6. Sofidel Group is committed to keeping active forestry chain of custody certifications for its activities, which are obtained through the application of credible and internationally recognized standards of good forestry management and issued by third-party and independent bodies. Sofidel Group also undertakes to display the logos of its forest certification schemes on its branded products, giving preference to the FSC® (Forest Stewardship Council®) scheme, whenever possible.
  7. Sofidel Group is committed to eliminate suppliers, including their corporate groups, whose FSC certification has been revoked or that have been disassociated by the Forest Stewardship Council®.
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# 6

## **COLLABORATION WITH NON-GOVERNMENTAL ORGANIZATIONS ACTIVE IN FOREST PROTECTION**

Sofidel Group has for many years-maintained relations with international environmental organizations that are active in protecting the forest environment and are independent from the company activities. Sofidel Group is committed to consolidating these partnerships with the aim of auditing the results of its supply chain controls, raising its suppliers' standards of good forest management, demonstrating its commitment to institutions and communities and guiding consumer choices towards more responsible and sustainable models.

# 7

## **TRANSPARENCY AND DISCLOSURE OF DATA**

Sofidel Group has been disclosing the main information about its forestry supply chain for years by publishing an annual report. Sofidel Group is committed to maintaining this level of transparency in accordance with international environmental reporting standards and to participating in activities to assess its performance through ESG rating tools. Sofidel Group declares itself open to discussion on forest management issues, making available to any counterparties its knowledge and expertise in this area.



## CHECKING SUPPLIERS AND GOODS

Sofidel Group regularly submits to its pulp cellulose suppliers a detailed annual questionnaire to verify the legality requirements imposed by EU and non-EU regulations, as well as to verify possession of forest management and chain of custody certifications, and to quantify numerous environmental performance indicators. This information is used to draw up an analysis of the risk of supply illegality and to judge the complexity of the supply chain. Sofidel Group is committed to keeping active the current level of surveillance of pulp cellulose supplies by defining control measures based on the level of risk in Sofidel Group's supply countries, in accordance with the Supplier Code of Conduct. Such measures may include, for example: additional audits, mapping of High Conservation Values (HCV) areas, monitoring of Intact Forest Landscapes (IFL), assessment of the respect of Indigenous Peoples' (IP) rights.



## CONVERSION

Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure, or function.

Source: based on AFI Terms and definitions 2020.

## CORPORATE GROUP

The totality of legal entities to which the company is affiliated in a relationship in which either party controls the actions or performance of the other. Factors that are used to determine whether a company is part of a broader corporate group include:

- Formality of relationship: Is there formal ownership, such as through an investment holding structure?
- Declared as a group: Has the group publicly declared the companies are linked?
- Family control: Are the companies owned or run by members of the same family?
- Financial control: Are there contractual or other financial arrangements that indicate one party controls the performance of another?
- Management control: Is there extensive overlap in officials between companies?
- Operational control: Are landholdings under a group's operational control?
- Beneficial ownership: Is ultimate ownership hidden in offshore companies or by the use of nominees?
- Shared resources: Do companies share a registered address, land or other physical assets, or provision of company functions or services?

Source: based on AFI Terms and definitions 2020.

## CUTOFF DATE (related to no-deforestation and no-conversion commitments)

The date after which deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments, respectively.

Source: based on AFI Terms and definitions 2020.

## DEFORESTATION

Loss of natural forest as a result of: a) conversion to agriculture or other non-forest land use; b) conversion to a tree plantation; or c) severe and sustained degradation.

Source: based on AFI Terms and definitions 2020.

## DEGRADATION

Changes within a natural ecosystem that significantly and negatively affect its species composition, structure, and/or function and reduce the ecosystem's capacity to supply products, support biodiversity, and/or deliver ecosystem services.

Source: based on AFI Terms and definitions 2020.

## ESG RATING (ENVIRONMENTAL, SOCIAL, GOVERNANCE)

The ESG Rating (or Sustainability Rating) is a synthetic evaluation that certifies the soundness of a company, a security or a fund from the point of view of environmental, social and governance aspects. The ESG Rating is complementary to the traditional Rating, which takes into consideration only the economic-financial variables. Its purpose is to increase the information available to improve valuations and investment choices. Below are some aspects that are normally considered in the ESG rating process:

- **For the environmental sphere:** reduction of CO2 emissions, energy efficiency, efficiency in the use of natural resources (e.g. water);
- **For the social sphere:** quality of the work environment, trade union relations, control of the supply chain, respect for human rights;
- **For the governance sphere:** presence of independent directors, diversity policies (gender, ethnicity, etc.) in the composition of Boards of Directors, remuneration of top management linked to sustainability objectives.

In general, a company can be considered sustainable if it is able to be competitive in the marketplace and:

- Create shared value among all stakeholders that lasts over time;
- Make business decisions by evaluating all the impacts (economic and otherwise) that they lead to;
- Communicate the impacts of decisions for each ESG factor.

## EU TIMBER REGULATION

Regulation (EU) No 995/2010 of the European Parliament and the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market – also known as the EU Timber Regulation or EUTR counters the trade in illegally harvested timber and timber products through three key obligations:

1. It prohibits the placing on the EU market for the first time of illegally harvested timber and products derived from such timber;
2. It requires EU traders who place timber products on the EU market for the first time to exercise “due diligence”;
3. Once on the market, the timber and timber products may be sold and/or transformed before they reach the final consumer. To facilitate the traceability of timber products, economic operators in this part of the supply chain (referred to as traders in the regulation) have an obligation to Keep records of their suppliers and customers.

Source: European Commission.

## FSC

The Forest Stewardship Council (FSC) is an independent, not for profit, nongovernmental organization established to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests. FSC's vision is that the world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations.

Source: based on FSC-STD-01-001 V5-0.

# GLOSSARY OF TERMS

## FSC-COC (CHAIN OF CUSTODY)

The FSC chain of custody (CoC) is the path taken by products from the forest, or in the case of recycled materials from the moment when the material is reclaimed, to the point where the product is sold with an FSC claim and/or is finished and FSC-labelled. The CoC includes each stage of sourcing, processing, trading, and distribution where progress to the next stage of the supply chain involves a change of product ownership.

Source: based on FSC-STD-40-004 V3-1.

## FSC CONTROLLED WOOD

The five FSC controlled wood categories of unacceptable sources (referred to as controlled wood categories) are:

1. Illegally harvested wood;
2. Wood harvested in violation of traditional and human rights;
3. Wood from forests in which high conservation values are threatened by management activities;
4. Wood from forests being converted to plantations or non-forest use; and
5. Wood from forests in which genetically modified trees are planted.

Source: based on FSC-STD-40-005 V3-1.

## GENETICALLY MODIFIED ORGANISM

An organism in which the genetic material has been altered in a way that does not occur naturally by mating and/or natural recombination.

Source: based on FSC-POL30-602 FSC Interpretation on GMO (Genetically Modified Organisms).

## HIGH CONSERVATION VALUE (HCV)

Any of the following values:

- HCV1: Species Diversity. Concentrations of *biological diversity* including endemic species, and rare, *threatened or endangered species*, which are significant at global, regional or national levels.
- HCV 2: Landscape-level *ecosystems* and mosaics. Intact Forest Landscapes, large landscape-level *ecosystems* and *ecosystem mosaics* that are significant at global, regional or national levels, and that contain viable populations of the great majority of the naturally occurring species in natural patterns of distribution and abundance.
- HCV 3: *Ecosystems* and habitats. Rare, threatened, or endangered *ecosystems, habitats or refugia*.
- HCV 4: *Critical* ecosystem services. Basic *ecosystem services* in *critical* situations, including *protection* of water catchments and control of erosion of vulnerable soils and slopes.
- HCV 5: Community needs. Sites and resources fundamental for satisfying the basic needs of local communities or *Indigenous Peoples* (for example for livelihoods, health, nutrition, water), identified through engagement with these communities or *Indigenous Peoples*.
- HCV 6: Cultural values. Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of *critical* cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or

# GLOSSARY OF TERMS

*Indigenous Peoples*, identified through engagement with these local communities or *Indigenous Peoples*.

Source: based on FSC-STD-01-001 V5-0.

## INDIGENOUS PEOPLE

People and groups of people that can be identified or characterized as follows:

- The key characteristic or criterion is self-identification as Indigenous Peoples at the individual level and acceptance by the community as their member
- Historical continuity with pre-colonial and/or pre-settler societies
- Strong link to territories and surrounding natural resources
- Distinct social, economic or political systems
- Distinct language, culture and beliefs
- Form non-dominant groups of society
- Resolve to maintain and reproduce their ancestral environments and systems as distinctive peoples and communities.

Source: adapted from United Nations Permanent Forum on Indigenous, Factsheet 'Who are Indigenous Peoples' October 2007; United Nations Development Group, 'Guidelines on Indigenous Peoples' Issues' United Nations 2009, United Nations Declaration on the Rights of Indigenous Peoples, 13 September 2007.

## INTACT FOREST LANDSCAPE (IFL)

A territory within today's global extent of forest cover which contains forest and non-forest ecosystems minimally influenced by human economic activity, with an area of at least 500 km<sup>2</sup> (50,000 ha) and a minimal width of 10 km (measured as the diameter of a circle that is entirely inscribed within the boundaries of the territory).

Source: Intact Forests / Global Forest Watch. Glossary definition as provided on Intact Forest website. 2006-2014.

## NATURAL FOREST

A forest that is a natural ecosystem. Natural forests possess many or most of the characteristics of a forest native to the given site, including species composition, structure, and ecological function. Natural forests include:

- a. Primary forests that have not been subject to major human impacts in recent history.
- b. Regenerated (second-growth) forests that were subject to major impacts in the past (for instance by agriculture, livestock raising, tree plantations, or intensive logging) but where the main causes of impact have ceased or greatly diminished and the ecosystem has attained much of the species composition, structure, and ecological function of prior or other contemporary natural ecosystems.
- c. Managed natural forests where much of the ecosystem's composition, structure, and ecological function exist in the presence of activities such as:
  - Harvesting of timber or other forest products, including management to promote high-value species.

- Low intensity, small-scale cultivation within the forest, such as less-intensive forms of swidden agriculture in a forest mosaic.
- d. Forests that have been partially degraded by anthropogenic or natural causes (e.g., harvesting, fire, climate change, invasive species, or others) but where the land has not been converted to another use and where degradation does not result in the sustained reduction of tree cover below the thresholds that define a forest or sustained loss of other main elements of ecosystem composition, structure, and ecological function.

Source: based on AFI Terms and definitions 2020.

## PEFC

The Programme for the Endorsement of Forest Certification, is a leading global alliance of national forest certification systems. As an international non-profit, non-governmental organization, it is dedicated to promoting sustainable forest management through independent third-party certification.

Source: based on PEFC /01-00-01.

## PEFC CONTROLLED SOURCES

Added as addition material category of material for which the PEFC DDS has been implemented to establish negligible risk that material is from “controversial sources” and for which the PEFC claim “PEFC Controlled Sources” may be used.

The definition of “controversial sources” was extended from covering mainly legal compliance as well as conflict timber, material from uncertified conversions and GMOs, to address additional issues beyond legality, related to sustainability of production and harvest levels; biodiversity; ecologically important forest areas; fundamental principles and rights at work; and rights of indigenous peoples.

Source: based on PEFC /01-00-01.

## SFI

The Sustainable Forestry Initiative is an independent, non-profit organization, we collaborate with our diverse network to provide solutions to local and global sustainability challenges. SFI works with the forest sector, brand owners, conservation groups, resource professionals, landowners, educators, local communities, Indigenous Peoples, governments, and universities.

Source: based on SFI website, 2022.

## TISSUE PAPER

Tissue paper is solution for hygienic and domestic use. In fact, it is designed and developed to contribute to people’s daily hygiene and well-being and to the cleanliness of the home as well as that of 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 most common tissue paper products are toilet paper, kitchen towels, napkins, handkerchiefs and tissues.

# GLOSSARY OF TERMS

## **UK TIMBER REGULATION (UKTR) AND UK FLEGT**

They both apply in Great Britain from 1 January 2021. This means timber importers bringing wood in from EU countries will become 'Operators' (instead of their current status as 'Traders').

Under UKTR, businesses importing into the UK from anywhere in the world, including the EU/EEA, will need to carry out due diligence confirming that timber products placed on the GB market have been legally harvested to ensure there is negligible risk of illegally-harvested timber entering the supply chain. Imports to Northern Ireland will still be subject to EUTR.

Businesses exporting to the EU/EEA from the UK and when placing timber on the Northern Ireland market from the UK will need to supply information and documentation about the source and legality of their timber products to meet due diligence requirements in the EU Timber Regulation.

Source: European Commission.



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