

# CLEAN LIVING

**2022**  
**Integrated**  
**Report**



**SOFIDEL**   
ENDLESS CARE, INNOVATIVE LIFE

**CLEAN LIVING**

**FOR EVERYDAY  
NEEDS.**

**FOR A HEALTHIER  
PLANET.**

**FOR INTEGRITY  
AND RESPECT.**

---

‘CLEAN LIVING’ IS OUR PURPOSE. IT IS THE NORTH STAR THAT STEERS OUR CHOICES AND THE LIGHT THAT INSPIRES AND ANIMATES ALL OUR ACTIVITIES. CLEAN LIVING HELPS US TO FIND THE MOST ADVANCED AND, AT THE SAME TIME, THE MOST SUSTAINABLE SOLUTIONS, EVERY DAY.

AS AN IDEAL, IT DEFINES THE RELATIONSHIPS WE MAINTAIN WITH OUR STAKEHOLDERS AND STRENGTHENS THE RELATIONSHIPS WE HAVE WITH OUR PEOPLE. MOREOVER, CLEAN LIVING OFFERS A CLARITY OF PURPOSE TO OUR BUSINESS MODEL AS WE ADVOCATE FOR MORE SUSTAINABLE MEASURES FOR OUR PLANET AND ITS INHABITANTS.



# CONTENTS

|                                                     |           |                                                           |            |
|-----------------------------------------------------|-----------|-----------------------------------------------------------|------------|
| <b>Letter to stakeholders</b>                       | <b>7</b>  | <b>Chapter 3</b>                                          | <b>80</b>  |
|                                                     |           | <b>Product</b>                                            |            |
|                                                     |           | Production process and innovations                        | 83         |
|                                                     |           | A safe and quality product                                | 85         |
|                                                     |           | Creating value for the consumer and our business partners | 90         |
|                                                     |           | The scenario                                              | 94         |
|                                                     |           | Lines of business, markets and products                   | 96         |
|                                                     |           | Logistics                                                 | 106        |
| <b>Summary tables</b>                               | <b>10</b> |                                                           |            |
| Sofidel in figures                                  | 11        |                                                           |            |
| Sofidel products                                    | 12        |                                                           |            |
| Sofidel and the environment                         | 13        |                                                           |            |
| Sofidel and its people                              | 14        |                                                           |            |
| Sofidel worldwide                                   | 15        |                                                           |            |
| Awards and recognitions                             | 16        |                                                           |            |
| <b>Chapter 1</b>                                    |           | <b>Chapter 4</b>                                          | <b>108</b> |
| <b>Business model and vision</b>                    | <b>18</b> | <b>Supply chain</b>                                       |            |
| "Clean Living" and our business model               | 21        | Suppliers and responsible supply chain management         | 111        |
| The strategy for a steady and "clean" growth        | 29        | The TenP Paper questionnaire and supplier assessment      | 114        |
| Sofidel and the UN's Global Goals                   | 31        | The new challenges                                        | 124        |
| 2022 materiality analysis and results               | 34        | The website dedicated to the supply chain                 | 125        |
|                                                     |           | 3SAWARD - Sofidel Suppliers Sustainability Award          | 126        |
|                                                     |           | Supply chain involvement                                  | 128        |
|                                                     |           | Bioeconomy project in the Amazon                          | 128        |
| <b>Chapter 2</b>                                    |           |                                                           |            |
| <b>Governance</b>                                   | <b>44</b> |                                                           |            |
| The corporate asset                                 | 47        |                                                           |            |
| Organizational structure                            | 54        |                                                           |            |
| The internal control and risk management system     | 58        |                                                           |            |
| Risk management and monitoring                      | 60        |                                                           |            |
| The main ESG risks and respective management policy | 64        |                                                           |            |

|                                                                      |            |                                                              |            |
|----------------------------------------------------------------------|------------|--------------------------------------------------------------|------------|
| <b>Chapter 5</b>                                                     |            | <b>Chapter 7</b>                                             |            |
| <b>Environment</b>                                                   | <b>130</b> | <b>Financial results</b>                                     | <b>224</b> |
| Highlights 2022                                                      | 133        | Highlights 2022                                              | 227        |
| Consequences and horizons of the energy crisis                       | 134        | Performance of the world economy                             | 228        |
| Protection of the forest resources and certification                 | 135        | Group economic and financial performance                     | 229        |
| The energy balance and the reduction of climate-altering emissions   | 140        | Group operating, economic and financial performance – Tables | 234        |
| Responsible water resource management                                | 152        | Investments                                                  | 238        |
| Responsible consumption and production                               | 156        | Calculation and distribution of Global Added Value           | 239        |
| Waste management                                                     | 160        |                                                              |            |
| Environmental Management Systems and eco-labels                      | 162        |                                                              |            |
|                                                                      |            |                                                              |            |
| <b>Chapter 6</b>                                                     |            | <b>Methodological note</b>                                   | <b>241</b> |
| <b>People</b>                                                        | <b>164</b> | GRI content index                                            | 242        |
| Safeguarding human capital and corporate well-being                  | 167        | SASB Indicators                                              | 248        |
| Personnel composition and distribution                               | 170        | Independent Auditors' Report                                 | 249        |
| Focus on people                                                      | 188        |                                                              |            |
| Wage policy                                                          | 193        |                                                              |            |
| Training and development of talent                                   | 199        |                                                              |            |
| Workplace health and safety                                          | 203        |                                                              |            |
| Community and territories                                            | 213        |                                                              |            |
| Shared passion and culture                                           | 214        |                                                              |            |
| Dialog with our stakeholders and commitment to society               | 216        |                                                              |            |
| Projects to promote the entry of young people into the world of work | 220        |                                                              |            |
| Commitment to territories                                            | 221        |                                                              |            |



# THE WORLD IS DIVERSIFIED, LIKE A THICK FABRIC OF THREADS TO BE WOVEN TOGETHER

**In a complex year and time, strong relationships and dialog have proven to be a valuable resource for tackling difficulties and fostering transformative change**

The protracted Russian invasion of Ukraine; the extraordinary peaks reached by energy prices (especially in Europe); the risks of energy supply disruptions; gas prices, which also increased tenfold in August compared to 2019; the generalized rise in commodity prices (starting with pulp); and market volatility: 2022 has been a complex year characterized by uncertainty and having to deal with risks that we would have struggled to imagine just a year ago.

The scale and interconnection of the problems, starting with the energy crisis, have once again shown the importance of relying on strong relationships with our stakeholders to identify risks early, proactively deal with difficulties, and maximize the impact of interventions aimed at safeguarding production efficiency, promoting people's well-being, and protecting the Planet.

This is what the Group has committed to do – on different levels and looking at both the short and medium to long-term – during the year.

Sofidel has constantly monitored its production cost structure to ensure product quality and safeguard continuity of supply for customers and consumers by repeatedly taking transparent and responsible action with customers, based on increases in the prices of energy goods and raw materials, to adjust the selling price of products to the increased production costs.

The operation was successfully pursued in both Europe and the United States. This, coupled with other factors, has allowed Sofidel to achieve positive economic results, with turnover rising to 2.8 bn (+34% over 2021) and an EBITDA of 13.94% despite the extremely difficult scenario, with constantly changing estimates and forecasts. These abovementioned factors included the international presence of the Group, its long-term energy supply contractual hedges, the interventions put in place by governments to combat high energy prices, the slowdown in energy commodity prices recorded in the last months of the year, and the fact that the United States – where the rise in energy prices has been more restrained – has been confirmed, by its turnover (26.7%), as the Group's first market.

Luigi Lazzareschi,  
Sofidel CEO



In markets, the strong inflationary pressure experienced in many countries has led consumers to implement defensive buying strategies, with an inevitable shift in focus toward products from retailer brands (Private Label or PL) and growth of the discount channel.

A situation that was reflected in sales performance, with the Brand line declining slightly and the PL line confirming last year's satisfactory levels. Positive performance of the Away-from-Home line, which is back to pre-Covid levels, and that of e-commerce. In terms of volume, we must highlight the significant growth in sales in the United States, where the PL line is Sofidel's flagship line. In terms of advertising investments, those activated in Italy and France at the end of the year on the Brand line (Regina and Le Trèfle brands) are significant.

On the sustainability front, work continued on ESG ratings to have the effective capacity to manage environmental, social and governance risks assessed and shared externally in an increasingly timely and transparent manner. In August, the award of the 'Low Risk' level in the ESG rating was obtained, carried out by Morningstar Sustainalytics (which placed the Group first in its reference industry globally); in December, the awarding of the EcoVadis Platinum Medal - Top 1% rating, the Leadership level (A-) in the CDP Climate Change 2022 report and the Leadership level (A-) in the CDP Forests 2022 report.

In the fight against climate change and the commitment to increase the use of energy from renewable sources, we should highlight the fact that in Italy, in May, one year after signing a contract with RWE Renewables for the long-term supply of energy from the Alcamo II onshore wind farm in Sicily, 30,000 metric tons of paper were produced - the equivalent of 150 million Rotoloni Regina rolls - using clean energy only, with a reduction of 15,000 tons of CO<sub>2</sub> emissions into the atmosphere.

Still pursuing the goal of having 84% of purchased energy from renewable sources by 2030, two new long-term power supply (PPA) contracts were signed at the end of the year in Spain and Greece.

Two projects to safeguard and increase business know-how were also pursued. These included the launch of the 'Sofidel Manufacturing System' (SMS) with which the concepts of Lean Production were applied in the Group and the culture of continuous improvement was strengthened, through a multi-year journey involving 17 plants in 9 European countries, affecting 130 converting lines and training more than 2,000 people. And, on the subject of innovation, the acti-

vation of the 'Sofidel 2030' pilot project organized with the Polytechnic University of Milan and dedicated to promoting innovation throughout the company.

During the year, the Sofidel community was emotionally affected by the acute loss of Emi Stefani, co-founder and Chairman of the Group until March 2021, who passed away on 28 June. A figure whose entrepreneurial courage and work culture has continued and continues to be a point of reference in values and identity for all the people who are part of the Sofidel world.

To reinforce the sense of belonging and corporate identity, we celebrated three important anniversaries, three milestones that have contributed significantly to making Sofidel's growth and development possible: the 25<sup>th</sup> anniversary of our presence in France; the 15<sup>th</sup> anniversary of our collaboration with WWF; and the 10<sup>th</sup> anniversary of our presence in the United States.

Overall, in 2022 Sofidel confirmed its ability to implement its ecological, social and digital transition strategy, which, carried out through dialog and collaboration with all its stakeholders, sees the Group increasingly working as a stakeholder company in its shared value creation process.

Long-term enabling factors are confirmed in this context: asset quality (with the availability of production facilities that are younger and perform better on average than those in the industry), geographic coverage (with the presence of plants close to outlet markets), sustainability (as a factor in cultural development and competitive growth), and digitalization (the impacts of digital transformation: from production processes to logistics, from customer experience to cyber security).

The war in Ukraine, uncertainty over energy and commodity prices, risks of possible gas supply disruptions, the struggle to control inflation, rising bank interest rates, widespread predictions of a generalized slowdown in economies, and potential aftermath related to the Covid-19 pandemic mean that people are looking at 2023 as a year which will still be characterized by uncertain and unstable conditions.

Against this economic and social backdrop, Sofidel's attitude toward the future is one of caution and responsibility, with its objectives of substantial consolidation in Europe and confirmation of a stronger orientation toward production and market growth in the United States.

Ever mindful that the world is plural, a dense fabric of threads to be woven together.







# SOFIDEL IN FIGURES

**56**  
years  
in business

**2,801** €/M  
Group  
net sales

**13**  
countries in which  
the Group is present

**16**  
companies



# SOFIDEL PRODUCTS

**1,440,000 t**

annual production  
capacity

**150**

MM of Regina Rolls  
produced with wind energy

**-11,700 t<sup>1</sup>**

reduction of plastics

**95.2%**

use of Euro 5  
and Euro 6 trucks to deliver  
products

<sup>1</sup> Annual savings based on the reduced specific consumption of conventional plastics compared to 2013.

# SOFIDEL AND THE ENVIRONMENT

**100%**

pulp certified  
according to forest  
certification schemes

**-40% CO<sub>2</sub>**

for scope 1, 2 and 3<sup>2</sup>  
by 2030

**7.3 l/kg of paper**

water consumption

**-38.2%**

reduction in the incidence of  
virgin plastics in packaging

<sup>2</sup> Only for pulp suppliers. For all other suppliers, the company has set a reduction target of 24%

# SOFIDEL AND ITS PEOPLE

6,893

employees  
worldwide

73,547

hours  
of training

27,497

hours of training  
on health and safety

85%

excellent or  
sustainable suppliers  
in terms of ESG

# SOFIDEL WORLDWIDE

At the end of 2022, the Sofidel Group was present in 13 countries worldwide (Europe and the US) with 16 companies<sup>3</sup>.



## 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 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 IRELAND

Dublin IE | Services

## 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 UNITED KINGDOM

Baglan UK | Integrated plant

Lancaster UK | Paper mill

Leicester-Hamilton UK | Integrated plant

Leicester-Rothley Lodge UK | Converting plant

## SOFIDEL UNITED STATES

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

<sup>3</sup> The company Intertissue Ltd., which sold its assets and business to Sofidel UK Ltd. and initiated the liquidation process since June 1, 2019, is also part of the Group.



# AWARDS AND RECOGNITIONS



**MORNINGSTAR SUSTAINALYTICS:  
"LOW RISK" CATEGORY**

Morningstar Sustainalytics placed Sofidel in the **"Low Risk" category (with a score of 13.6)** for its strong ability to manage the environmental, social and governance risks of a company's three areas of responsibility. Sustainalytics, a Morningstar company, is a leading independent ESG (Environment, Social and Governance) research, rating and data firm. In 2022, Sofidel came out **first among the over 120 companies assessed in the category** of reference "Household Products" (which not only includes tissue paper, but also cleaning products for the home and personal hygiene). Moreover, it ranked in the top 10% of the over 15,000 companies assessed by Sustainalytics worldwide. Sofidel especially stood out, among others, on the material topics: "Land Use – Biodiversity", "Business Ethics" and "Carbon – Own Operations."



**ECOVADIS: "PLATINUM" LEVEL**

The Group was rewarded the **"Platinum" recognition** (the highest level of rating – already achieved in 2021) by EcoVadis for its sustainability approach. EcoVadis' assessment of a company's sustainability risks and performance is based on internationally renowned standards – among which the Global Reporting Initiative (GRI) and the United Nation's Global Compact (UNGC) – and monitored by an international scientific committee. The four macro-areas object of the analysis are the **environment, labor and human rights, ethics, and sustainable procurement**. Sofidel achieved above-average ratings in all four areas, with an especially excellent result for the Environment and Sustainable Procurement ones.



**CDP: A- RATING FOR THE FIGHT AGAINST CLIMATE CHANGE**

Sofidel achieved the CDP's **"A-" rating** for its **commitment to the fight against climate change** (on 2021 data). CDP is the non-profit organization which helps investors, companies, cities, States and regions manage their environmental impact worldwide.

**CDP: A- RATING FOR COUNTERACTING DEFORESTATION**

Sofidel's leadership in the fight against deforestation was recognized with the **A- rating achieved in the "Forests Timber" category** (on 2021 data). The CDP rating confirms Sofidel's commitment to the protection of our planet's biodiversity and green areas.

**CDP SUPPLIER ENGAGEMENT: A RATING  
FOR THE INVOLVEMENT OF SUPPLIERS  
IN THE FIGHT AGAINST CLIMATE CHANGE**

Sofidel achieved the global leader award – with an **"A" rating** – for having involved suppliers in the fight against climate change, thus achieving the **maximum score in the CDP's "Supplier Engagement Leaderboard 2022"** (on 2021 data). The rating assessed over 8,000 companies and considered governance, scope 3 emissions and supply chain involvement. Sofidel is one of the 396 companies that achieved the highest rating.

**REGINA POWER ELECTED "PRODUCT OF THE YEAR –  
INNOVATION 2023" IN SPAIN**

Spanish consumers chose Regina Power as the "Product of the year – Innovation" for 2023. The multipurpose paper won in the "kitchen paper" category with a **score of 4.35 out of 5**. The product achieved a significant result also in terms of "purchase intention," with 73% of consumers who stated they would buy the product. **The resistance, special texture, durability and high performance of the paper** were the most appreciated features according to the results of the study conducted among over 10,000 Spanish consumers to assess the level of innovation and "purchase intention" with respect to a selection of new products launched on the Spanish market in 2022.



**THE "PAPERNET HYTECH SEAS" DISPENSERS  
WERE AWARDED THE "ENVIRONMENT  
AND SUSTAINABILITY INNOVATION AWARD"**

In occasion of the ISSA North America Show of Chicago, the "Papernet HyTech Seas" dispensers were awarded the "Environment and Sustainability Innovation Award" as an example of **product innovation and attention to sustainability**. The Papernet brand (of the Away-from-Home business line) opted to **re-cover and reuse ocean plastic waste**, especially fishnets (the main cause of plastic pollution in oceans), to produce the toilet paper and paper towel dispensers of the "HyTech Seas" line. The ISSA (International Sanitary Supply Association) is the association of companies belonging to the entire chain of the cleaning industry that work to promote cleaning as a precious investment for human health and the environment.

**REGINA'S "SOSTENIAMO" CAMPAIGN  
ON THE PODIUM OF THE ITALIAN EFFIE AWARDS**

Regina's sustainability triumphed at the 2022 edition of the Italian Effie Awards. "Sosteniamo" ("Let's Sustain"), the on line advertising communication campaign launched in November 2021, was awarded the **Bronze Effie award in the "Household product" category** as an offer able to effectively communicate such an important and current topic as that of sustainability. The campaign, designed by Grey, demonstrates Regina's daily commitment to not only support people, taking care of their daily hygiene, but to also safeguard the planet. The goal of the Effie Awards, promoted by UNA and UPA in Italy, is to **reward the effectiveness of marketing communications** according to international standards.



01

# BUSINESS MODEL AND VISION



---

OUR BUSINESS MODEL COMBINES SUSTAINABILITY AND INNOVATION, TWO KEY LEVERS THAT DRIVE CHANGE, PROMOTE NEW MARKET OPPORTUNITIES, AND CREATE SHARED VALUE FOR ALL OUR STAKEHOLDERS.

SUSTAINABILITY, WITH RESPECT TO CULTURAL DEVELOPMENT AND COMPETITIVE GROWTH, PERVADES ALL ASPECTS OF OUR BUSINESS. IT HELPS US IMPROVE THE QUALITY OF LIFE FOR MANY PEOPLE AND THE COMMUNITIES IN WHICH WE OPERATE, WHILE REDUCING OUR CARBON FOOTPRINT. INNOVATION ALLOWS US TO MEET CUSTOMER AND CONSUMER NEED, AND DEVELOP STRONG RELATIONSHIPS WITH EMPLOYEES AND SUPPLIERS.

BY INTEGRATING SUSTAINABILITY AND INNOVATION INTO OUR ORGANIZATIONAL CULTURE WE PURSUE RESPONSIBLE DEVELOPMENT, AND LOOK TO THE FUTURE WITH CONFIDENCE AND OPTIMISM.



## 'Clean Living' and our business model

The world is a little worse each year. The profound and systemic impact of the crises related to climate change, nature and society are increasingly more evident each day and difficult to mitigate: ecosystems in decay, pandemics, conflicts in the heart of Europe and overwhelming events continuously alternate each other generating a **feeling of precariousness and uncertainty for present and future generations**.

We know too well what is happening and the risks of irresponsible policies. We now need to act bravely, because **the loss of biodiversity is accelerating** at an unexpected pace, with severe consequences for the stability of socio-economic systems. Poverty, food insecurity, scarcity of natural resources, **and the loss of essential rights**, such as access to water and education, are the result of a planet that is no longer able to support the weight of massive climatic alterations. Today is definitely clear how the environmental crisis is an economic, political and social emergency which goes well beyond the boundaries of ecology.

Surrounded by these multiple and simultaneous crises, the Sofidel Group feels the need to help make economic development compatible with safeguarding the planet. In the first place, for Sofidel being sustainable means setting sci-

ence-based goals aimed at reducing the impact on the natural capital and at slowing down the depletion of resources. It means following a business strategy based on ethical and transparent values. It means disseminating a culture of respect and protection towards the environment. It means working to create **strong and long-lasting relationships** along the entire value chain based on trust and cooperation.

For a more **fair and livable future**. For the well-being of our people. The change also depends on us and we want to help making it possible.

**IN THE FIRST PLACE, FOR SOFIDEL BEING SUSTAINABLE MEANS SETTING SCIENCE-BASED GOALS AIMED AT REDUCING THE IMPACT ON THE NATURAL CAPITAL AND AT SLOWING DOWN THE DEPLETION OF RESOURCES.**

---

**Sofidel understands that companies have a social and environmental responsibility beyond the scope of their business.**

**That is why we want to commit ourselves not only to transforming the way we produce, but to influence the entire ecosystem in which we are embedded.**

**We have set science-based targets (SBTi) and we collaborate with our business partners to help overcome the most pressing challenges that face the world.**

---





OUR PURPOSE

We believe companies today must pursue a new form of commitment and integrity. It must be an active role in which companies work alongside institutions to safeguard our common home and share with future generations the values, responsibilities and respect our world demands. Our purpose, 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, and informs our production processes and the products we offer. It is our company's central reason for existing as it defines our role in society and the benefits we want to offer people and the planet. It is a wide concept and it is particularly meaningful to us. It involves at least 3 subjects, the pillars of our way of doing business.

THE PRODUCT

"Clean Living" is a mission that comes from our products, which are devised and developed to perform an essential task: contributing to people's daily hygiene and well-being and improving cleanliness at home and in public and corporate spaces. They are made of disposable tissue paper of plant origin (cellulose) from renewable raw material (wood) and are **easy to recycle and reintegrate into nature.**

THE ENVIRONMENT

Respect for the environment is the focus of our approach to production, which is inspired by "ecological conversion" and aimed at facilitating the **transition to a low-carbon economy** with reduced consumption of natural capital. This production model values the responsible sourcing of forest-based raw materials and the careful use of water resources, by paying attention to the energy sources used and energetic efficiency of our plants. It also promotes waste reduction and limits the use of conventional plastic for the packaging of our products.

THE PEOPLE

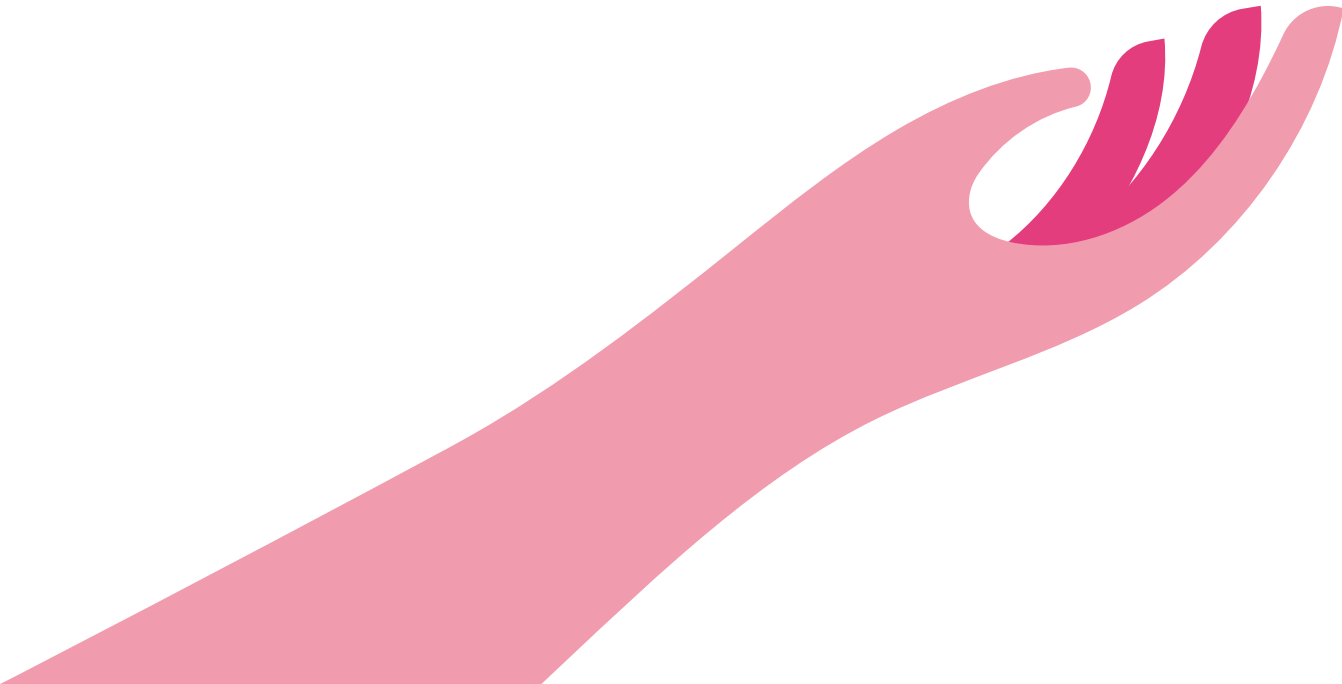
To build a sustainable business culture it is important to be collaborative and respectful of the communities in which we operate. The relationships we develop with all our stakeholders are inspired by our respect for values of professionalism, honesty, and transparency. We advocate for inclusiveness and the open sharing of information. Our approach is based on integrity of behavior and mutual respect, fueled by the courage and moral strength to imagine, all of us together, **a positive future for people and the planet.** And we need to start building it today.

These three pillars will play an essential role in creating the world of tomorrow. Our world is inspired by the concept of "Clean Living" to reduce the environmental impacts of activities to a minimum and help develop the people, territories and communities in which we operate. A world where innovation leaves no one behind, helping to create a more equitable and inclusive society. It's a world that encourages us to look ahead and constantly find new solutions that satisfy consumers and business partners, while prioritizing safety, hygiene, and the well-being of people.

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

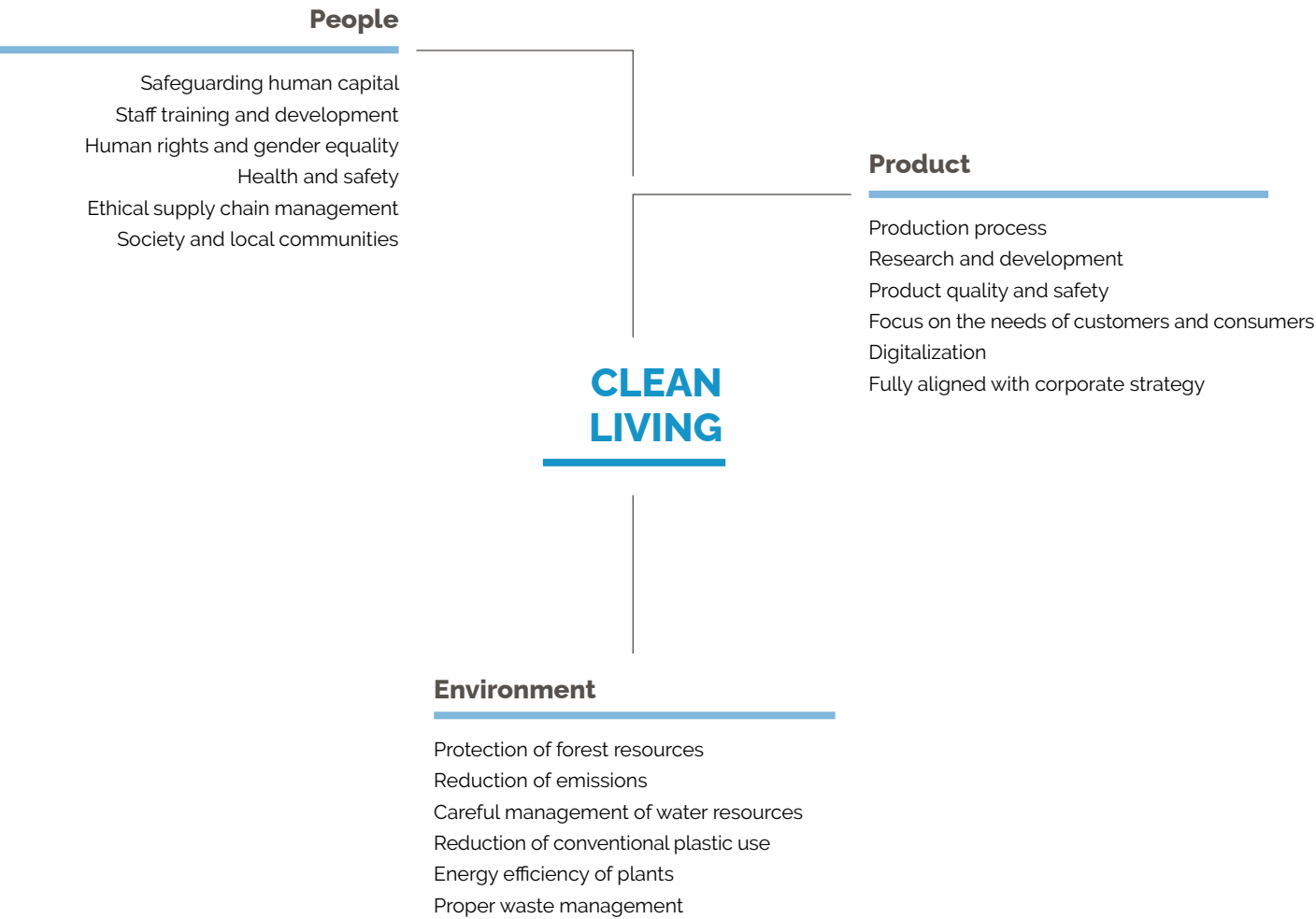
CLEAN LIVING

**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 "Less is More" principle. 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 with reduced amounts of raw materials and to perform better in terms of comfort, hygiene and customer services.





THE LEVERS FOR A RESPONSIBLE AND SHARED GROWTH

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

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 communities where we operate. Sofidel considers sustainability to be closely linked to innovation. This inseparable connection ensures the economic, social, and environmental sustainability of our business. From the procurement of raw materials to the production processes, from products to logistics, down to the promotion of responsible consumption and verifiable information, our ability to look ahead and innovate helps us to drive change and seize new growth and development opportunities earlier. This "mindset" compels us to **continuously improve** 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 operates with excellent 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** to produce standard and textured tissue paper. In the converting step, it implemented more performing lines with a technology capable of ensuring better winding quality, thus preserving the softness of the product and ensuring uniform sheets from the beginning to the end of the rolls. In 2022, the modernization of production lines involved the replacement of some systems with even more efficient machinery, while important upgrades were also initiated on strategic machinery to align the assets with the best technology available on the market.

Geographical coverage and greenfield plants

Over the years, to reduce the incidence of transport costs and improve the service offered to customers, Sofidel has built and acquired its own plants **close to 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, in proximity to densely populated areas

and important communication routes. Our greenfield plants have ample spaces and were designed with scalable features such as to be able to increase their production capacity 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, Poland (2017), and Buñuel, Spain (2018). In the United States, where we have been operating since 2012, the two new greenfield plants of Circleville (Ohio) and Inola (Oklahoma) – opened in 2018 and 2020 respectively – were conceived with the same strategic objectives.

Digitalization

We are committed to **fostering a culture of digitalization** in all business divisions. For more than 20 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. We have implemented integrated systems for monitoring and managing the finished product in our converting production departments, with fully automatic laser-guided vehicles. At the brand new automated warehouse of Sofidel Poland, a **pallet transfer system** was introduced between the production line and warehouse using two **self-driving electric trucks**. We wanted to ensure zero emissions during the physical displacement of the materials in the plant, maximum safety in the management of internal traffic and the perfect traceability and availability of all production, warehouse and shipment data in real time. Backed by our management and technical expertise, we immediately embraced the digital revolution and the **applications of Industry 4.0 in the tissue paper industry**.

In this regard, our supervision system for all our converting lines allows us to collect and elaborate process data in real time to monitor performance and reduce the use of resources. In time, this database will promote the development of predictive analysis logics to be applied to both the process quality checks and maintenance policies. In recent years, we implemented a **Remote Assistance** system which, thanks to wearable devices (smart glasses and helmets) based on Augmented Reality Technology, enables remote assistance, thus ensuring faster diagnostics, lower costs and greater productivity. During the health emergency, these devices proved to be extremely useful and contin-

ue to do so, as they limit the travels of internal technicians and suppliers while reducing the costs and CO<sub>2</sub> emissions associated thereto.

SUSTAINABILITY AND INNOVATION  
ARE ESSENTIAL FOR ENSURING THE ECONOMIC,  
SOCIAL AND ENVIRONMENTAL  
SUSTAINABILITY OF OUR BUSINESS.

Sofidel Manufacturing System,  
the DNA of our production process



A few years ago, growing global, Sofidel felt the need to strengthen the foundations of the production environment. In order to define and make our experience and production philosophy fully available we started the implementation of the "Sofidel Manufacturing System" (SMS). In addition to the guiding "Less is More" principle, this challenging and ambitious project is based on the concepts and practices of the so-called Lean Production used to reduce and even eliminate waste. The work has been carried out over ten years in

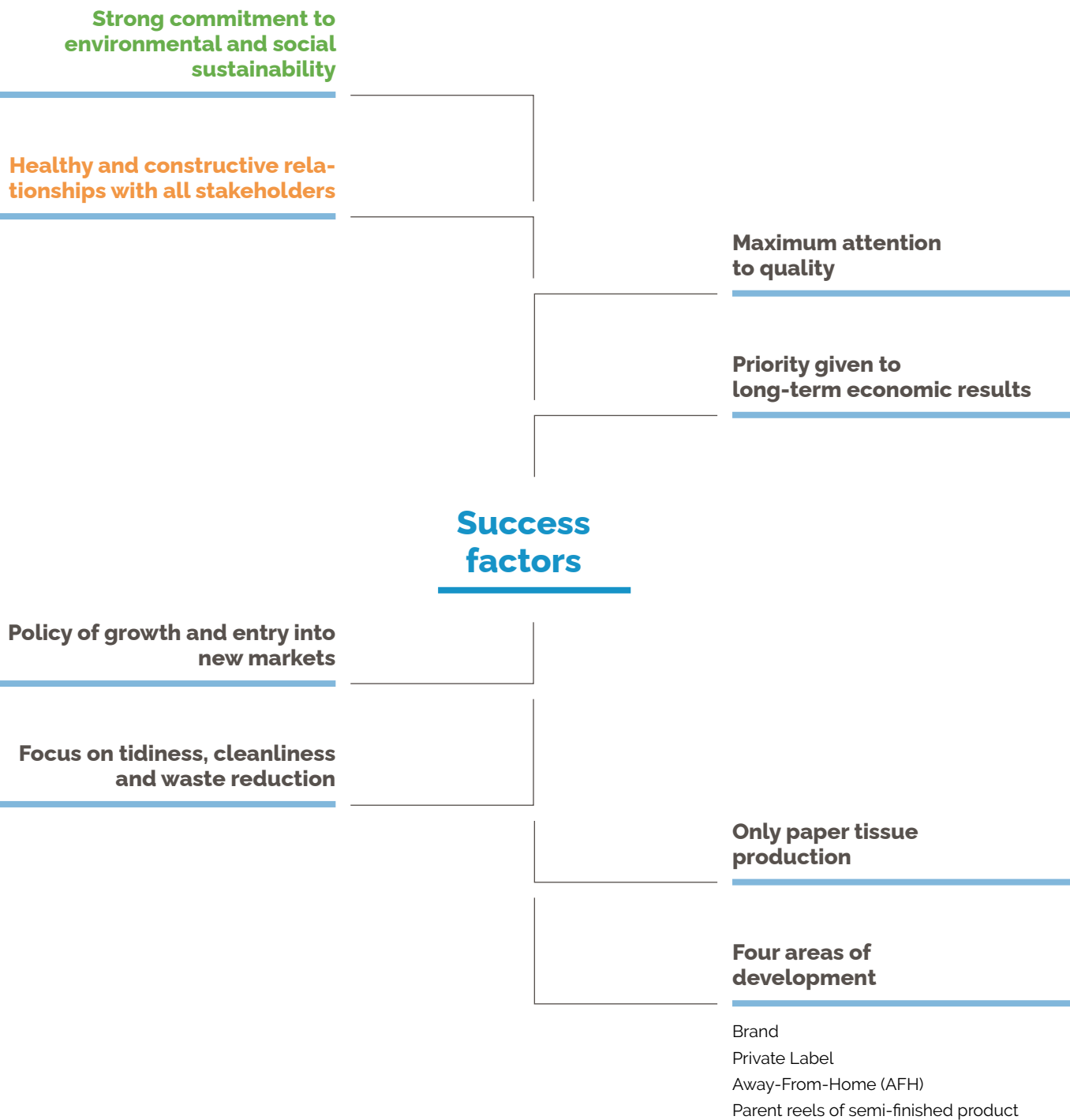
seventeen European production plants which worked hard to define and grow the Sofidel Manufacturing System. The Sofidel Manufacturing System represents a structured way of producing that relies on new analysis and loss control tools and which is characterized by a clear definition of the goals, awareness of the standards and fight against any form of inefficiency and waste. It not only represents the standards and models to follow, but also an indication of the steps needed to create synergies and virtuous exchanges. It is a way of continuously comparing the Group's production units, thanks to everyone's involvement and participation: from the single plant operator to Management.







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

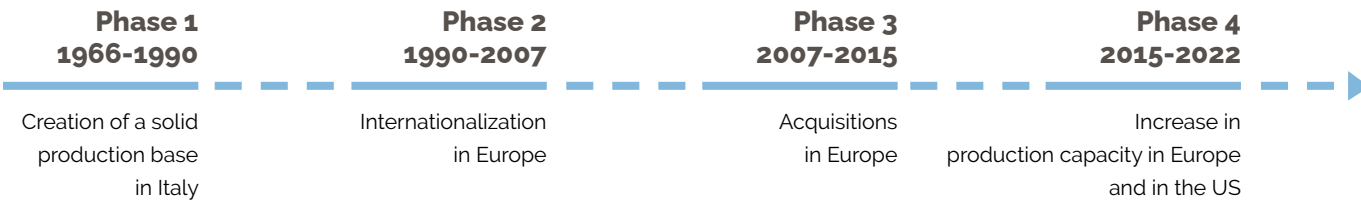


The strategy for a steady and “clean” growth

A CONSTANT AND “CLEAN” GROWTH

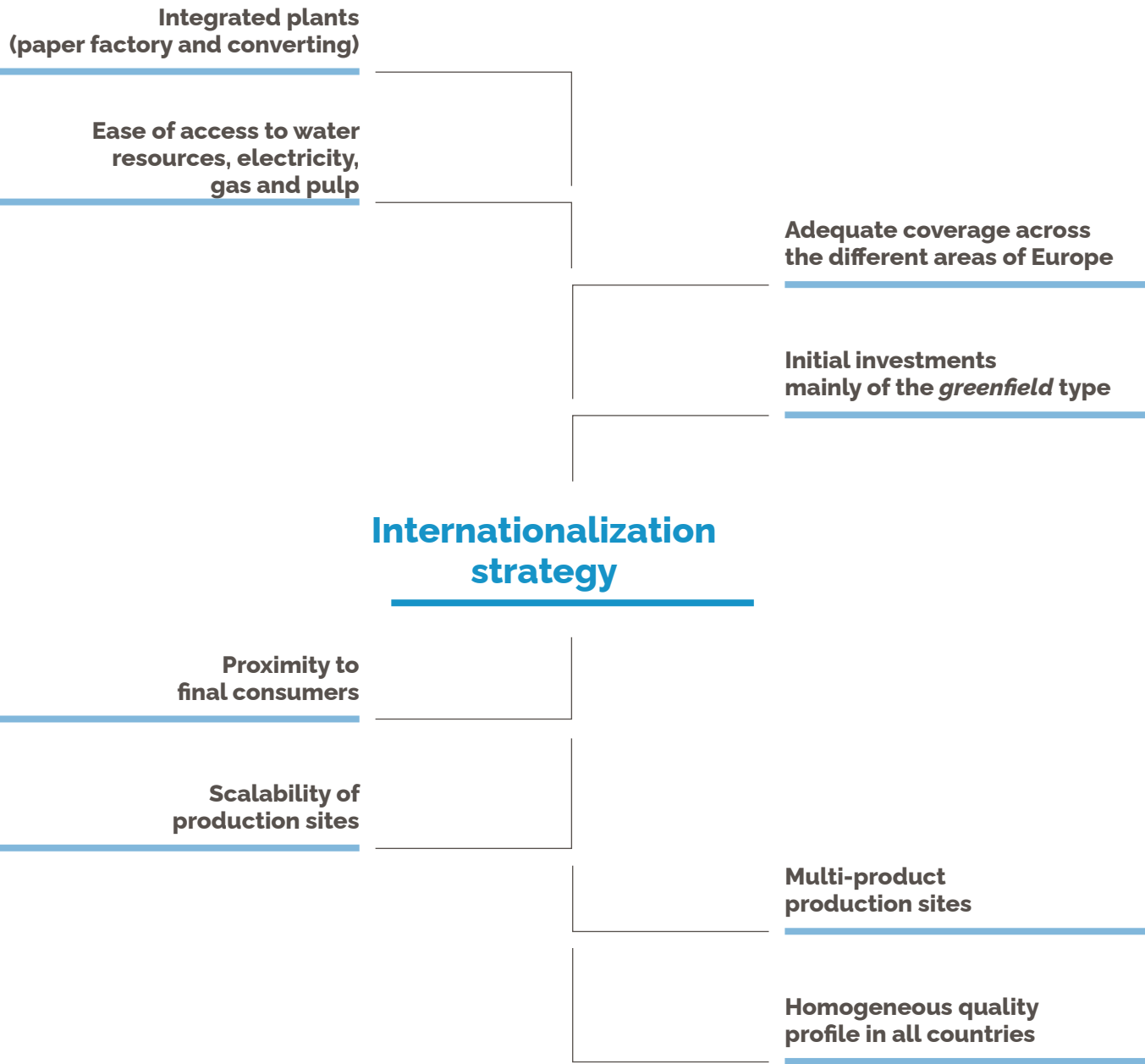
Sofidel's steady growth is the expression of a long-term strategy that has developed according to four strategic phases. A management and operational approach based on a system of values – professionalism, practicality, honesty, sustainability, and transparency – that permeate the entire company. The decision to invest in the Piana di Lucca (Plains of Lucca), a flat area rich in groundwater, has proved a winning choice. This territory encapsulates a wealth of relationships and know-how that are fundamental for the development of the Sofidel Group. The two factors that most contributed to our growth were the presence of companies with **strong technical expertise**, specifically within the paper-making sector, throughout the territory and **the trusted relationships** 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. The expansion was accompanied by **the gradual integration of sustainability within all corporate aspects**. This evolution 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 motivation of its people, as it made it possible to **broaden the company's horizons** and to acquire the experience and essential skills needed for future developments. For more information on the four phases of the Group's growth, see the 'Our history' page on the Sofidel website.





## Strategic elements at the basis of the internationalization process



## Sofidel and the UN's Global Goals

### TOGETHER FOR SUSTAINABLE DEVELOPMENT

Since 2010, Sofidel adheres to the UN's Global Compact, the pact that binds the businesses that undertook to **contribute to the development of sustainable business** and to build a better world and future.

A company's environmental, social, and economic responsibility starts with the system of principles and values that guide its approach to business. For this, we decided to embrace the Ten Principles of the UN's Global Compact on human rights, labor standards, environmental protec-

tion and anti-corruption. By integrating these principles into our strategies, policies and procedures, we create a corporate culture based on integrity and to lay the foundation for long term sustainable development.

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 our Code of Ethics, Sustainability Charter, Sustainability Decalogue and a Supplier Code of Conduct. These four documents guide the behavior of all those working with Sofidel and **encourage dialog and relations with our stakeholders** to develop long-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'S 2030 AGENDA

The growth strategy of the Sofidel Group is fully in line with the UN's 2030 Agenda and its 17 Sustainable Development Goals (SDGs) aimed at building an **inclusive, sustainable and resilient future for the people and 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 impor-

tance of all the Sustainable Development Goals of the 2030 Agenda, we have identified eight of them as priorities as they relate directly to our business and sphere of influence. We want to focus our efforts on these objectives to generate value and have a tangible positive impact through our activities.



Sofidel was the first Italian manufacturing company, and the first from the tissue sector worldwide, to have adhered to the international **WWF Climate Savers** program in 2008 with the aim of guiding a zero-emissions economy.

In 2020, we received Science Based Targets initiative (SBTi) approval of our targets to reduce greenhouse gas emissions by 2030. Specifically, we committed to **reduce our scope 1 and 2 emissions by 40%**, while, for our scope 3 emissions, we involved our supply chain to decrease the emissions of our key suppliers by 40% and those of all other suppliers by 24%. These

targets are 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 pulp, the raw material for our production process. We use only pulp certified by independent third parties according to forest certification schemes. Since 2016, 100% of the virgin fibers used in our production processes have been certified by FSC®, PEFC™, and to a small extent by FSC® Controlled Wood. In 2017, we adhered to the Vancouver Declaration, an initiative launched at the FSC General Assembly to promote a sustainable supply chain for forest products. In 2022, to celebrate 15 years of partnership with WWF, we adhered to the ReNature Italy project, by handling the protection of 15 WWF oases.



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



The Sofidel Group has always paid close attention to the **training of new generations**, especially more so at a time during which the digital revolution, Industry 4.0 and new sustainability requirements are profoundly innovating the industrial world. Our commitment is aimed at promoting a more innovative, open, and skills-based education that represents a real development factor for the entire district. Moreover, we work with WWF Italy on the **educational project "I'll Take Care of You"** conceived for primary and secondary schools in Italy to raise awareness among the younger generations on the 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.



Limiting 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, while still delivering excellent performance. In 2019, we set ourselves a challenging goal: **reducing the conventional plastic used in our production by 50% by 2030**, compared to the 2013 base year. This means eliminating over 11,000 tons of plastic per year. We pursue this goal by reducing the thickness of the plastic film used in product packaging, introducing new kraft paper packaging, and using bioplastics or recycled plastics.



To reduce impacts on the natural capital and to promote the **transition towards a low-carbon economy**, Sofidel pays attention to the sustainability of the energy sources used and energetic efficiency of the processes. As a member of the WWF Climate Savers program since 2008, Sofidel is committed to the reduction of climate-altering emissions. From 2008, year during which we adhered to the program, to 2020, the Group has **reduced its CO<sub>2</sub> emissions by 24%**, thanks to investments in cogeneration, solar, hydroelectric and biomass power plants and, in general, to the constant improvement of the company's energetic efficiency and logistics. For the future, the Group aims to use energy from renewable sources **for 84% of its consumption by 2030**.



Aware of how precious water is for the planet's survival, we pay special attention to the **proper management of water** and our production processes are constantly monitored to optimize water use. Management measures, specific investments and policies of reusing waste water all contribute to the overall goal. We aim to achieve a production process that is as efficient as possible by reusing the water sourced from the environment for several production cycles. A substantial part of non-recoverable water is, instead, released into the environment as water vapor during the final part of the tissue paper drying process, while the remaining part is restored to the environment after having been treated through the purification plant.



It takes everyone to make a difference. We cannot overcome the challenges that humanity faces in 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. Currently, there is an ever-increasing need to develop inclusive relationships – at national, regional and local levels – based on a global multi-stakeholder strategic approach. At Sofidel, we have been working for years with partners renowned for their values and reputation, such as WWF and the United Nations (UN).





## 2022 materiality analysis and results

The materiality analysis process allows to identify the priority topics of relevance for the company and its stakeholders. In this regard, Sofidel has opened an active dialog with its stakeholders of interest based on values of **transparency, trust and consensus in the decision-making process**.

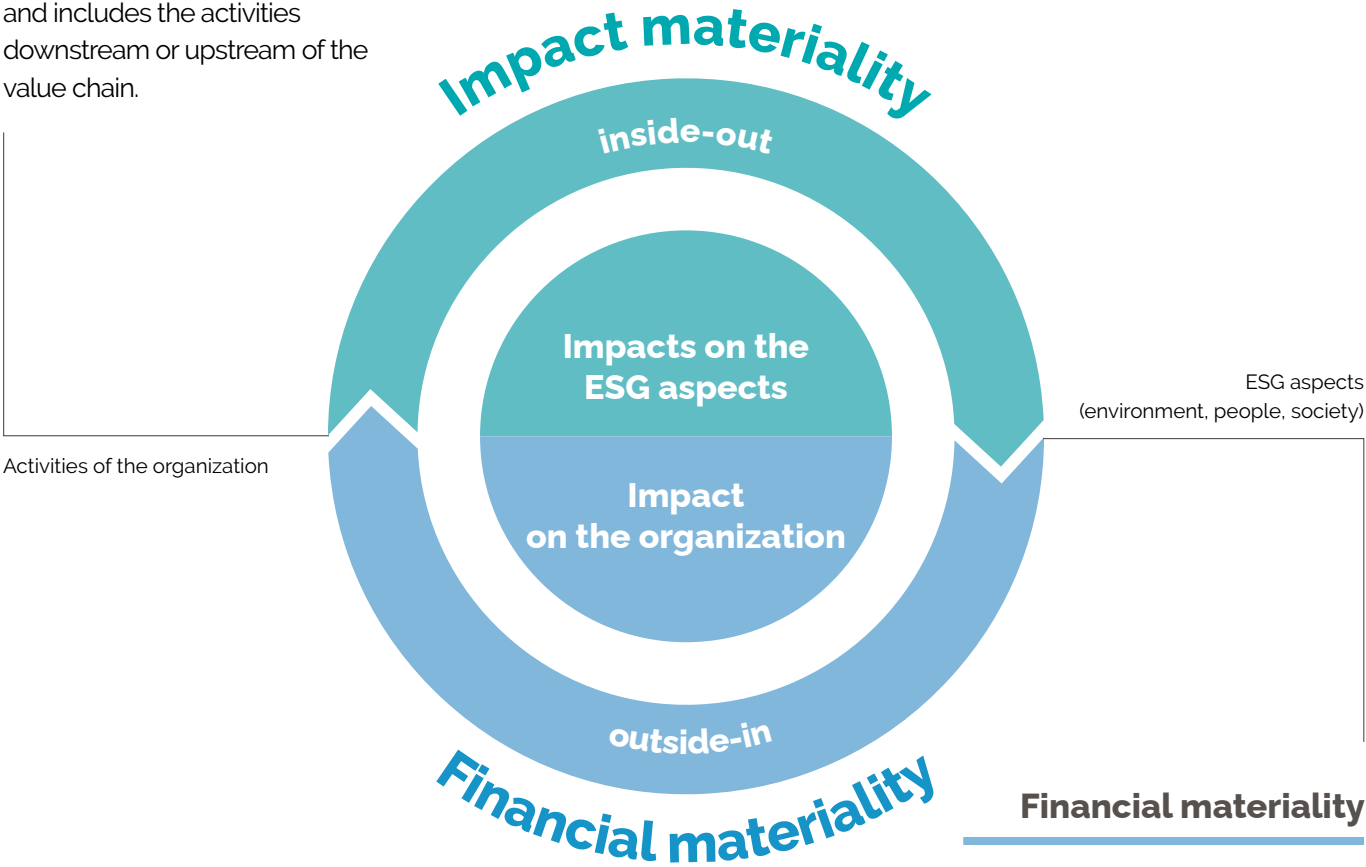
In 2022, Sofidel decided to update its materiality matrix on the basis of the regulatory changes expected in the short term. The new European **Corporate Sustainability Reporting Directive (CSRD)**, which will become effective for Sofidel starting from the 2025 financial year, has introduced the **double materiality concept**, which combines **financial**

**materiality** and **impact materiality**. Reporting according to double materiality means that organizations are called to assess not only what is relevant for them or what can generate a risk/opportunity for their business (**outside-in** perspective), but also the impacts the same generate on the environment, economy and society (**inside-out** perspective). The new directive intends to treat **the sustainability information in the same way as financial information** with the aim of improving its quality and consistency and of directing the flow of capital towards sustainable activities to contribute to the transition towards an ethical and inclusive economic-financial system.



## Impact materiality

The inside-out impact (inside-out perspective) is the **significant, actual and potential impact on the people and environment directly connected to an organization's activities, products and services** and includes the activities downstream or upstream of the value chain.



The outside-in impacts (outside-in perspective) are the sustainability risks and **opportunities** that can **positively or negatively impact the future cash flows** and thus create or destroy **the company's corporate value** in the **short, medium and long term** by impacting its development, performance and positioning.



Sofidel's CSR unit (Corporate Social Responsibility), which is in charge of the Group's materiality analysis, served as a guide and coordinator by providing guidelines for the involvement of the stakeholders and main leading figures at the corporate level. Sofidel's current risk-mapping, processed by the Group's Risk Management & Compliance unit and described in the Governance chapter under paragraph "Main ESG risks and respective management policy", was used to elaborate the **financial materiality**. The sustainability risks and opportunities that can affect the organization's cash flows and value were identified on this basis, as provided by the **European sustainability reporting standards (ESRS)** approved by the **European Financial Reporting Advisory (EFRAG)** and being

adopted by the European Commission in the last months. Instead, **impact materiality** was developed on the basis of the requests of the **GRI Universal Standard 2021**, and the company included the significant current or potential impacts on people, the environment and economy within its Integrated Report.

IDENTIFICATION OF THE MATERIAL TOPICS

For the updating of the material topics, we used a methodological approach based on the novelties introduced by the **GRI 3 – Material Topics** standard on one hand and adapted to integrate the guidelines for building double materiality according to the ESRS on the other.

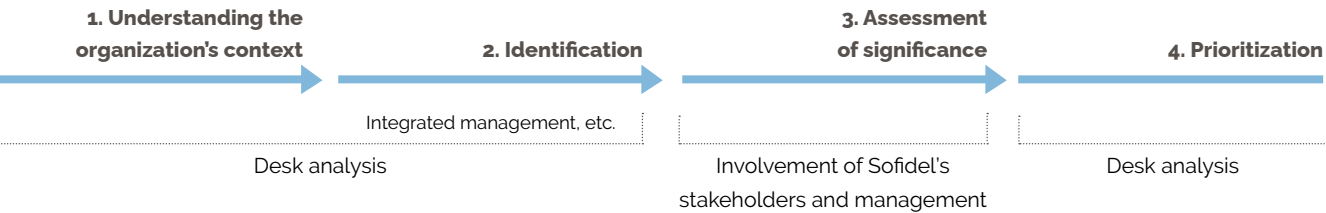
IDENTIFICATION OF THE STAKEHOLDERS

The assessment of the impacts identified for each material topic was carried out through **one-to-one interviews with the corporate front lines**, who assessed the impacts related to their own area of expertise, and with the **relevant external stakeholders**, who provided their assessment for each material topic on the basis of the impacts they could have on the economy, environment and people.

**Corporate management:** eight members of Sofidel's management were asked to assess the **amplitude** and **likeliness** of the suggested **impacts** with regard to the economy, people and environment for the inside-out perspective. As far as the amplitude is concerned, the assessment's drivers included the **scope, relevance** and **remediation** of the impacts, while for the likeness, the driver was the time span within which the impact occurred or would be likely to occur (i.e. more than 10 years, between 3 and 5 years). Subsequently, they were asked to assess the likeness and

severity of the sustainability risks and opportunities identified for the outside-in assessment. For the assessment of the amplitude, the drives were strategic and related to reputation, compliance and finance, and the likeliness was also in this case the **time span** within which the impact occurred or would be likely to occur.

**External stakeholders:** each of the subjects involved (including suppliers, customers, third sector bodies, representatives of local communities and investors) were asked to assess the **amplitude** of each material topic by considering the impacts they could have on the economy, environment and people. The assessment's drivers were the **scope, relevance** and **remediation** of the impacts. Instead, the assessment of the risks and opportunities (*outside-in* perspective) was not carried out as it was deemed more proper to consider the corporate management's point of view.



The process is divided into four distinct steps:

1. Understanding of the context of reference

- An internal benchmark and context analysis was carried out to identify the relevant impacts for Sofidel, by keeping into account its activities and business relationships, as well as the sustainability context within which the company operates and its stakeholders' expectations.

2. Identification

- The current and potential positive and negative impacts (inside-out perspective) were then identified on the basis of the analysis carried out in the previous step.
- The sustainability risks and opportunities that can affect the creation of corporate value (outside-in perspective), with respect to each of the relevant impacts detected, were also identified.
- The impacts, risks and opportunities identified were approved and integrated with the involvement of qualified corporate functions.

3. Assessment of significance

- **One-to-one interviews** were conducted with all Sofidel's stakeholders and management to assess the impacts, risks and opportunities identified and approved in the previous step.
- The assessment considered the so-called inherent risk, or the current or potential risk to which the company is exposed independently of the mitigation actions put in place to reduce the impact of its activities to the minimum.

4. Prioritization

- The assessments thus achieved were aggregated in order to obtain, for each topic, a value for the inside-out perspective (as a product of the amplitude and likeliness of the individual impacts relating to the same topic) and a value for the outside-in perspective (as a product of the amplitude and likeliness of the individual risks and opportunities relating to the same topic).
- Finally, the topics were reported in two distinct tables and prioritized, first on the basis of the values of the *impact materiality* and then on those of the *financial materiality*.

Corporate management

INSIDE-OUT ASSESSMENT

Amplitude Likeliness

OUTSIDE-IN ASSESSMENT

Amplitude Likeliness

External stakeholders

INSIDE-OUT ASSESSMENT

Amplitude Likeliness  
Not applicable

The assessment of the risks and opportunities (*outside-in perspective*) was only carried out by the corporate management.

SOFIDEL'S IMPACTS

The **current and potential positive and negative impacts** (inside-out perspective) on the environment, economy and people identified in the impact-identifying step (step two), are reported hereunder.

| Material topic                                                    | Main impacts generated (potential/current)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Climate change and reduction of emissions into the atmosphere     | Sofidel has been keeping track of its negative impact in terms of GHG and Nox emissions deriving from its production activities, as well as of GHG and non-GHG emissions generated along the value chain, for some time with the aim of being resilient and mitigating its impacts. Over the years, Sofidel has seized the opportunity to implement an energy efficiency program in its plants, together with a constant and gradual use of renewable energy.                                                                                                  |
| Proper management of forest resources                             | Sofidel has always undertook to assess and consider the negative impacts deriving from the consumption of raw materials originating from the forests. In fact, the company applies rigorous procurement policies and privileges suppliers who comply with the main forest management schemes.                                                                                                                                                                                                                                                                  |
| Proper management of water resources                              | In order to ensure its production cycle, the Group relies on the use of water resources and is consequently very careful about the management of its negative impacts in this context. The company provides specific measures to manage ever more efficiently the use of water resources and their treatment, also to prevent any possible risk of polluting the soil and groundwaters.                                                                                                                                                                        |
| Circular economy and waste management                             | The Sofidel Group's plants follow rigorous procedures for managing the impacts associated with the disposal of hazardous and non-hazardous waste. The constant control and efficiency of the production processes can allow the Group to reduce production waste in perspective of a circular economy.                                                                                                                                                                                                                                                         |
| Ethics and transparency                                           | The company has developed a solid, open and structured Governance to ensure a transparent dialog with respect to its operations. The goal is to ensure business continuity over time and to prevent any negative impacts deriving from controversies associated to anti-competitive incidents, corruption or conflicts of interest.                                                                                                                                                                                                                            |
| Commitment towards Society, new generations and Local Communities | Sofidel is committed towards the social and economic development of the communities within which it operates, with transparency and through active listening activities. Direct, indirect and induced (local suppliers) positive impacts have significant outcomes, also in terms of employment. The company is also committed to the development of entrepreneurial and sectoral skills through training, school-work programs and lab activities.                                                                                                            |
| Health and safety of workers                                      | In order to mitigate its negative impacts on the health and safety of workers, Sofidel implements preventive health and safety measures in the workplace, both with respect to the management of its employees and partners and to that of its infrastructures and machinery. It constantly monitors the adoption of proper protective measures against any risk of accidents at work and occupational diseases. An effective and constant dissemination of the safety and prevention culture for employees and partners promotes a positive work environment. |

commitment of the organization people product planet



| Material topic                                            | Main impacts generated (potential/current)                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Respect for human rights                                  | The company constantly monitors any human rights violations and consequent negative impacts, also along the supply chain.                                                                                                                                                                                                                    |
| Management of diversity and equal opportunities           | Sofidel is committed to ensure there are no wage inequalities and fights against any incident of discrimination. Thanks to a constant monitoring of the negative impacts deriving from possible improper behaviors, the company encourages reporting through specific procedures promoted among employees and partners.                      |
| Professional development training and employee well-being | Sofidel encourages the development of employees and innovative ideas, thus ensuring the satisfaction of its employees and widespread well-being, also thanks to an effective management of the corporate welfare, with a positive impact on its people and partners.                                                                         |
| Product quality and safety                                | Sofidel is committed to ensuring the high quality and safety of products to prevent any negative impact on the end customer.                                                                                                                                                                                                                 |
| Transparent management of the supply chain                | The Group monitors negative environmental (with particular attention to the management of the forest resource) and social impacts along the entire supply chain.                                                                                                                                                                             |
| Brand reputation                                          | Sofidel fully operates transparently, by developing an open and constant dialog with stakeholders aimed at strengthening the image of the Group's brands and to prevent an unclear communication of commercial nature from giving rise to cases of <i>greenwashing</i> and from generating negative impacts on society and its stakeholders. |
| Digitalization and Cybersecurity                          | Failure to monitor the Group's IT systems can generate a negative impact in terms of the loss or violation of sensitive data.                                                                                                                                                                                                                |
| Research and innovation                                   | A continuous attention to research and innovation in its sector allows Sofidel to generate a positive impact in terms of the development of new products and innovative services for its customers.                                                                                                                                          |
| Ecological products and sustainable packaging             | Sofidel is committed to the management of impacts due to the consumption of natural resources used for its products and packaging.                                                                                                                                                                                                           |

For the description of the risks and opportunities mapped, refer to the Governance chapter, under paragraph "The main ESG risks and respective management policy", at p. 64.





THE RESULTS OF THE IMPACT MATERIALITY

The **most relevant impact** was considered for the final assessment of each topic. The relevance calculation is given by the product of the amplitude per likeliness. The management's assessment was weighed at **60%**, while that of the external stakeholders at **40%**. The topics were classified into

four categories: **environment**, **commitment of the organization**, **people** and **product**. Whenever a dash is present instead of the assessment's result, it means that no negative or positive impacts were identified for that material topic.

| Topics with negative impacts                                                                                    | Inside-out  | Topics with positive impacts                                                                                                                                                                                                                     | Inside-out  |
|-----------------------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Proper management of forest resources                                                                           | <div></div> | Ethics and transparency                                                                                                                                                                                                                          | <div></div> |
| Climate change and reduction of emissions into the atmosphere                                                   | <div></div> | Health and safety of workers                                                                                                                                                                                                                     | <div></div> |
| Health and safety of workers                                                                                    | <div></div> | Commitment towards Society, new generations and Local Communities                                                                                                                                                                                | <div></div> |
| Product quality and safety                                                                                      | <div></div> | Training, professional development and employee well-being                                                                                                                                                                                       | <div></div> |
| Ecological products and sustainable packaging                                                                   | <div></div> | Climate change and reduction of emissions into the atmosphere                                                                                                                                                                                    | <div></div> |
| Circular economy and waste management                                                                           | <div></div> | Research and innovation                                                                                                                                                                                                                          | <div></div> |
| Proper management of water resources                                                                            | <div></div> | Circular economy and waste management                                                                                                                                                                                                            | <div></div> |
| Respect for human rights                                                                                        | <div></div> | Brand reputation                                                                                                                                                                                                                                 | <div></div> |
| Transparent management of the supply chain                                                                      | <div></div> | Proper management of water resources                                                                                                                                                                                                             | -           |
| Ethics and transparency                                                                                         | <div></div> | Proper management of forest resources                                                                                                                                                                                                            | -           |
| Brand reputation                                                                                                | <div></div> | Management of diversity and equal opportunities                                                                                                                                                                                                  | -           |
| Management of diversity and equal opportunities                                                                 | <div></div> | Respect for human rights                                                                                                                                                                                                                         | -           |
| Digitalization and Cybersecurity                                                                                | <div></div> | Product quality and safety                                                                                                                                                                                                                       | -           |
| Commitment towards Society, new generations and Local Communities                                               | -           | Transparent management of the supply chain                                                                                                                                                                                                       | -           |
| Training, professional development and employee well-being                                                      | -           | Ecological products and sustainable packaging                                                                                                                                                                                                    | -           |
| Research and innovation                                                                                         | -           | Digitalization and Cybersecurity                                                                                                                                                                                                                 | -           |
| <div><div></div> commitment of the organization <div></div> people <div></div> product <div></div> planet</div> |             | <div><div></div> Very significant and likely impact (overall assessment from 10 to 16) <div></div> Very significant and likely impact (overall assessment from 6 to 10) <div></div> Minor and rare impact (overall assessment from 1 to 3)</div> |             |

To comply with the requirements of the new GRI 2021 standards, Sofidel, on the basis of the analysis carried out and considering the constantly evolving scenario, considers all negative impact topics reported in the above represen-

tation to be material, thus refer to the paragraph Sofidel's Impacts for the description. As far as the positive impacts are concerned, always in the context of the GRI, the following are considered material: Commitment towards Society,

new generations and Local Communities; Training, professional development and employee well-being, Research and Innovation. The remaining positive impact topics were anyhow subjected to analysis and, in view of improving the important mitigation actions implemented by the Group, it was deemed appropriate to carry out the assessments and stakeholder engagement activities.

THE RESULTS OF THE FINANCIAL MATERIALITY

The **most relevant risk or opportunity** was consid-

**ered** for the final assessment of each material topic. The relevance calculation is given by the product of the amplitude per likeliness. The assessment of the risks and opportunities was only carried out by the corporate management. The topics were divided into four categories: **environment**, **commitment of the organization**, **people** and **product**. Whenever a dash is present instead of the assessment's result, it means that no risks or opportunities were identified for that material topic.

| Topics with risks                                                                                               | Outside-in  | Topics with opportunities                                                                                                                                                                                                                        | Outside-in  |
|-----------------------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Proper management of forest resources                                                                           | <div></div> | Health and safety of workers                                                                                                                                                                                                                     | <div></div> |
| Health and safety of workers                                                                                    | <div></div> | Climate change and reduction of emissions into the atmosphere                                                                                                                                                                                    | <div></div> |
| Digitalization and Cybersecurity                                                                                | <div></div> | Commitment towards Society, new generations and Local Communities                                                                                                                                                                                | <div></div> |
| Training, professional development and employee well-being                                                      | <div></div> | Ethics and transparency                                                                                                                                                                                                                          | <div></div> |
| Brand reputation                                                                                                | <div></div> | Training, professional development and employee well-being                                                                                                                                                                                       | <div></div> |
| Product quality and safety                                                                                      | <div></div> | Transparent management of the supply chain                                                                                                                                                                                                       | <div></div> |
| Transparent management of the supply chain                                                                      | <div></div> | Research and innovation                                                                                                                                                                                                                          | <div></div> |
| Ethics and transparency                                                                                         | <div></div> | Circular economy and waste management                                                                                                                                                                                                            | <div></div> |
| Management of diversity and equal opportunities                                                                 | <div></div> | Brand reputation                                                                                                                                                                                                                                 | -           |
| Respect for human rights                                                                                        | <div></div> | Proper management of water resources                                                                                                                                                                                                             | -           |
| Climate change and reduction of emissions into the atmosphere                                                   | <div></div> | Proper management of forest resources                                                                                                                                                                                                            | -           |
| Ecological products and sustainable packaging                                                                   | <div></div> | Management of diversity and equal opportunities                                                                                                                                                                                                  | -           |
| Research and innovation                                                                                         | <div></div> | Respect for human rights                                                                                                                                                                                                                         | -           |
| Proper management of water resources                                                                            | <div></div> | Product quality and safety                                                                                                                                                                                                                       | -           |
| Proper management of forest resources                                                                           | <div></div> | Ecological products and sustainable packaging                                                                                                                                                                                                    | -           |
| Commitment towards Society, new generations and Local Communities                                               | -           | Digitalization and Cybersecurity                                                                                                                                                                                                                 | -           |
| <div><div></div> commitment of the organization <div></div> people <div></div> product <div></div> planet</div> |             | <div><div></div> Very significant and likely impact (overall assessment from 10 to 16) <div></div> Very significant and likely impact (overall assessment from 6 to 10) <div></div> Minor and rare impact (overall assessment from 1 to 3)</div> |             |



THE STAKEHOLDERS' INVOLVEMENT

The dialog with stakeholders is continuous. We discuss the most relevant topics and carry out numerous engagement initiatives.

The company selects the most appropriate methods and tools depending on the topics covered, frequency and intensity of the relationships and level of knowledge on the topics.

| Category     | Informing                                                                                                                                                                                                                                                                                                                                                 | Listening                                                                                                                                                                                                                                                                                                              | Consulting                                                                                                                                                                                                                                                                                                             | Involving                                                                                                                                                                                                                                                                                                              | Working together                                                                                                                                                                                                                                                                                                       |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environment  | <ul style="list-style-type: none"><li>Voluntary Disclosure initiatives</li><li>Product environmental information</li><li>Participation of the stakeholders in information gathering initiatives</li><li>Website, social media channels, corporate newsletters</li><li>Intranet</li><li>Certification bodies</li><li>Sofidel internal committees</li></ul> | <ul style="list-style-type: none"><li>Specific meetings with customers</li><li>Events/initiatives organized by NGOs</li><li>Specific meetings with authorities of the environmental field</li><li>Specific meetings with trade associations</li><li>Certification bodies</li><li>Sofidel internal committees</li></ul> | <ul style="list-style-type: none"><li>Specific meetings with customers</li><li>Events/initiatives organized by NGOs</li><li>Specific meetings with authorities of the environmental field</li><li>Specific meetings with trade associations</li><li>Certification bodies</li><li>Sofidel internal committees</li></ul> | <ul style="list-style-type: none"><li>Specific meetings with customers</li><li>Events/initiatives organized by NGOs</li><li>Specific meetings with authorities of the environmental field</li><li>Specific meetings with trade associations</li><li>Certification bodies</li><li>Sofidel internal committees</li></ul> | <ul style="list-style-type: none"><li>Specific meetings with customers</li><li>Events/initiatives organized by NGOs</li><li>Specific meetings with authorities of the environmental field</li><li>Specific meetings with trade associations</li><li>Certification bodies</li><li>Sofidel internal committees</li></ul> |
| Shareholders | <ul style="list-style-type: none"><li>Consolidated Financial Statement and Management Report</li><li>Integrated Report</li><li>Corporate website</li><li>Financial strength and sustainability</li></ul>                                                                                                                                                  | <ul style="list-style-type: none"><li>Shareholder's meeting</li><li>Sessions of Collegiate Bodies</li><li>Quarterly/ biannually</li><li>Specific meetings</li></ul>                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                        |

| Category                          | Informing                                                                                                                                                                                                                                                                                                                                                                   | Listening                                                                                                                                                                                                               | Consulting                                                                                                                | Involving                                                                                                                                                                                                                                                                   | Working together                                                                                                                                                                      |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Collectivities                    | <ul style="list-style-type: none"><li>Corporate website</li><li>Integrated Report</li><li>Giuseppe Lazzareschi Foundation website</li><li>PR and social media</li><li>Soft &amp; Green Blog</li><li>"Mi curo di te" project</li><li>'Sofidel4Talent' training course</li></ul>                                                                                              | <ul style="list-style-type: none"><li>Specific meetings</li></ul>                                                                                                                                                       | <ul style="list-style-type: none"><li>Specific meetings with Local Bodies</li></ul>                                       | <ul style="list-style-type: none"><li>Relationships with territorial Institutions</li><li>Projects and initiatives for the collectivities</li><li>Initiatives with NGOs</li></ul>                                                                                           | <ul style="list-style-type: none"><li>Partnerships with Universities and world of research</li><li>Partnerships with NGOs</li><li>Partnership with schools and Universities</li></ul> |
| Communities financial             | <ul style="list-style-type: none"><li>Consolidated Financial Statement and Management Report</li><li>Integrated Report</li><li>Corporate website</li><li>Bank Report</li><li>Information on request</li><li>PR</li></ul>                                                                                                                                                    | <ul style="list-style-type: none"><li>Conference calls</li><li>One-to-one meetings</li><li>National and international events</li></ul>                                                                                  |                                                                                                                           | <ul style="list-style-type: none"><li>CSR events</li></ul>                                                                                                                                                                                                                  |                                                                                                                                                                                       |
| Consumers and customers           | <ul style="list-style-type: none"><li>Newsletters</li><li>Corporate website</li><li>Commercial and service sites</li><li>Social media</li><li>SofidelShop</li><li>Commercial documentation</li><li>Communication campaigns</li><li>Integrated Report</li></ul>                                                                                                              | <ul style="list-style-type: none"><li>Customer satisfaction surveys</li><li>Complaint management (toll-free numbers)</li><li>Activity monitoring on all communication channels</li><li>SofidelShop e-commerce</li></ul> | <ul style="list-style-type: none"><li>European Marketing &amp; Sales Meeting</li><li>ETO Groups</li></ul>                 | <ul style="list-style-type: none"><li>Periodic interviews</li><li>International meetings</li><li>Specific training</li></ul>                                                                                                                                                | <ul style="list-style-type: none"><li>Multi-thematic work tables</li><li>Specific interviews</li></ul>                                                                                |
| Suppliers and commercial partners | <ul style="list-style-type: none"><li>Corporate website</li><li>Suppliers' guidelines</li><li>Integrated Report</li><li>Website for suppliers</li><li>Future Magazine</li></ul>                                                                                                                                                                                             | <ul style="list-style-type: none"><li>Specific meetings</li></ul>                                                                                                                                                       | <ul style="list-style-type: none"><li>Specific meetings</li><li>Desktop Audit</li><li>Eco-Sustainability Policy</li></ul> | <ul style="list-style-type: none"><li>Sustainable Supply Chain Self-Assessment Platform TenP</li><li>Sofidel Suppliers Sustainability Award</li></ul>                                                                                                                       | <ul style="list-style-type: none"><li>Support programs</li></ul>                                                                                                                      |
| Institutions                      | <ul style="list-style-type: none"><li>Corporate website</li><li>Integrated Report</li><li>Social media, PR and events</li><li>Soft &amp; Green blog</li></ul>                                                                                                                                                                                                               | <ul style="list-style-type: none"><li>Specific meetings</li><li>Public conferences</li><li>Sofidel conferences</li></ul>                                                                                                | <ul style="list-style-type: none"><li>Meetings with Local Bodies</li><li>Relationships with Regulatory Bodies</li></ul>   | <ul style="list-style-type: none"><li>Technical tables with Institutions</li></ul>                                                                                                                                                                                          | <ul style="list-style-type: none"><li>Conferences</li></ul>                                                                                                                           |
| People of the Sofidel Group       | <ul style="list-style-type: none"><li>Intranet Portal</li><li>Communications from top management</li><li>Integrated Report</li><li>Organizational Group communications</li><li>House Organ "People &amp; Paper"</li><li>Sofidel Informs/News</li><li>Distribution of guidelines, policies and HR procedures</li><li>Sofidel Channel</li><li>Soft &amp; Green Blog</li></ul> | <ul style="list-style-type: none"><li>Specific meetings</li></ul>                                                                                                                                                       | <ul style="list-style-type: none"><li>Focus groups</li><li>Workshops</li><li>Internal surveys (Sofidel People)</li></ul>  | <ul style="list-style-type: none"><li>Corporate events</li><li>International Human Resources Meeting</li><li>Meetings with Trade Union Organizations</li><li>Meetings with the Health &amp; Safety Representatives</li><li>Sofidel People</li><li>Welfare project</li></ul> | <ul style="list-style-type: none"><li>Workers' Recreational Assistance Club</li></ul>                                                                                                 |

02

# GOVERNANCE





STRONG 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, TO SAFEGUARD THE NATURAL HERITAGE OF OUR PLANET, AND SUPPORT THE TERRITORY AND COMMUNITIES IN WHICH WE OPERATE. 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 TEAM THAT INVOLVES ALL BUSINESS FUNCTIONS TO ACHIEVE GOALS IN LINE WITH THE UNITED NATIONS 2030 AGENDA AND THAT INCREASINGLY INTEGRATES SUSTAINABILITY INTO ALL ASPECTS OF OUR BUSINESS.



## The corporate asset

The **Corporate Governance model** adopted by Sofidel provides for:

- the **Board of Directors** (BoD) appointed at the Shareholders' Meeting and consisting of the Lazzareschi and Stefani families who founded the company in 1966 and who own 100% of the capital<sup>1</sup>;
- the **Board of Auditors** appointed at the Shareholders' Meeting;
- the **Risk and Sustainability Control Committee** appointed by the BoD;
- the **Supervisory Board** appointed by the BoD;
- the **Internal Audit**, whose manager is appointed by the BoD;
- the company in charge of the legal audits of the accounts, appointed at the Shareholders' Meeting.

Since 2021, directors external to the two founding families have joined Sofidel's Board of Directors: the university professors Chiara Mio, with a broad and in-depth knowledge on sustainability topics, and Silvio Bianchi Martini, management and business strategy expert, as well as Andrea Munari, chairman of the BNL bank, and Alessandro Solidoro, accountant.

The decision to open the BoD to independent directors with **an extensive experience and know-how in the economic and banking field in terms of sustainability** aims to promote corporate growth and to further strengthen the company's credibility and ability to manage the environmental, social and economic impacts such as to ensure sustainable development.

The entry into the board of directors of high-profile figures coming from sectors outside of the tissue market allows Sofidel to be open to new ideas and to acquire useful knowledge for future challenges. The exchange of different points of view with a strong critical spirit and a broad and long-term vision helps to constantly improve one's way of operating, **to create value for all stakeholders** and to generate a positive impact for the planet and society.

Having exceeded the threshold of two billion in turnover and considering the geographical presence on two continents, it was important to strengthen the governance in order to give new impetus to growth and to continue **to act with the utmost transparency** for the good of the company, its employees and commercial partners, as well as for that of the communities within which Sofidel operates.

**THE GROUP'S SHARED CULTURE IS CHARACTERIZED BY A STRONG AWARENESS OF ITS RESPONSIBILITIES TOWARDS PEOPLE AND THE PLANET.**

<sup>1</sup> Sofidel's Board of Directors consists of 8 members, of which 6 men and 2 women, all with a strong experience and an average age of over 50.



BOARD OF DIRECTORS

The board of Directors (BoD) is elected at the Shareholders' Meeting and is made up of 4 shareholders belonging to the due founding families and of four external directors. It's the highest governance body with **full responsibility for the Group's economic, social and environmental performance**, which is approved each year by at the Shareholders' Meeting during the presentation of the financial year results.

The role of the BoD

The BoD supervises due diligence to verify the company's environmental, social and economic impacts, makes the necessary decisions to strengthen the positive impacts and mitigates the negative effects. Each year, Sofidel carries out a materiality analysis involving the main stakeholders to verify the ESG topics on which the company can have the most significant impacts. The results of the materiality analysis are shared with the CEO and board of directors and constitute an important opportunity for discussion and reflections **aimed at assessing the areas to be improved and future strategies**. The CEO also maintains a constant dialog with the main stakeholders outside of the company, but also with the Sofidel managers who are in contact with the territory's customers, suppliers and institutions. This continuous exchange allows to keep the BoD updated on the market development and requests of the stakeholders working with us. The BoD plays an essential role in the updating of the company's sustainability policies, in the approval of the integrated report and in the development of

the strategies and actions implemented to achieve the corporate goals and promote **a more equitable, inclusive and respectful future for the planet and future generations**.

In addition to guiding management, the BoD ensures that the organizational, administrative and accounting assets of the company are adequate, supervises economic progress and decides on issues which, according to the Statute, are to be handled by the BoD. While carrying out these activities, the Board of Directors devotes particular attention to the internal control and risk management system. Finally, the BoD is committed **to promoting integrity and ensuring the prevention and reduction of conflicts of interest**. In this regard, it instructs the Supervisory Board and Internal Audit to implement the procedures and control measures needed to ensure the company operates in an ethical and transparent way, thus avoiding shady areas of interest and cross-participations with suppliers and other stakeholders.

The BoD's assessment

In order to assess the quality and efficacy of its operation in the management of the risks and impacts, Sofidel submits itself to **ESG ratings conducted by distinguished and independent external companies: CDP, Ecovadis and Sustainalytics**. These ratings are a litmus paper which allows to assess the strategic line and supervisory action carried out by the BoD and to identify any area of improvement on which the company can focus its commitment and attention. Sofidel still has not developed a formal process for assessing the BoD's

performance. Currently, the economic, environmental and social performance of the highest governance body is assessed in a collegial way, by duly considering the owners' point of view. All BoD members participate in the discussion and assume responsibility for pursuing or modifying the strategy on the basis of the results and feedback received from the shareholders and different stakeholders.

For the future, Sofidel intends, as it did for its managers, to associate the BoD's remuneration to the sustainability goals in order to promote an ethical and transparent governance and a way of doing business increasingly oriented at generating a positive impact in the world.

In 2022, Sofidel received the highest score on all ESG ratings to which it submitted. This important result distinguishes us from companies focused on "greenwashing" actions rather than on projects capable of generating a concrete and long-term positive impact. We achieved these results thanks to the BoD's guidance and strategic skills and to the constant exchanges with the ONGs with which we work: **WWF, UN's Global Compact, Oxfam and Valore D**. The dialog with Third Sector bodies makes us more aware of our impacts and responsibilities towards the environment and society. It allows to stay updated and stimulates us to progress.

Our BoD members also participate at numerous **international work tables** and meetings for staying up-to-date on the topics of energy transition and our planet's future. For example, Chiara Mio is part of the Task Force developing the European standards for non-financial

reporting and a member of the EFRAG Sustainability Reporting TEG<sup>2</sup> since 2022.

RISK CONTROL AND SUSTAINABILITY COMMITTEE

To further strengthen the company's Governance and manage the risks and opportunities, as well as the environmental, social and economic impacts generated by Sofidel more efficiently, the BoD instituted the **Risk Control and Sustainability Committee** (RCSC). Appointed in the month of March 2022, this committee aims to ensure the utmost attention and expertise on two crucial topics for the future of the company: **risk mitigation and management and the sustainability strategy**. The independent directors, who do not have operative roles in the company to avoid the risk of conflicts of interest, are part of the Risk Control and Sustainability Committee.

The RCSC has the task of checking to make sure the company's internal control system is adequate, that the risks are monitored and that all func-

tions carry out their duties according to the corporate ethics and interests of all stakeholders, such as to ensure the company's sustainability and mitigate any negative impact.

In its role, the RCSC **supervises the company's ESG strategy** and suggests elevated and long-term guidelines to the BoD by considering the current historical, political and economic context, the company's evolution, the environmental urgencies for the future of the planet and the experience acquired in sectors other than the tissue one.

The Risk Control and Sustainability Committee dialogs constructively with the company's **ESG Team**, which has the task of managing the risks and impacts of daily activities and of developing a three-year **sustainability plan** to be updated each year and which is approved by the CEO and RCSC. The managers of different corporate functions are part of the ESG team and, in agreement with the Risk Control and Sustainability Committee, they have the task of defining the goals for the

following three-year period, including the performance indicators and priority interventions needed to achieve them. The objectives are monitored periodically and each function manager undertakes to achieve them. In its consulting and supervising activity, the Risk Control and Sustainability Committee periodically meets the managers of the company's CSR, Risk Management and Internal Audit and **reports the company's performance at the BoD meetings**, during which the priorities are shared, the strategies are defined, the KPIs are identified and any critical issue is discussed.

The function managers also meet the BoD periodically to present the projects and most significant results of their function.

BOARD OF AUDITORS

Appointed at the Shareholders' Meeting, the Board of Auditors is the control body that supervises compliance with the Law and Statute, main organizational principles and proper administration.

<sup>2</sup> Since 2021, Chiara Mio is Vice-Chair SME and Sustainability, Accountancy Europe, Bruxelles. Since 2022, she is a member of the EFRAG Sustainability Reporting TEG. From 2015 to 2020, she was President of the ESG Reporting Task Force, Accountancy Europe, Bruxelles.



**SUPERVISORY BOARD**

The Supervisory Board has the task of supervising operations and compliance with the Organizational, Management and Control Model adopted by Italian companies **in accordance with Legislative Decree 231/01**. In particular, it reports any gaps and need to audit following regulatory and organizational changes. Together with the various corporate functions, it transforms new regulatory requests into opportunities to improve the company's organization and control systems.

**INTERNAL AUDIT**

The Internal Audit helps the organization achieve its goals by assessing and improving the internal control, risk management and corporate governance processes. In this regard, it carries out independent assurance activities to improve the efficiency of the corporate processes and to assess the adequacy of the Internal Control and Risk Management System. The Internal Audit's contribution is essential for developing and disseminating a culture attentive to risk management within Sofidel.

**LEGAL AUDITS OF THE ACCOUNTS**

The company currently in charge of the Legal Audit of the Accounts is EY.







Corporate asset of the Sofidel Group

Board of directors<sup>3</sup>

IN CHARGE FOR THE FINANCIAL YEARS 2022 – 2024

Members of the shareholder families

- EDILIO STEFANI**  
Chairman and Board Member
- LUIGI LAZZARESCHI**  
Chief Executive Officer (CEO)
- PAOLA STEFANI**  
Non-executive Director
- NICOLÒ STEFANI**  
Non-executive Director

External Directors

- CHIARA MIO**  
Non-executive Director, Full Professor at the Department of Management of Ca' Foscari University of Venice and expert in sustainability
- ANDREA MUNARI**  
Non-executive Director, Chairman of BNL bank
- SILVIO BIANCHI MARTINI**  
Non-executive Director, Full Professor of Business Economics at the University of Pisa
- ALESSANDRO SOLIDORO**  
Non-executive Director, Accountant and adjunct Professor at the Bocconi University of Milan for the “Business Assessment” course
- GUIDO CORBETTA**  
Secretary of the Board of Directors, Full Professor of Corporate Strategy at Bocconi University of Milan

Risk Control and Sustainability Committee

- CHIARA MIO**  
Non-executive Director, Full Professor at the Department of Management of Ca' Foscari University of Venice and expert in sustainability
- SILVIO BIANCHI MARTINI**  
Non-executive Director, Full Professor of Business Economics at the University of Pisa
- ALESSANDRO SOLIDORO**  
Non-executive Director, Accountant and adjunct Professor at the Bocconi University of Milan for the “Business Assessment” course

Board of Auditors

IN CHARGE FOR THE FINANCIAL YEARS 2022 – 2024

- UGO FAVA**  
Chairman
- GABRIELE NENCINI**  
**FRANCESCA BITOZZI**  
Acting Auditors

Supervisory Board 231/01

- GIANFRANCO DEL GRANDE**  
Chairman
- GIACOMO CARDANI**  
**SIMONE FERRETTI**  
Acting members

Internal Audit

- SIMONE FERRETTI**  
Manager

Auditing Firm

IN CHARGE FOR THE FINANCIAL YEARS 2022 – 2024

- EY S.p.A**

<sup>3</sup> This note reports the other roles covered by the members of Sofidel's Board of Directors.

**Chiara Mio**

- Danieli & C. Officine Meccaniche SpA, Independent Director
- Eurotech SpA, Independent Director
- OVS SpA, Independent Director
- Corà Domenico & Figli SpA, Chairman
- Mcz Group SpA, Independent Director
- Bluenergy Group SpA, Independent Director

**Andrea Munari**

- Banca Nazionale del Lavoro, Chairman
- BNPP Foundation, Director
- BNL Foundation, Director
- Koinos Capital SGR SpA, Director
- Cortile dei Gentili Foundation, Director
- ISPI Association, Director
- Amici della Lumsa Association, Advisory Board Member

**Alessandro Solidoro**

- ABI (Italian Bank Association), Director and Member of the Presidential Committee
- Assonime, Board of Directors Member
- International Academy for Economic and Social Development SPES, Board of Directors Member
- Deutsche Bank SpA, Independent Director of the Supervisory Board
- Galbusera SpA, Chairman of the Board of Auditors
- Grifols Italia SpA, Chairman of the Board of Auditors
- Diocesan Work for the Preservation and Diffusion of the Faith in Milan, Board of Directors Member
- Pirola Corporate Finance Spa, Chairman of the Board of Auditors
- Rome Biomedical Campus University Foundation, Chairman of Audits of the Accounts
- Fiera Parking SpA, Auditor
- Collegio San Carlo, Chairman of the Board of Directors
- Collegio San Carlo Foundation, Chairman of the Board of Directors
- Ambrosian Foundation for Catholic Culture and Education (FACEC), Chairman of the Board of Directors
- Promozioni e Sviluppo SpA, Director



## Organizational structure

Sofidel Group's organizational model ensures the **integrated management of all value creation processes**, shifting the emphasis from individual activities to the overall flow, thus strengthening cooperation among the various functions and making the organization more effective.

The goal is to allow the Group to generate positive economic, environmental, and social impacts, and carry out an essential role in the life and economy of the local communities in which it operates.

The Group's organizational model meets three requirements:

- It defines the responsibility of managers working at the holding company and production plants.
- It makes the best use of resources to meet customers' needs.
- It relies on effective integration and control mechanisms and on the best organizational culture to ensure the smooth operations of the company.

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

### 1. Industrial Process

The industrial process is overseen by two organizational units:

#### • Production

It ensures the optimization of production efficiency and the sharing of best practices related to the production process (Sofidel Manufacturing System). The Country Operation Managers, who oversee the industrial process in each respective country, report to the Chief Operating Officer.

#### • Technical and engineering support

It provides the know-how needed to assess and select industrial investments.

### 2. Markets and Strategic Business Areas

The Marketing & Sales unit manages the Strategic Business Areas (SBAs) and is organized into four business lines: **Brand, Private Label, Away-From-Home, Parent Reels**. Each line of business is organized by geographic area and is overseen by a manager who is responsible for customer satisfaction and all marketing and sales activities.

### 3. Global functions

Global Functions include several responsibilities:

#### • Logistics

It supervises production scheduling and raw material procurement. It ensures the traceability of the finished products and raw materials, organizes transport services and optimizes costs.

#### • Purchasing

It oversees supplier management and the purchase of strategic raw materials (cellulose and wastepaper) to respond effectively to market needs.

#### • Quality

It suggests and manages certifications and ensures quality for the Group's development and growth. It plays a key role in developing top quality products that satisfy customers even better.

#### • Business development and innovation

It manages the Group's research and development activities and coordinates the interaction process between the business in Europe and in the US.

### 4. Strategic Services

Strategic Services comprise the following functions:

#### • Finance

It is responsible for the Group's administrative management and for the following activities: planning and control, credit management, Information & Communication Technology, insurance.

#### • Risk management

Together with the various functions, it identifies the main risks that may hinder the company from achieving its objectives and defines the necessary protection and mitigation actions. Monitoring and implementing the Enterprise Risk management System, by helping the Risk Owners to report the risks related to the organizational structure of their competence.

#### • Human resources

It is the function in charge of personnel management, Group organization, training, and management of safety and legal affairs.

#### • Finance and Treasury

It is responsible for the Group's financial management, treasury and relations with banks and other credit institutions.

#### • Communication and Corporate Social Responsibility (CSR)

It is the function that handles the Group's institutional communication. It has the task of strengthening Sofidel's reputa-

tion and brand equity, and promoting the company's commitment to social and environmental sustainability. It is also a point of reference for those who either wish to discuss of the actuation of the policies that allow the company to act responsibly or to question the sustainability of some corporate practices and decisions.

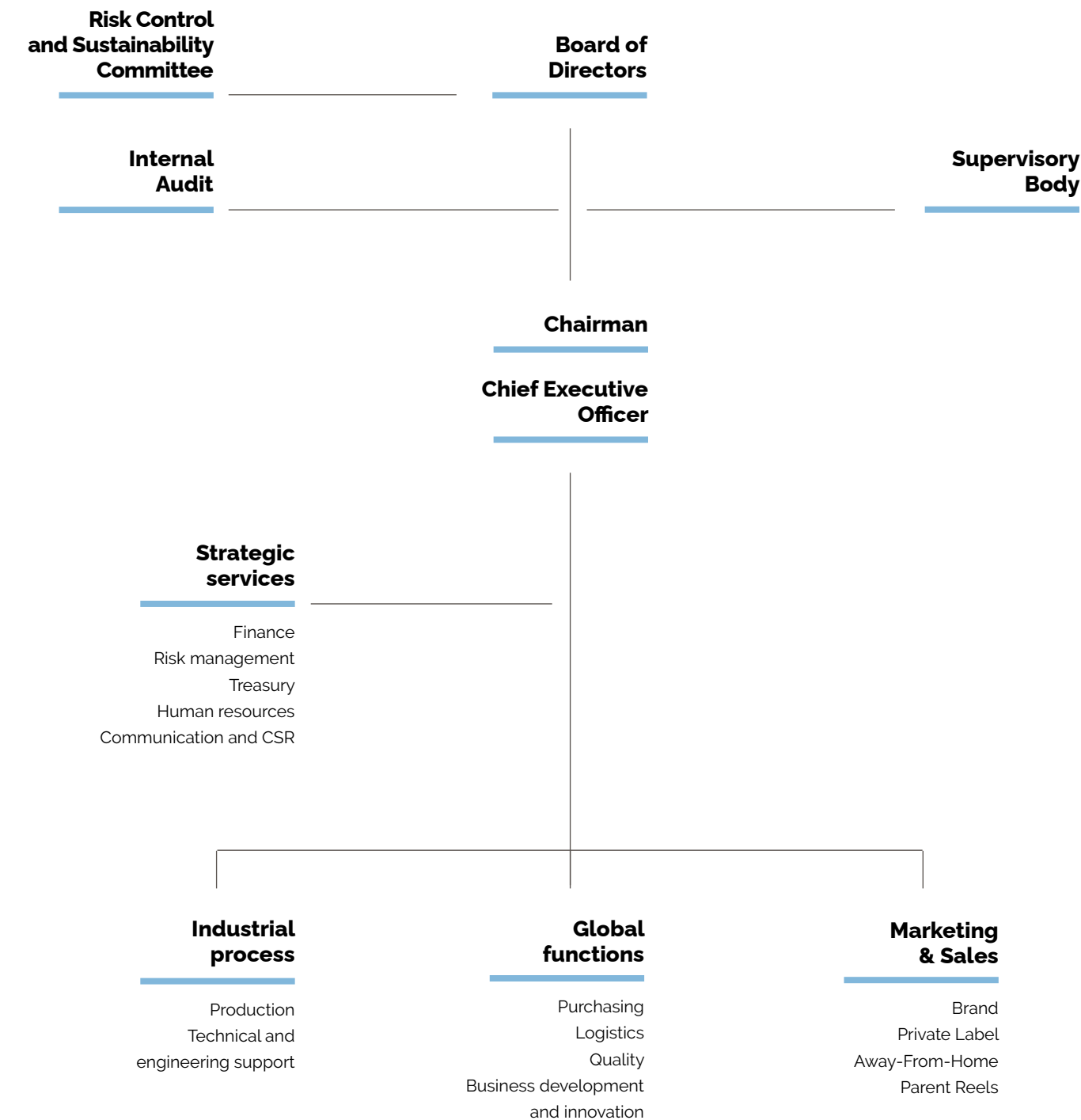
**SOFIDEL'S ORGANIZATIONAL CULTURE PROMOTES DIALOG AND DISCUSSION AMONG THE VARIOUS FUNCTIONS AND ENSURES THE SMOOTH RUNNING OF THE COMPANY.**



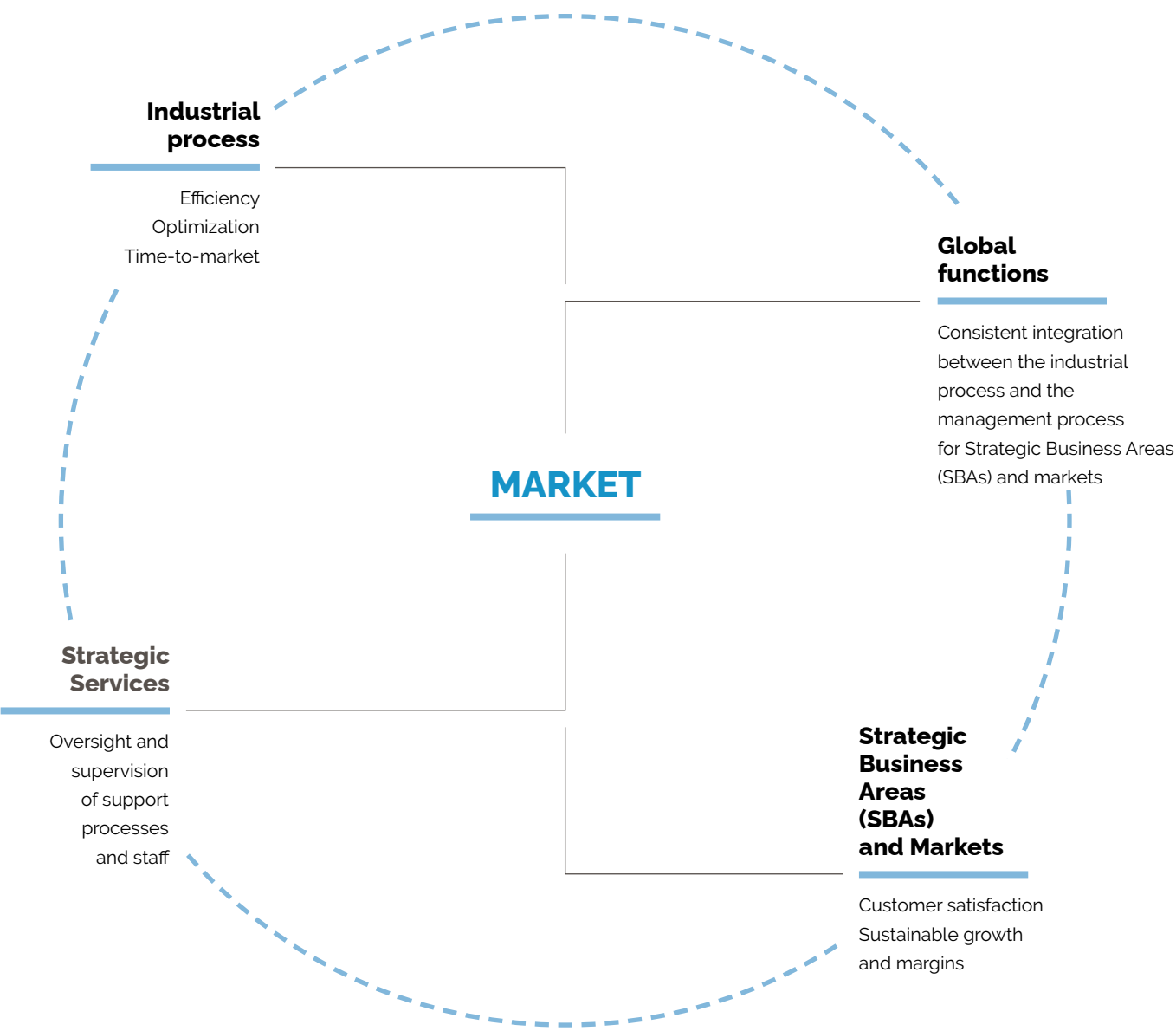




Organizational model  
of Sofidel Group



OUR GOAL IS TO ENSURE  
THE INTEGRATED MANAGEMENT  
OF THE VALUE CREATION PROCESSES.





## The internal control and risk management system

The internal control and risk management system aims to ensure the solid sustainable development of the company and to **create long-term value** not only for shareholders but for the benefit of all stakeholders.

Our control and risk management system is inspired by the CoSO Report (Internal Control Integrated Framework) and provides three levels of control:

### First level

It concerns the Directors of the various functions, the so-called **Risk Owners**. It identifies, assesses, and manages risks within the scope of responsibility and implements specific mitigation actions.

### Second level

Is the responsibility of the **Control and Risk Management functions**. It anticipates and monitors the main risks that can influence the achievement of the corporate goals and ensures an effective treatment and adequate control measures.

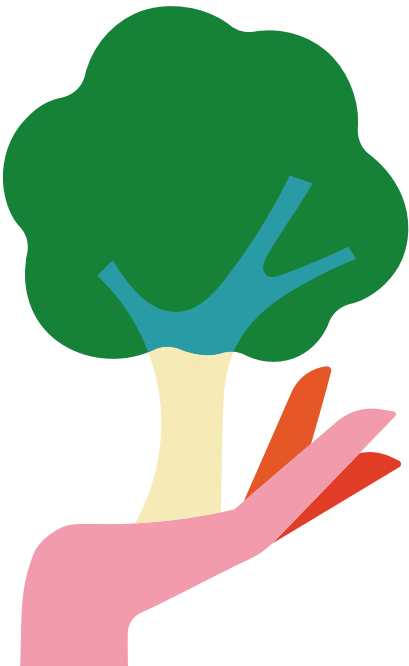
### Third level

It concerns the **Internal Audit** which carries out the employee assurance activities with the aim of improving the organization's efficiency and of assessing the adequacy and effective operation of the Internal Control and Risk Management System. The Board of Directors has approved the constitution and duties of the Internal Audit in 2022.

The **Supervisory Board**, which has the task of supervising the implementation and proper functioning of the company's Organizational, Management and Control Model in accordance with **Legislative Decree 231/01**<sup>4</sup> and to update it, is added to this.

This new organization reflects the Group's desire to continually improve its control system.

**THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IS THE SET OF TOOLS, PROCEDURES, RULES AND ORGANIZATIONAL STRUCTURES THAT ALLOW TO MANAGE THE COMPANY IN A HEALTHY AND PROPER WAY CONSISTENTLY WITH THE COMPANY'S SUSTAINABLE GROWTH OBJECTIVES.**



### THE VALUES OF THE INTERNAL CONTROL SYSTEM

The Group's internal control system is guided by the principles of **integrity, transparency** and **equity**.

All Sofidel employees are required to comply with the **Code of Ethics**, which sets out the principles underlying fair and lawful business conduct. The Code is given to all new hires and a training course is available that covers the content and topics in more detail.

The separation of tasks and responsibilities between decision-makers, those who carry out activities, and those who monitor them makes it possible to organize all decision-making and authorization processes, which guarantees transparent operating methods based on integrity.

Furthermore, we carry out a **job rotation program** in all our companies which, in addition to increasing people's skills, reduces the risks of fraud and corruption by encouraging the creation of relationships based on the most valuable ethics with all our stakeholders.

### ANTI-CORRUPTION RISK ASSESSMENT

In 2022, Sofidel updated the **Anti-Corruption Risk Assessment** within the companies that had already adopted the anti-corruption model according to the **37001 standard**<sup>5</sup>. It also extended the anti-corruption model to the German companies and will introduce it throughout the entire Group<sup>5</sup> in the next years. The process involved, at various levels, all the functions that carry out activities considered sensitive for anti-corruption

purposes. **Control and monitoring actions** were carried out on sensitive processes through an audit program.

Over the year, Sofidel also set up an **e-learning program dedicated to the ISO 37001 standard and corruption phenomenon**. The courses summarize the steps taken by the Group to adopt the anti-corruption model. For now, it was launched in the Italian companies, but will gradually be extended to all companies that adopted the model.

The anti-corruption model is adopted according to the Board of Directors' approval, or is decided upon by the Legal Representative. Contemporaneously with the adoption of the model, the **Ethics & Compliance Program**, which is an integral part of the model, is approved and the **Focal Point**, the function representing the Group on anti-corruption issues, is appointed.

### THE FUNCTIONS OF THE INTERNAL CONTROL SYSTEM

During the year, the Supervisory Board, the Business Control unit and the Risk Management & Compliance function helped the various corporate functions define controls and assess their effectiveness.

A training and information campaign was implemented to ensure employees understand **the importance of and responsibility for the monitoring and control activities**. The training program is also pursued to raise awareness on Legislative Decree 231/01 and its contents.

The **Quarterly Report**, which is prepared every three months by the Legal Repre-

sentatives of the Group companies, is an integral part of the Sofidel Group's control system. This report, consisting of a dashboard with indicators defined for each business function, allows compliance of business processes and activities to be monitored, best practices to be identified and any risks to be overseen.

**FOR SOFIDEL, DOING BUSINESS MEANS ENSURING THE IMPLEMENTATION AND COMPLIANCE OF STANDARDS AND PRACTICES BASED ON INTEGRITY, TRANSPARENCY AND EQUITY.**

<sup>5</sup> Sofidel has adopted the international ISO 37001 standard in Italy, France, Spain and Belgium, but is not yet certified. The risk assessment involved 14 out of 37 offices and plants, or 38% of the Sofidel Group.

<sup>4</sup> Legislative Decree 231/01 is applied in Italy.





## Risk management and monitoring

Based on international best practices, the Group has undertaken a process for the integration and standardization of its administrative, accounting, and financial procedures, and implemented a unique, **integrated management program**: SAP Enterprise Resource Planning (ERP).

The model that Sofidel uses is known internationally as **Integrated Finance Organization** (IFO) and is preparatory to the implementation of the **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 an organism** and not as the sum of individual elements. This perspective makes it possible to translate strategic planning into operational objectives that contribute to the achievement of performance and economic and financial sustainability, which, for Sofidel, go hand-in-hand with environmental and social sustainability.

Starting from 2020, this model has been accompanied by the **Risk Management & Compliance** function with the aim of creating an Enterprise Risk Management (ERM) system. This is designed to guarantee that management makes (risk) **informed decisions through the assessment and analysis of risks** that may affect the achievement of strategic and op-

erational objectives. Over the years, this function updated the risk management carried out in 2021 by focusing on the action plans that allow to mitigate the main risks. The function then shared the risk assessment results with the Risk Control and Sustainability Committee and Board of Directors to define the investment priorities in terms of risk mitigation.

The same also set up a step for monitoring the action plans with the aim of identifying the **Key Risk Indicators** and of creating a monitoring platform for 2023.

To assess the risks, Sofidel considered both **the likelihood of occurrence** and the **severity of the impacts** that would arise in a given time frame. The risk assessment was conducted both at the inherent level, where no risk response action is taken, and at the residual level, when the effectiveness of mitigation actions are considered. This activity allowed to measure the impacts of the risk with respect to the achievement of the corporate goals and led to the drafting of the **Sofidel Risk Catalog**.

The development of the Risk Catalog allowed the company to prioritize the action plans of the various Risk Owners.

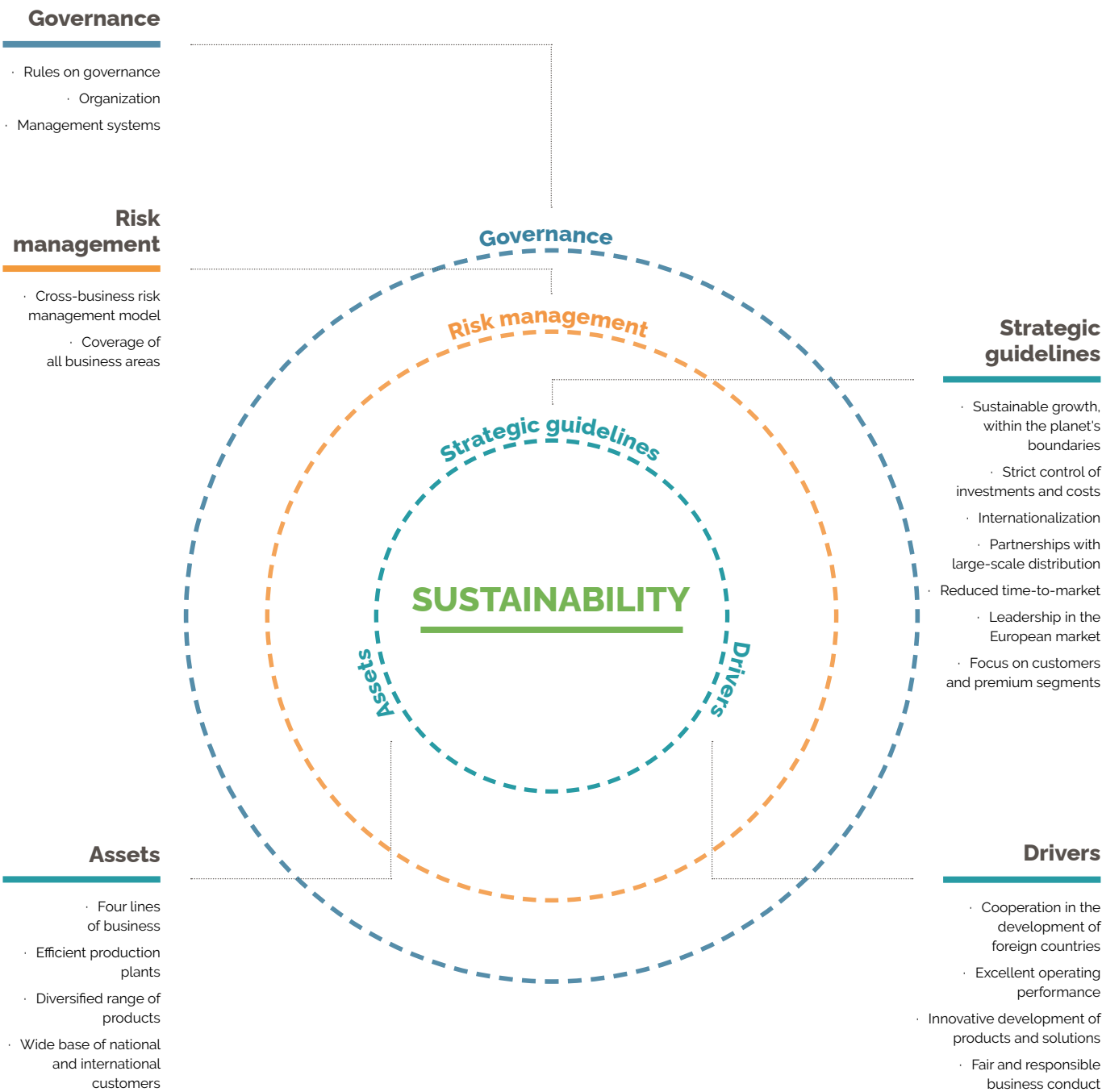


## Risk management: the Sofidel model





Sustainability at the heart of the organizational model







## The main ESG risks and respective management policy

On the basis of the materiality matrix, the Sofidel Group has identified the main ESG risks relating to primary environmental, social and governance issues for our stakeholders. **These risks are integrated into the ERM** (Enterprise Risk Management) model, which takes into account ESG factors and the impact they can have on the company and our busi-

ness. In addition to ESG risks, the ERM model also considers traditional risks, such as those related to the protection of economic and financial assets and of competitive advantage over time. We present the **main ESG risks** below, but the management policy for all risks identified by the ERM model is available upon request.

### Proper management of forest resources

| Type of risk                                                                                                                           | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk of reputational damage for the company and its brands due to a supply chain that is not in line with Sofidel's principles.</b> | <p>The Sofidel Group's goal is to have a supply chain <b>characterized by the absence of risks</b>. In order to achieve this result and to mitigate the risk of reputational damage, we have two lines of intervention:</p> <ul style="list-style-type: none"><li>• adopting the ISO 20400 standard as a sustainability model for purchases;</li><li>• assessing the strategies and performance of suppliers.</li></ul> <p>The tool we use to assess suppliers on sustainability issues is the <b>TenP Paper</b> platform. Developed together with Global Compact Network Italy, TenP Paper allows to measure the performance of suppliers in four different contexts: <b>work conditions, respect for human rights, safeguarding of the environment and fight against corruption</b>.</p> <p>Depending on the score achieved with this assessment system, Sofidel subdivides suppliers into three categories: green, or those who achieved excellent results in all four contexts, yellow, or those who are sustainable although they still have certain weaknesses on some fronts, and red, or those who are not yet in line with the Group's sustainability principles. Sofidel carries out numerous support and training interventions to help suppliers who are not yet sustainable improve. If the suppliers do not make progress despite the support, the company assesses the likeliness to interrupt their partnership. In 2022, <b>98% of the Group's purchases were made with excellent or sustainable suppliers</b>.</p> <p>TenP Paper's data is reported on the Ariba platform, which allows to require further documentary information from suppliers to confirm their replies. As of 2023, Sofidel will also start to carry out <b>field audits to assess the main pulp suppliers</b> to mitigate the risk of incorrect or incomplete information.</p> <p>Finally, in 2022, Sofidel, together with WWF, updated the <b>Supplier Code of Conduct</b> , which must be shared and approved by all suppliers working with us.</p> |

| Type of risk                                                                                                             | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk of user license loss or restrictions for the PEFC, FSC and Ecolabel brands following severe non-compliances.</b> | <p>In order to reduce the risk of user license loss for the PEFC, FSC and Ecolabel brands, Sofidel undertakes to:</p> <ul style="list-style-type: none"><li>• carefully select its suppliers, choosing only those capable of not only ensuring the amount of cellulose required and delivery times, but also the quality of the fibers and an <b>eco-sustainable management of forest resources</b>;</li><li>• make long-term relationships, by only selecting suppliers capable of <b>ensuring the user license</b> and respect for the certifications;</li><li>• provide an <b>annual verification</b> of these certification through our supplier pre-qualification system (TenP Paper);</li><li>• request detailed information on how the supplier produces the cellulose. As of 2023, the company also intends to carry out an <b>audit on the premises</b> of the main pulp suppliers to verify compliance with the PEFC, FSC and Ecolabel certifications;</li><li>• insert the Ecolabel management procedure within the ISO 14001 management system.</li></ul> <p>Sofidel has also instituted a monthly monitoring system for the FSC, PFC and Ecolabel credits to verify compliance with the conditions required by these certifications.</p> |
| <b>Risk of not complying with the traceability requirements relating to the raw materials and finished product.</b>      | <p>Sofidel has adopted an <b>identification system</b> which allows to trace the raw materials and finished product. The traceability system is described in a specific procedure and is periodically monitored through internal audits.</p> <p>In particular, the raw materials of forest origin must be subjected to a due diligence process imposed by EU and UK regulations in order to verify the legality of their origin (Timber Regulation EU and Timber Regulation UK):</p> <p>The information is obtained through annual questionnaires that are sent to suppliers and verified through internal audits and <b>inspections carried out on a sample basis by specialized third bodies</b>.</p> <p>In 2023, Sofidel also plans to carry out product recall simulations to verify the times required to trace the product, both upstream and downstream, and withdraw it from the market.</p>                                                                                                                                                                                                                                                                                                                                                  |
| <b>Risks associated to the availability of pulp.</b>                                                                     | <p>In order to reduce the risk of pulp shortage, the Sofidel Group protects itself through:</p> <ul style="list-style-type: none"><li>• a careful selection of the suppliers, of those capable of not only ensuring the amount of pulp required and delivery times, but also the quality of the fibers and <b>eco-sustainable management of forest resources</b>;</li><li>• the stipulation of <b>long-term contracts</b> to ensure supply and obtain better economic conditions;</li><li>• the research and assessment of <b>alternative fibers</b> that do not come from trees, but from agriculture, herbaceous plants or textile waste.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |







Climate change and reduction of emissions into the atmosphere

| Type of risk                                                                    | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk of not meeting sustainability objectives (carbon, plastic, forests)</b> | <p>Sofidel has a three-year sustainability plan, shared with all business functions and approved by the Risk Control and Sustainability Committee and Chief Executive Officer.</p> <p>The company's <b>Governance system</b> allows to minimize the risk of not achieving the sustainability goals. Key mitigation measures include:</p> <ul style="list-style-type: none"><li>• the entry of high-profile figures in the Board of Directors, among which Chiara Mio, <b>one of the leading sustainability experts in Italy</b>, and Silvio Bianchi Martini, expert of corporate strategy and risk management;</li><li>• the audit carried out each year by a leading auditing firm to <b>certify the integrated report</b> which contains Sofidel's sustainability goals;</li><li>• the <b>quarterly report</b> drafted to update the BoD on the financial performance and main sustainability goals;</li><li>• the <b>annual participation in the CDP rating</b> (Carbon Disclosure Project), the non-profit organization representing the global benchmark for assessing environmental impacts. In this regard, Sofidel received a high score for the fight against climate change (A-), safeguarding of forests (A-) and involvement of the supply Chain (A);</li><li>• the <b>approval of Science-Based Targets Initiative (SBTi)</b> for our 2030 greenhouse gas emission reduction goals. SBTi is a joint initiative of the CDP, UN's Global Compact (UNGC), World Research Institute (WRI) and WWF to guide companies in the development of a science-based decarbonization strategy with the aim of containing the global temperature increase below 1.5°C with respect to pre-industrial temperatures;</li><li>• the <b>SGS certification</b>, the leading company worldwide for the inspection, verification, analysis and certification services of GHG emission inventory;</li><li>• the development of a strict and detailed <b>Policy</b> in partnership with WWF, to regulate the <b>procurement of the forest resource</b>.</li></ul> <p>Moreover, <b>the long-term planning of industrial investments</b> is inspired by the sustainability goals and is one of the main guarantees of their achievement.</p> |
| <b>Risk of a skills gap on decarbonization and energy transition</b>            | <p>Sofidel moved well in advance on the decarbonization topic and, in 2009, was the first paper-making company in Italy and worldwide to adhere to the <b>WWF's Climate Savers</b> program, a voluntary project to reduce CO<sub>2</sub> emissions. Its long and fruitful partnership with WWF allowed the company to benefit from a constant exchange with experts and to stay updated on decarbonization and energy transition topics.</p> <p>In Europe and America, Sofidel has a function dedicated to decarbonization and energy transition, with expert figures working in close contact with the financial bureau for the tax and accounting aspects associated with the purchase of energy. All the Group's European plants are <b>ISO 14001</b> certified and our 2030 emission reduction goals were approved by <b>SBTi (Science Based Target initiative)</b> and deemed in line for maintaining the planet's temperature increase well below 2 °C.</p> <p>The Group also has an open and continuous dialog with the main <b>associations of the paper-making sector in Italy and Europe</b>, such as Assocarta and CEPI. These entities provide a significant opportunity to stay up-to-date on evolving technology and energy issues and make numerous webinars and in-depth materials available to the company.</p> <p>Sofidel also has an internal training program dedicated to sustainability and a blog that periodically addresses the most current issues. Finally, in 2021, Chiara Mio, professor of business economics and sustainability at Ca' Foscari University in Venice and one of Italy's leading experts on sustainability and ESG issues, joined Sofidel's Board of Directors.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| Type of risk                                                                                                            | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk of extreme atmospheric events due to climatic changes (floods, drought, hydrogeological instability, etc.).</b> | <p>Sofidel has been working in multiple directions to be more resilient and mitigate the risk of extreme atmospheric events which can affect its plants:</p> <ul style="list-style-type: none"><li>• has <b>invested to protect</b> the plants most exposed to the risk of flooding;</li><li>• has <b>reduced water consumption to a minimum</b> to better address drought and water stress issues;</li><li>• uses <b>several water sources</b> to manage any critical situation more efficiently.</li></ul> <p>The company also uses one of the most renowned insurance service to identify the most effective damage mitigation measures. The insurance firm, with the help of Sofidel's local teams, carries out <b>due diligence on site</b> to identify the sites most exposed to the risk of being affected by extreme climatic events and thus at risk of not being able to ensure business continuity. The emergency response activities to climatic changes are thus planned on the basis of these analyses.</p> <p>An analysis will also be carried out in 2023 to verify the possibility of extending the <b>water re-use system</b> to more Sofidel plants, such as to further reduce the water procurement need of our production plants.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Risk of an increase in the cost of energy, gas and CO2</b>                                                           | <p>In order to mitigate the risk of an increase in the cost of energy, gas and CO<sub>2</sub> emission certifications, Sofidel adopts <b>supply contracts that combine fixed and variable prices</b> to reduce exposure to the market's volatility.</p> <p>Sofidel has also signed long-term agreements providing for a fixed price for energy:</p> <ul style="list-style-type: none"><li>• a Power Purchase Agreement (PPA) with <b>RWE</b> for the implementation of a <b>13.6 megawatt wind farm in Sicily</b>. The company is the sole purchaser of the energy produced by the plant, with a contract for 26 GWh/yr.;</li><li>• a long-term agreement (10 years) with <b>Meva Energy</b> for the implementation of a <b>bio-syngas generation plant</b> at our Kisa site in Sweden. This agreement will allow to replace fossil fuels within the next two years and to <b>reduce the CO<sub>2</sub> emissions by 8,500 tons</b>;</li><li>• a PPA partnership with RWE in Greece for the implementation of an 18.57 megawatt solar farm, which will supply 100% of the energy required for our Greek plant in 2024.</li><li>• a partnership with <b>Acciona</b> which, through its wind and solar farms, will supply 100% of the energy required for our Spanish production site from renewable sources (50% at a fixed price and 50% at a variable price).</li></ul> <p>For some time now, France and Sweden have been using biomasses originating from a controlled and sustainable local supply chain to produce energy. This fuel is not subject to the variations that afflict the gas and electricity markets and allows to reduce climate-changing emissions.</p> <p>Furthermore, programs for the reduction of energy consumption are active within the ISO 50001 certified energy management systems, which are now present in most production sites. For example, Sofidel UK obtained a <b>specific energy efficiency benefit</b> through a mechanism called IETF (Industrial Energy Transformation Fund) for a project at the Baglan site.</p> <p>Finally, in 2022, the energy material price risk management policy <b>was expanded and integrated</b>. This policy provides the opportunity of combining the physical hedges already in place with hedges of the financial type, by following the guidelines defined by an internal committee consisting of, in addition to the concerned functions, the CEO and Chairman.</p> <p>In order to address the high volatility of energy markets, in 2022, Sofidel instituted a committee that meets periodically to <b>assess the impact of the energy costs on the economic and financial results</b> and make decisions on the matter.</p> <p>The impact on the results is determined through a calculation model which determines the prospective incidence, per ton, of the cost of energy and gas for each production plant, by considering the consumption data and future price trends.</p> <p>Such tool allowed the management to define the price increases to be requested from customers in order to address the sharp increase in energy costs and to plan production interruptions (for maintenance or other) whenever the prices of energy raw materials are at their highest.</p> <p>In 2022, the Finance and Treasury department started to scout the market, and will continue to do so in 2023, to identify the most efficient financial tools and respective trading platforms, in compliance with the energy material price risk management policy. In this regard, contracts of financial nature were signed by Sofidel America and the first had already been negotiated last December 2022.</p> <p>Finally, the Environment and Energy Department will continue to pursue its commitment to stipulate new PPAs in the UK and US throughout 2023.</p> |



Health and safety of workers

| Type of risk              | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accident risk             | <p>To limit the risk of accidents and protect the health of workers, contractors and visitors, Sofidel constantly monitors the workplace:</p> <ul style="list-style-type: none"><li>• by carrying out internal audits and inspections;</li><li>• by implementing the best safety standards in the plants and on the machinery;</li><li>• by implementing training programs and informing.</li></ul> <p>The company has developed a risk assessment report that identifies the risks and prevention measures for occupational health and safety based on Legislative Decree 81/2008.</p> <p>Sofidel also adopted the international <b>UNI ISO 45001</b> standard, an international tool which allows to improve the preventive policies and to counter accidents and professional diseases increasingly more effectively.</p> <p>The <b>UNI ISO 45001</b> standard defines a framework of reference to improve safety, reduce risk in the workplace and improve the health and well-being of workers, thus allowing to increase the company's performance in terms of health and safety.</p> <p>To strengthen its <b>Zero accidents strategy</b>, Sofidel has extended its Health &amp; Safety training plan to the European and American plants, by defining specific KPIs and a quarterly monitoring system. The Health and Safety managers of the various countries also periodically discuss to share the best practices and promote continuous improvement.</p> <p>In 2022, Italy has also implemented the <b>Safe Behavior Observatory</b>, a field analysis of the activities wherein the work teams take turns watching each other carrying out their activities to strengthen positive behaviors, report those which can put safety at risk and identify protection and prevention measures. The Safe Behavior Observatory's goal is to create a solid and conscious safety culture in all the Group's plants.</p> |
| Occupational disease risk | <p>Sofidel pays careful attention to the selection of <b>personal protection equipment</b> (PPEs) and continuously works to improve their efficiency and ensure increasingly greater levels of protection and comfort.</p> <p>The staff is constantly trained and instructed on the proper use of the personal protection equipment and its maintenance. The safety managers have the task of making sure the use of PPEs occurs on the basis of the risk assessment document (RAD).</p> <p>The RAD is updated periodically and concerns different types of risk, among which the risk of professional diseases due to noise, chemical substances, vibrations and manual handling of loads. An improvement plan is provided for each of these risks. For example, Sofidel works to reduce noise and increased its investments in automation to solve risks associated to the manual handling of loads at the source.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |



| Type of risk                                                                                                                                               | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk of purchasing machinery that is not adequate for Sofidel's production context and plants and which could compromise the overall efficiency and safety | <p>To reduce the risk of purchasing machinery that is not suited to the production environment, the Sofidel Group adopts various preventive measures both from a technical and occupational health and safety point of view.</p> <p>In terms of risk reduction <b>from a technical point of view</b>, the CTO (Chief Technical Officer) and Production functions:</p> <ul style="list-style-type: none"><li>• carry out a preliminary analysis to define the characteristics of the machinery to be placed in the plant and processing cycle with the aim of optimizing the workflow;</li><li>• check the operation of the machinery at the supplier's premises or at other companies where it is used;</li><li>• define a specification to improve the machinery based on the experience Sofidel acquired over the years and which covers several aspects: ergonomics, efficiency, ease of maintenance;</li><li>• carry out the factory acceptance test to verify that the machinery is devoid of defects and working properly;</li><li>• check to make sure the machinery is CE marked and has a use and maintenance manual in the local language;</li><li>• Monitor the performance of the machinery and technical characteristics of the products.</li></ul> <p>In terms of the Safety and Health of workers, following the placement of a new production cycle machine, the plant's <b>Health &amp; Safety Manager</b> updates the Risk Assessment Document (RAD). The various aspects assessed include protective measures against chemicals, electrical or mechanical risks, noise, vibrations and musculoskeletal damage.</p> |
| Fire risk                                                                                                                                                  | <p>The fire prevention systems adopted by Sofidel comply with existing regulations and are subject to <b>periodic checks</b>. These systems include: fire hydrants, fire extinguishers, fire doors, fire detectors and automatic extinguishing systems.</p> <p>The staff of the fire prevention teams participate in periodic training courses. The Health and Safety department is also working to <b>collect the best practices</b> developed by the fire prevention teams of the various plants to mitigate the risk of fire. These best practices are introduced in the training courses and will be subject to specific training. The goal is to integrate the current fire prevention systems (already compliant with regulations) with <b>improvements based on the teams' field experience</b>.</p> <p>To further mitigate the risk of fire, Sofidel has prepared an <b>emergency plan</b> and implements an annual evacuation drill. Furthermore, it has organized specific dust cleaning procedures both in the paper mills and in the converting lines.</p> <p>The residual risk has been transferred to a leading insurance company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Global health risk                                                                                                                                         | <p>Sofidel developed a process for managing the health crisis. In the event of a health emergency, for example, in case of outbreaks of new diseases that can put a worker's health at risk, <b>a committee is set up to make timely decisions aimed at protecting the health</b> of the people working within the company and at analyzing the impacts on business.</p> <p>Moreover, geolocation and the presence of several production sites within the same country, together with the possibility of being able to produce in another country, allow us to reduce the damage deriving from production interruptions in one country.</p> <p>For 2023, the objective is to resume the information and training program on health, prevention and well-being developed in the past. Sofidel will integrate the program with new projects to help workers increase their awareness, such as to live longer and enjoy a healthy and quality life.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |





Ecological products and sustainable packaging

| Type of risk                                                                     | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk of future restrictions on the trade of single-use and forest-based products | <p>The Group monitors such risk by participating in the meetings and activities of industrial representative bodies at the European level and in the countries in which it operates.</p> <p>In its production process, Sofidel uses cellulose, a renewable raw material produced from wood that is easily recycled and reintegrated within the natural life cycle. 100% of the cellulose purchased comes from FSC and PEFC certified suppliers.</p> <p>The Group is also committed to researching alternative raw materials and fibers which can partially replace cellulose.</p> <p>As far as the packaging is concerned, in recent years, product innovation has worked to reduce the thickness of the plastic film and introduce new packaging made of paper or with bioplastics or recycled plastics.</p> |

Circular economy and waste management

| Type of risk                                    | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk of fraudulent disposal of production waste | <p>The plants of the Sofidel Group follow <b>rigorous procedures</b> to reduce the risk of illicit and fraudulent disposal of waste and subdivide waste materials into uniform categories to allow their recovery.</p> <p>Such procedures are integrated in the <b>ISO 14001</b> management systems and subject to frequent audits. Waste includes metals, plastics, wood and cardboard and is disposed of by specialized collection and recycling companies.</p> <p>The main <b>waste generated by the paper-making activity</b> is the sludge deriving from the paper production waste. This type of waste is valued in recovery activities, such as for the manufacture of bricks or environmental restoration of areas dedicated to mining.</p> <p>The <b>hazardous waste</b> instead concerns the maintenance of industrial plants and includes fluorescent tubes, waste oils and accumulators.</p> <p>Sofidel carries out frequent checks to make sure the operators who handle the transport and intermediation of this waste operate properly, both within and outside of the Group's factories.</p> |

Product Quality and Safety

| Type of risk                                                                            | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product quality risk                                                                    | <p>Sofidel devotes the utmost attention to the <b>constant quality</b> of the products and compliance with <b>the highest safety standards</b> to protect the health of consumers.</p> <p>To reduce the product quality risk, Sofidel implemented the <b>ISO 9001 Quality Management System</b> in all its European plants.</p> <p>The quality of the products is constantly monitored throughout all production steps, both in the paper factory and in the converting sites, using various <b>Product Compliance Indexes</b>.</p> <p>These management systems allow us to meet the needs of consumers and all the requirements of the large-scale distribution customers, thus significantly reducing the quality risk for the entire life cycle of the products.</p> <p>At each production step, the company verifies that all procedures and checks provided by the Quality Management System are properly applied.</p>                                                                                                                                                                                                                                                                     |
| Risks connected to an inadequate product design                                         | <p>To reduce the risk of an inadequate product design, the Group has adopted a <b>New Products Development procedure</b> which ensures that the new product is analyzed by the different corporate functions to check for compliance with regulations, the effective possibility of making a product and its ability to meet the needs of customers and consumers.</p> <p>All Sofidel's plants <b>are also ISO 9001 certified</b> with the aim of pursuing customer satisfaction and continuing to improve corporate performance, such as to be able to maintain and further develop the quality of its goods and services</p> <p>Sofidel is also working on a product portfolio rationalization and optimization project to reduce costs, improve efficiency and increasingly focus on innovation projects.</p> <p>Finally, to promote innovation, the Group developed Sofidel 2030, a project in partnership with the Polytechnic of Milan, to form a <b>Task Force of young innovators</b> capable of applying the design thinking method to the development of new products and business processes.</p>                                                                                     |
| Product contamination risk                                                              | <p>To limit and control the product contamination and safety risk, Sofidel's production processes are certified according to the standard principles used for products dedicated to hygiene, the home and personal care: <b>BRC</b> (Global Standard Consumer Products, Personal Care and Household) and <b>IFS</b> (International Food Standard, Household and Personal Care Products).</p> <p>All production sites have also adopted the <b>Hygienic-Sanitary Self-Control System</b>, which ensures compliance with the regulations provided for the tissue sector. These management systems allow us to ensure consumer safety and significantly reduce the risk of contamination for the entire production cycle, up to the release of the product on the market. All functions, from production to warehouse transfer, work to minimize the risk of contamination.</p> <p>The Hygienic-Sanitary Self-Control System also provides for <b>photographic inspections</b> to monitor the level of compliance with the hygienic-sanitary requirements and create guidelines which allow to achieve a uniform situation and compare the audits carried out in the various production sites.</p> |
| Risk of losing customers following the loss of the ISO 9001, BRC and IFS certifications | <p>To reduce the risk of losing customers following the loss of the main certifications on product safety and quality, Sofidel implements the following actions:</p> <ul style="list-style-type: none"><li>• it implements all procedures;</li><li>• it organizes training sessions;</li><li>• it implements monitoring and control systems.</li></ul> <p>The Quality Manager is responsible for monitoring the actions developed to reduce the risk to a minimum. This figure has the task of disseminating the culture of quality within the company and is responsible for ensuring that all ISO 9001 procedures are followed and regularly applied.</p> <p>Moreover, the company organizes periodic training courses on the quality topic.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                              |





Proper management of water resources

| Type of risk                                                   | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risks associated to the availability of water resources        | <p>The world's water consumption has increased 6-fold in the last 100 years and continues to do so due to population growth, economic development and evolving lifestyles.</p> <p>Climate change will make rainfall increasingly more irregular and uncertain, thus causing <b>droughts</b>, not only in the regions subject to water stress, but also in countries where water resources are still abundant.</p> <p>To prevent the risks associated to the availability of water, the Group has made important investments to reduce the amount of water required for the production process. Today, thanks to the <b>optimization of the production cycles and an accurate design of the industrial plants</b>, its consumption is the lowest of the sector.</p> <p>The recently-built sites were designed to reduce water consumption to a minimum. The installations purchased from other companies were instead improved over time, with numerous interventions to ensure an optimal level of performance.</p> |
| Risk of soil, subsoil, groundwater and surface water pollution | <p>For Sofidel, respect for the environment and health of people is an essential guiding principle of all production activities. In this regard, the company is very attentive to the management of its environmental impacts and has adopted the <b>ISO 14001</b> management system. The Group also provides specific measures to <b>manage wastewater treatment plants</b> increasingly more efficiently and prevent the risk of soil and groundwater pollution.</p> <p>To ensure an optimal level of control on the corporate procedures and practices, <b>frequent audits are carried out</b> both by internal personnel and third bodies with the aim of minimizing the risk of environmental accidents involving water, air, soil and subsoil.</p> <p>A new insurance policy, which will start in 2023 and which will cover recovery costs, environmental damage and damage to thirds, has been stipulated.</p>                                                                                               |

Transparent management of the supply chain

| Type of risk                                          | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk of supply continuity and dependence on suppliers | <p>In order to ensure the continuity of the supplies required for its activities, Sofidel analyzed the supply chain under different points of view:</p> <ul style="list-style-type: none"><li>• <b>it periodically monitors the solvency</b> of all suppliers operating in complex markets and who would be difficult to replace for the product they supply;</li><li>• <b>it checks where most expenses go</b>. Sofidel periodically carries out spent analyses to check where most expenses go within the same product category and to make decisions on the matter, by assessing Sofidel's dependency on a single supplier or geographical areas at risk;</li><li>• <b>it mitigates the risk of unplanned interruptions</b> to the energy supply by:<ul style="list-style-type: none"><li>- continuously monitoring the financial health status of its energy suppliers;</li><li>- maintaining and <b>continuously updating</b> its plants according to the new standards of the energy sector.</li></ul></li></ul> <p>Moreover, all critical suppliers, or those belonging to the thirteen expense categories identified as critical, <b>must make a self-assessment on the Ariba platform</b>, by filling out the TenP Paper questionnaire. This way, the Group has an updated picture of the level of sustainability of its suppliers.</p> <p>In 2022, a dashboard, which allows for the aggregate monitoring of various supplier risk parameters (level of solvency, TenP Paper rating, turnover and spending concentration), was developed. Next year, this dashboard will allow to <b>communicate clear goals to the people who work in the purchasing department</b>, for each of the three indicators monitored, and define the strategies for managing situations that are not in line with Sofidel's standards.</p> |
| Risk of dependence on suppliers                       | <p>To prevent the risk of dependence on suppliers, Sofidel constantly <b>diversifies its suppliers</b> at a national and international level. This ensures a negligible risk of dependency.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

Ethics and transparency

| Type of risk    | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Governance risk | <p>In recent years, Sofidel significantly changed its governance model by:</p> <ul style="list-style-type: none"><li>• introducing <b>independent members within the Board of Directors</b>;</li><li>• creating the <b>Risk Control and Sustainability Committee</b>;</li><li>• training the <b>Risk Management &amp; Compliance</b> management for a second level control;</li><li>• constituting the <b>Internal Audit</b>.</li></ul> <p>The goal of these changes is to ensure a strong and transparent governance with a clear vision of the future that is capable of anticipating and managing the risks which could compromise the implementation of the company's strategies and sustainability goals.</p> <p>An analysis of the current proxy and delegation system is also underway to verify any need of improvement and integration in light of the organizational and procedural changes that were made over time.</p> |

Respect for Human Rights and management of Diversity and Equal Opportunities

| Type of risk                                                    | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk of an improper management of rights, equity and inclusion. | <p>Sofidel addresses these topics in the <b>Code of Ethics</b> which is distributed to all employees upon hiring. It also developed a <b>Policy for the respect for Human Rights</b> and is working on a Policy to promote Equity, Diversity and Inclusion as essential values for the growth of the company, well-being of people and enhancement of talents.</p> <p>In 2022, Sofidel also developed two training courses for its employees and suppliers. One on <b>Human Rights</b> and the other on <b>Equity, Diversity and Inclusion</b>. Training will start in 2023, first in Italy and subsequently in the other countries. The goal is to <b>strengthen a culture of respect</b> to promote well-being and enhance the uniqueness and talent of all people working with us.</p> <p>The Group also adopted a <b>whistle blowing system</b> to allow all employees to report any critical issue, abuse and improper behavior.</p> |





Brand reputation

| Type of risk                                                           | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk of failure to manage a crisis situation                           | <p>For Sofidel, reputation is an important driver for assessing the relevance of risks, because many risks can affect the company's reputation and brands, thus generating a crisis situation.</p> <p>To this end, Sofidel adopted a <b>Crisis Management</b> manual and procedure to skillfully and promptly address and manage any crisis situation that may arise unexpectedly and which could compromise the company's reputation and brands.</p> <p>A <b>Media Training</b> program was also implemented for the top functions to prepare them to manage communications and any press interviews in a strategic, safe and conscious way.</p> <p>The Media training allowed to simulate various crisis situations that could eventually arise and share <b>key messages</b> designed to manage information and the media's requests.</p> <p>It was also an occasion to:</p> <ul style="list-style-type: none"><li>• introduce the logics and production times relating to the information asset to the directors of the various functions</li><li>• ensure everyone has the <b>sensitivity</b> and awareness needed to address a crisis.</li></ul> <p>Sofidel also initiated a relationship with a PR agency with an international network to be ready to manage the onset of a crisis in all countries in which it operates.</p> |
| Risk of not providing reliable and updated information to stakeholders | <p>Sofidel undertakes to promote the <b>culture of sustainability</b> both within and outside of the company and to promptly report its financial and sustainability performance.</p> <p>In this regard, each year, it publishes an integrated report containing the company's vision and main environmental and social sustainability initiatives developed to generate a positive impact on the world and territories in which the Group operates.</p> <p><b>In order to ensure the traceability and reliability of the data</b>, Sofidel follows a specific procedure which requires all members of the communication department to check and keep track of the information received from other corporate functions.</p> <p>It also developed various information channels and tools, each with specific goals and contents depending on the audience and communication times deemed most appropriate (newsletters, magazines, online news, social channels, blogs, institutional website, etc.).</p>                                                                                                                                                                                                                                                                                                                              |

| Type of risk                                                                                                                           | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk of corruption and conflict of interest                                                                                            | <p>To prevent and reduce the risk of corruption and conflict of interest, Sofidel implemented an <b>anti-bribery model according to the ISO 37001 standard</b>. This model has already been adopted in some Group companies (Italy, France, Belgium, and Spain) and we are working to extend it to other companies.</p> <p>Thanks to this anti-bribery model, <b>specific controls have been introduced for all the Group's sales or purchasing activities</b> with the aim of dividing tasks and creating a management system which allows to mitigate the risk of corruption and promote an <b>ethical and transparent corporate culture</b>.</p> <p>For example, it is always necessary to assess and compare several offers (with very few and well-identified exceptions). In this regard, to make the negotiation process and contractual conditions applied to the supplier transparent, we developed the Sourcing and Contract modules on the Ariba platform. As far as transports are concerned, the <b>Supply Chain department implemented Trasporeon</b>, a platform which allows to manage transports and assign routes in a transparent way.</p> <p>Moreover, a frequent job rotation is provided for the people of the purchasing department who are in direct contact with suppliers.</p>                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Compliance risk in connection with environmental, tax and antitrust regulations                                                        | <p>To mitigate the risk relating to compliance with environmental regulations, Sofidel has implemented the ISO 14001 system in all its paper factories (except for the US sites) and developed a system of guidelines and procedures in relation to the Emission Trading and Timber Regulations. Furthermore, it carries out external and internal audits on a regular basis.</p> <p>As far as tax compliance is concerned, and especially the Transfer Pricing, the Group has:</p> <ul style="list-style-type: none"><li>• provided for a centralized management of transfer pricing (<b>Global Transfer Pricing Project</b>);</li><li>• stipulated a series of preventive agreements with the Italian Revenue Agency to determine the transfer pricing regime (<b>APA – Advance Pricing Agreement</b>);</li><li>• initiated a procedure to reach a preventive bilateral agreement (<b>BAPA – Bilateral Advance Pricing Agreement</b>) between Italy and the US.</li></ul> <p>The goal is to ensure a <b>uniform application</b> of the policies adopted and provide <b>preventive certainty</b> with respect to the criteria and methods adopted to determine the transfer pricing.</p> <p>Finally, for international transactions, Sofidel has adopted a system for managing and controlling the tax risk (<b>Tax Control Framework</b>).</p>                                                                                                                                                                                                                                                                                                                                                                             |
| Risk of unfair competition                                                                                                             | <p>Sofidel implemented an <b>Antitrust Code of Conduct</b> containing ancillary procedures and regulations aimed at preventing the risk of unfair competition.</p> <p>A <b>training course</b> was developed to explain how to operate with respect to the Antitrust Code of Conduct to the Marketing &amp; Sales functions <b>and periodic audits are carried out</b> by external consultants to ensure its application.</p> <p>Furthermore, the company performs several checks on the products before putting them on the market, during both the conception and production steps. These checks are carried out by the legal department, with the support of external consultants, and Quality and Safety department of Sofidel.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Failure to provide a true representation of the figures in the financial statements and in the periodic reports on company performance | <p>Sofidel developed a <b>system of procedures at an administrative, financial and management level</b> which helps reduce the reporting risk to a minimum.</p> <p>The Group's Finance organization allows to double check where the data from all companies is consolidated, both at a national and central level.</p> <p>Sofidel developed different control mechanisms to ensure the veracity of the data. Each month, it verifies and confirms the financial data by applying the same principles as those used for the annual financial statement. Sofidel also issues a <b>quarterly report</b>, which is sent to the main financial stakeholders, and a <b>biannual report</b>, which is subject to limited assurance by the same auditing firm used to certify the annual financial statements.</p> <p>The audit of the Sofidel's 2022 financial statements was done by EY.</p> <p>All the Group's companies use a <b>single management system</b> and this leads to considerable benefits in terms of the quality, uniqueness and standardization of the data. In this regard, the transition to S4, a new, more advanced and modern version of SAP, is planned for 2023, and will allow to:</p> <ul style="list-style-type: none"><li>• facilitate the work and further reduce the risk of errors;</li><li>• use automatic control dashboards with indicators designed to facilitate and accelerate the control at a central and local level;</li><li>• manage the <b>"parallel accounting,"</b> or allow to record data both on the basis of local accounting principles and IFRS (International Financial Reporting Standards), the international standard used for consolidated financial statements.</li></ul> |



Digitalization and cybersecurity

| Type of risk                                              | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk of failure to observe the Privacy regulations</b> | <p>Sofidel is very careful about protecting the personal data of its stakeholders. To this end, it has developed a management model in compliance with the European privacy regulation (GDPR - General Data Protection Regulation) which was shared with all the European companies.</p> <p>It also conducted a risk assessment to identify and assess the main risks related to the respect and management of privacy. On the basis of the assessment data, whenever required by the type of processing, a <b>Data Protection Officer</b> was appointed, as required by the European regulation. This figure is the point of reference for all matters related to privacy.</p> <p>The Privacy management model used is constantly updated with the support of external consultants and periodic audits are carried out to ensure its application. For example, an audit was carried out in the UK, France, Belgium and Germany in 2022.</p> <p>In the US, the company is waiting for the publication of a new privacy regulation and for any developments related to the signing of an agreement between the US and Europe concerning the safe transfer of personal data. Once these aspects have been clarified, Sofidel will evaluate whether or not it can adopt the European Privacy model.</p> <p>In 2022, <b>there were no complaints</b> concerning privacy breaches or the loss of customer data.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Cybersecurity risk (Cyber risk)</b>                    | <p>Sofidel considers cybersecurity of primary importance and the topic is addressed using various risk mitigation measures. To monitor and mitigate this risk, the Risk Management &amp; Compliance and IT managers meet periodically with the CEO to share the strategies and investments required.</p> <p>Sofidel's parent company, which is responsible for the main IT services, adopted the <b>ISO 27001 management system</b> (certified by SGS), an international regulation which defines the requirements for an effective information security management system. ISO 27001 is not only a <b>cybersecurity standard</b>, because, in addition to logical data security, it also includes physical, environmental and organizational security.</p> <p>From an organizational point of view, in 2021, Sofidel created the <b>Cybersecurity Department</b>: a second-level control office which assess the landscape of IT threats, defines the security policies and controls to reduce risks and carries out auditing and compliance activities in both the IT (Information Technology) and OT (Operational Technology) context.</p> <p>Following the results of the risk assessment, in 2022, this department, in agreement with the other concerned functions, defined the <b>new cybersecurity governance</b>, which will become effective in 2023. In fact, two departments will be constituted, one in charge of IT and another of the COO, to ensure the implementation of the activities defined by the cybersecurity department, respectively in the IT and OT context.</p> <p>In 2022, the main cybersecurity projects carried out by the cybersecurity department were as follows:</p> <ul style="list-style-type: none"><li>- improvement of the customer/server network segregation;</li><li>- centralization of the Panorama software for a unified management of the firewalls;</li><li>- start of works for the network segregation between the offices and industrial plants. The new firewalls needed to keep the two environments separate were installed in the first two plants in Italy. The goal is to cover another 12 production sites in 2023 and to complete the installation in 2024;</li><li>- by purchasing and configuring a Data Domain tool to be able to make more secure backups protected by ransomware and with worm disks (non-rewritable);</li><li>- by enabling Single Sign ON on Active Directory for various systems used by the Group, for example Salesforce, Success Factor, Knowbe4 and Trasporeon.</li></ul> <p>Finally, for 2023, Sofidel plans to develop a new system for managing the administrative applications (Privilege Access Management) and to work towards the better management of system vulnerabilities.</p> <p>To increase employee awareness on the cybersecurity topic, the Group carries out a continuous training program through the Knowbe4 platform, which also allows to simulate <b>phishing</b> attacks.</p> <p>Lastly, the Group has taken out an insurance policy that covers financial damage from cyber events.</p> |

| Type of risk                       | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IT business continuity risk</b> | <p>To <b>ensure business continuity</b> in the event of IT issues and cyber attacks, the Sofidel Group set up:</p> <ul style="list-style-type: none"><li>• a main Data Center with controlled access;</li><li>• a disaster recovery Data Center;</li><li>• UPS and air conditioning power supply systems;</li><li>• backup systems.</li></ul> <p>In 2023, the cybersecurity department will work to replace the current disaster recovery system "On Premise" with a <b>Cloud solution</b>.</p> <p>In this regard, a solution was purchased on Amazon Web Service to replicate the entire current Vmware infrastructure "On Premise." The solution will be of the "Active-Standby" type and the replica will become active whenever needed.</p> <p>SAP Enterprise Resource Planning (ERP) will also be migrated to the Cloud, always on Amazon Web Service via the SAP Rise service.</p> |





Overview of the certified Management Systems and product certifications present in the Group's companies

|                                     | Product safety |     | Quality* | Self-Controlled Health-Hygiene System | Health and Safety | Environment |      |          |                 |            |      |        | Energy    | procurement Sustainable | Information security |
|-------------------------------------|----------------|-----|----------|---------------------------------------|-------------------|-------------|------|----------|-----------------|------------|------|--------|-----------|-------------------------|----------------------|
|                                     | BRC            | IFS | ISO 9001 |                                       | ISO 45001         | ISO 14001   | EMAS | Ecolabel | Der Blaue Engel | Swan Label | FSC* | PEFC** | ISO 50001 | ISO 20400               | ISO 27001            |
| Soffass Cartiera Via Lazzareschi    |                |     | •        | •                                     | •                 | •           | •    | •        |                 |            | •    | •      | •         |                         |                      |
| Soffass Converting Via Lazzareschi  |                | •   | •        | •                                     | •                 |             |      | •        |                 |            | •    | •      |           |                         |                      |
| Soffass Monfalcone                  |                | •   | •        | •                                     | •                 | •           |      | ◊        |                 | ◊          | •    | •      | •         |                         |                      |
| Soffass Tassignano                  |                | •   | •        | •                                     | •                 |             |      | •        |                 |            | •    | •      |           |                         |                      |
| Soffass Valdottavo                  |                |     | •        | •                                     | •                 | •           |      | •        |                 |            | •    | •      | •         |                         |                      |
| Soffass Val Fegana                  |                |     | •        | •                                     | •                 | •           |      | •        |                 |            | •    |        | •         |                         |                      |
| Soffass Via Fossanuova              |                | •   | •        | •                                     | •                 |             |      | •        |                 |            | •    | •      |           |                         |                      |
| Soffass Via Leccio                  |                |     | •        | •                                     | •                 | •           |      | •        |                 |            | •    |        | •         |                         |                      |
| Sofidel                             |                |     | •        | 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 Arenberg            |                | •   | •        | •                                     | •                 | •           |      | •        |                 | •          | •    | •      | •         |                         |                      |
| Sofidel Germany Wernshausen Omega   |                | +   | •        | •                                     | •                 | •           |      | •        | •               |            | •    | Δ      | •         |                         |                      |
| Sofidel Germany Wernshausen THP     |                | +   | •        | •                                     | •                 | •           |      | •        |                 |            | •    | •      | •         |                         |                      |
| Sofidel Germany Wernshausen Werra   |                |     | •        | •                                     | •                 | •           |      | •        | •               |            | •    | Δ      | •         |                         |                      |
| Sofidel Greece                      |                | +   | •        | •                                     | •                 | •           |      |          |                 |            | •    | •      |           |                         |                      |
| Sofidel Poland                      |                | •   | •        | •                                     | •                 | •           |      |          |                 |            | •    | •      |           |                         |                      |
| Sofidel UK Baglan                   | •              |     | •        | •                                     | •                 | •           |      |          |                 |            | •    |        | •         |                         |                      |
| Sofidel UK Hamilton, Leicester      | •              |     | •        | •                                     | •                 | •           |      |          |                 |            | •    |        | •         |                         |                      |
| Sofidel UK Lancaster                |                |     | •        |                                       | •                 | •           |      |          |                 | •          | •    |        | •         |                         |                      |
| Sofidel UK Rothley Lodge, Leicester | •              |     | •        | •                                     | •                 | •           |      |          |                 |            | •    |        |           |                         |                      |
| Sofidel Romania                     |                | +   | •        | •                                     | •                 | •           |      | •        |                 |            | •    | •      | •         |                         |                      |
| Sofidel Spain                       |                | •   | •        | •                                     | •                 | •           |      | •        |                 |            | •    |        | •         |                         |                      |
| Sofidel Sweden                      |                | +   | •        | •                                     | •                 | •           |      | •        |                 | •          | •    | •      | •         |                         |                      |
| Sofidel Hungary                     |                | •   | •        | •                                     |                   |             |      |          |                 |            | •    | •      |           |                         |                      |

◊ Only for reels      Δ Only trading      x n.a.  
+ The certification renewal audit was not carried out in 2022 due to issues with the certification body.

\* Plants with self-control systems: 31 | Total plants: 32 | Percentage: 97%.  
\*\* The ISO 20400 guideline allows to integrate sustainability in the organization's procurement policies and is applied by the entire Sofidel Group.

Training, and employee well-being      professional      development

| Type of risk                                                    | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk of losing people with a high potential and know-how</b> | <p>For Sofidel, people are an essential asset, which is why the Group is committed to setting-up <b>growth strategies</b> which allow to maintain and develop the resources with the most potential and know-how.</p> <p>To mitigate the risk of losing talented and highly experienced people, <b>Sofidel focuses on training and meritocracy</b>. But also on clear and motivating career opportunities that can also include periods abroad to get to know new markets. The goal is to strengthen the expertise and soft skills on which to focus to ensure a prosperous, sustainable and resilient development for the company.</p> <p>To stay updated, Sofidel also adopted a tool which provides reliable information on the work market trends and employee benefits: salary benchmarks, benefits, MBO plan (Management by Objectives). Moreover, throughout the year, the Human Resources team participates in numerous meetings in which it can share the best practices and discuss of the working world's evolution and of workers' expectations with other companies. Keeping up with the labor market's evolution is essential for keeping resources with a high potential and know-how.</p>                                                                                                                                                                                                                                                                                             |
| <b>Risk of impact of production due to union actions.</b>       | <p>The Sofidel Group has an industrial relationship system based on respect and <b>constant, open and constructive exchanges</b> which allow to limit as much as possible the risk of union actions with a negative impact on production.</p> <p>Trust and the desire to prevent risks and negative consequences on the production and supply of products to customers <b>led the Group to define a</b> process for managing negotiations with unions and which is coordinated by the Human Resources Managers.</p> <p>To inform, involve and make workers feel part of the business, Sofidel installed large screens in all the Italian and American plants to communicate the company's successes, most important projects and initiatives in progress through videos and infographics. The Company also periodically meets with Union Representatives and Worker Safety Representatives <b>to stimulate cooperation and exchange thoughts and points of view</b> on each topic and without reservations.</p> <p>Finally, to improve the well-being of employees and facilitate their daily life, in 2022, Sofidel implemented the <b>Concierge – Sofidel Simplify project</b>. The pilot project, which is now implemented in the UK and in one of the US plants, allows to access services aimed at simplifying life and helping save time, such as bringing and retrieving clothes from the dry-cleaner's, car maintenances, booking trips and restaurants, and other services for the home.</p> |

Research and innovation

| Type of risk                                    | Management policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk of infringing intellectual property</b> | <p>To protect the intellectual property of its innovation projects, Sofidel defined a process which provides for the signing of <b>confidentiality agreements</b> with the members of the research team.</p> <p>It also relies on three successive levels of analysis:</p> <ul style="list-style-type: none"><li>• a preliminary patent investigation;</li><li>• a more in-depth study carried out by the team working on the project;</li><li>• an analysis carried out by the body issuing the patent.</li></ul> |



03

# PRODUCT



SOFIDEL PRODUCTS WERE CREATED TO PROTECT A PRIMARY ASSET IN THE LIVES OF US ALL. 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 AREAS AND WORK SPACES.

THESE DISPOSABLE TISSUE PAPER PRODUCTS HAVE A VEGETABLE ORIGIN – PULP – THAT’S FROM A RENEWABLE RAW MATERIAL – WOOD – WHICH IS EASILY RECYCLABLE AND REINTEGRATED INTO THE NATURAL LIFE CYCLE.

THROUGH OUR CONSTANT COMMITMENT TO RESEARCH AND DEVELOPMENT, WE DEMONSTRATE OUR GROUP COMMITMENT TO INNOVATION, HYGIENE, AND PERSONAL WELL-BEING. PROTECTING THE HEALTH OF THE PLANET IS THE CENTRAL POINT OF REFERENCE IN OUR VALUE CREATION PROCESS.



## Production process and innovations

The Sofidel Group produces and markets **tissue paper for hygienic use**: toilet paper, kitchen towels, paper napkins, paper tissues, tissue layers, paper towels and medical paper sheets. These primary goods are for personal care and cleaning of domestic environments as well as public and work spaces.

The Group's companies handle the entire production process, from the procurement of the cellulose to the production of the paper, including the embossing and printing processes and fragrances which transform the paper into the finished product found in the points of sale.

The objective is to create innovative products that perform increasingly better in terms of comfort, hygiene and consumer services, **while reducing the use of natural capital as much as possible**. To this end, the Group has a responsible forestry procurement policy and is constantly striving to reduce waste and climate-altering gas emissions, limit the use of virgin plastic in product packaging, and contain water use as much as possible. Sustainability is the foundation of our production chain and value creation for all stakeholders.

### LESS PLASTIC, MORE SUSTAINABILITY

The R&D department continued to work on the 'Less Plastic, More Sustainability' project. Launched in 2019, the project aims to **reduce the impact of plastics** of petrochemical origin used in the production process **by 50%** by 2030. In 2022, Sofidel involved new suppliers to improve the strength of paper packaging and develop better performing solutions from a technical and quality perspective.

### RAW MATERIAL: WHAT ALTERNATIVES ARE THERE?

To produce its tissue paper, Sofidel uses pulp fiber, a raw material that it purchases from the world wood pulp market in the form of virgin pulp, or extracts from paper for recycling.

All pulp used in our plants is certified under the most stringent forest protection schemes. To meet market demands and offer even higher environmental standards, in 2022 the research and development team worked with other business functions to evaluate alternative solutions and develop a **range of products made with pulp not sourced from trees**. Research on fibers from herbaceous species, or originated in agricultural, textiles or food industries, confirms the company's commitment to protecting forest assets.

### COLLABORATION WITH UNIVERSITIES AND RESEARCH CENTERS

Sofidel has strengthened its partnerships with universities and

research centers at an international level and has consolidated partnerships with cutting-edge suppliers. These represent two essential drivers for developing new technologies, sharing know-how, and designing product and process innovations in the tissue paper industry.

During 2022, the company tested the theoretical and laboratory results of the three-year (2019-2021) research program sponsored by RISE, a Swedish research center specializing in innovation that carried out the research in its own factories. The objective was to test some **new production technologies** that allow us to improve the use of cellulose pulp, our basic raw material, in the paper machines.

Sofidel has also joined a new international research program launched by RISE and subdivided into two levels: the first of **basic pre-competitive research**, involving several companies, and the second of **preindustrial applied research**, focusing on Sofidel's production process. This program is developed over four years and allows to have more basic research resources and to get closer to the industrialization phase. The objective of the project is to characterize tissue paper in terms of **physical/mechanical properties** with respect to the raw materials and parameters of the manufacturing and converting processes.

**Sofidel is the pioneer of this applied research project**, which aims to restructure the entire production chain, thanks to the involvement of some suppliers of cellulose pulp and machinery for processing and transforming paper. The project aims to optimize the performance of the finished product by establishing a connection between the characteristics of the base paper and the converting process. Finally, next year, Sofidel will initiate a partnership with VTT, a Finnish research center, among the most advanced in Europe, to help companies innovate their production process and develop new business solutions and strategies. With VTT, our R&D department will implement two projects aimed at **reducing water and energy consumption in the paper plant** and at making the production process more efficient and sustainable.

**SOFIDEL WORKS WITH UNIVERSITIES, RESEARCH CENTERS AND CUTTING-EDGE SUPPLIERS TO DEVELOP NEW TECHNOLOGIES, SHARE KNOW-HOW AND DESIGN PRODUCT AND PROCESS INNOVATIONS.**



## 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 stringent procedures, continuous training of resources, monitoring of production processes, and the drive towards continuous improvement.

The quality of our products – i.e. satisfying customer and consumer requests and expectations – is ensured by corporate processes which comply with the **Quality Management System** (ISO 9001:2015), whereas consumer safety is monitored by Sofidel's **Hygienic-Sanitary Self-Control System** and by the BRC and IFS standards, two management systems developed by consortia of retailers.

Quality management and hygienic-sanitary control are two synergistic management systems which allow to control the entire production chain, from the suppliers to the delivery of products to our business partners, by scrupulously monitoring the production, converting, and storage processes. Our quality and safety policies testify to the way we operate. They stimulate us to pursue excellence and to continuously improve, so that to better anticipate regulatory requests and to be ready to meet the market needs in terms of the products and services offered.

**QUALITY GOES BEYOND THE PRODUCT.  
QUALITY STARTS FROM THE HANDS AND MINDS  
OF SOFIDEL'S PEOPLE, WHO DEVELOP PRODUCTS  
DESIGNED FOR A SAFER AND CLEANER WORLD.**







PRODUCT QUALITY

In our plants, product quality is constantly monitored through the **Product Compliance Index**<sup>1</sup>, a parameter which considers the “non-compliance” issues detected during production to solve them before placing the products on the market. Nonconforming products are those that do not meet the require-

ments and expectations of customers and consumers. The following table shows the values of the Product Compliance Index recorded in the European production sites over the last three years and in the American ones over the last two years. Considering that the maximum value that can be obtained is 100 and that the Compliance Index is

based on stricter criteria with respect to the simple compliant product and total production ratio, the data highlights **excellent results in all companies**. The gradual extension of the Compliance Index to the American sites demonstrates our desire to unify and standardize working and monitoring methods in all countries where Sofidel operates.

PRODUCT SAFETY

In most of Sofidel’s plants, product safety is ensured through the implementation of the **Hygienic-Sanitary Self-Control System** and certifications according to the voluntary standards **BRC Global Standard Consumer Products, Personal Care and Household or IFS HPC (International Food Standard, Household and Personal Care Products)** for the products intended for hygiene and domestic and personal care.

The Hygienic-Sanitary Self-Control system is based on the assessment of the potential risks of physical, chemical and biological contamination connected with the various steps of the production cycle, such as the supply of raw materials, production process and delivery of the products in the warehouse. The risk analysis follows the principles of the HACCP (Hazard Analysis and Critical Control Points) method and applies the Severity multiplied by Probability algorithm used to assess the risk at each step of the production process. Implementing Good Manufacturing Practices (GMP) helps mitigate and limit the initial risk.

The **withdrawal and recall procedure**, which allows product safety issues to be managed while ensuring traceability, plays a key role in the self-control system. There were no such events during 2022. The Hygienic-Sanitary Self-Control System also includes the monitoring activities, such as audits, traceability tests and product recalls, and the chemical and microbiological analyses carried out on samples of the various types of products, carried out by accredited external laboratories in compliance with the main regulations and applicable guidelines. The scheduling of the tests is periodically updated taking into account the evolution of regulations and special market requirements.

In plants where the Hygienic-Sanitary Self-Control System is implemented (97% of the total Group plants), 100% of the products are subject to an assessment of the impact **on the health and safety of consumers**.

All these processes enables us to guarantee customer safety by minimizing the risks related to the product, and allow us to meet the requirements of customers in large-scale retail trade.

CERTIFICATIONS

For Sofidel, certifications are essential for ensuring consumer safety and demonstrating the company’s commitment and responsibility towards the continuous improvement of its processes and compliance with the regulations.

Moreover, the Sofidel Group’s European plants are certified according to the **ISO 9001:2015 standard**. In 2022, all production sites carried out an audit to renew the **BRC and IFS certifications**, with the exception of the Sofidel plants of Sweden, Greece, Romania and Germany (Omega and THP plants). In these sites, the audit was postponed to 2023 due to organizational issues of the certifying body.

In terms of numbers, we went from 19 BRC and IFS certified plants in 2021, equal to 79.25% of overall production, to 20 sites in 2022, equal to 87% of overall production.

Moreover, in 2002, we achieved the BRC certification in the US plants of Inola (Oklahoma), Green Bay (Wisconsin) and Las Vegas (Nevada). As far as the 2023 activity plan is concerned, we will proceed with the certification of the Hattiesburg plant in the US, whereas the Hygienic-Sanitary Self-Control System will be implemented in the English production plant of Lancaster in Europe.

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



Product Compliance Index

|      | Soffass<br>Converting<br>Via<br>Lazzareschi<br>(ITA) | Soffass<br>Via<br>Fossanuova<br>(ITA) | Soffass<br>Monfalcone<br>(ITA) | Soffass<br>Tassignano<br>(ITA) | Sofidel<br>Belgium | Sofidel<br>France<br>Frouard | Sofidel<br>France<br>Ingrandes | Sofidel<br>France<br>Roanne | Sofidel<br>Germany<br>Arneburg<br>(Plant A) |
|------|------------------------------------------------------|---------------------------------------|--------------------------------|--------------------------------|--------------------|------------------------------|--------------------------------|-----------------------------|---------------------------------------------|
| 2022 | 99.05                                                | 98.71                                 | 99.21                          | 97.41                          | 98.79              | 98.03                        | 98.65                          | 98.69                       | 99.58                                       |
| 2021 | 98.90                                                | 98.19                                 | 99.47                          | 96.68                          | 98.95              | 98.22                        | 99.17                          | 99.27                       | 99.42                                       |
| 2020 | 99.13                                                | 98.78                                 | 96.86                          | 96.63                          | 98.42              | 97.27                        | 98.55                          | 99.10                       | 99.17                                       |

|      | Sofidel<br>Germany<br>Werns-<br>hausen<br>(Plant O) | Sofidel<br>Germany<br>Werns-<br>hausen<br>(Plant T) | Sofidel<br>Germany<br>Werns-<br>hausen<br>(Plant W) | Sofidel<br>Greece | Sofidel<br>Hungary | Sofidel<br>Poland | Sofidel<br>Romania | Sofidel<br>Spain | Sofidel<br>Sweden | Sofidel UK<br>Baglan | Sofidel UK<br>Leicester |
|------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-------------------|--------------------|-------------------|--------------------|------------------|-------------------|----------------------|-------------------------|
| 2022 | 98.92                                               | 99.39                                               | 99.97                                               | 99.86             | 99.14              | 99.27             | 98.48              | 99.33            | 99.07             | 97.88                | 99.51                   |
| 2021 | 99.47                                               | 98.33                                               | 100.00                                              | 100.00            | 98.64              | 99.34             | 98.61              | 98.69            | 99.58             | 97.57                | 99.45                   |
| 2020 | 99.73                                               | 98.09                                               | 99.50                                               | 98.17             | 98.95              | 98.88             | 98.64              | 97.99            | 96.64             | 97.82                | 99.59                   |

|      | Sofidel<br>America<br>Haines City | Sofidel<br>America<br>Hattiesburg | Sofidel<br>America<br>Circleville | Sofidel<br>America<br>Inola | Sofidel<br>America<br>Las Vegas | Sofidel<br>America<br>Green Bay |
|------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------|---------------------------------|---------------------------------|
| 2022 | 97.64                             | 97.77                             | 94.71                             | 98.44                       | 98.94                           | 99.44                           |
| 2021 | 95.33                             | 98.62                             | 94.61                             | 95.91                       | 96.87                           | 99.34                           |
| 2020 | -                                 | -                                 | -                                 | -                           | -                               | -                               |

The US data is available only for 2021.  
Source: Sofidel, processed by 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:

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

A = quantity of compliant products produced  
B = quantity of minor non-compliances detected  
C = quantity of major non-compliances detected  
N = overall quantity of products produced

50 and 500 are two multiplicative coefficients calculated empirically



Interview

# NEW PERSPECTIVE IN RETAIL

*How does sustainability affect consumer choices?*



“COMPANIES WILL  
NEED TO EARN  
TRUST BY FIRSTLY  
DOING WHAT THEY  
SAY THAT THEY  
ARE DOING WHEN  
IT COMES TO  
SUSTAINABILITY

**REGAN LEGGETT**  
Foresight Lead, NielsenIQ

**What does taking care of consumers mean to you today?**

Our role is to be the voice of the consumer or the voice of the shopper and to constantly remind industry players, how their lifestyles, their values, their attitudes are changing. And by being this constant reminder, we will guide organizations towards making better decisions around products and services and innovations. In fact, we guide them towards making sure that consumers make smarter and better choices.

**What do you perceive as the major changes in sustainable consumer behaviors?**

Sustainability continues to be more and more important for consumers. It becomes increasingly personal for a lot of people. Consumers understanding about how sustainability is improving, they see climate related pieces in the media all the time, and they feel like they have been personally impacted by extreme weather events like floods or heatwaves. So, nearly a third of consumers feel like that they have felt the effects of these extreme weather events. And this is really accelerating the importance of sustainable decisions and choices.

**What are the biggest challenges that the retail sector will face in the future?**

The biggest challenges in the retail sector will be keeping up with some of the mandated reporting requirements that are coming down from governments, because these main data requirements involve getting a really clear picture of the

entire value chain including the environmental impact across every stage from farm to shelf to recycling. So if you think about what's involved in getting visibility of how much water you use, how much electricity or gas or energy is being used in the production and the transport and the warehousing of these goods and services, that's going to be a really big challenge. And with the legislation only becoming more and more stringent, it is going to become more and more demanding and very tough for organizations to get ahead of.

**What do you believe in the role of the large-scale distribution in intercepting consumer's needs? Accompanying consumers towards responsible choices?**

Consumers are not very certain on how to make sustainable choices and sustainable decisions. And therefore, these are really big opportunities for organizations in our industry to help them do so. Consumers have told us in our recent research that the packaging and the communication is unclear or even misleading sometimes, so they don't understand which sustainable credentials add up. They think that there are not enough sustainable options or so. And often there is this perception that sustainable choices are more expensive than other options. So, the answer is to be absolutely clear and provide any evidence that you have, so that consumers feel confident that they are actually making choices that help the environment, help sustainability action and add up to a better world.



Watch the full interview



# Creating value for our consumers and 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 to satisfy their well-being and cleanliness needs both inside and outside the home. This allows us to respond to a fundamental need, but we want to make a positive 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 the plastic films used for our product packaging and continue to introduce kraft paper, recycled plastic or bioplastic packaging in our main product lines. The search for alternative materials to standard polyethylene (PE), aimed at making our

range more sustainable, is a practical response to the market's growing demand for care and attention towards the environment.

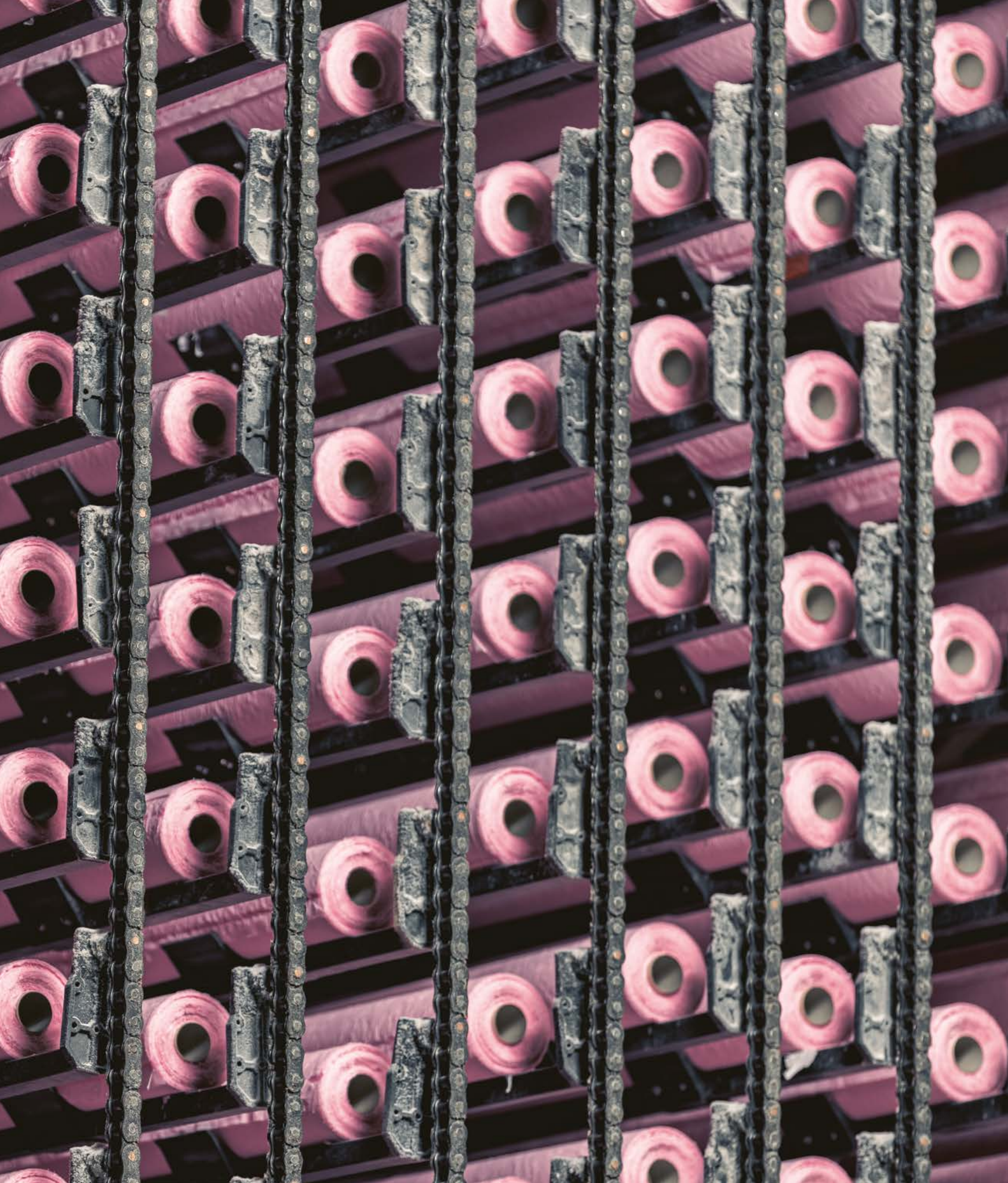
On this front, Sofidel undertook to **reduce the use of conventional plastic** in its production by 50% by 2030. This commitment is consistent with the policies and investments that Sofidel has made in recent years to develop and strengthen the Group's sustainability path.

Our priority is to be competent and reliable allies that consumers and our business partners can rely on. This includes the small needs of daily hygiene and cleaning, as well as for building a clean, fair and responsible future.

**OUR PRIORITY IS TO BE THE EXPERT AND RELIABLE ALLIES OUR CONSUMERS AND BUSINESS PARTNERS ARE SEEKING. FOR THE SMALL NEEDS OF DAILY HYGIENE AND CLEANLINESS, AS WELL AS FOR BUILDING A CLEAN, FAIR AND RESPONSIBLE FUTURE.**

**-50%**

**reduction of conventional plastic by 2030**  
(base year 2013)

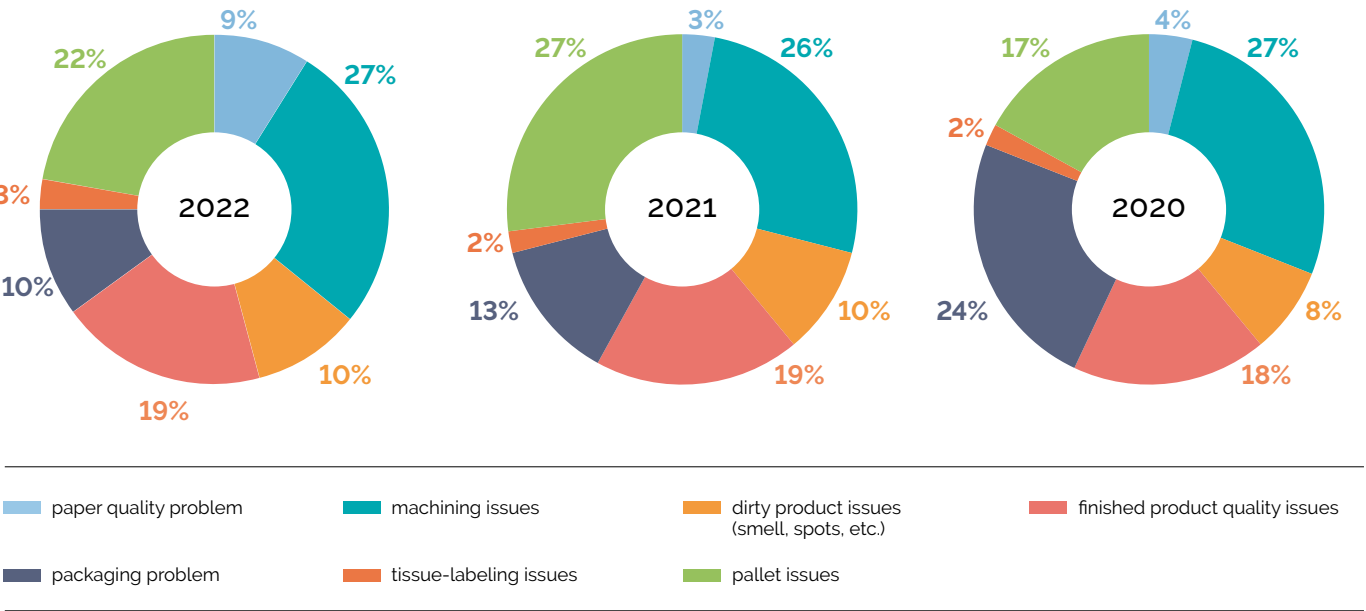




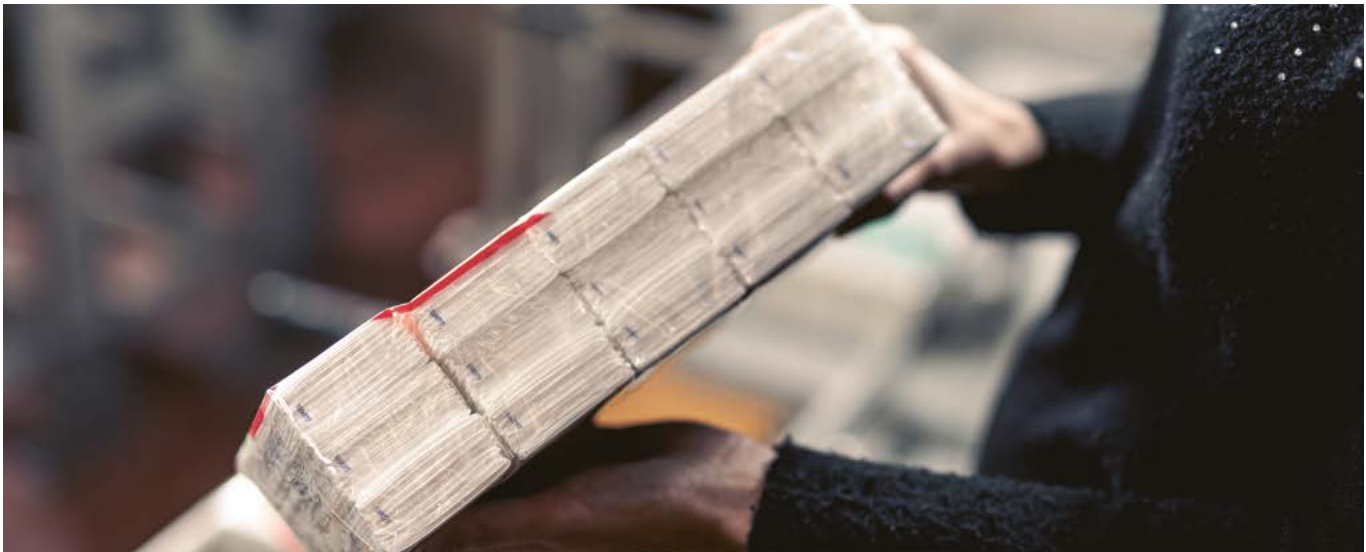


### Distribution of complaints by type – Europe

In 2022, Sofidel received 2,118 complaints, compared to 2,774 in the previous year. A significant reduction has been achieved thanks to the introduction of more thorough checks.



Source: Sofidel, processed by SAP.



### ATTENTION TO THE NEEDS OF OUR CONSUMERS AND BUSINESS PARTNERS

The first step to help us meet the needs of our consumers and customers consists in **being able to listen**. To understand a constantly evolving market and grasp the 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, in collaboration with the Marketing and Research & Development teams, translate them into solutions.

#### 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 payment processing. Our Customer Care Service employs around 90 people within the company and can be found in all countries where Sofidel operates. It is centrally coordinated, but organizationally reports to local managers so that to offer a more concrete and accessible local presence.

#### Complaints management

Sofidel has a thorough system for analyzing and managing the complaints and claims of its business partners and consumers. On this front, responsiveness is essential to help 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 a number of different departments. Thanks to a special internal tool, the Claim Management Efficiency, all complaints are analyzed and broken down by type. Response times are monitored 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 Nicky B-Brand, ensure a direct dialog between the company and its consumers. The questions we receive every day in the various countries yield important suggestions and ideas for improvement.

#### Customer satisfaction

The annual survey aimed at analyzing customer satisfaction is a very important indicator which prompts us to improve and maintain a constructive and collaborative dialog with our stakeholders.

#### 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 communication and transparency, is the basis for improving the daily experience of those who use our products and for supporting large-scale distribution.

## The scenario

While the two-year 2020-2021 period will be remembered for the health crisis and repeated lockdowns, 2022 will make history as the year during which Europe was overwhelmed by the Russian-Ukrainian war and its severe impacts on the world's economy.

In addition to the humanitarian crisis resulting from armed conflicts, thus causing great suffering to the concerned populations, the Ukrainian war has affected global growth and inflation like never before over the millennium. This is made clear in the World Bank's **"Commodity Markets Outlook" report**, according to which: "The war in Ukraine has dealt a major shock to commodity markets, altering global patterns of trade, production, and consumption in ways that will keep prices at historically high levels through the end of 2024." From the report, we can deduce that the increase in energy prices suffered over the last two years was the highest since the oil crisis of 1973.

In this context, the paper-making sector, which requires a considerable amount of energy to produce and dry paper and which is also **exposed to high logistics and procurement costs with respect to the forest raw materials**, was especially penalized. The trends in terms of prices, raw materials (especially of pulp and energy) and transports combined with the volatility of the markets has once again made the situation complex for companies.

To address these difficulties, in Europe, the Sofidel Group has devoted most of 2022 to recovering its margins, by reducing the gap between the rapidly growing costs (with the price of gas reaching unimaginable highs) and sales price of our products. In terms of sales volumes, despite the AFH segment returned to pre-Covid levels, the Private Label didn't move from last year's levels. While the Brand, as could be expected given the context, was mostly affected with some difficulties.

Even in the US, despite energy suffered much more limited increases than in Europe, a lot of work was carried out with customers to **adjust the increase in production costs**. The main issues that characterized 2022 include the price of petroleum, which reached a seven-year high, the lack of materials such as plastic, concrete and steel and whose prices have considerably increased, the cost of wood, which has reached

more than double its usual price, the lack of truckers and the very strong increase in the prices of shipments by sea. Despite the difficult period, Sofidel has maintained a stable **focus on creating value for all its stakeholders**. For the Group, this commitment means not only pursuing a strategy of sustainable growth while respecting the limits of the planet, but also all-round innovation to increase the value of its products, improve the quality of daily life, and satisfy customers and consumers more and more. This because, especially when the going gets tough, **sustainability and the ability to innovate** become assets that make the difference and which can ensure a competitive advantage.

### THE BOOM IN E-COMMERCE

Global digital consumers have now exceeded 3.78 billions and increased by about 10% in 2021 alone, with 344 million new online buyers<sup>6</sup>.

According to a study of Casaleggio Associati, **in 2022 e-commerce exceeded the threshold of 5 trillion** dollars in turnover (+20.3%), with one Euro out of five spent on online retail, a growth which will continue to increase and which is intended to double over the next three years.

China accounts for 52.1% of the market (48% last year), thus two and a half times more than the US market, which reached 886.2 billion dollars (+16.2%). The overall European e-commerce turnover is expected to be in third place, with the UK strongly leading as the largest market in Europe (104 billion dollars and a 7% increase). Instead, Germany generates 95 billion dollars in turnover and is witnessing an 8% increase. Then, France with 58.9 billion and Spain with 23.8 billion of e-commerce turnover.

Growth has been most vigorous in the food, health and personal care sectors, as they offer the basic necessities consumers cannot do without.

The pandemic **has transformed the behaviors, mindset and attitude of consumers** towards online shopping, thus generating changes that are bound to take root and last over time. Consumers have discovered the simplicity and convenience of online shopping. This highlighted the fact that the digital transformation of producers, retailers and the entire trade sector is now essential to continue to grow.

According to the Digital Innovation Observatory of the Polytechnic University of Milan, e-commerce plays an increasingly dominant role in defining the development plan of retail both



in our country and worldwide. In Italy, B2C e-commerce represented one of the main drivers of growth and innovation in retail even before the lockdown. Following the restrictions arising from the pandemic, a further extraordinary evolutionary leap, in favor of digital technology and involving the trade and large-scale distribution sector, was made. Not only have purchasing behaviors changed, but retailers have also become more aware of the need to design a sales and relationship strategy based on the **integration and interconnection of the physical and online channels**.

Now, however, following the leap witnessed in 2021, as a result of the exceptional nature of the pandemic and of a demand for online goods well beyond the offer, Italian companies are once again encountering difficulties in promoting their brands online. **The more you understand a customer, the more likely you are to succeed**. Numerous companies focus on the product or service offered instead of on the customer's full experience, and this creates an emotional barrier which prevents lasting relationships and connections based on trust. Putting people at the center means thinking like customers, thus diving into

their world, intercepting their needs and inventing around them. Finally, **the topic of sustainability is an increasingly more important driver** for e-commerce, not only because customer requests have increased, but also because more sustainable choices will allow companies to have a return in terms of convenience, as well as to protect the environment. In fact, it is no coincidence that eight out of ten companies state to be committed to sustainability goals.

**PUTTING PEOPLE AT THE CENTER MEANS THINKING LIKE CUSTOMERS, THUS DIVING INTO THEIR WORLD, INTERCEPTING THEIR NEEDS AND INVENTING AROUND THEM.**

### SOFIDEL AND ONLINE CHANNELS

Sofidel was one of the first companies in the tissue industry to **seize the opportunity for digital transformation** and focus on online commerce. Thanks to an international presence, we capitalized the experience acquired in markets with a high e-commerce penetration rate (US, UK) to apply the best practices in the other European countries where we are present. In 2022, we refined our strategy to identify new business opportunities, with the aim of being present where the consumer is. To support sales, we constantly monitor the digital shelf, thus optimizing product content through SEO (Search Engine Optimization) activities to allow customers to find our products. We also engage consumers through contests, promotions and gaming activities to build loyalty and increase service quality. We convey the strengths of our product and our commitment to sustainability through our e-commerce activities.

We work with consulting agencies and technological providers specialized in e-commerce to implement these activities. This allowed us to promote the business at a complex time, such as the one we are experiencing. In 2022, our brands grew +20% on online channels, a result achieved thanks to a dedicated team able to integrate traditional skills with digital and e-commerce skills.

**THE PANDEMIC TRANSFORMED THE BEHAVIORS, MINDSET AND ATTITUDE OF CONSUMERS TOWARDS ONLINE SHOPPING, THUS GENERATING CHANGES THAT ARE BOUND TO TAKE ROOT AND LAST OVER TIME.**

<sup>6</sup> E-commerce in Italia 2021, Casaleggio Associati.





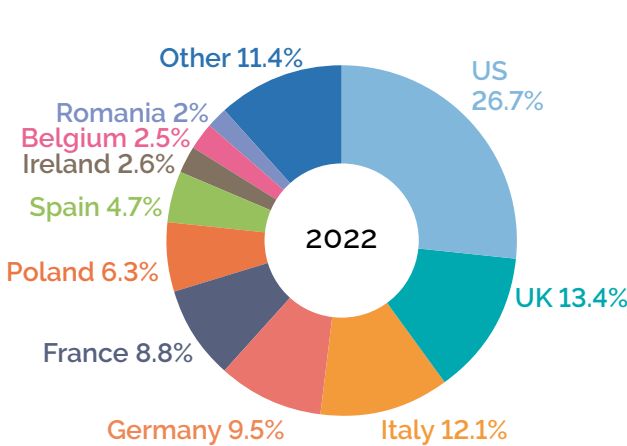
## Lines of business, markets and products

### THE TISSUE MARKET AND OUR LINES OF BUSINESS

The Sofidel Group has production plants in two regions: Europe and the United States. Our production sites are located close to end markets, 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 paper reels).

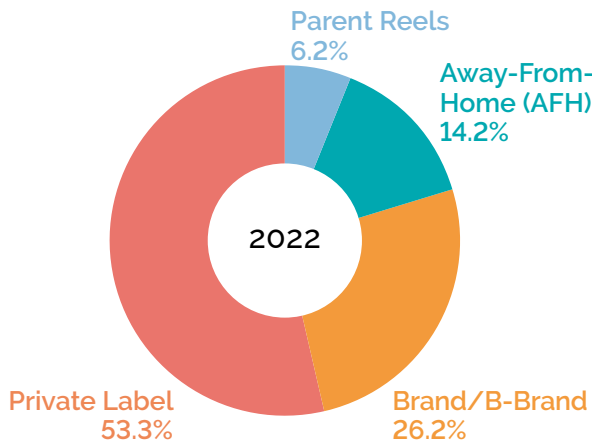
**SOFIDEL'S BUSINESS LINES ONLY HAVE ONE GOAL: PROTECTING PEOPLE'S WELL-BEING AND THE ENVIRONMENT.**

### Turnover breakdown by country



Source: Sofidel, processed by SAP.

### Turnover breakdown by line of business



Source: Sofidel, processed by SAP.

## The brand line

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

A 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 affordability, strength, absorbency, and softness. Their advertisements gave rise to catchphrases that have become a part of tradition and advertising history, such as 'Never-ending rolls'. This success is due to the high quality and performance of our products, but also to the vast range and ability to innovate, such as occurred for

the Regina Rotoloni, Regina Asciugoni, Regina Cartacamomilla, Regina Blitz and Regina Power for example.

Today Regina is the only brand in the tissue sector to be marketed in approximately 30 countries worldwide. In recent years, in addition to completing territorial expansion, the main goal was to make Regina an even more global brand, universally recognized in terms of positioning and content and synonymous with guarantee and reliability. The 'Paper for People' payoff expresses the brand's promise: to help people with small, everyday challenges in the home by committing to developing increasingly innovative and sustainable products. Those who use Regina know they can count on one certainty: it is an ally that does not betray consumers' expectations.







## Regina cuts down emissions with the new Virtual Set commercial

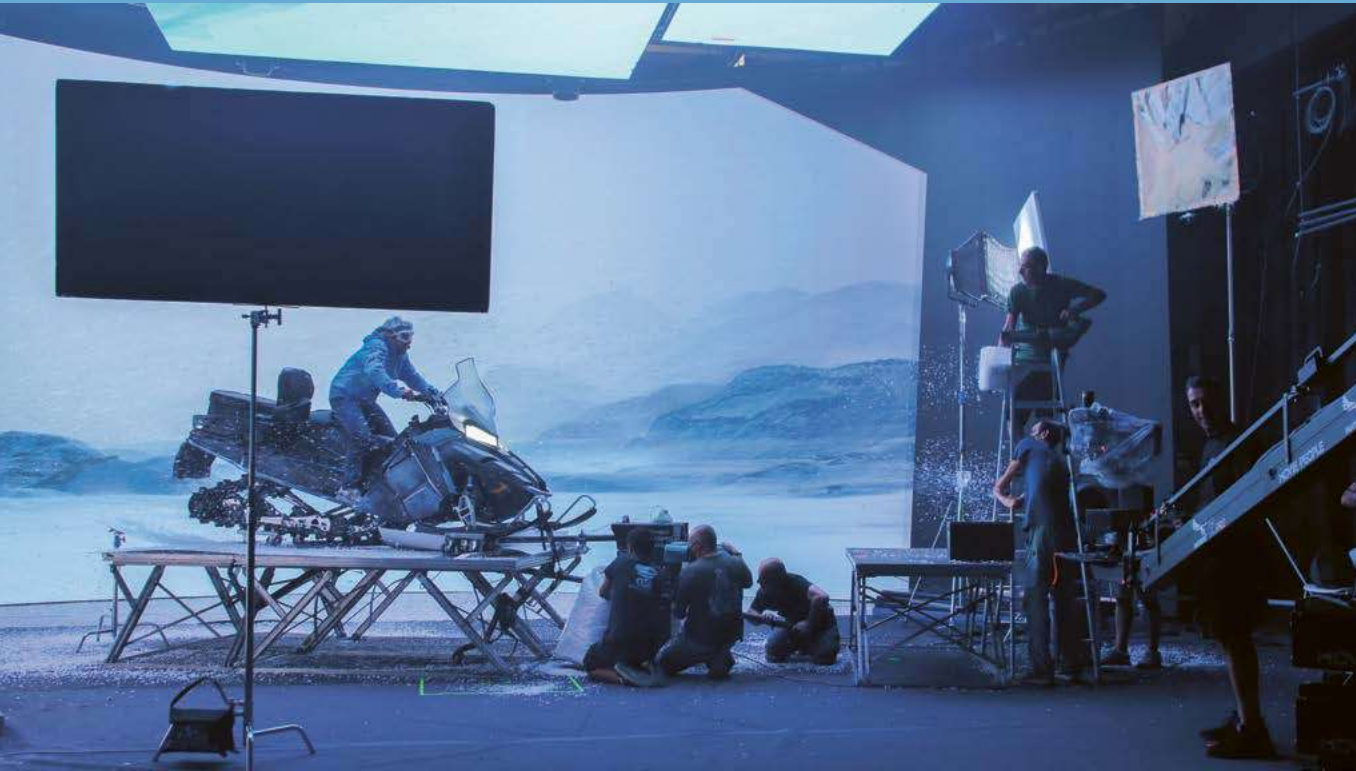
Since 2009, Sofidel has been strongly committed to transitioning towards a **low carbon impact economy**. Not only when purchasing energy from renewable sources to reduce the emissions of its industrial activity<sup>7</sup>, but also when it comes to communication.

This year, Regina, Sofidel's iconic brand which made the history of paper for hygienic and domestic use, launched the **"How did we meet"** commercial. The campaign illustrates the adventures of a man who accidentally dropped a Regina roll that, in an attempt to retrieve it, led him on a journey from Monument Valley to the Great Wall of China, passing through an arctic landscape, until landing in the middle of a dense jungle, where he made a life-changing encounter.

Although the roll is seen traveling around the world in the

commercial, Sofidel undertook to **limit the emissions and production times** by relying on the innovative **Virtual Set** technology used in the most sophisticated movie theaters abroad. It was possible to reconstruct the most remote locations of our planet through a huge LED screen and 3D backgrounds without leaving the studio. The Director, Dario Piana, and Film Production Company, Akita, managed the depth, lights and perspectives in a realistic way, by literally making the commercial's actors plunge into spectacular scenarios.

For the first time, the production of a TV commercial thus had a way to go beyond the Italian borders without ever leaving Milan. This was yet another innovative opportunity **which re-affirmed the environmental sustainability principles** at the basis of the company's business strategy.



## ADV campaigns (European brands and products)

|                                          | Jan. |     | Feb. |     | Mar. |     | Apr. |     | May |     | Jun. |     | Jul. |     | Aug. |     | Sept. |     | Oct. |     | Nov. |     | Dec. |     |
|------------------------------------------|------|-----|------|-----|------|-----|------|-----|-----|-----|------|-----|------|-----|------|-----|-------|-----|------|-----|------|-----|------|-----|
| Brand/Product/Country                    | 1 H  | 2 H | 1 H  | 2 H | 1 H  | 2 H | 1 H  | 2 H | 1 H | 2 H | 1 H  | 2 H | 1 H  | 2 H | 1 H  | 2 H | 1 H   | 2 H | 1 H  | 2 H | 1 H  | 2 H | 1 H  | 2 H |
| Regina/Regina Asciugamani/Italy          | .    |     | .    |     |      |     |      |     |     |     |      |     |      |     |      |     |       |     |      |     |      |     |      |     |
| Regina/Regina Towels/Italy               | .    |     |      |     |      |     |      |     |     |     |      |     |      |     |      |     |       |     |      |     |      |     |      |     |
| Regina/Regina Cartacamomilla/Italy       |      |     |      |     |      |     |      |     | .   | .   | .    | .   |      |     |      |     |       |     |      |     |      |     |      |     |
| Regina/Regina Rotoloni/Italy             |      |     |      |     |      |     |      |     |     |     |      |     |      |     |      |     | .     | .   | .    | .   | .    | .   | .    | .   |
| Le treffe/ Le treffe maxi douceur/France |      |     |      |     |      |     |      |     |     |     |      |     |      |     |      |     | .     | .   | .    | .   | .    | .   | .    | .   |

<sup>7</sup> Such as, for example, the agreement signed in Italy with RWE Renewables for the production and supply of wind energy. One year after signing, this partnership allowed Sofidel to produce the equivalent of almost 150 million Regina Rolls "with the wind."





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 focused on the **importance of the values and reputation of each brand** so as not to lose the bond established with consumers in different countries. Each brand has developed its positioning and brand promise in line with the relevant market and consumers of reference. For example, the Power project, born with Regina, also involved the French brand Sopalin since 2022.



THE INNOVATIONS OF THE BRAND LINE

In 2022, the Brand line unveiled several product innovations to enhance consumers' experience and meet their daily hygiene and cleaning needs. The multipurpose paper towel **Regina Power** is Sofidel's latest product. Launched in Italy, Ireland, France, Spain, Poland and the UK in July, the product combines attention for the environment, efficiency and functionality. Versatile and resistant, it allows to meet a vast range of domestic needs. Versatility is one of the main elements required by customers, who pay more attention to waste since the pandemic. Twice as long as a normal roll, the Regina Power paper is the result of a careful work of research which led to the development of a **premium product** implemented with the Valmet NTT (New Tissue Technology) technology. This technology allows to use less energy and pulp in the production process for the same performance. Another 2022 Regina novelty concerns the new **Regina Asciugamani** packaging, which facilitates the ease of use. Thanks

Moreover, the **project for reducing virgin plastic in product packaging continued**. This innovation project was implemented throughout Europe with excellent results: more than 80% of the Brand products is now packaged with alternative materials, such as kraft paper, bioplastic and recycled polyethylene. Two of the Brand line's most iconic products were also included in the project: Regina Rotoloni and Regina Asciugoni. This result consolidates the Group's positioning as an undisputed leader in the field of sustainability and attention to the environment.

to the single use format, the paper towels help reduce the spreading of germs and bacteria, thus providing greater hygiene with respect to common fabric towels. In Italy, we launched the **Regina di Cuori Tissues**, which recall the most iconic aspects of this sub-brand, from the red color to the packs' appealing graphics, a combination of elegant heart-shaped decorations with romantic words aimed to evoke love in all of its forms. In Poland, thanks to the success of **Regina Rumiankowy** (Regina Chamomile Paper), we decided to enrich the range with a maxi roll version containing 300 sheets, like in Italy. In Ireland and the UK, Regina XXL becomes **Regina XXL Absorb**, introducing itself on the market as a more absorbing paper (50% more absorbing compared to the previous version) with a more sustainable packaging. The new two-layer product is made with the TAD (Through Air Drying) technology and confirms the brand's constant work towards the development of innovative and efficient hygienic solutions. The packaging has new graphics and is made from 50% recycled plastic.





## The B-Brand Line

The B-Brand is **the incubator of the Group's innovations**, the space where the company expresses its strength and experimentation with new solutions to offer a higher level of hygiene for consumers. The B-Brand products are the result of the most innovative production technologies and are marketed in numerous large-scale distribution chains and on the so-called "Long Channel."

The main brand is Nicky, which accounts for **90% of European volumes** and is distributed in four countries (Italy, UK, Ireland and Spain). The B-Brand Nicky offers products that stand out for their **innovation, creativity, good value for money** and attention to the **environmental responsibility** topic. Its objective is to offer large-scale retail trade buyers and the final consumer a complete image of the Group's ability to innovate and meet the needs of various markets.

Nicky also covers all the tissue product categories. In this way, business partners can choose which products to include and, at a later date, decide to transform them into products under their own private label. In addition to Nicky, Sofidel also offers other brands to support retail, such as Valenty, Alis, Florex, and Dayly.

### NICKY, A BRAND FOCUSED ON THE ENVIRONMENT

Just like Sofidel's other brands, Nicky is committed to safeguarding the natural resources and reducing its impact on the planet. In 2022, it continued to update the packaging of products in Italy, Spain, Ireland and the UK, by replacing virgin plastic with alternative materials such as recycled plastics, bioplastics and kraft paper. In Ireland and in the UK, products with sustainable packaging now account for 25% of sales.

As far as the marketing initiatives are concerned, the Group's main B-Brand renovated the packaging of its products with more simple and recognizable graphics. A modern language inspired by the "less is more" principle that aims at a strongly visual communication: fresh colors, essential forms, iconic signs and light strokes.

### NICKY ON THE AMERICAN MARKET

Nicky was the first Sofidel brand launched in the United States. It was appreciated and welcomed with very positive consumer feedback and it strengthened its e-commerce positioning in 2022 with an increase in repeated purchases.

There are two featured products in this adventure: the **Nicky Elite kitchen towel** and **toilet paper**, both made in the US with Forest Stewardship Council (FSC) certified paper. The Nicky Elite products combine **the quality of a premium product with paper packaging**, a renewable and biodegradable material aimed at reducing environmental impact.

The **Nicky Elite kitchen towel** combines absorbency and durability. Each roll has more sheets than normal rolls (three large Nicky Elite rolls are equivalent to five normal rolls). Moreover, the **Nicky Elite Adapt-A-Size** sheets allow to adapt the length of a sheet according to need, thus reducing waste to a minimum.

The **Nicky Elite toilet paper** is soft and 100% biodegradable, thus quickly dissolving so that not to obstruct pipes. Durability is also a strong point of toilet paper: six **Nicky Mega Rolls** last as long as twenty-four normal rolls.

The Nicky brand was launched at Wegmans stores and on Amazon. Next year's challenge will be to expand distribution.

## The Private Label line

### EUROPEAN MARKET

Much effort was made in 2022 to define agreements with commercial partners that could allow to recover the considerable increase in production costs and to ensure a sustainable and long-lasting business over time.

Despite these difficulties, the Group confirmed the four main growth drivers of the Private Label line:

- **Reliability and presence**

Being reliable and ensuring product availability on the shelf, reducing inconveniences caused by the difficulties related to the procurement of raw materials and energy.

- **"Tailor-made" products**

Great flexibility and ability to develop products designed around the various needs of the distribution chain, working with commercial partners to reduce the impact of the increasing prices of raw materials.

- **Sustainability and value**

Providing sustainable products and attention towards the envi-

ronment, reducing the use of virgin plastic thanks to packaging made of alternative materials (paper, bioplastics, recycled plastic).

- **Dialog and trust**

Strong relationships with customers, based on listening and sharing. This allowed us to support our customers and to find new solutions together so that to better address a complex and difficult market scenario.

### UNITED STATES MARKET

The strong growth of the Private Label line continues. After 2021's optimal performance, the Private Label line continued to develop and **exceeded a total volume of 190,000 tons in 2022**. The year started with a constant demand which gradually increased within six months. Moreover, Sofidel America was able to expand business with its key customers and, thanks to the relationships created, it is safe to assume further growth for 2023. To achieve this goal, Sofidel focuses on the **production of high quality paper** and on **state-of-the-art plants**.







## The away-from-home (AFH) line

### EUROPEAN MARKET

In 2022, we felt the effect of the rising costs of 2021 and how they influenced the market and sales policies we had implemented. The uncontrolled dynamics of all cost items, especially with reference to energy costs, forced us to review our price lists on a bimonthly basis. This allowed us to, although not completely, balance and absorb the cost increases that persisted throughout 2022.

Fortunately, **the market restarted, thanks to the easing of the Covid restrictions**, and sectors such as that of Hotels, Restaurants and Cafés or transports returned to pre-Covid levels or higher.

Our sales network managed the market opportunities that arose in the best possible way, thus allowing us to reach the volumes we had set, reaching a double-digit growth compared to the previous year.

Moreover, it should be noted that our technical lines (Defend Tech, Full Tech, Bio Tech, Dissolve Tech, Freshen Tech, Dry Tech) experienced an above-average growth. This extremely positive result is in line with our long-term strategy, which focuses on innovation as a distinctive element of our products. Over the years, this strategy allowed us to be recognized on the European market as a company projected towards the future.

To better address any future challenge, the Papernet brand also renovated its logo to make it more immediately recognizable and modern. Moreover, it developed a new website, which will increasingly acquire more importance with the future developments of the e-commerce channel, for which the brand has planned an important growth strategy with a dedicated support team.

### UNITED STATES MARKET

With global inflation causing costs to soar, 2022 was a year of extreme pressure for the Away-From-Home (AFH) sector. Over the year, Sofidel America worked with customers to address the need to increase prices, which allowed to increase volumes and exceed 90,000 tons. Sofidel America is considered a strong partner in the management of the costs and challenges of the supply chain. In 2023, the Away-From-Home sector will work to continue to grow and strengthen the Papernet brand by focusing on the new **HyTech Sea** dispenser, made from plastic recovered from the ocean. For 2023, Sofidel America expects very positive results, also thanks to the acquisition of some strategic customers at the end of 2022, that are bound to bring greater opportunities for the year to come.



## The Parent Reels line

Our paper mills operate on a continuous cycle, without interruption. Their high capacity has allowed us to develop a line of business dedicated to **semi-finished products** for producers operating in the tissue paper industry.

### EUROPEAN MARKET

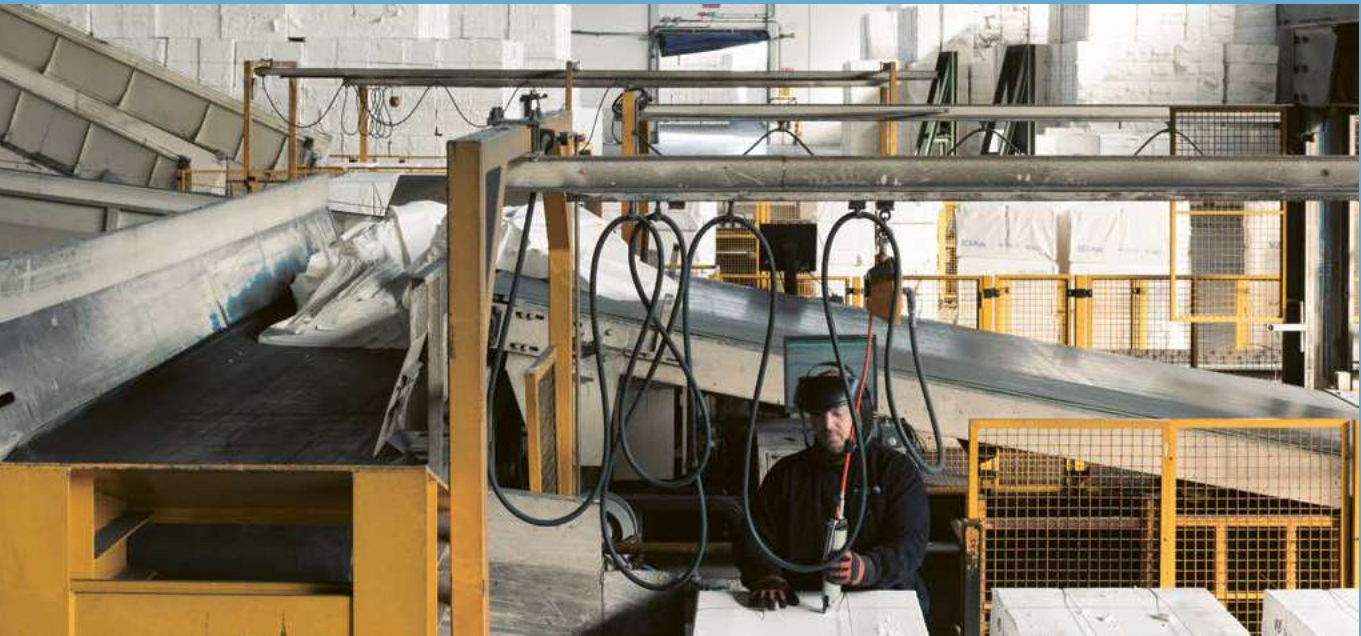
The parent reels manufactured in our plants are mostly marketed in Europe, but also in Central America and North Africa. However, due to the great increase in freight costs, these two regions experienced a significant business reduction in 2022. With the outbreak of the **Ukrainian conflict**, the entire paper sector was put under pressure due to the **difficulties linked to the procurement** of raw materials and to the increase in energy costs, i.e. equal to five/six times more with respect to 2021. Between March and April 2022, the economic non-sustainability of production costs forced us to shut down some European plants for several days on a rotational basis. However, the Group was able to react and to recover at least part

of these increases by increasing the price of the parent reels. Despite the energy crisis and the soaring costs, the sales volumes remained at acceptable levels, also thanks to a significant increase in tourist flows in the summer period which cushioned the decline, settling it at 9% compared to 2021.

In 2023, we can still expect a tense situation in terms of prices and consumption, with probable rationing scenarios which are bound to have significant repercussions on our business.

### UNITED STATES MARKET

With the expansion of our Private Label and Away From Home business lines and the numerous challenges of the supply chain, Sofidel America decided to dedicate the entire production to Jumbo reels in support of internal product requests. This way, Sofidel America was able to supply its Private Label and Away-From-Home customers during a very challenging period, which we expect to continue throughout 2023.







## Logistics

Logistics plays a key role in our business. Each year we handle **hundreds of thousands of journeys** to ensure our products are delivered to customers on time. This is a job that requires enormous organizational capacity, with the aim of optimizing costs throughout the supply chain and contributing to the company's profitability and economic sustainability.

Logistics contributes to the Group's Sustainability Plan through the identification of precise objectives and constant commitment to their achievement. Together with other business functions, it generates value for all stakeholders.

Due to the Ukrainian conflict, 2022 was a very difficult year. The unstable international scenario caused an increase in costs and a lack of transport means and raw materials. In particular, in Italy, Germany, Poland and the UK, it wasn't easy to find drivers and this led to difficulties with respect to the procurement of raw materials and delivery of finished products, with an **exponential increase in costs**.

Moreover, in the US, the commercial ports were overwhelmed by thousands of containers waiting to be unloaded ashore and there wasn't enough manpower.

In 2022, Sofidel's 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.
- **Reducing environmental impact**:

- Increasing the use of Euro 5 and Euro 6 trucks with lower polluting emissions during the transport activities. In 2021, 93% of our travels was done with Euro 5 and Euro 6 trucks, whereas such percentage grew to 95,2% in October 2022.
- We are starting to use trucks powered by natural gas and which have the following benefits: 33% reduction in CO<sub>2</sub> emissions, 75% reduction in nitrogen oxides, and up to a 97% cut in particulate matter.
- We are looking into the possibility of using electric trucks, a technology that is still in the early stages in freight transportation. This solution would make it possible to eliminate emissions typical of internal combustion engines. To this end, we are in contact with major manufacturers to assess their feasibility.
- We are continuing the electrification campaign for forklifts. Currently, 70% of forklifts in Europe are electric, with the remainder powered by diesel or gas. In the US, on the other hand, the percentage of electric forklifts is 84%. The company has developed a plan to use only electric forklifts by 2029.
- We are monitoring the possibility to use biofuels instead of fossil fuels, and this would entail a significant reduction of CO<sub>2</sub> emissions since speaking of renewable sources.
- **Limiting dead and stagnant items** that have completed their life cycle and which constitute an unused use of raw materials and therefore of corporate and natural resources.
- **Optimizing SKUs**, i.e. reducing the low turnover and low margin products managed through our warehouses (SKUs) to ensure more efficient use of natural resources.

## Handling of the goods – 2022 (Europe – US)

### Europe

873,705 t



397,114 t



### US

270,762 t



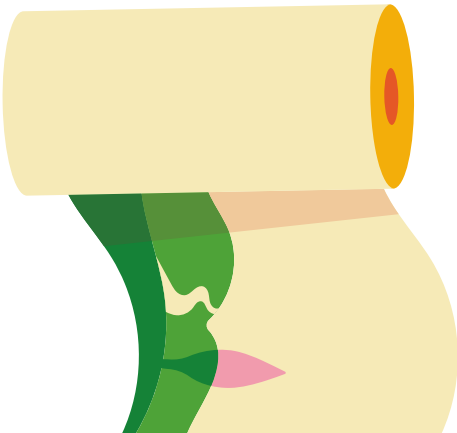
142,774 t



finished product    reels

Source: Sofidel, processed by SAP.

Handling relates both to customer deliveries and to the transfer of goods among the Group's plants.





04

# SUPPLY CHAIN



WE FACE ENORMOUS ENVIRONMENTAL AND SOCIAL CHALLENGES IN THE COMING YEARS THAT NECESSITATE A COLLECTIVE EFFORT.

OUR RESPONSIBILITY CANNOT BE LIMITED TO OUR DIRECT AND INDIRECT ACTIVITIES, BUT EXTENDS TO THE SUPPLY CHAIN THAT ALLOWS OUR COMPANY TO GROW AND DEVELOP.

ON AVERAGE, THE IMPACT OF THE SUPPLY CHAIN IS 11 TIMES GREATER THAN THAT OF THE COMPANY'S. TO PROMOTE A DEVELOPMENT IN HARMONY WITH THE PLANET'S LIMITS AND WITH OUR FINITE RESOURCES, IT IS ESSENTIAL TO INVOLVE SUPPLIERS.

THAT IS WHY WE MEASURE THE SUSTAINABILITY OF OUR SUPPLY CHAIN, PROMOTE ITS PROGRESS AND CONSTANTLY MONITOR ITS PERFORMANCE.



## Suppliers and responsible supply chain management



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

The supply chain is the ecosystem within which Sofidel deals with its suppliers for the purchase of goods or services. For the Group, it is essential to **integrate sustainability into its purchasing processes** and to reward suppliers and products that generate benefits for the environment and community. Our sustainable procurement process adopts a set of **corporate social responsibility principles**, which allow the company to make decisions that are not only cost-effective but also socially and environmentally sound in order to generate a positive impact in the territories where it operates.

To define the values that guide our concept of sustainability in the supply chain, we were inspired by the **10 principles of the United Nations Global Compact**. We especially focused on: fighting against corruption, safeguarding the environment and protecting human rights, fairness and safety at work. These principles are fully integrated into our supply chain, from selecting suppliers and monitoring them to promoting training and awareness initiatives.

The goal is **to have a positive impact on the organization** by contributing, even through purchases, to creating value for Sofidel and its stakeholders.

### COMPLIANCE WITH ISO 20400

Sofidel has structured its sustainable purchasing model according to the **ISO 20400 guidelines**. The company was one of the first in Italy to meet the requirements of this international standard, which is designed to make the supply chain sustainable by implementing appropriate supply policies. During 2022, SGS - a leading provider of inspection, verification, testing, and certification services - confirmed that Sofidel's purchasing model meets ISO 20400 guidelines. The application of these guidelines allows the Group to **manage risks along the entire chain** and to mitigate the reputational and economic damage resulting from the scarce performance of suppliers. The goal is to increase the supply chain's resilience and to improve the environmental and social sustainability of the suppliers with whom we work.

**THE FIGHT AGAINST CORRUPTION, HUMAN RIGHTS, LABOR AND THE ENVIRONMENT ARE AT THE CENTER OF OUR SUSTAINABILITY CONCEPT. AN APPROACH SOFIDEL UNDERTAKES TO APPLY TO ITS ENTIRE SUPPLY CHAIN.**





| ESG factors      | Global Impact Principles           | Sustainable development goals                                                                          |
|------------------|------------------------------------|--------------------------------------------------------------------------------------------------------|
| E<br>Environment | Safeguarding the environment       | <div><div>13CLIMATE ACTION</div><div>15LIFE ON LAND</div><div>7AFFORDABLE AND CLEAN ENERGY</div></div> |
| S<br>Social      | Human Rights<br>Working conditions | <div><div>3GOOD HEALTH AND WELL-BEING</div><div>8DECENT WORK AND ECONOMIC GROWTH</div></div>           |
| G<br>Governance  | Fight against corruption           | <div><div>17PARTNERSHIPS FOR THE GOALS</div></div>                                                     |

SUPPLIER RISK ANALYSIS

From a sustainability perspective, the starting point for our supply chain work was a risk factor analysis, which resulted in highlighting **13 critical product categories**. Suppliers that fall into these categories comprise the critical supplier portfolio, and purchases made with these suppliers represent the **Group's critical expenditure**. Sofidel manages critical product categories with great care and responsibility to avoid the risk of reputational damage to the company and its brands. To update the critical product categories according to the market evolutions and environmental and social conditions under which it

operates, Sofidel implemented a new risk factor analysis towards the end of 2022 (the first was carried out in 2016). The results will be available around mid-2023. The critical product categories can be classified according to the **Kraljic matrix**, as highlighted in the following diagram. The Kraljic matrix is a **strategic supply chain management tool** that divides purchased products into four classes based on two criteria: the strategic importance of the products to the production process (from the perspective of economic value and impact on profit) and the complexity of the supply market (supply, availability, logistics).

Kraljic matrix: distribution of critical categories

|                                      |      | complexity of the supply market                                                            |                                                                                                       |
|--------------------------------------|------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
|                                      |      | low                                                                                        | high                                                                                                  |
| relevance for the production process | high | <b>LEVERAGE EFFECT</b><br><br>labels<br>inks<br>transports<br>glues<br>virgin polyethylene | <b>STRATEGIC</b><br><br>electric power<br>methane gas<br>cellulose<br>chemical products<br>fragrances |
|                                      |      | <b>NON-CRITICAL</b><br><br>typography<br>market and gadgets                                | <b>BOTTLENECK</b><br><br>waste disposal                                                               |
|                                      | low  |                                                                                            |                                                                                                       |
|                                      |      |                                                                                            |                                                                                                       |

Internal Sofidel source: supplier portfolio risk analysis.





## The TenP Paper questionnaire and supplier assessment



**TenP Paper** is the tool used by Sofidel to assess the sustainability of its suppliers. This is a supplier pre-qualification system developed together with Global Compact Network Italy, of which the Group has been a "Founding Member" since 2013. TenP Paper allows to measure the performance of the supply chain in four different contexts: **working conditions, respect for human rights, safeguarding of the environment and fight against corruption**. This tool helps us to identify the risks and vulnerabilities and to work on shared solutions aimed to improve our supply chain's sustainability.

After completing the self-assessment questionnaire, the supplier is sent a score ranging between 0 and 100. There are three classes of merit:

- Excellent suppliers:  $\geq 80$  points;
- Sustainable suppliers: 50- 79 points;
- Non-sustainable suppliers:  $\leq 49$  points.

The **excellent suppliers**, highlighted in **green**, are those who achieved a high score in all four contexts considered by TenP Paper.

The **sustainable suppliers**, highlighted in **yellow**, are those who achieved a very good level of sustainability, but who still have weaknesses in some of the four contexts considered by TenP Paper for the assessment.

The **non-sustainable suppliers**, highlighted in **red**, are those

who are not yet in line with our sustainability principles. To continue to work with the Group, these suppliers must undergo training to improve their profile.

Sofidel's strategy is **to develop fully collaborative relationships** with its suppliers and to define the goals and improvement steps with them. The Group supports its supply chain through **online training and help-desk services**, which aim at improving the sustainability level of suppliers and protecting the company from any reputational damage arising from the non-sustainability of suppliers.

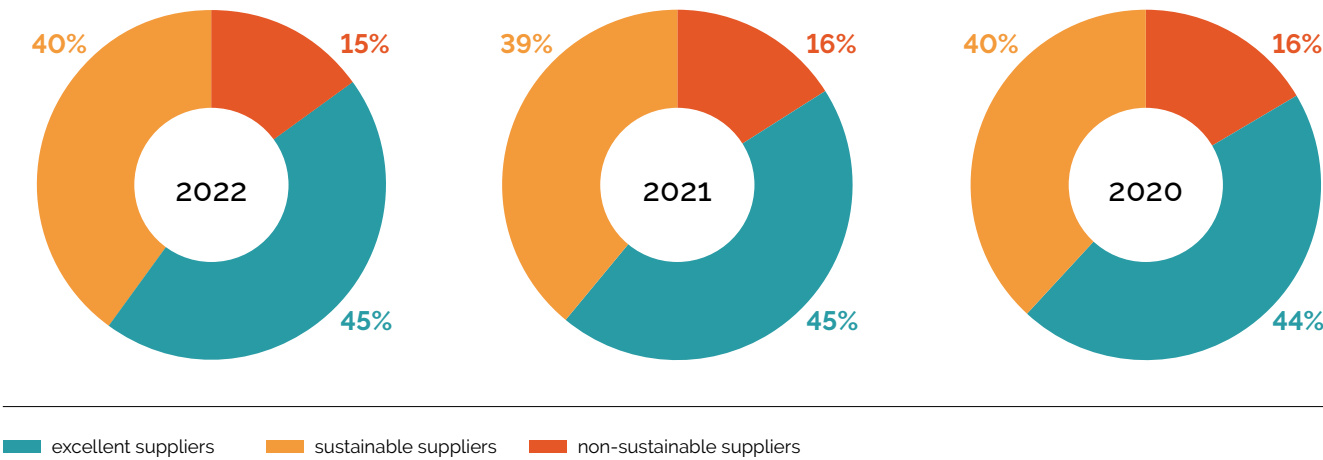
### ANALYSIS OF THE GROUP'S SUPPLIER PORTFOLIO

2022 confirmed the merit profile of the Group's supplier portfolio. The percentage of suppliers falling into the "Excellent" merit class is unchanged, whereas the number of sustainable suppliers has increased by one percentage point compared to 2021 in light of an equal decrease of still non-sustainable suppliers.

A more detailed analysis of the supplier portfolio shows that:

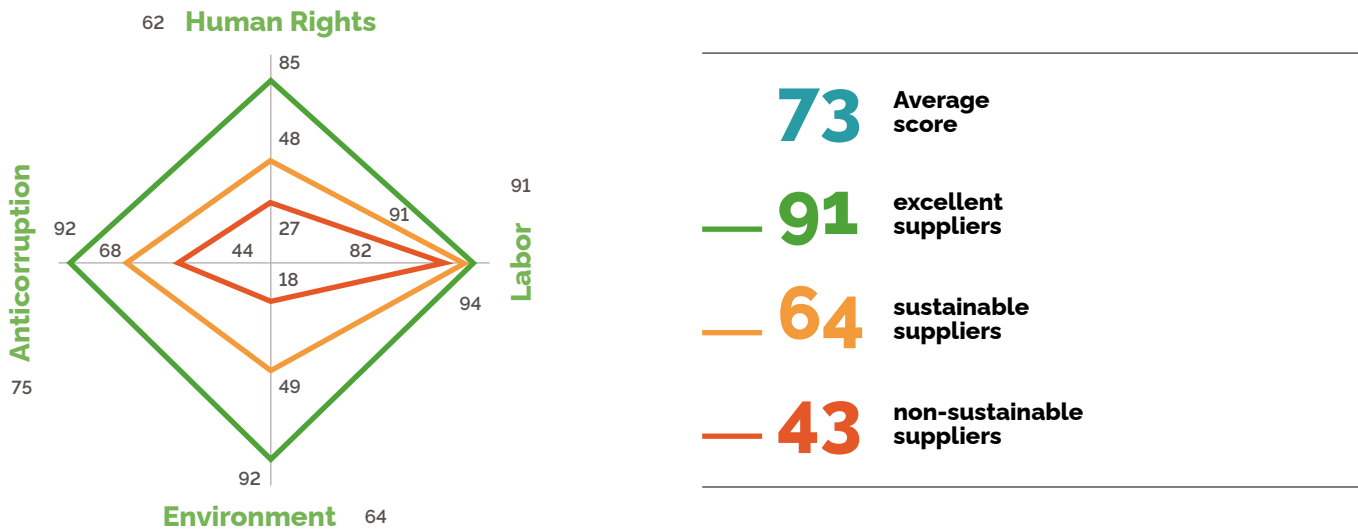
- The **"non-sustainable" suppliers** are on average in the upper end of their category of belonging. This means that their results are very close to the values required for becoming "sustainable" suppliers and to thus fall into the yellow category. This trend was confirmed by the 2022 results, wherein the average score of still non-sustainable suppliers went from 42 to 43, gaining one point compared to 2021;
- the **Environment and Human Rights areas** are those wherein both "non-sustainable" and "sustainable" suppliers still have major issues, but signs of improvement are noticed in both cases. In 2022, the average score of "sustainable" suppliers in terms of environmental performance went from 49 to 51, whereas the still non-sustainable suppliers gained a point both on the environmental front (from 17 to 18) and on the human rights one (from 26 to 27);
- the **Labor area** is a strength for "non-sustainable" suppliers and, more generally, for all suppliers, regardless of the category of belonging. Performance in this area is significantly higher than the average performance.

## Breakdown of Sofidel suppliers by merit class



Source: Sofidel.

## Portfolio analysis of Sofidel's suppliers



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





EFFECTIVE MONITORING

Monitoring effectiveness is measured through the **coverage ratio**, i.e. the ratio between the expenses monitored with TenP Paper and total spending. This ratio can be applied to each product category, or can refer to a macro area comprising several product categories.

Within the sample spend, the majority of Sofidel's spending is concentrated with raw material suppliers, followed by logistics, machinery, and energy service providers. Regarding the coverage ratio, we highlight that **97% of raw material suppliers** (-2% compared to 2021), 96% of energy suppliers (+1% compared to 2021) and 92% of logistics services (no variation compared to 2021) were qualified using the TenP Paper self-assessment system.

Structure of the sample spend

| Macro Area          | Num. of expenditure categories included | repartition % |
|---------------------|-----------------------------------------|---------------|
| Raw materials       | 15                                      | 59%           |
| Machines and Plants | 1                                       | 11%           |
| Energy              | 2                                       | 10%           |
| Logistics services  | 2                                       | 15%           |
| Services            | 4                                       | 5%            |

Source: Sofidel warehouse

Coverage ratio by macro area of the sample spend excellent suppliers

| Raw materials | Machines and Plants | Energy and gas | Logistics services | Services |
|---------------|---------------------|----------------|--------------------|----------|
| 97%           | 26%                 | 96%            | 92%                | 32%      |

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

Quality of the expenditures monitored

If the quality of the expenses monitored is considered rather than the number of suppliers, we notice a **clear prevalence of excellent suppliers, that alone cover 79% of total spending**.

Purchases made with suppliers that are not yet ranked sustainable correspond only to 2% of the total spending and concern goods that are not strategic for the company's business.

| Expense class             | No. of suppliers |     |     | Expense share monitored |       |       | Expense class             |
|---------------------------|------------------|-----|-----|-------------------------|-------|-------|---------------------------|
| > € 1,000,000             | 8                | 51  | 111 | 0,9%                    | 15,9% | 75,9% | > € 1,000,000             |
| > € 500,000 ÷ ≤ 1,000,000 | 10               | 37  | 43  | 0,4%                    | 1,4%  | 1,6%  | > € 500,000 ÷ ≤ 1,000,000 |
| > € 100,000 ÷ ≤ 500,000   | 43               | 101 | 100 | 0,5%                    | 1,3%  | 1,5%  | > € 100,000 ÷ ≤ 500,000   |
| ≤ 100,000                 | 63               | 139 | 111 | 0,1%                    | 0,2%  | 0,2%  | ≤ 100,000                 |
| TOTALS                    | 124              | 328 | 365 | 2%                      | 19%   | 79%   | TOTALS                    |

excellent suppliers    sustainable suppliers    non-sustainable suppliers

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

Coverage ratio of the sample spend

89%

- 1% compared to 2021  
+ 2% compared to 2020

In 2022, 89% of the sample spend was generated from commercial partnerships with suppliers in possession of a valid self-assessment report on the TenP platform.

Coverage ratio of critical expenses<sup>8</sup>

97%

= with respect to 2021  
+2% compared to 2020  
+12% compared to 2019

In 2022, the critical expense coverage ratio didn't change compared to 2021: 97%. This result, which is not surprising considering Sofidel's coverage ratio is already very high, will be difficult to improve.



<sup>8</sup>In 2022, Sofidel registered 1010 new suppliers, including 210 critical suppliers. Of these, 4% completed the TenP Paper self-assessment. In 2022, only 111 of the 210 critical suppliers registered were used. With this in mind, the percentage of critical suppliers who completed the self-assessment on TenP Paper rises to 8%.



A CLEAR TARGET FOR ALL PRODUCT CATEGORIES

For the year 2022, a target of 96%<sup>9</sup> in terms of coverage ratio has been set for all product categories. The adhesives, polyethylene, pulp, natural gas, and fragrance product categories met and exceeded the annual target coverage ratio.

The chart below details the coverage ratios achieved by the 13 critical product categories. For 2023, Sofidel confirms its intention to achieve a 97% coverage ratio on all product categories.

96%

2022 Coverage ratio goal<sup>9</sup>

97%

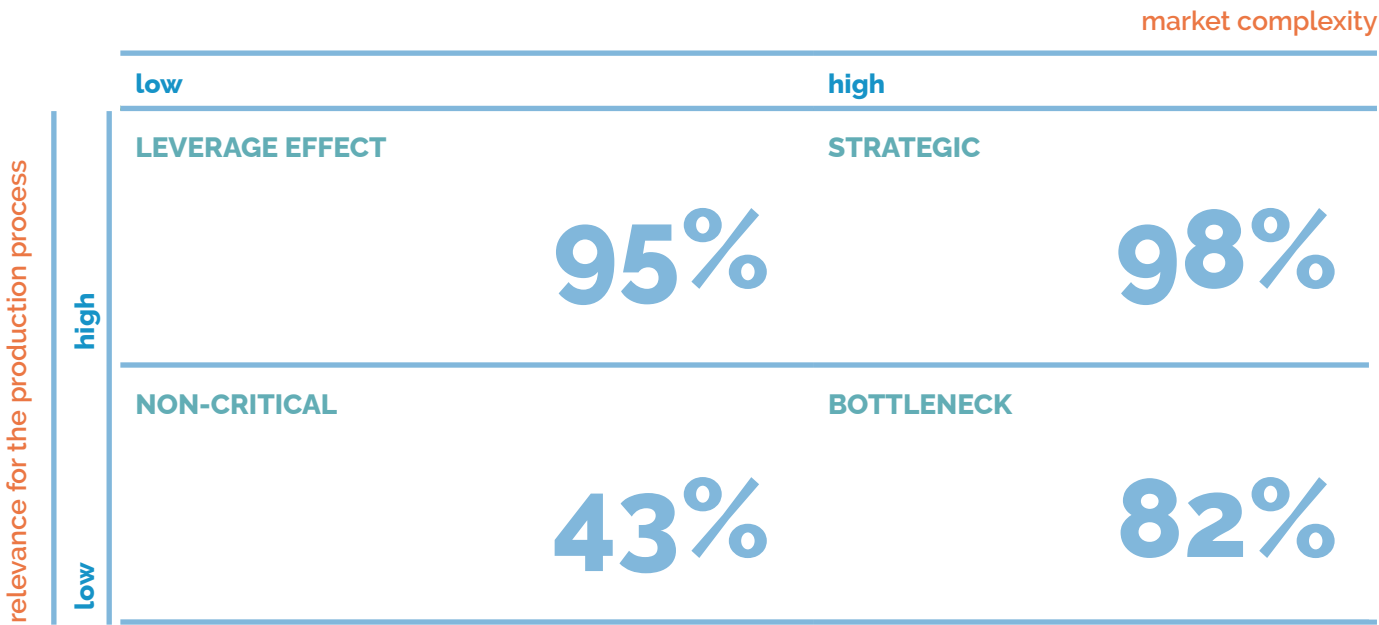
2023 Coverage ratio goal

KRALIJC'S COVERAGE RATIO AND SCHEME

In aggregated form, the coverage ratios reached by the different critical categories can be traced back to Kraljic's scheme. Thanks to the **monitoring and control activity**, the coverage ratio in the various areas has remained constant. Only a slight decline is reported in the strategic supplier area and in that of the suppliers who can cause a bottleneck, wherein the complexity of the market is greater. Both lose a

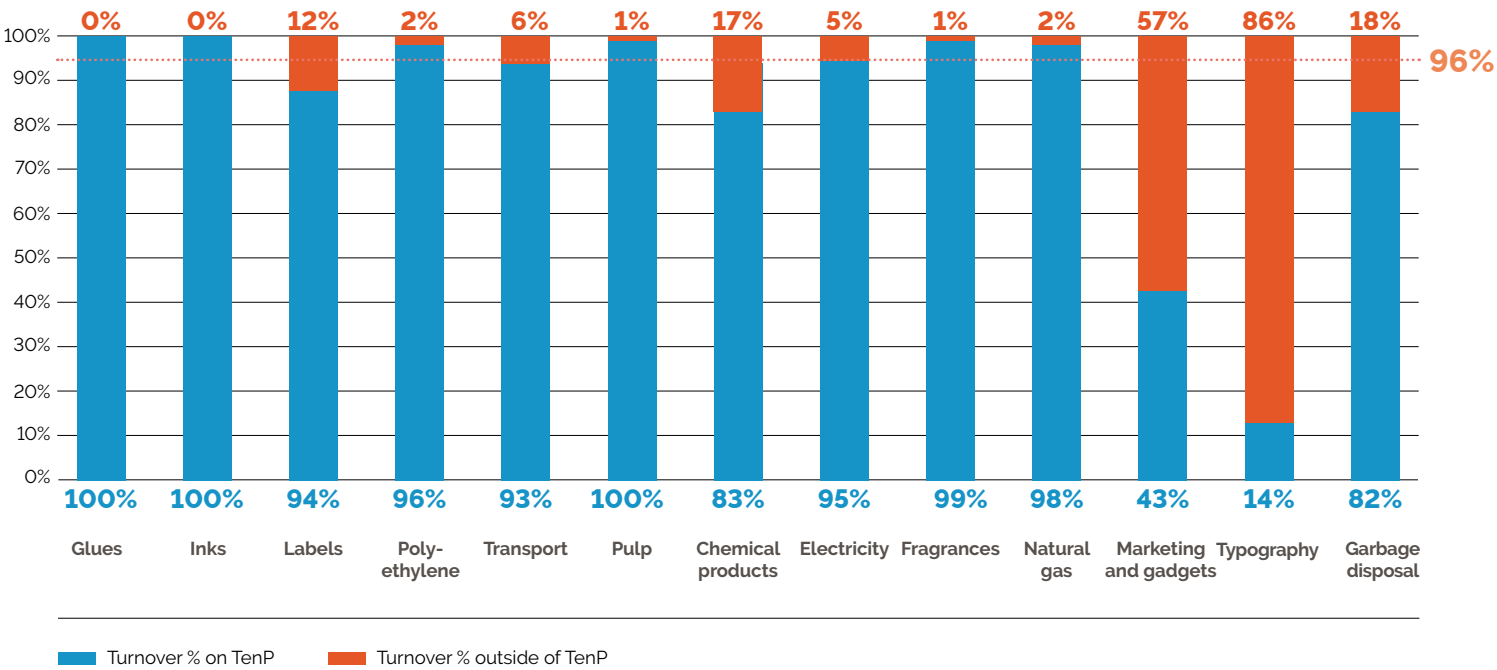
percentage point: the first go from 99% in 2021 to 98% in 2022 and the seconds from 83% in 2021 to 82% in 2022. In any case, these are small variations. **The strategic supplier area is now close to 100%**, thanks to the coverage ratio of cellulose (99%), natural gas (98%), electric power (95%) and fragrance (98%) suppliers. Moreover, in 2022, a significant increase was recorded in the market and gadgets area, wherein the coverage ratio improved by 8 percentage points, going from 35% to 43%.

Kraljic Matrix: distribution of critical turnover covered by TenP Paper



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

Coverage ratios by critical category (Sofidel Group: Europe and the US)



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

<sup>9</sup> An error is reported in Sofidel's integrated report for 2021. In fact, in 2022, the coverage ratio goal, as specified in our three-year plan, was 96% and not 97% as specified in last year's integrated report.

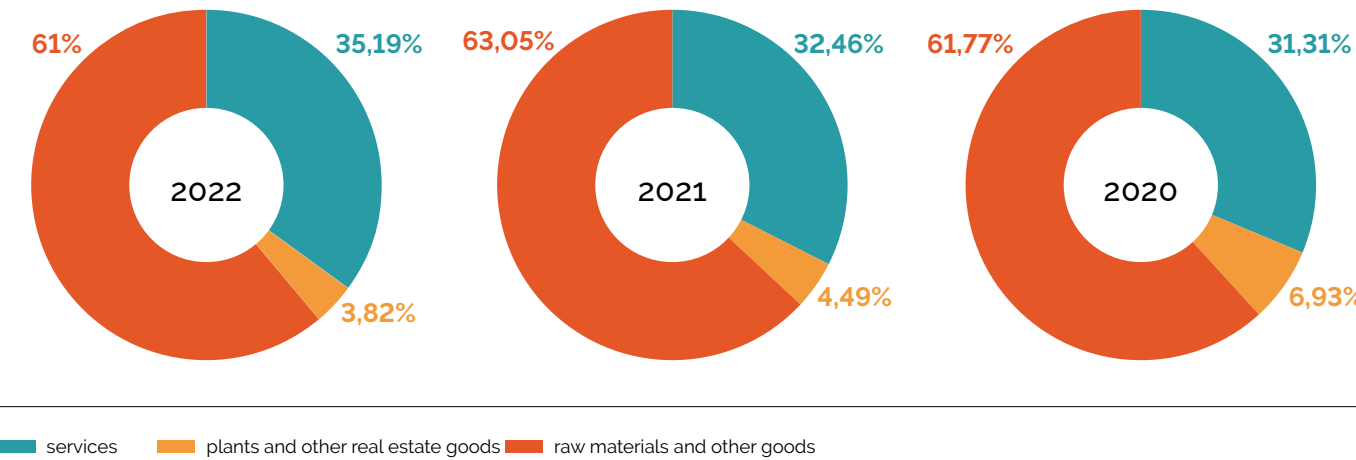




SUPPLIER MAP

In 2022, Sofidel mainly purchased raw materials for a total value amounting to 61% of total spending on supplies.

Expenses with the suppliers of the Sofidel Group



Source: Sofidel, processed by SAP.

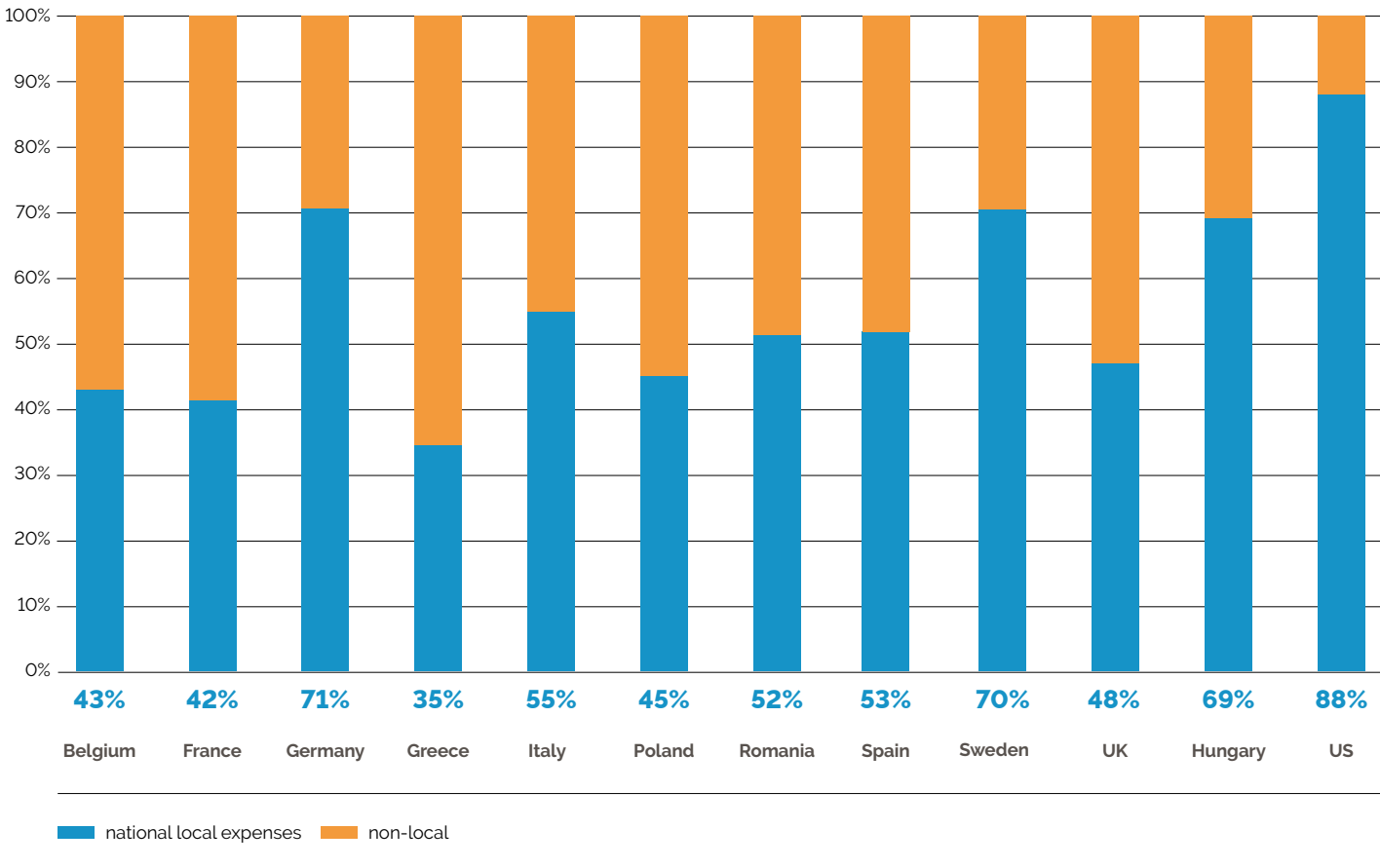


PROPORTION OF SPENDING WITH LOCAL SUPPLIERS

Whenever possible, Sofidel prefers to select suppliers who allow to promote local development and have a positive impact on the local economy. However, the assessment must also take into account the product category, which is not always available in all countries, and the level of supplier expertise. In the diagram below, we reported the percentage of expenses

made with local suppliers in the various countries in which Sofidel operates. Local suppliers means all suppliers with a legal seat in the same country in which the Sofidel company operates and purchases. To calculate this percentage, we considered the products and services purchased by our production sites and offices in each of these countries.

Spending concentration with local suppliers by area – 2022



Source: Sofidel.



Interview

# HUMAN RIGHTS AND CLIMATE ACTION

*Challenges and opportunities of a responsible supply chain*



“IT'S IMPORTANT TO SHARE INDICATORS, TO SHARE TARGETS AND TO HAVE A PERFORMANCE APPROACH WHILE DEALING WITH OUR SUPPLIERS.”

**DANIELA BERNACCHI**  
Executive Director UN Global  
Compact Network Italy

**As far as Global Compact is concerned, what does taking care of suppliers mean?**

The U.N. Global Compact is a privileged observatory of the world of business. We engage in Italy 500 companies, but all over the world there are 20,000 companies working with us on sustainable issues. So, it's very important nowadays to involve our suppliers, our small medium enterprises, and especially in Europe, we can tell that the new legislation is pushing companies to taking care of their suppliers. So it's important to share indicators, to share targets and to have a performance approach while dealing with our suppliers. We know that climate is a priority and as a matter of fact, the supply chains are responsible eleven times more than scope one and scope two for indirect emissions. At the same time, it's very important to work on human rights and impact on communities. And the new CSRD European directive, issued in December 2022, is pushing companies to invest through all the value chain, as I say, including suppliers, in their choice towards sustainability.

**What are some of the main topics that a sustainable supply chain should work on?**

So as a Global Compact, we have the chance to work with our company in order to identify which were the priorities for supply chains and we are the working group with 32 companies that involved 140,000 suppliers. So, we're quite sure that we identify the correct priorities and I may say that they cover all the range of sustainability issues. The first priority is involvement and engagement on decarbonization. And then we have human rights and labor. So, that has to do with the impact on the communities, the impact on workers, safety conditions, decent work and how we pay employees in our supply chains. The third dimension is taking into consideration externalities in the production process. So, it's important that companies try to reduce waste, to recycle materials, to work in an efficient way in order to have a positive impact and not a negative impact while producing the product.

**What are the main advantages of a responsible supply chain?**

A responsible supply chain increases the positive impact of the company through all the value. And it's important also in terms of reputational risk that is avoided by a responsible supply chain. Let's think about environment misconduct or even worse, human rights abuses. So, it's really important to work together in order to have a more resilient and more competitive supply chain and, at the end of the day, a positive impact for all of us.

**How can a company engage its suppliers on sustainable issues?**

For a company involving the supply chain in a sustainability path, it's a strategic choice. So, it has to be considered as an investment. It takes time, but it also gives interesting results. Of course, companies have to choose a democratic approach and share all the knowledge, all the instruments, all the tools with their supply chains. At the same time, they will have a long term alliance with these suppliers because they will benefit of all the instruments that the corporation can share with them and also will become a more reliable partnership in the competitive environment. So, it's a strategic choice to engage them, but it has also positive results on all the companies that decided to follow this initiative. Of course, small and medium enterprises have less resources. And one of the choices that big companies can or may consider is to invest also in knowledge sharing and building competencies in the human resources of their suppliers. Also, instruments are important. For instance the ethical code, the code of conduct and all the software that can be used at the same time. It's also important to share common indicators and key factors that can bring good results to both the supply chain as well as the cooperation.



Watch the full interview





## The new challenges

To have a supply chain that can reduce environmental and social risks, it is essential to **continue to monitor and stimulate sustainability throughout the supply chain**.

In 2022, we plan to update the risk analysis carried out in 2016 with a new analysis to check for any critical issues arising from the evolution of the market, technology, regulatory framework, and the environmental and social scenario. In addition, the company has defined four new corporate directives to further strengthen the integration of sustainability in the supply chain.

### 1. REWARD SYSTEM

Further involving and motivating the purchasing team to promote **an ethical and responsible supply chain** through the reward system. In this regard, in 2022, Sofidel created a control panel to monitor the sustainability risks of the supply chain which takes various parameters into account, such as a supplier's level of solvency, the TenP Paper ratings, turnover and spending concentration. Thanks to this new control panel, it will be possible to set performance (KPIs), qualitative and quantitative indicators for the people of the purchasing department.

This way, Sofidel will be able to:

- link, **in a clear and transparent way**, the merits, promotions and wage increases to the improvement of a supplier's performance in terms of sustainability;
- define the improvement strategy and plan whenever the results set are not reached.

### 2. QUALIFIED SUBCONTRACTING CHAIN

To encourage sustainability throughout the supply chain, it is important to extend the **TenP Paper pre-qualification and assessment system to second- and third-tier suppliers**. Sofidel intends to start with suppliers of strategic raw materials, especially cellulose suppliers who may have critical factors related to the product type and geographic origin. In this regard, in 2021, the company began screening its tier-one suppliers and created a specific section in the TenP Paper self-assessment questionnaire which requires to specify:

- if they use subcontractors;
- if they have a codified process for managing subcontractors;
- what tools they use to monitor their supply chain.

### 3. ON-SITE AUDIT

In addition to desktop audits, to ensure proper interpretation of the TenP Paper self-assessment questionnaire, the Group will initiate an **in-person audit process**. The activity will be carried out in collaboration with its suppliers, starting with those belonging to the product categories with a higher level of criticality. In this regard, for 2023, an agreement to carry out on-site audits has already been defined with three pulp suppliers.

### 4. SMALL COMPANIES

The Group will continue to work towards the **sustainable transformation of small- and medium-sized companies** (with a turnover of less than €20 million) that are part of the Sofidel supplier network. In this regard, the goals of the reward system provide to involve as many small-sized suppliers as possible and to develop training initiatives aimed at supporting them and at reducing the gap between them and Sofidel's other suppliers.

### 5. NEW SUPPLIER CODE OF CONDUCT

Sofidel's sustainability strategy is supported by the procurement policy with which the company undertakes to ensure production processes capable of reducing environmental impact to a minimum, improving the life cycle of products and promoting greater circularity. To implement this policy with greater commitment, in 2022, Sofidel, together with WWF, updated the Supplier Code of Conduct by defining both the requirements cellulose suppliers must meet to work with Sofidel and the methods for managing any discrepancy with respect to the forest procurement policy. The Code of Conduct will be presented to suppliers in 2023, through a series of workshops designed to illustrate the contents and share the terms of application with suppliers. Following this first sharing process, the document will become effective on January 1, 2024.

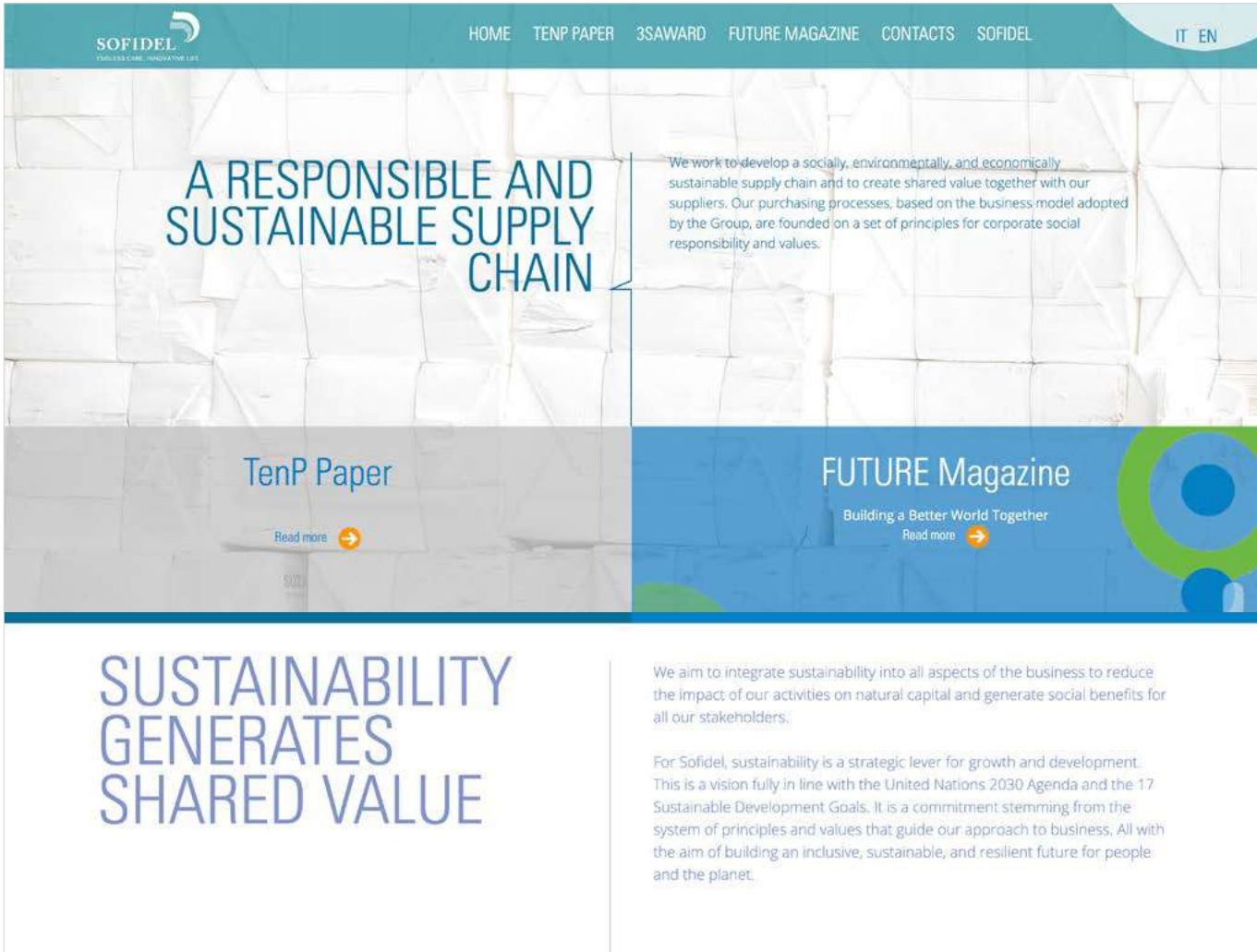
## The website dedicated to the supply chain

Sofidel created a website completely dedicated to the supply chain to share the environmental and social sustainability principles used to select our suppliers and to promote a partnership based on trust and transparency ([www.sustainable-procurement.sofidel.com](http://www.sustainable-procurement.sofidel.com)).

The site will serve as **a hub containing the information and tools** needed to make our supply chain even more responsible and sustainable. Suppliers can **access the TenP Paper platform** to register and complete the rating designed to

measures their performance in terms of environmental, social and governance sustainability.

Also available on the website is the magazine **'FUTURE. Building a better world together'**, the communication tool dedicated to the supply chain. This publication takes a closer look at topics of common interest, enhances the best practices of our suppliers, and promotes a shared culture on ESG issues that pose the main challenges humanity will face in the coming years.







### 3SAWARD Sofidel Suppliers Sustainability Award

To promote and enhance the **ethical and responsible management of the supply chain**, Sofidel has created the “Sofidel Suppliers Sustainability Award” (3Saward) with the aim of promoting the culture of sustainability among its suppliers and of rewarding those **who stand out for their social and environmental commitment**.

Created in 2016 to motivate its suppliers in terms of sustainability, the award has a dual function: on one hand, it offers recognition and visibility to the most sustainable suppliers and supports and encourages those who have yet to commit

to improving their performance on the other. The 3S Award is an **opportunity for dialogue and comparison** with the entire supply chain, to help build a better future together. It is a unique opportunity for growth through sharing best practices and inviting international experts to explore the most urgent challenges facing humanity.

The event is organized every other year to give suppliers time to make significant progress. The new edition will take place next year.



#### AWARDS

The 3S Award consists of three different awards:

- **Best Supplier**

Award presented to suppliers who **scored the highest** on the self-assessment platform.

- **Best Improver**

The award dedicated to suppliers who have **significantly increased their score** on the TenP Paper platform by adopting processes and procedures in line with the principles of environmental and social sustainability.

- **Best Sustainability Project**

The award for suppliers who have implemented a sustainability project that have brought about concrete benefits to protect the planet and promote a safer, fairer, and more inclusive work environment.





## Supply chain involvement

Sofidel's role in raising awareness and involving the supply chain has also been recognized by **CDP (Carbon Disclosure Project)**, an international non-profit organization that provides a global system for measuring and reporting information about the environmental impact of companies, cities and countries. Supply chain involvement is critical if we are to succeed in respecting the planet's limitations. According to the CDP's analyses (Global Supply Chain Report 2021),

the supply chain's GHG emissions are more than **11 times higher** than those of the company's<sup>10</sup>. This data confirms that to promote real change, it is essential to **act together with suppliers** and encourage them to improve their sustainability performance. Companies have a responsibility to lead this change. In 2022, CDP awarded Sofidel Group an **A rating**, the highest assessment, for its ability to involve the supply chain **in actions to fight climate change**.

## Bioeconomy project in the Amazon

In 2022, Sofidel worked with Suzano, one of our main cellulose suppliers, to develop a bioeconomy project in Northern Amazonia which will start next year in occasion of international forest day.

The goal of the project is to work with the supply chain to increase our ability to generate a positive impact in the areas in which we procure cellulose. 50% of the cellulose we use now comes from Brazil, from certified forests according to the forest protection schemes (FSC and PEFC).

Brazil is a developing country with a high poverty rate, where millions of people still live in extremely poor conditions, with less than 2.5 dollars a day. This major condition of precariousness and social distress translates into not being able to afford anything, not even the food needed to survive<sup>11</sup>.

For this, together with Suzano and the **Brazilian Institute of Development and Sustainability**<sup>12</sup>, we decided to un-

dertake a bioeconomy project which will allow to restore 300 hectares of degraded forest and strengthen the activity of the small farmers living off the forest's fruits.

The project will be implemented in the Amazon's biome, between the states of Maranhão and Pará, near a biodiversity corridor connected to parts of still virgin forests, and will allow to ensure **food security for 1,400 people** living below the poverty threshold.

The project will **be implemented over a three-year period and provides for an investment of one million two hundred thousand euros**. A detailed activity plan will be defined each year and the results will be certified by the Bureau Veritas Brazil at the end of each year. The goal is to help promote sustainable development and social well-being, **by reducing disparity and restoring dignity and future opportunities** to the indigenous populations.

We will especially help small farmers create **agroforestry management systems** for producing honey and cultivating acai, a



super food with very nutritional and antioxidant properties, and babassu nuts, which are used in foods and cosmetics.

With the help of the Brazilian Institute of Development and Sustainability, **we will strengthen the local value chain**, by ensuring the indigenous populations are able to support themselves and to live off the forest products while taking care of the natural ecosystem to which they belong.

Our planet, as a whole, has several great systems which are essential to life on earth. The Amazon is one of these. **It's a crucial element for climatic balance**, as it gener-

ates rainfall, both locally and at great distances, cools the planet, absorbs and stores carbon by subtracting it from the atmosphere, preserves 10% of the world's biodiversity, counteracts desertification and produces water, food and medicines. Moreover, this land is home to extraordinary indigenous communities without which many areas of the forest would not be equally protected and safeguarded.

For all these reasons, Sofidel has decided, together with Suzano, to bring concrete benefits for the indigenous populations living in a small area of Northern Amazonia.

<sup>10</sup> "Engaging the chain: driving speed and scale", CDP global supply chain report 2021, page 3.

<sup>11</sup> Instituto Brasileiro de Desenvolvimento e Sustentabilidade, IABS. [www.iabs.org](http://www.iabs.org). FGV Social Impact Report 2021. Italy Brazil Association 2022.

<sup>12</sup> Instituto Brasileiro de Desenvolvimento e Sustentabilidade, IABS. [www.iabs.org](http://www.iabs.org)

05

# ENVIRONMENT







# Highlights 2022

**100%**

certified pulp,  
84.39% of which with the FSC

**-15.7%**

reduction in carbon intensity  
compared to 2018

**-38.2%**

reduction the incidence of virgin plastics  
compared to 2013

**85%**

eco-labeled products

## Power Purchase Agreements

with Acciona and RWE for renewable  
energy supply



OUR COMMITMENT TO CARE FOR AND RESPECT THE PLANET  
TRANSLATES INTO AN ‘ECOLOGICAL TRANSFORMATION’ APPROACH  
TO TISSUE PAPER PRODUCTION.

OUR PRODUCTION MODEL IS DESIGNED TO FOSTER THE TRANSITION  
TOWARDS A LOW-CARBON IMPACT ECONOMY AND REDUCED  
CONSUMPTION OF NATURAL CAPITAL. WE PURSUE THIS OBJECTIVE  
THROUGH THE RESPONSIBLE PROCUREMENT OF FOREST-BASED  
RAW MATERIALS, THE PRUDENT USE OF WATER RESOURCES,  
AND INCREASING OUR RENEWABLE ENERGY SOURCES.

WE WORK TO INCREASE THE ENERGY EFFICIENCY OF OUR PLANTS,  
PROCESSES AND MACHINERY, WASTE REDUCTION AND LIMITING  
THE USE OF CONVENTIONAL PLASTIC IN PRODUCT PACKAGING.

WE ARE GUIDED BY A SUSTAINABLE DEVELOPMENT PROJECT  
IN LINE WITH THE UNITED NATIONS 2030 AGENDA.



## Consequences and horizons of the energy crisis



After two years characterized by the complex management of the Covid-19 emergency, Europe was faced with a **new unforeseen crisis**, which called into question the European Green Deal and the associated 2030 ecological transition plan.

The geo-political tensions in Eastern Europe, which had already characterized the end of 2021, escalated into an open conflict between Russia and Ukraine as of February 2022. A conflict that has caused heavy political and economic reactions, with repercussions on an economy still recovering from the effects of the pandemic and already having to deal with problems regarding the availability of raw materials. The result **was an energy crisis on an unprecedented scale**, putting the supply of fossil fuels from Russia at risk, from which over 40% of the natural gas, 46% of the coal and 27% of the oil used in the EU came. The discontinuity in the flow of natural gas caused its price to rise to over €300/MWh, more than 20 times the pre-crisis price. The reduced availability of natural gas, coupled with the high costs, forced many states to review their energy policy in order to ensure the supply of electricity to all industrial and domestic consumers. For this reason, various emergency strategies were adopted, and the search for other medium and long term gas supply opportunities began.

According to the scenarios of the 2022 IEA (International Energy Agency) Outlook, and taking into account the Stated Policies (STEPS) analysis, which only includes the targets already decided at global level, new policies in the major energy markets will help push annual clean energy investments to **over USD 2 trillion by 2030**, a 50% increase compared to today. This new investment flow should allow for an increase in renewable electricity production, **reducing the need to use fossil fuels**. Clean energy is thus becoming a huge opportunity for growth and employment and an important arena for international economic competition.

CLEAN ENERGY IS BECOMING  
A HUGE OPPORTUNITY  
FOR GROWTH  
AND EMPLOYMENT.

## Protection of forest resources and certifications



### PROTECTION OF FORESTS

At the end of this year, Cop 15, the UN Conference on Biodiversity, reached a historic agreement devised to protect the planet. The most significant part of the understanding is the commitment to **protect 30% of the land and water considered important for biodiversity** by 2030. This will safeguard ecosystems from collapse, while respecting the rights of indigenous peoples and local communities. Recognizing the territorial rights of indigenous peoples and putting them at the center of conservation and climate action is an effective way to combat biodiversity loss and climate change.

Awareness of the role that forests play in protecting the global environment and in maintaining and enriching biodiversity has prompted the Sofidel Group to adopt a new **policy for the responsible purchase of raw materials of forest origin**: the document was drafted in collaboration with the staff of WWF Italy and WWF International and was inspired by the guidelines drawn up as part of the **Accountability Framework initiative (AFi)**. The full text is available on Sofidel website and includes a number of important targets, including:

- Having a supply chain that does not induce **deforestation** at any of its stages (Zero Deforestation)<sup>13</sup>.
- Developing a supply chain that does not cause or con-

tribute to the conversion or environmental degradation of natural ecosystems at any of its stages.

- Ensuring that its procurement activities **comply with the Supplier Code of Conduct** and do not violate the human rights of the stakeholders involved in the supply chain, from the workers to the indigenous communities, directly or indirectly affected by the procurement activities in the areas where the raw material is sourced.
- **Developing mitigation and prevention actions** in cooperation with our suppliers in case of serious human rights violations or evidence of environmental degradation in raw material procurement areas, not only in the Sofidel Group supply chain, but also in other areas where our suppliers operate.
- **Carrying out active checks** in high-risk countries to ensure the legality of forestry operations, logging, processing and trade of timber.
- Checking that no Genetically Modified Organisms (GMOs) are present in the species from which the raw material originates, to ensure a GMO-free supply chain.
- Favoring supplies and producers able to show valid forest management and chain of custody certificates, obtained by applying credible and internationally recognized good forestry management standards, issued by independent third parties following periodic audits.

## Forests Forward

Together with the new policy, Sofidel has decided to participate in a forest protection initiative organized by WWF International known as Forests Forward. The project involves companies, communities and organizations in all sectors (especially those related to the use of raw materials from forests) and aims to accelerate commitments to zero-deforestation

and zero-conversion of natural ecosystems, combat degradation and encourage the restoration of forests to improve the management of 150 million hectares of forest globally by 2030. The initiative also has a special focus on forest management in tropical and subtropical countries, protecting the role of local communities in forest conservation.

<sup>13</sup> Deforestation is the loss of natural forests due to the conversion of forest land to agricultural activities or other non-forest uses, its conversion to tree plantations or the creation of conditions of severe and continuous degradation.





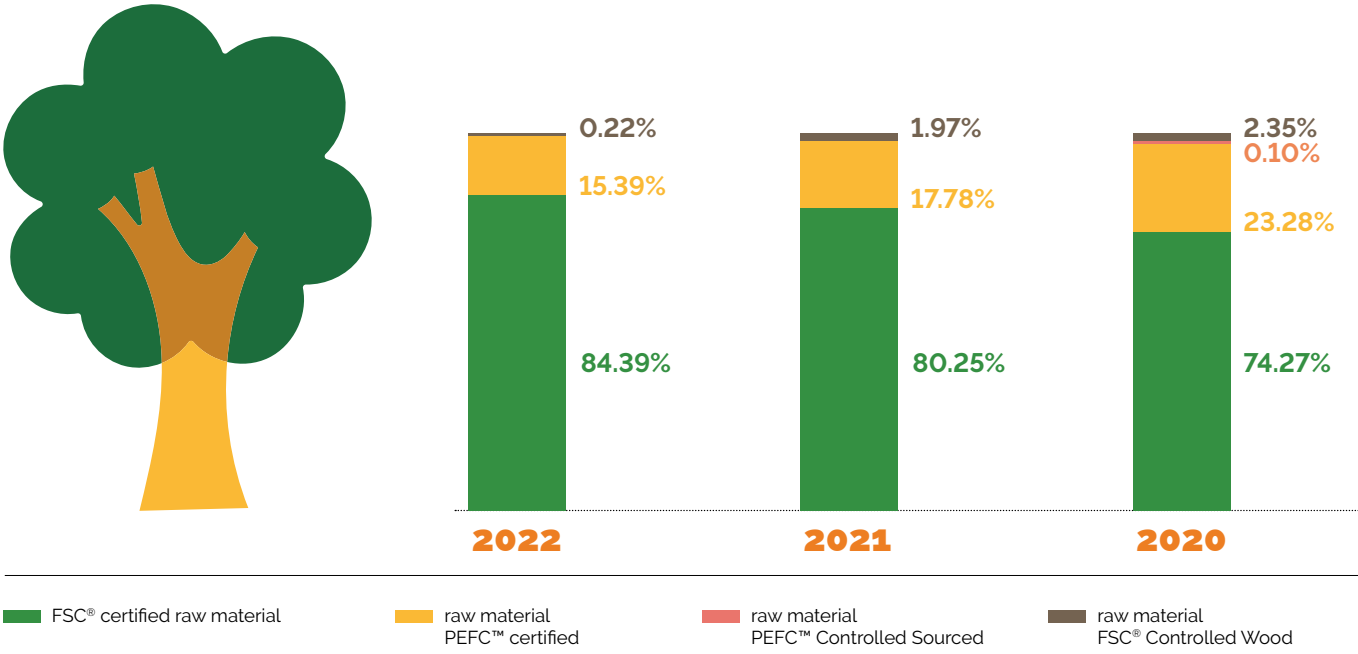
SOFIDEL AND FOREST CERTIFICATIONS

During 2022, Sofidel purchased a total of **1,190,571 tons of virgin fiber**. As much as 84.39% of this was certified with the FSC (Forest Stewardship Council) chain of custody. The remaining quantity (15.39%) received PEFC (Program for Endorsement of Forest Certification) chain of custody certifi-

cation and 0.22% of the total received certification with the FSC Controlled Wood standard.

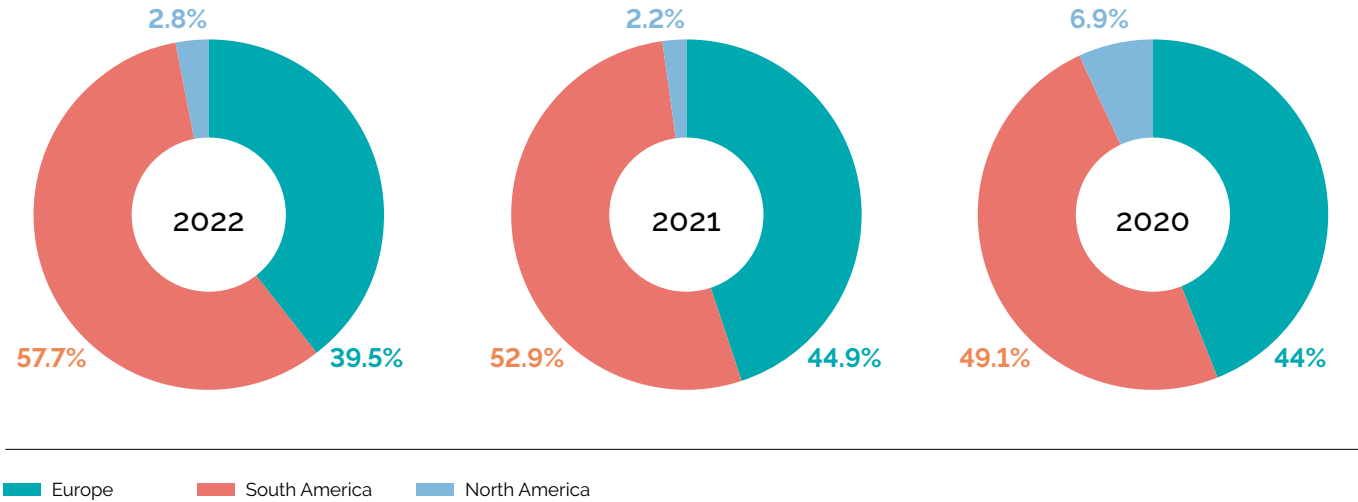
By 2022, therefore, the entire fiber raw material will have received at least one good forest management certification.

Purchases of virgin fiber raw material by forest certification scheme



Source: Sofidel, extracted from SAP.

Countries of origin of purchased virgin pulp



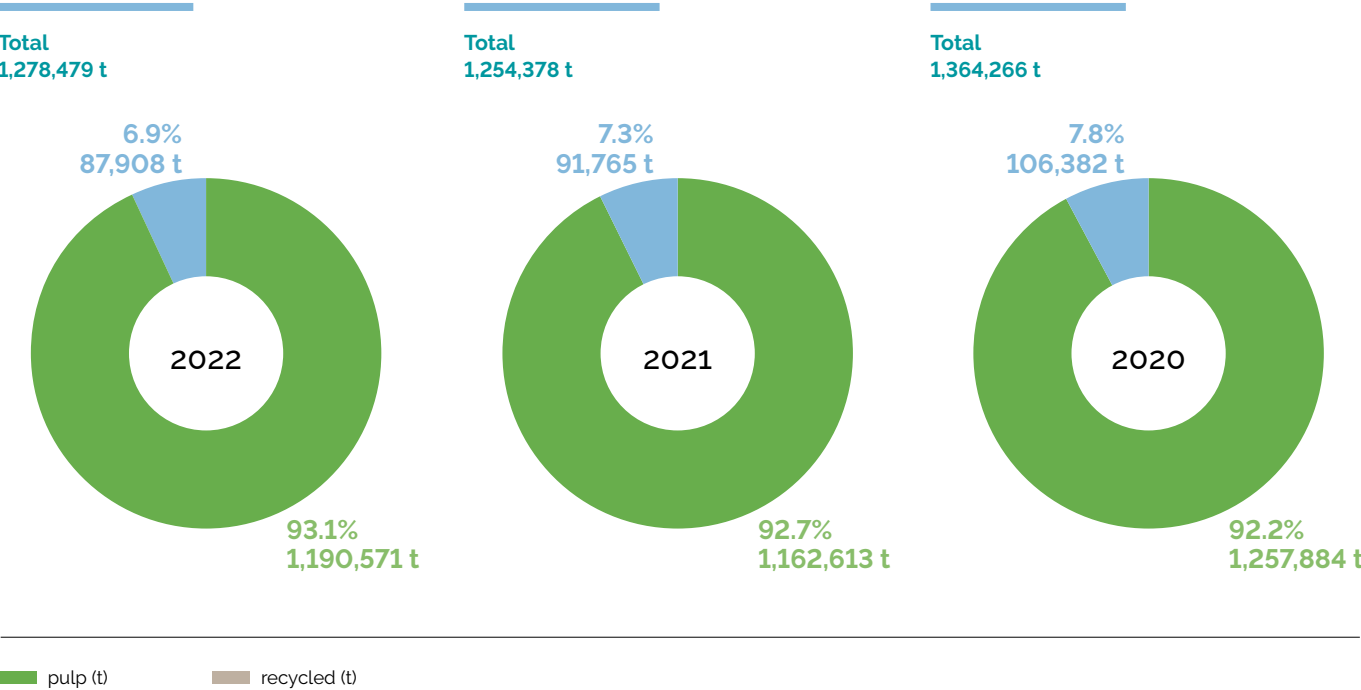
Source: Sofidel, extracted from SAP.

CDP Report - Forests

The combination of the Sofidel procurement policy and its continuously improving forest certification data earned it an **A- score with the prestigious CDP Forests** rating organization for the year 2022. A noteworthy result considering that the average for European companies stops at B-.

Acting for more than 680 investors with assets in excess of \$130 trillion, CDP Forests provides a framework for companies to **measure and manage forest-related risks and opportunities**, transparently report on progress and engage in prevention and mitigation actions to restore forests and ecosystems.

Purchases of virgin and recycled fiber raw material



Source: Sofidel, extracted from SAP.



Interview

# CLIMATE AND NATURE: TWO INTERCONNECTED CRISES

WWF's Living Planet report takes a snapshot of the health of the planet as of 2022



“THE LOSS OF BIODIVERSITY AFFECTS US AS HUMAN BEINGS BECAUSE WE ARE A PART OF NATURE.”

MARCO GALAVERNI  
Program & Oases Director  
WWF Italy

How do you explain the importance of the research work done for the Living Planet 2022 report and what were the main motivations for commissioning the studies?

First of all, if we want to protect biodiversity for the good of the planet and people, we need a solid index to track global biodiversity trends. And because data collection is no mean feat, the Living Planet Index is an absolutely invaluable source of information for preventing us from witnessing the loss of entire species and populations. It is crucial to observe their trends, their progress, and consider whether we are benefiting or compromising global biodiversity conservation.

According to the report, global wildlife populations have plummeted by 69% on average since 1978. Why is this staggering rate of decline such a worrying statistic? And what are the other significant findings of the report?

As we can clearly see from this abnormal reduction in the average size of vertebrate populations worldwide, we are losing a significant part of the Earth's biodiversity. And if we look at the more specific results, we will see that the loss of biodiversity, or rather, the decrease in populations in South and Central America has reached, on average, 94% in less than 50 years. An incredible figure. This means that we are literally losing millions of specimens of very important species in the space of just a few decades. As far as habitats are concerned, vertebrates living in fresh waters have declined by an average of 83% in less than 50 years. We often forget the importance of fresh water, but this index shows a truly shocking trend.

Why is it not just a question of the environmental issue, but also concerns economic systems, development and social, moral and ethical security?

Think of the fertile lands that must produce our food. They depend on nature. The organic component of the soil is produced by the lasting action of the ecosystem, which provides that fertile soil. Similarly, our entire economy is also based on nature. Think of textiles, for example. Most of them come from nature. In general, almost everything we base our economy on comes from nature. To reiterate, taking care of nature is central, unless we want to hinder our future needs and the sustainability of our economic and social systems.

As the report states, although conservation efforts are certainly helping, urgent action is needed if we are to reverse the loss of nature by the end of this decade. What more do we need? What interventions need to be implemented?

Of course, conservation measures are crucial, and the new targets, recently set by the Conference of the Parties of the Convention on Biological Diversity, which I recently attended in Montreal, are challenging, such as the 2030 deadline, because it means achieving conservation of at least 30% of our planet, both land and sea. We must try to improve our efforts to restore nature in the areas where we have impoverished habitats and ecosystems. But this is still not enough, we need to bring about a real transformative change in the way we produce and consume goods and natural resources, we need to change the way we perceive the economy, we need to take care of the impacts at scale, both positive and negative. Every choice we make about consumption and production will influence our future here on planet Earth. The problem, therefore, is systemic.



Watch the full interview



# The energy balance and the reduction of climate-altering emissions



## THE ENERGY BALANCE

Sofidel is seriously committed to modernizing its plants and production processes to embrace the **energy transition**, with solutions designed to enable progressive decarbonization and greater efficiency.

In Italy, an ambitious project was launched in 2020 to modernize the **electricity and steam cogeneration plants** at Soffass. The project, which consisted of replacing the three existing gas turbines with more efficient systems, was managed by a company specializing in the provision of energy services. The new turbine installed at the Soffass plant in Via Lazzareschi has been put into operation in January 2022. A **new endothermic engine** is scheduled to be installed at the Soffass plant in Via Leccio by March 2023.

A major investment (EUR 1.8 million) was made in the UK factory in Baglan, in cooperation with the company Valmet, for the installation of two technologies called ViscoNip and ReDry. This innovation **optimizes the paper drying process**, resulting in significant fuel savings, and will enable Sofidel to reduce its emissions by 2,600 tCO<sub>2</sub>eq per year. Moreover, ViscoNip guarantees a paper with greater volume and absorption capacity, not to mention more uniform characteristics.

The Group's energy-saving investments of more than EUR 350,000 in new LED bulbs are worth a mention. These investments are part of Sofidel's ongoing strategy to reduce greenhouse gas emissions and add up to more than EUR 100 million spent on optimizing energy resources from 2008 to 2022.

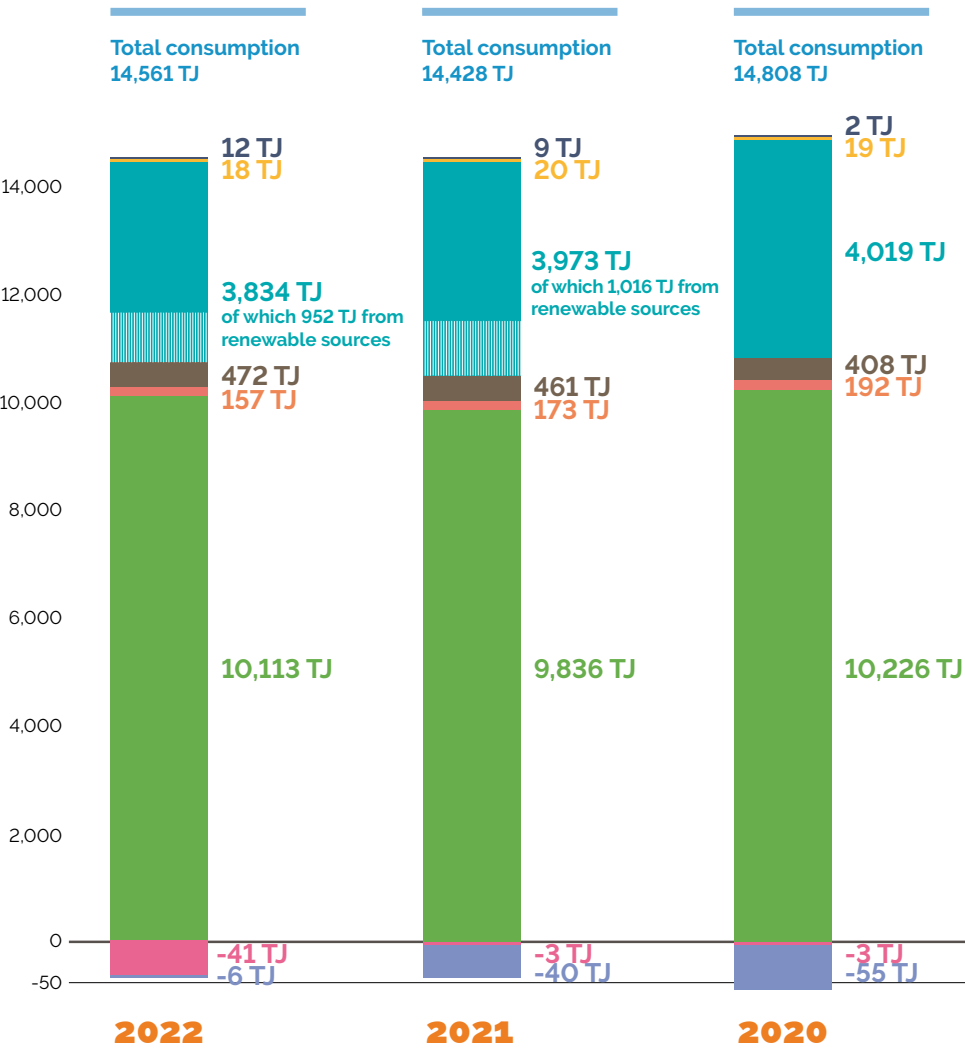
In addition to these investments in efficiency-improving plant modifications, Sofidel also focuses on spreading an environmental culture and introducing Energy Management Systems. The **ISO 50001** (Energy Management System) certification process started in 2012 at our German and Swedish plants and continued with the certification of our Sofidel Belgium, Sofidel UK, Soffass, Sofidel France Frouard and Sofidel Greece plants. In 2022, our production site in Spain was also certified. In 2022, the group's energy demand was **11.5 GJ/t paper**, an improvement of 0.2 GJ/t over 2021.

**SOFIDEL IS STRONGLY COMMITTED TO THE ENERGY TRANSITION AND INVESTS IN RELIABLE, SUSTAINABLE AND MODERN ENERGY SYSTEMS.**

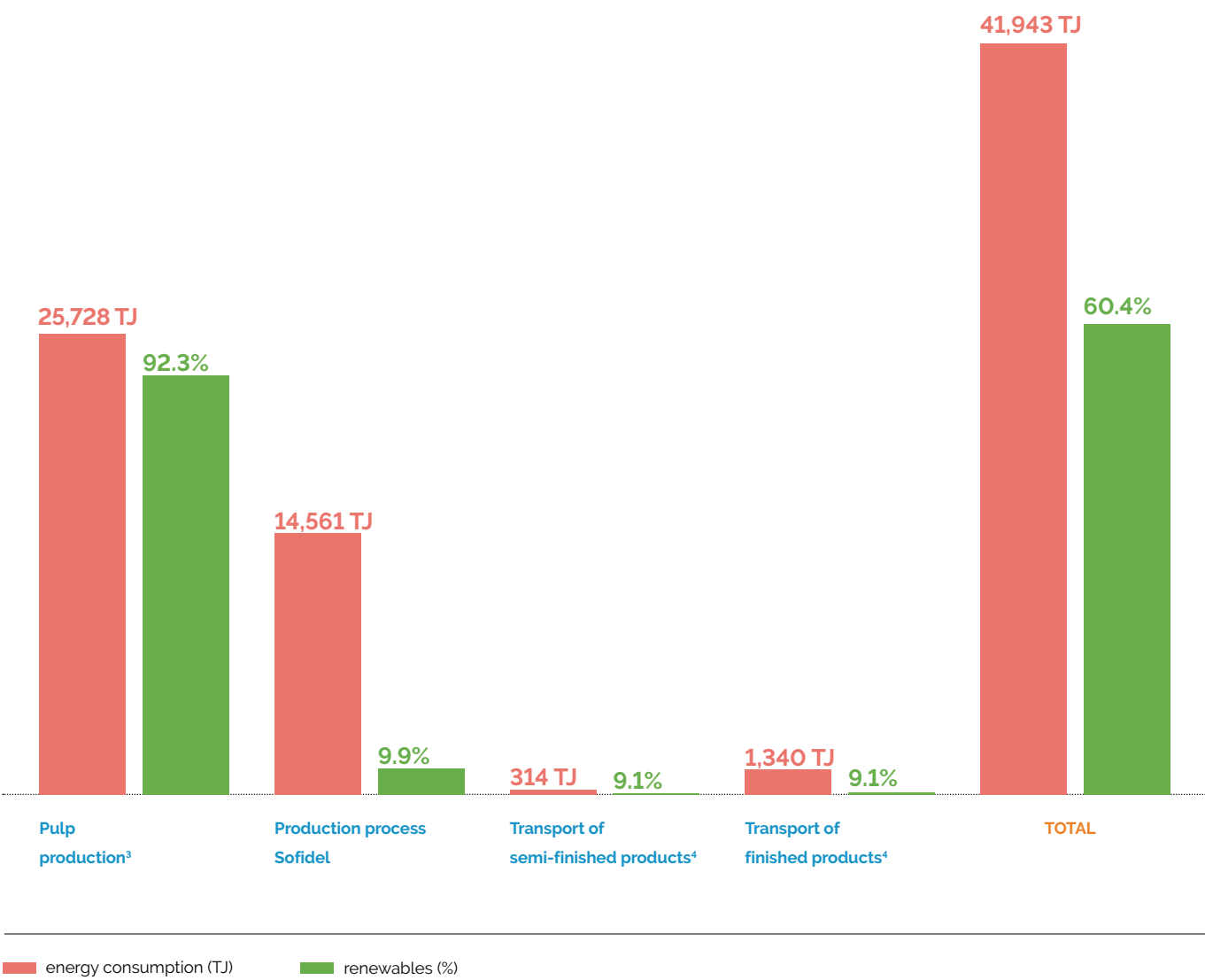




Energy balance of the Sofidel Group



Sofidel supply chain energy consumption - 2022



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

4. Consumption coefficients taken from GHG Protocol-Mobile Guide v.1.3 (21/03/2005). The percentage of renewable energy is obtained from the 'Share of Energy from Renewable Sources in Transport'. Source: Eurostat.

1. Energy calculated through NCV (Net Calorific Value).

2. The data are calculated using the available invoices as a source. It should be noted that for the consumptions of the Werra, Omega, and THP plants, reference is made to the internal readings for December, as not all the invoices for 2021 are available.





SOFIDEL AND CLIMATE CHANGE

COP 27 ended without any significant progress, except the reiteration of the commitment to continue striving to limit the temperature increase to maximum 1.5°C, a pledge that was no longer a given after the economic difficulties of the past two years. One noteworthy action was the establishment of a **Loss & Damage fund** to ensure the weakest and most vulnerable economies have adequate tools to grow sustainably and cope with the loss and damage caused by climate change. In principle, this is a revolutionary agreement, although, for now, the question of how and which states will have to contribute and which countries will benefit is still to be formalized. Another important aspect in the final declaration was the lack of progress on fossil fuel commitments: the reduction (but not elimination) of coal remains, but without the extension of this target to oil and natural gas. The European Union, in spite of the lack of momentum at COP 27, continues towards its formal goals to achieve **a zero-carbon**, sustainable, toxic-free and fully circular economy by 2050.

SBTi commitments

In such a context, large companies like Sofidel necessarily feel invested with the **ethical and economic responsibility** to collaborate in this new course. And it is precisely due to this assumption of responsibility that Sofidel joins the international **Science Based Targets initiative (SBTi)**, a project resulting from the collaboration between the international non-profit organization CDP, the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). In 2020, climate change emission reduction targets resulting from the Sofidel Group's activities (Scope 1 and 2) were endorsed 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 CO<sub>2</sub> emissions

from its suppliers' pulp production activities, **equal to 40% per ton of paper by 2030** compared to the 2018 base year.

- a reduction in Scope 3 CO<sub>2</sub> emissions **of 24% per ton of paper by 2030** compared to the 2018 base year.

The scope of the target includes **biogenic emissions** and **carbon removals** resulting from the use of energy for the manufacture of fibrous raw materials.

Increasing use of renewable energy

Sofidel's commitment in 2022 focused on a **substantial use of renewable electricity**: the new strategy has enabled Sofidel to use a supply of electricity from renewable sources for its plants in the UK, Belgium and Spain, up to 100 per cent in the case of the latter two.

The partnership with RWE

Furthermore, in Italy, Sofidel signed a long-term supply contract (valid from April 2021 until the end of 2030) with RWE for the supply of renewable energy. This is a Power Purchase Agreement (PPA) that will allow the Group to utilize the wind energy produced by RWE's Alcamo II wind farm in Sicily (13.6 MW capacity). In all, **26 GWh per year** will be allocated to the Group, which will supply the Italian Soffass plants, where **150 million Regina Rotoloni (toilet paper rolls) were produced using wind power this year**. The agreement enabled RWE to build the new site without having to resort to state subsidies and allows Sofidel to continue pursuing its ambitious climate protection goals. In the course of 2022, Sofidel strengthened its partnership with RWE by entering into another agreement for the construction of a photovoltaic plant in Greece, which will be able to supply **21 GWh per year** for ten years, starting from mid-2024.

The partnership with Acciona

A further PPA contract was signed with Acciona in Spain: the plant will be able to use around **90 GWh per year** of electricity produced from renewable sources, starting from 1 January 2023. This important agreement, valid for the next ten years, reinforces our commitment to a sustainable future, for people and the planet.

The partnership with Meva Energy

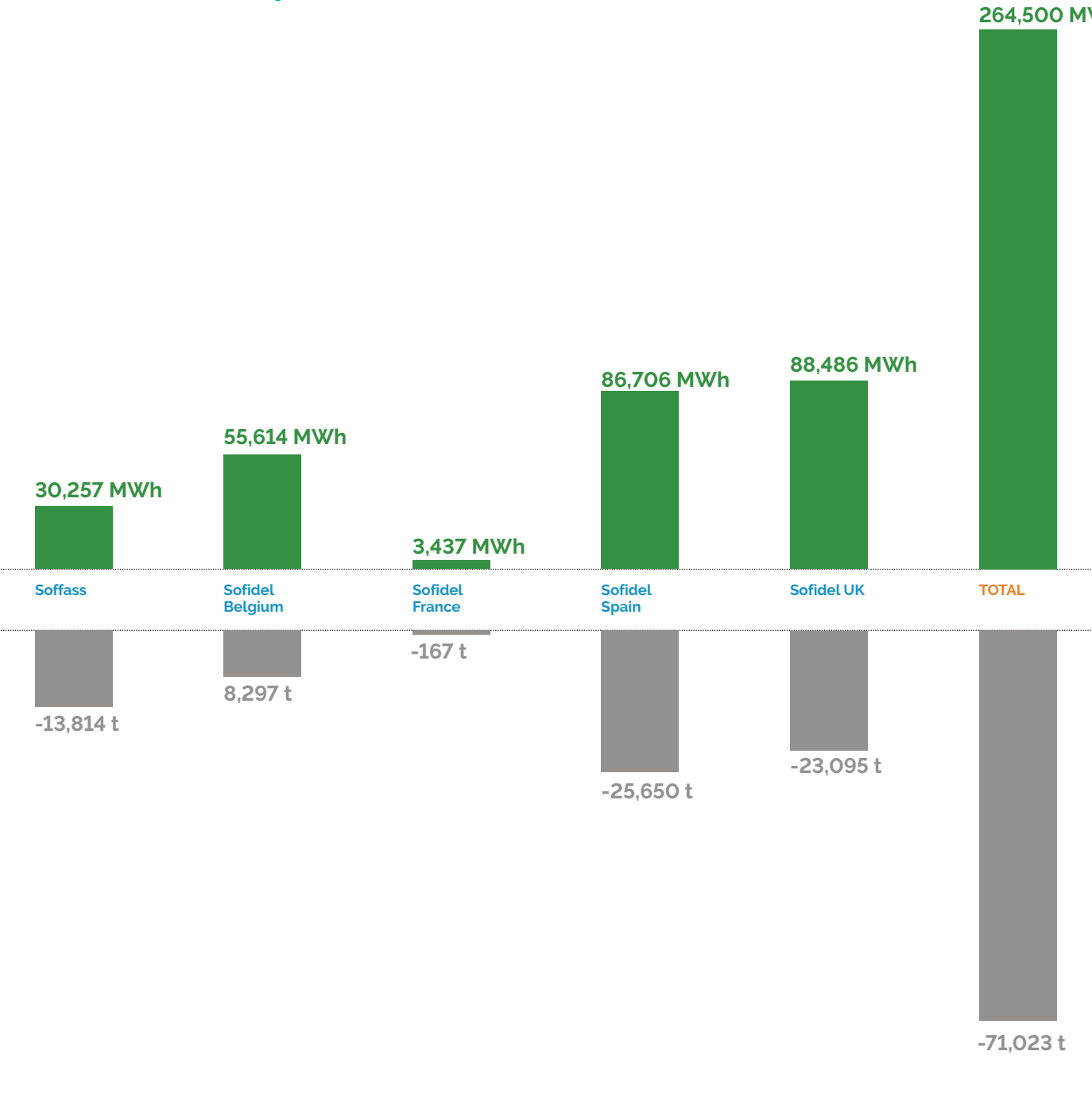
Finally, Sofidel, after signing a long-term (ten-year) agreement with Meva Energy at the end of 2021 for the construction of a **bio-syngas** generation plant at the Kisa site in Sweden, began the construction work in 2022. The new plant, which will be completed during 2023, will provide renewable energy to replace almost all the energy supply currently derived from fossil sources. In addition to providing green energy, the agreement will enable the Group to reduce CO<sub>2</sub> emissions by an additional **8,500 tons** compared to the current carbon footprint generated by its LPG consumption. Meva Energy will operate the plant, which will have a generation capacity of at least **4.2 MW**.

SOFIDEL FEELS AN ETHICAL, ENVIRONMENTAL AND ECONOMIC RESPONSIBILITY TO CONTRIBUTE TO EUROPE'S AMBITIOUS PLAN TO BECOME THE FIRST CLIMATE-NEUTRAL CONTINENT BY 2050.





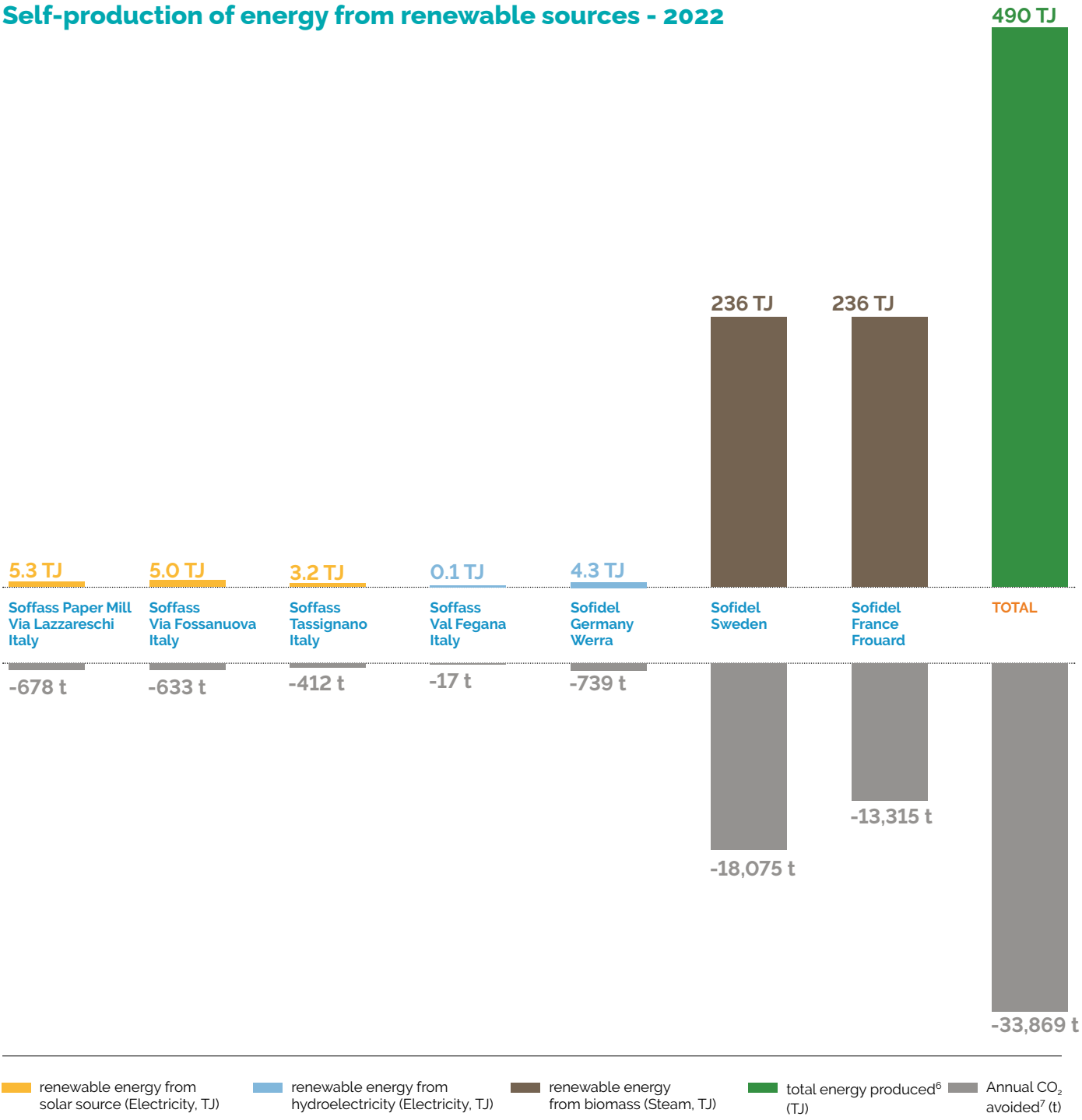
Purchase of electricity from renewable sources - 2022



■ purchase of electricity from renewable sources (MWh) ■ avoided emissions<sup>5</sup> (tCO<sub>2</sub>eq)

5. The avoided emissions related to the self-generation of electricity were calculated using a Market Based Approach, and the emission coefficients contained in the most up-to-date AIB European Residual Mix publication.

Self-production of energy from renewable sources - 2022



■ renewable energy from solar source (Electricity, TJ) ■ renewable energy from hydroelectricity (Electricity, TJ) ■ renewable energy from biomass (Steam, TJ) ■ total energy produced<sup>6</sup> (TJ) ■ Annual CO<sub>2</sub> avoided<sup>7</sup> (t)

6. The electricity produced is calculated using internal readings and fiscal meters. The energy contribution of biomass is calculated based on the available invoices.  
7. The avoided emissions related to the self-generation of electricity were calculated using a Market Based Approach, and the emission coefficients contained in the most up-to-date AIB European Residual Mix publication. The emissions avoided by using biomass were calculated using the coefficients described in the UNFCCC 2021 National Inventory Report for natural gas substituted in Sofidel France Frouard and for fuel oil substituted in Sofidel Sweden.





## Sofidel Targets for 2030

-40%

per ton of paper  
reduction of Scope 1, 2 and 3 CO<sub>2</sub>  
emissions from cellulose pulp

-24%

per ton of paper  
reduction of Scope 3 CO<sub>2</sub>

### SOFIDEL EMISSIONS INVENTORY

In order to be able to monitor the reduction of climate-changing emissions, the first step is to draw up an annual **emissions inventory**. Sofidel applies a market-based approach to the calculation of Scope 2 emissions, a choice made to better highlight the results of Sofidel's energy procurement strategy, which assigns preference to suppliers on the basis of the available production mixes, favoring renewable or, in any case, lower-impact sources. Compared to the emission figure recorded in 2018, Sofidel managed to **reduce CO<sub>2</sub> emissions per ton of product by 15.7% in 2022**. This was achieved by selecting electricity suppliers on the basis of their energy mix, favoring the use of electricity produced from renewable sources.

Regarding indirect emissions (Scope 3) of CO<sub>2</sub>, i.e. those that are not under the management control of Sofidel (e.g. those related to raw material production, production aids and transport), for 2022 it was possible to include the most significant downstream components in the reporting process. With regard to the emissions arising from the use of packaging (Scope 3), we took into account both the emissions from the production of the packaging and those of its end-of-life management. Emissions due to the distribution of both semi-finished and finished products were thus calculated, totaling 153,616 t CO<sub>2</sub>, corresponding to 134 kg CO<sub>2</sub>/t paper<sup>14</sup>. In addition, the **impact of the use of consumed packaging** (paper and plastic) was evaluated at 190,662 t CO<sub>2</sub>, corresponding to 167 kg CO<sub>2</sub>/t paper.



<sup>14</sup> The emission factors used were obtained through DEFRA ('2008 Guidelines to Defra's GHG Conversion Factors: Methodology Paper for Transport Emission Factors'). The configuration adopted for the calculation includes the simulated outward journey at half load.

## CDP Report – Climate Change

In 2022, Sofidel saw its **leadership in the fight against climate change recognized by achieving an A- rating** and ranking above the average of European (B) and industry (B) companies. CDP is the international non-profit organization that evaluates risks and opportunities related to environmental data to support companies, cities and states in pursuing their

goals of transparency and improvement for a more sustainable development. In 2022, more than 680 investors with assets exceeding \$130 trillion refer to CDP. The research carried out in 2022 evaluated over 15,000 companies worldwide. The criteria CDP uses to issue its ranking are based on the level of transparency of the companies and their environmental performance.

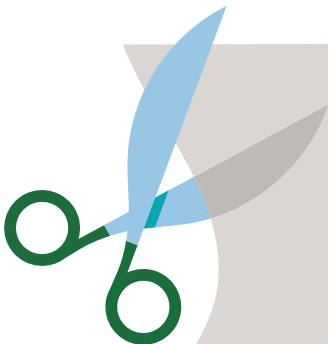
## Calculation methods for Scope 2 emissions

According to the accounting rules provided by GHG Protocol, Scope 2 emissions are those attributable to the purchase of electricity, steam or other energy flows for heating or cooling. The calculation of these emissions for the purchase of electricity from distribution grids can be carried out using two different approaches. **Location-based:** this emission calculation methodology involves the use of average emission factors related to specific national power generation energy mixes. **Market-based:** this approach involves the use of emission

factors defined on a contractual basis with the electricity supplier. In the absence of specific contractual instruments, the emission factor related to the electricity supplier's residual mix is used, following removal of the component linked to energy traceability systems, such as Guarantees of Origin (GO) or other renewable energy certification systems (RECS). The national average emission factors used by the location-based approach are usually lower than the corresponding ones calculated on the basis of the residual mixes required by the market-based methodology.

CO<sub>2</sub> emissions  
Scope 1 and 2 / market-based

| 2022                                                                          | 2021 <sup>15</sup>                                                            | 2020                                                                         |
|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Scope 1 <sup>16</sup><br>585,811 t                                            | Scope 1<br>564,615 t                                                          | Scope 1<br>586,530 t                                                         |
| Scope 2 <sup>17</sup><br>294,662 t                                            | Scope 2<br>308,622 t                                                          | Scope 2<br>375,836 t                                                         |
| Total<br>CO <sub>2</sub> emissions<br>880,473 t                               | Total<br>CO <sub>2</sub> emissions<br>873,237 t                               | Total<br>CO <sub>2</sub> emissions<br>962,366 t                              |
| Carbon<br>intensity<br>700 kg CO <sub>2</sub> /t paper<br>Reduction<br>-15.7% | Carbon<br>intensity<br>709 kg CO <sub>2</sub> /t paper<br>Reduction<br>-14.6% | Carbon<br>intensity<br>765 kg CO <sub>2</sub> /t paper<br>Reduction<br>-7.9% |

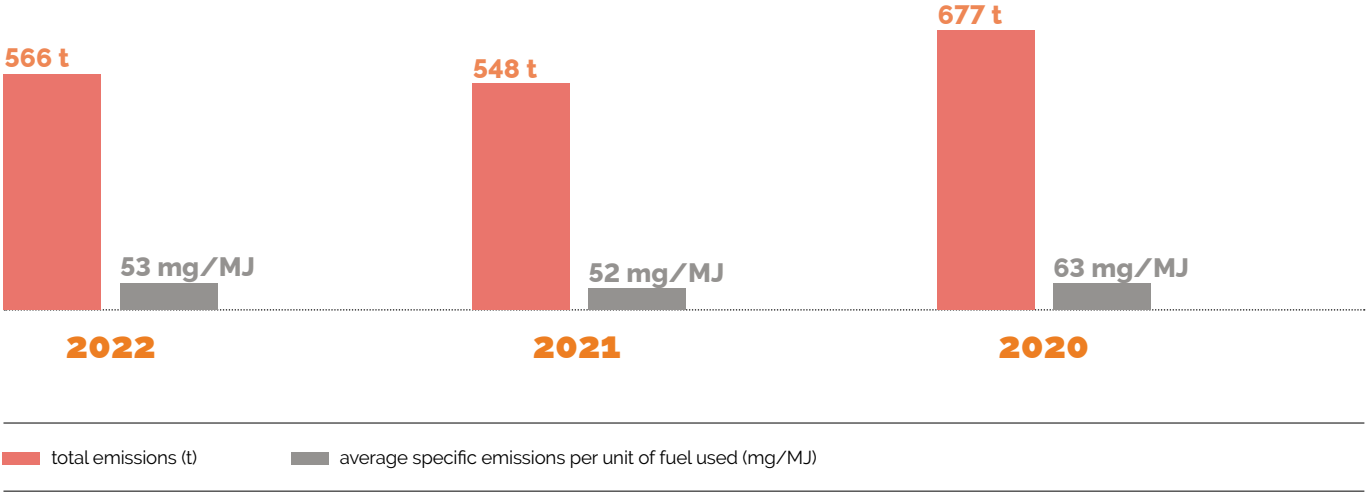


OTHER AIR EMISSIONS

In addition to CO<sub>2</sub>, other significant emissions from production activities are nitrogen oxides (NO<sub>x</sub>), which are produced by combustion plants, i.e. boilers and paper drying plants. Today, almost all combustion equipment in Sofidel plants is **low NO<sub>x</sub>** and already meets the standards of future regulations for the control of pollutant emissions from medium-sized combustion plants. The emissions in this report were estimated using an emission coefficient calibrated to the amount of fossil fuels used<sup>18</sup>.

In addition, **743 kg of SO<sub>x</sub>**<sup>19</sup> were emitted related to the use of biomass for boiler feed at the Sofidel France Frouard and Sofidel Sweden plants. Other greenhouse gases were emitted in negligible quantities, as they are unrelated to the Group's characteristic activities, such as the leakage of **fluorinated refrigerant gases** equivalent to emissions of about 350 tons of CO<sub>2</sub>, and no ozone-depleting gases leakages were recorded.

Total nitrogen oxides (No<sub>x</sub>) emissions<sup>20</sup>  
and specifications of the Sofidel Group plants



Source: Sofidel.

<sup>18</sup> NAEI - Emission factors detailed by source and fuel 2020.  
<sup>19</sup> Estimated value from analyses carried out during 2021-2022  
<sup>20</sup> Figure calculated from NAEI UK emission coefficients and internal Sofidel sources

<sup>15</sup> The data were updated from the 2021 Integrated Report following the publication of more up-to-date emission coefficients and the inclusion of additional sources related to CH<sub>4</sub> and N<sub>2</sub>O emissions.  
<sup>16</sup> The direct emissions from combustion at production sites (Scope 1) are calculated in accordance with the European Union Emissions Trading Scheme (EU ETS), which regulates CO<sub>2</sub> emissions in Europe for the highest emitting industrial sectors. The Scope 1 emissions from non-ETS installations were estimated using the UNFCCC 2022 coefficient from the Italian national inventory. The same coefficient was applied for the calculation of other less significant emissions not covered by the ETS, such as those related to the use of forklifts and workplace heating.  
<sup>17</sup> The Scope 2 emissions were calculated using a GHG market-based approach. The plants of Sofidel UK Lancaster, Sofidel UK Hamilton, Sofidel UK Baglan (July-September), Sofidel Germany, Sofidel Belgium and Sofidel Spain were allocated the emission coefficients for the specific electricity supply declared by the suppliers. The remaining emissions were calculated with the coefficients of the residual mixes. Sources: Green-e Residual Mix for plants in the US, AIB European Residual Mix for plants in Europe). The Scope 2 emissions calculated with the Location Based methodology amount to 293,053 tCO<sub>2</sub>eq.





## Responsible water resource management



### THE IMPORTANCE OF WATER FOR SUSTAINABLE DEVELOPMENT

Global water consumption **has increased sixfold 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<sup>21</sup>. Looking at goal number 6 of the UN Agenda 2030, 'Clean water and sanitation' for all, we see that, although some improvements have been made, as many as 107 nations continue to lag behind. Almost **2.3 billion people live in water-stressed countries** and, of these, as many as 733 million are located in particularly critical countries<sup>22</sup>. Between 1970 and 2019, 11,072 disasters were attributed to climate change: excluding storms, the category that includes droughts and floods was the most costly in terms of both loss of life and economic losses. The number and intensity of drought **phenomena have increased by 29%** since 2000<sup>23</sup>.

During 2022, Europe suffered too, with a rainfall deficit, combined with heat waves, reducing the flow of almost all rivers. The consequences were severe for the energy sector, which was already under stress due to the Russian-Ukrainian conflict: the reduction of available river water resources caused not only a sharp decrease in the production of hydropower, but also in the efficiency of the cooling systems of thermal power plants. Although interrupted by slight rainfall in September and October, the situation remains critical, with **above-average temperatures** even in the early months of fall 2022.

### ENSURING THE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL.

### SOFIDEL AND WATER RESOURCE MANAGEMENT

In such a context, Sofidel has been pursuing **policies and activities to reduce water consumption for years**, both to safeguard the environment and to protect production continuity, especially in countries that already present high levels of water stress. The objective of reducing water consumption is pursued through both management measures and specific investments in policies to **rationalize water consumption and reuse industrial waste water**. Although several activities and investments aimed at reducing water consumption can be listed, including the collection and reuse of rainwater at the Baglan plant in the UK, which was further upgraded in 2022, and the Soffass **Waste Water ReUse** plant at the Paper Mill in Via Lazzareschi, the activities that have enabled Sofidel to achieve **water consumption levels well below industry averages** to date are the **optimization of production cycles and the careful design of industrial plants**. All production staff have received in-depth training on how to save water and each plant has its own water consumption target. The specific consumption levels currently achieved are an end point, beyond which it will not be easy to see further improvements, except with the use of very sophisticated

technologies. The figures for 2022 confirm the performance of the previous years. With regard to the **quality of the water discharges**, an improvement was observed compared to previous years. This is due to the four new production lines coming on stream. The optimization of the process 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 BOD5 and suspended solids in the outgoing water. The **water recycling rate** at Sofidel mills in 2022 can be estimated at **over 96.3%**<sup>24</sup>.

**WATER IS A BASIC HUMAN RIGHT FOR ALL: WITHOUT WATER THERE IS NO FUTURE. ACCESS TO WATER IS A COMMON GOAL. IT IS A CENTRAL ELEMENT IN THE SOCIAL, ECONOMIC AND POLITICAL FABRIC OF A COUNTRY. WATER IS DEMOCRACY.**



<sup>21</sup> UN World Water Development Report 2021: Valuing water.

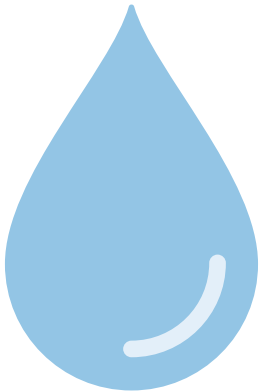
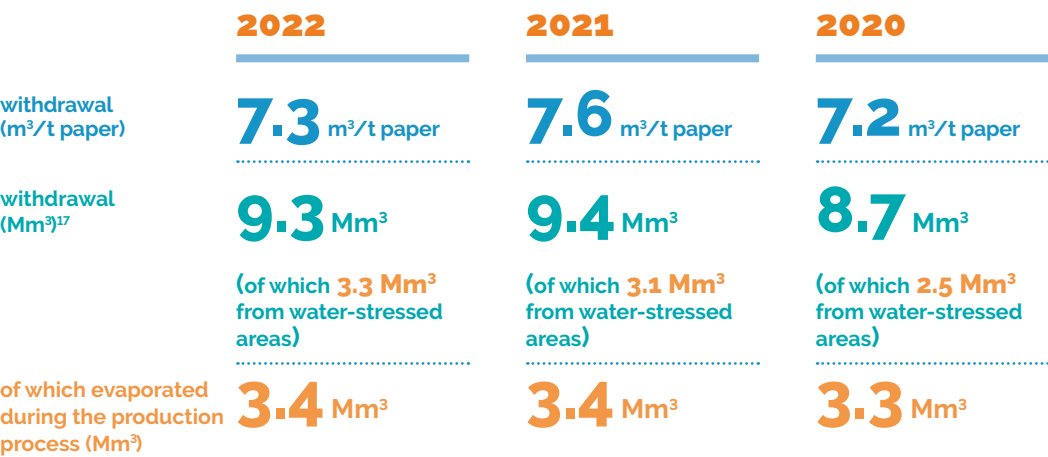
<sup>22</sup> Summary Progress Update 2021 – SDG 6 – Water and sanitation for all.

<sup>23</sup> 2021 WMO State of Climate Services: Water.

<sup>24</sup> The recycling rate is calculated according to the method reported in the publication "Methods for measuring water recycling in paper mills" (Assocarta - Confindustria - Aticelca), February 2017.

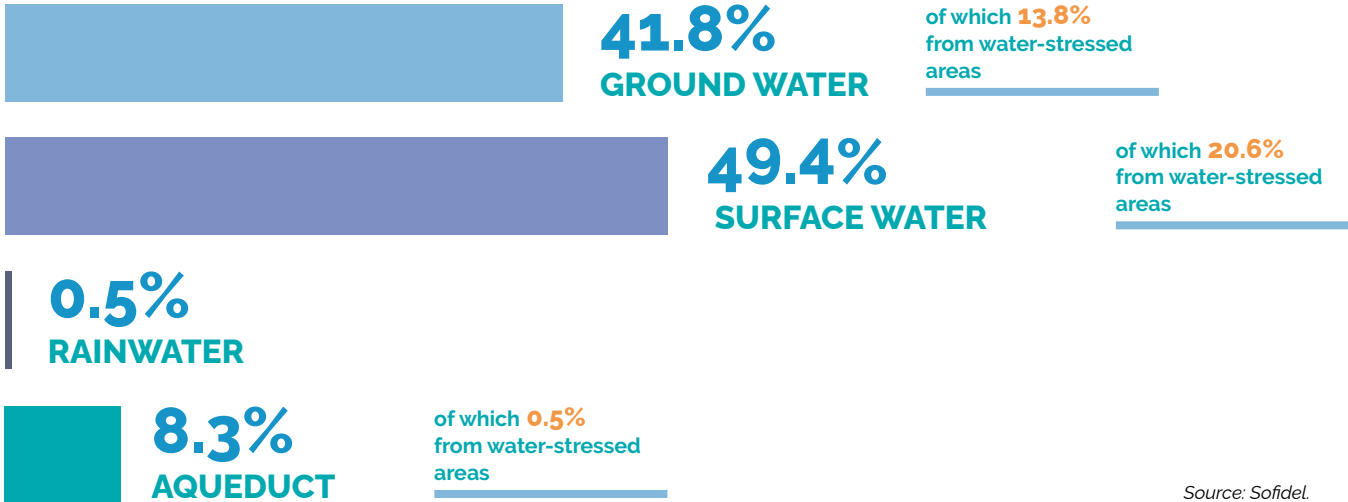


Specific annual water withdrawal of the Sofidel Group factories<sup>25</sup>



Source: Sofidel.

Water supply sources - 2022<sup>26</sup>

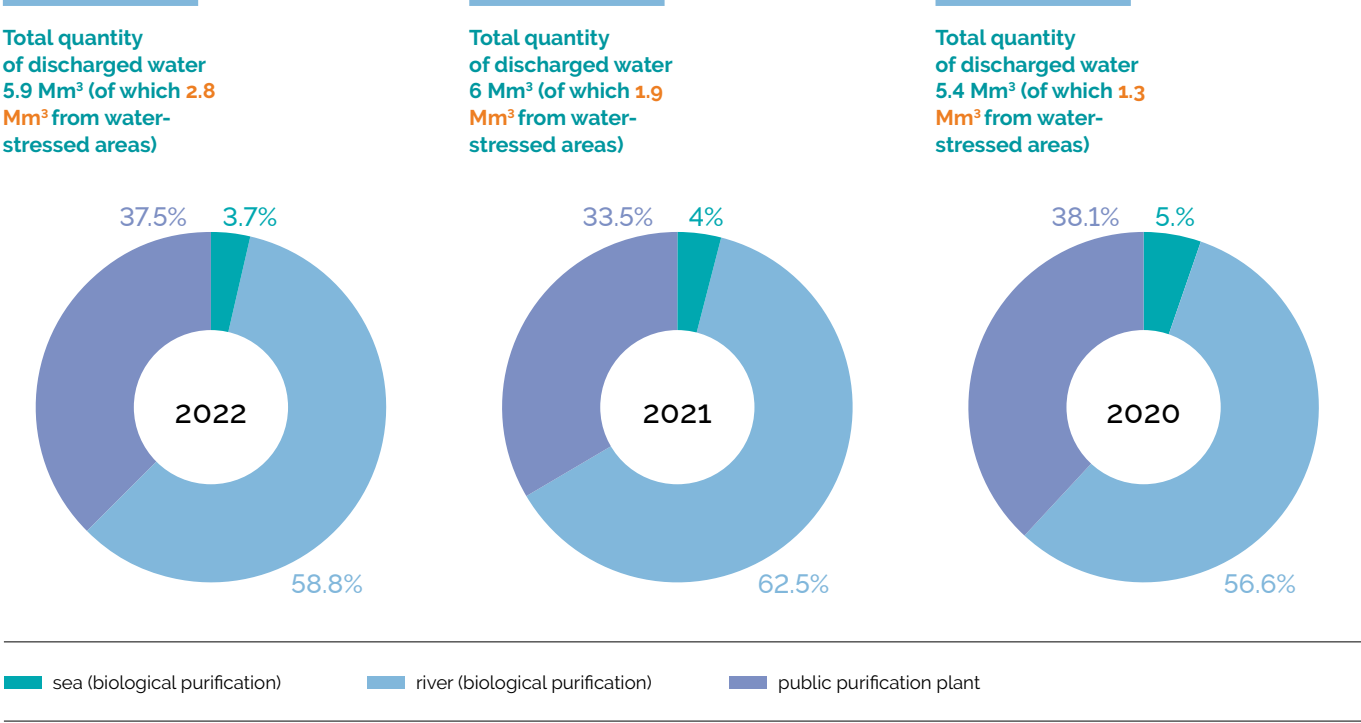


Source: Sofidel.

<sup>25</sup> The water withdrawn is fresh water, ≤ 1,000 mg/l total dissolved solids (GRI 303).<sup>17</sup> Summary Progress Update 2021 – SDG 6 – Water and sanitation for all.

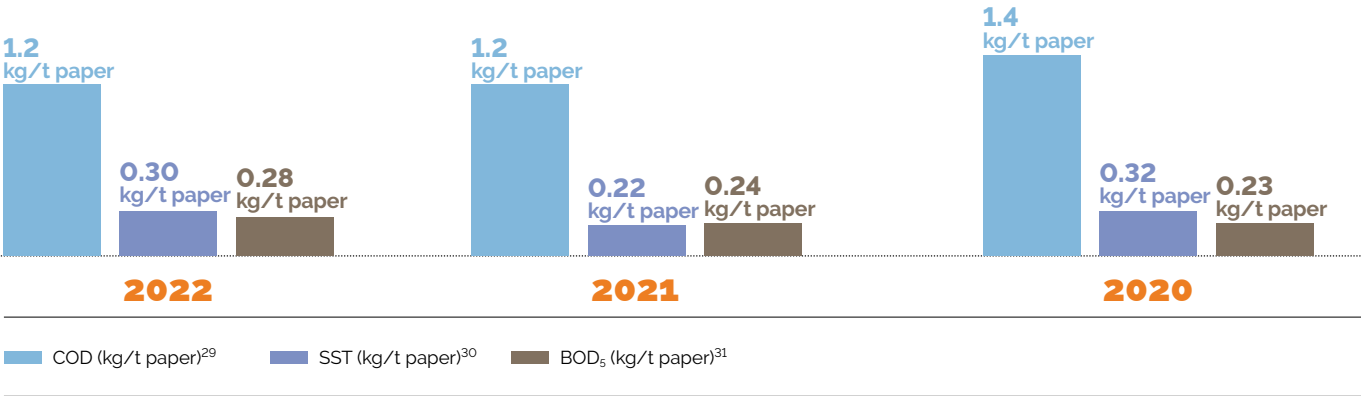
<sup>26</sup> Water stress areas are identified according to the WRI Aqueduct Water Risk Atlas.

Total amount of water discharged<sup>27</sup>, destination and treatment of wastewater



Source: internal water discharge analysis.

Specific emissions of pollutants into water



Source: internal water discharge analysis.

<sup>27</sup> The water discharged is fresh water, ≤ 1,000 mg/l total dissolved solids (GRI 303).

<sup>28</sup> The figure does not include the US plant in Inola.

<sup>29</sup> For 2022, the figures do not include the US plants in Haines City and Inola, or the Sofidel Poland plant. For 2021 and 2020, the figures do not include the US plants in Haines City and Inola.

<sup>30</sup> The figures do not include the US plant in Inola.

<sup>31</sup> For 2022, the figures do not include the Sofidel Spain plant, the Soffass plant in Via Lazzareschi or the US plant in Inola. For 2021 and 2020, the figures do not include the Sofidel Spain plant, the Soffass Via Lazzareschi and Soffass Via Leccio plants, and the US plant in Inola.





## Responsible consumption and production



The European Green Deal is a new growth strategy that aims to transform 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 most important contributions of the

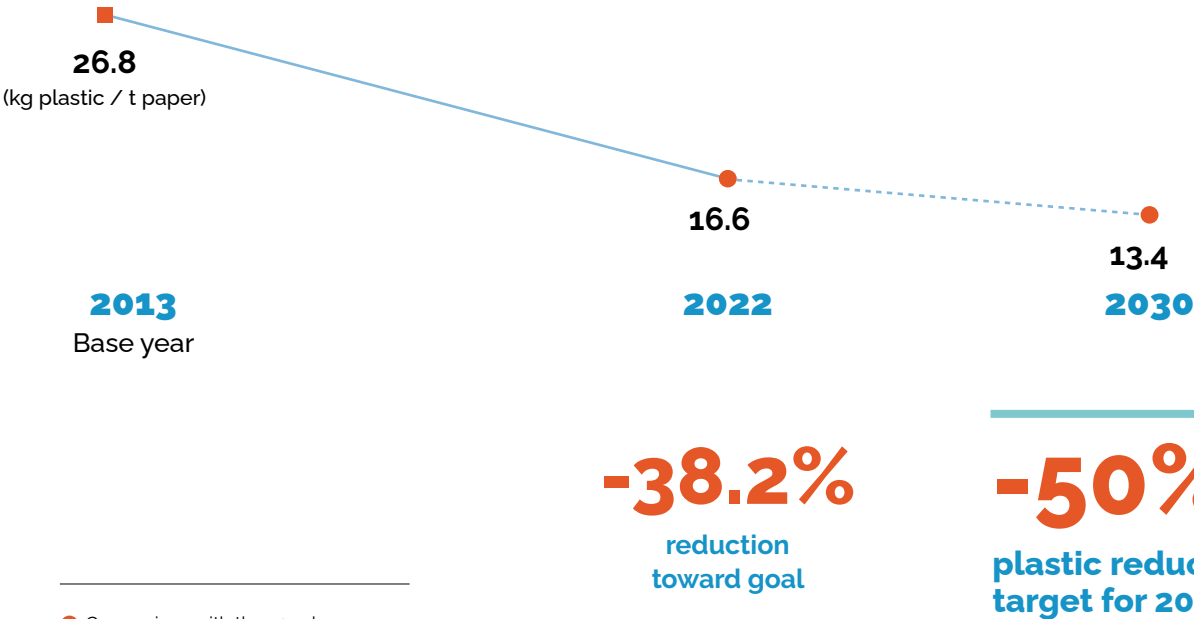
Green Deal to the UN 2030 Agenda will be the pursuit of Sustainable Development Goal (SDG) 12, which aims to develop 'sustainable consumption and production patterns'. To achieve this, the reduction and recycling of packaging waste are two fundamental pillars. This is why the European Commission, on 30 March 2022, formalized its proposal for an Ecodesign for Sustainable Products Regulation, or ESPR, with rules for **informing and empowering consumers in the green transition**.

## By 2030, 50% plastic to be off the shelf!

To help protect the environment and combat plastic pollution, Sofidel began reducing the use of virgin plastic for its product packaging in **2013**. Since then, **the company has decreased its use of plastic by almost 40%** and plans a further reduction to achieve 50% by the end of 2030. A commitment that has **saved over 11,700 tons of plastic this year**. The first step was to reduce the consumption of plastic packaging by choosing **solutions with thinner plastic film**. In addition to reducing consumption, an action considered a priority, over the years Sofidel has started to introduce recycled plastics in primary and secondary packaging. By 2022, with this activity alone, we have **avoided the introduction of around 3,800 tons of virgin plastic onto the market**, while promoting activities focused on the circular economy. The most recent innovation, besides the progressive use of recycled plastics and bioplastics, has been the introduction

of paper **as an alternative packaging material** for many of our products. Paper is the most widely recycled material, it comes from a renewable resource and, if accidentally dispersed into the environment, it is biodegradable in two to three months. In 2022, the Group continued to replace virgin plastic, increasing the number of product lines with packaging made from renewable materials. The results of these choices are obvious. In 2022, the consumption of conventional plastic packaging **was reduced by 38.2% compared to the base year, 2013**. This is an excellent result, well above the 3% annual reduction needed to reach the 50% target set for 2030. The commitment to reduce the use of virgin plastic is one of the many ways in which we contribute to the ambitious European agenda to build a sustainable economy that respects the limits of the planet and cares for nature.

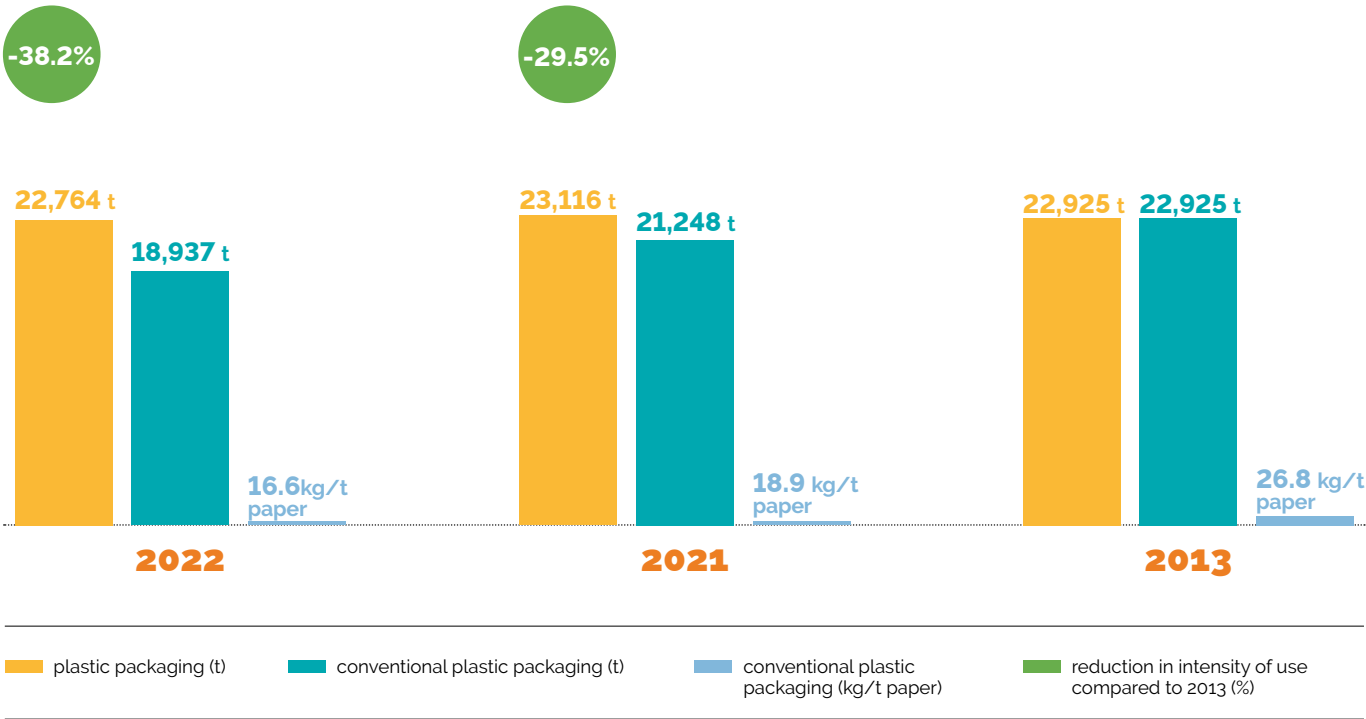
**Plastic reduction 2013-2022**  
Incidence of plastic packaging per ton of paper produced (kg plastic/t paper)



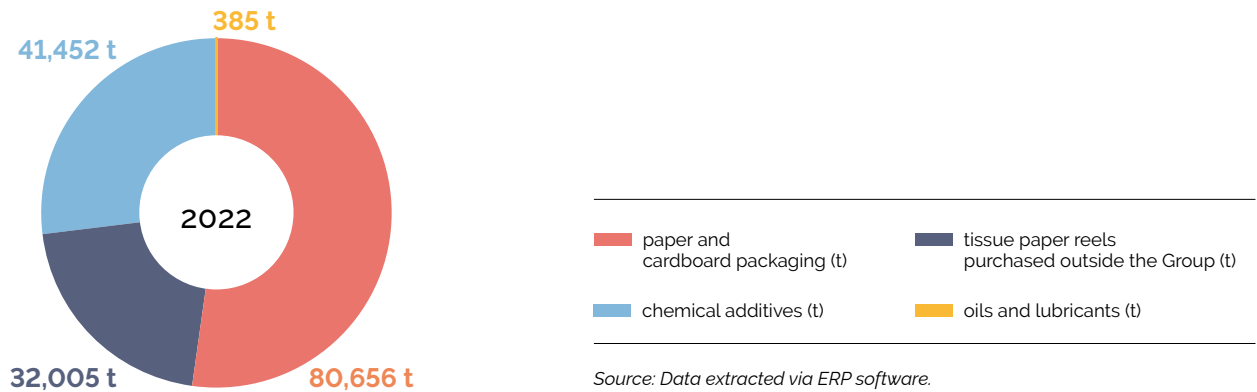




Packaging consumption



Other materials - 2022



Selection of raw materials

In 2022, the total of raw materials from **renewable sources** was 1,391,140 tons, corresponding to 95,6 per cent of the total. On the other hand, the contribution of **recycled raw materials** (waste paper, packaging paper and cardboard) amounted to 172,391 tons, or 11,8% of the total<sup>32</sup>.

**ENSURING SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS.**

<sup>32</sup> The total is calculated based on the consumption of the materials listed added to the total of the fibrous raw material purchased.



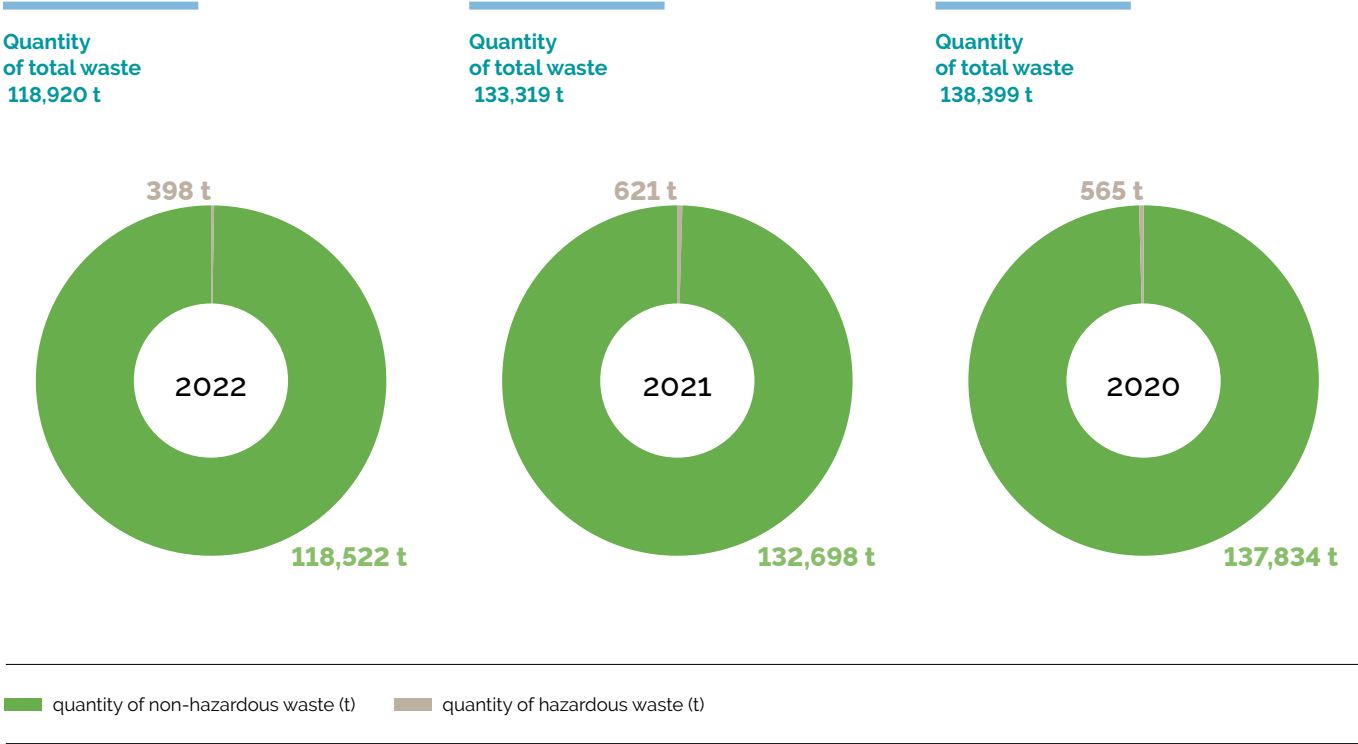


## Waste management

In line with European waste management policies, Sofidel is committed to reducing, reusing and recycling its production waste. The company mainly produces paper from virgin pulp, so it generates a limited amount of waste, most of which is reused. In particular, cellulose-based off-cuts are reused directly within the production facilities, helping reduce the waste produced. At each Sofidel Group plant, **waste management follows detailed procedures** to sort materials into homogeneous categories and enable their recovery. The main residue produced by the mills is sludge from the treatment of recycled fiber (waste paper) and from the purification plants downstream of the production plants. This waste is mainly recovered in the production of products for the construction industry, in agriculture or treated in waste-to-energy plants. Only a small portion goes to landfill. Another part of the waste is made up of materials that are reused in other production cycles such as paper, wood, metals

and polyethylene. The papermaking process involves a negligible production of hazardous waste, which, however, is not characteristic of papermaking, but is associated with the operation of industrial plants, such as waste oil, neon lights and batteries. Sofidel frequently audits the operators who carry out hazardous waste transport and brokering activities to verify their performances both on and off site. Over the past few years, the Group has brought in new suppliers specializing in the treatment of waste from the paper chain, **reducing the amount of non-recoverable waste destined for disposal by a substantial percentage, almost 65%, some 20,000 tons per year.** In addition to the waste produced directly by Sofidel's activities, if we take 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.

## Waste produced by the Sofidel Group



| Quantity of non-hazardous waste (t)                                     |                                                                         | Quantity of hazardous waste (t)                                         |                                                                     |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------------|
| Quantity of non-hazardous waste destined for recovery (t) <sup>28</sup> | Quantity of non-hazardous waste destined for disposal (t) <sup>28</sup> | Quantity of non-hazardous waste destined for recovery (t) <sup>33</sup> | Quantity of hazardous waste destined for disposal (t) <sup>28</sup> |
| 2022<br>88,377 t                                                        | 2022<br>9,081 t                                                         | 2022<br>228 t                                                           | 2022<br>159 t                                                       |
| 2021<br>98,427 t                                                        | 2021<br>7,673 t                                                         | 2021<br>265 t                                                           | 2021<br>351 t                                                       |
| 2020<br>110,301 t                                                       | 2020<br>10,167 t                                                        | 2020<br>366 t                                                           | 2020<br>152 t                                                       |

Source: Sofidel.

<sup>33</sup> Statistics on the final destination of waste refer to the treatments described in Annexes I and II of Directive 2008/98/EC. The figures do not include the Sofidel America plants.





## Environmental Management Systems and eco-labels



### ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATIONS

Ensuring consistent environmental performance and minimizing pollution risks requires a robust organization with properly formalized and regularly updated

procedures and systems.

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

For Sofidel, the **continuous renewal of environmental certification systems** is a top 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 the health of all is an ambition from which a global group like Sofidel cannot shy away.

### ECOLOGICAL PRODUCTS

In 2016, its 50th anniversary year, Sofidel made an important commitment to its own brand products: to have all of the Group's brand products display the FSC® label, a guarantee of environmentally and socially sustainable forest management. This commitment is supported by the raw material procurement policy, which for years has steered purchases towards certified cellulose.

In addition, the partnership with FSC was also strengthened with the Sofidel Group joining the Economic Chambers of FSC International and FSC Italy. The company has steadily increased its production of eco-labeled products (FSC®, PEFC™, Ecolabel, Swan Label, Blue Angel), **out of a sense of responsibility** and to meet the demands of customers, who are showing a growing sensitivity to environmental issues. **Today, more than 85% of our finished products have at least one eco-label.**

Over the past few years, Sofidel has expanded its range of environmentally friendly products, introducing new goals for the reduction of emissions and conventional plastic. Products with packaging made of Kraft paper, which is of plant origin and is therefore renewable and easily recyclable instead of virgin plastic, have multiplied on the shelves. Or products made exclusively with **electricity from renewable sources**. Goods that have lower carbon emissions and therefore a smaller carbon footprint.

PROTECTING AND SAFEGUARDING THE HEALTH OF ALL IS AN AMBITION FROM WHICH A GLOBAL GROUP LIKE SOFIDEL CANNOT SHY AWAY.

## The environmental management figures of the Sofidel Group plants

|                             | Water consumption [m³] | Fossil fuel consumption [TJ] | Energy derived from biomass [TJ] | Electricity consumption [TJ] | of which purchased from national grid [TJ] | of which self-produced for cogeneration [TJ] | of which self-produced from renewable sources [TJ] | Electricity transferred to the grid [TJ] | Heat purchased from third parties [TJ] | Heat transferred to third parties [TJ] | COD emission [t] | Emissions of suspended solids [t] | BOD <sub>5</sub> emission [t] | Phosphorous emission [t] | Nitrogen emission [t] | NO <sub>x</sub> emission [t] | SO <sub>x</sub> emission [t] | Scope 1 CO <sub>2</sub> emission [t] | Total disposed waste [t] |
|-----------------------------|------------------------|------------------------------|----------------------------------|------------------------------|--------------------------------------------|----------------------------------------------|----------------------------------------------------|------------------------------------------|----------------------------------------|----------------------------------------|------------------|-----------------------------------|-------------------------------|--------------------------|-----------------------|------------------------------|------------------------------|--------------------------------------|--------------------------|
| Soffass Via Lazzareschi     | 618,634                | 1284                         | -                                | 371                          | 79                                         | 288                                          | 5                                                  | 2                                        | 0                                      | 0                                      | 1064             | 168                               | ND                            | 20                       | 38                    | 71                           | -                            | 71,703                               | 1,955                    |
| Soffass Tassignano          | 6,792                  | 0                            | -                                | 23                           | 21                                         | 0                                            | 3                                                  | 1                                        | 0                                      | 0                                      | -                | -                                 | -                             | -                        | -                     | -                            | -                            | 0                                    | 745                      |
| Soffass Via Leccio          | 230,318                | 598                          | -                                | 173                          | 63                                         | 110                                          | 0                                                  | 0                                        | 0                                      | 0                                      | 194              | 18                                | 33                            | 0.0                      | 0.6                   | 33                           | -                            | 33,525                               | 491                      |
| Soffass Via Fossanuova      | 15,668                 | 1                            | -                                | 31                           | 27                                         | 0                                            | 5                                                  | 1                                        | 0                                      | 0                                      | -                | -                                 | -                             | -                        | -                     | -                            | -                            | 65                                   | 1,622                    |
| Soffass Valdottavo          | 187,529                | 367                          | -                                | 100                          | 25                                         | 108                                          | 0                                                  | 33                                       | 0                                      | 0                                      | 132              | 16                                | 08                            | 01                       | 12                    | 20                           | -                            | 20,589                               | 386                      |
| Soffass Monfalcone          | 189,713                | 352                          | -                                | 107                          | 22                                         | 86                                           | 0                                                  | 0                                        | 0                                      | 0                                      | 45               | 05                                | 13                            | 0.0                      | 0.4                   | 19                           | -                            | 19,680                               | 608                      |
| Soffass Val Fegana          | 107,731                | 212                          | -                                | 53                           | 9                                          | 43                                           | 0                                                  | 0                                        | 0                                      | 0                                      | 47               | 07                                | 04                            | 0.0                      | 0.8                   | 12                           | -                            | 11,856                               | 202                      |
| Sofidel France Frouard      | 486,961                | 585                          | 236                              | 442                          | 442                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 193              | 28                                | 17                            | 0.3                      | 16                    | 32                           | 0.5                          | 33,511                               | 1,699                    |
| Sofidel France Roanne       | 210,135                | 198                          | -                                | 114                          | 114                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 1043             | 497                               | 198                           | 01                       | 0.5                   | 11                           | -                            | 11,147                               | 470                      |
| Sofidel France Ingrandes    | 1,757                  | 5                            | -                                | 13                           | 13                                         | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | -                | -                                 | -                             | -                        | -                     | -                            | -                            | 279                                  | 502                      |
| Sofidel Hungary             | 2,751                  | 3                            | -                                | 9                            | 9                                          | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | -                | -                                 | -                             | -                        | -                     | -                            | -                            | 147                                  | 1,058                    |
| Sofidel Poland              | 619,441                | 517                          | -                                | 335                          | 311                                        | 23                                           | 0                                                  | 0                                        | 12                                     | 6                                      | 1676             | 167                               | 533                           | 0.4                      | 0.0                   | 28                           | -                            | 28,352                               | 2,315                    |
| Sofidel Spain               | 963,358                | 475                          | -                                | 312                          | 312                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 2640             | 270                               | 0.0                           | 3.5                      | 13.0                  | 26                           | -                            | 26,597                               | 2,875                    |
| Sofidel Germany Arneburg    | 291,479                | 379                          | -                                | 225                          | 225                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 25.5             | 22                                | 19                            | 0.1                      | 0.7                   | 17                           | -                            | 20,815                               | 1,248                    |
| Sofidel Germany Werra       | 278,398                | 104                          | -                                | 63                           | 59                                         | 0                                            | 4                                                  | 0                                        | 0                                      | 0                                      |                  |                                   |                               |                          |                       | 5                            | -                            | 5,803                                | 19,308                   |
| Sofidel Germany Omega       | 622,710                | 220                          | -                                | 177                          | 177                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 2424             | 126.7                             | 529                           | 4.0                      | 3.0                   | 10                           | -                            | 12,339                               | 41,798                   |
| Sofidel Germany THP         | 199,087                | 173                          | -                                | 124                          | 124                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      |                  |                                   |                               |                          |                       | 8                            | -                            | 9,252                                | 243                      |
| Sofidel Greece              | 133,631                | 161                          | -                                | 73                           | 73                                         | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 45.8             | 74                                | 16.8                          | 0.1                      | 0.8                   | 9                            | -                            | 8,949                                | 160                      |
| Sofidel Belgium             | 777,888                | 439                          | -                                | 217                          | 217                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 270              | 19                                | 13                            | 0.3                      | 3.2                   | 24                           | -                            | 24,791                               | 1,512                    |
| Sofidel Romania             | 277,871                | 207                          | -                                | 113                          | 113                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 19.6             | 25                                | 27                            | 0.2                      | 2.7                   | 11                           | -                            | 11,395                               | 13,348                   |
| Sofidel Sweden              | 460,801                | 140                          | 236                              | 228                          | 228                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 85.2             | 82                                | 36.3                          | 0.1                      | 1.4                   | 10                           | 0.60                         | 9,783                                | 1,295                    |
| Sofidel UK Baglan           | 267,988                | 342                          | -                                | 198                          | 198                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 24.4             | 3.3                               | 14                            | 0.1                      | 0.8                   | 19                           | -                            | 19,281                               | 1,843                    |
| Sofidel UK Hamilton         | 420,575                | 473                          | -                                | 225                          | 225                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 76.7             | 61.9                              | 53.6                          | 0.6                      | 1.0                   | 26                           | -                            | 26,622                               | 1,136                    |
| Sofidel UK Rothley Lodge    | 9,652                  | 2                            | -                                | 30                           | 30                                         | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | -                | -                                 | -                             | -                        | -                     | -                            | -                            | 149                                  | 526                      |
| Sofidel UK Lancaster        | 144,718                | 189                          | -                                | 85                           | 85                                         | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | 19.0             | 5.7                               | 7.7                           | 0.2                      | 0.2                   | 10                           | -                            | 10,776                               | 187                      |
| Sofidel America Haines City | 316,121                | 819                          | -                                | 257                          | 78                                         | 179                                          | 0                                                  | 0                                        | 0                                      | 0                                      | ND               | 12.0                              | 14.4                          | ND                       | ND                    | 45                           | -                            | 46,076                               | 308                      |
| Sofidel America Circleville | 554,366                | 1,506                        | -                                | 447                          | 122                                        | 329                                          | 0                                                  | 4                                        | 0                                      | 0                                      | 47.5             | 4.5                               | 1.5                           | 2.1                      | 0.4                   | 83                           | -                            | 84,800                               | 3,647                    |
| Sofidel America Las Vegas   | 12,291                 | 0                            | -                                | 20                           | 20                                         | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | -                | -                                 | -                             | -                        | -                     | -                            | -                            | 0                                    | 7,564                    |
| Sofidel America Hattiesburg | 11,963                 | 0                            | -                                | 24                           | 24                                         | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | -                | -                                 | -                             | -                        | -                     | -                            | -                            | 1                                    | 3,194                    |
| Sofidel America Inola       | 868,756                | 666                          | -                                | 361                          | 361                                        | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | ND               | ND                                | ND                            | ND                       | ND                    | 37                           | -                            | 37,485                               | 3,379                    |
| Sofidel America Green Bay   | 0                      | 1                            | -                                | 25                           | 25                                         | 0                                            | 0                                                  | 0                                        | 0                                      | 0                                      | -                | -                                 | -                             | -                        | -                     | -                            | -                            | 42                                   | 3,298                    |

paper mill    converting    integrated plant (paper mill + converting)



06

# PEOPLE



OUR WAY OF DOING BUSINESS AND THE RELATIONSHIPS WE DEVELOP WITH OUR STAKEHOLDERS ARE BASED ON PROFESSIONALISM, PRACTICALITY, HONESTY, ETHICS AND TRANSPARENCY.

IN OUR DAILY WORK, WE PROMOTE INCLUSION, SHARING, PARTICIPATION AND PROPER INFORMATION. THESE VALUES GUIDE OUR RELATIONSHIPS WITH THE CUSTOMERS, LOCAL COMMUNITIES AND NON-GOVERNMENTAL ORGANIZATIONS WITH WHOM WE WORK.

OUR APPROACH IS BASED ON INTEGRITY AND MUTUAL RESPECT, FUELED BY THE COURAGE AND MORAL STRENGTH TO IMAGINE, ALL OF US TOGETHER, A POSITIVE FUTURE FOR PEOPLE AND THE PLANET. AND WE NEED TO START BUILDING IT TODAY.



## Safeguarding human capital and corporate well-being

People are the company's heart and strength. We are convinced that enhancing human resources and integrating them within the organizational corporate culture is essential **to the promotion of innovation and flexibility**, two increasingly more important characteristics needed to successfully compete on a global market.

Our human resources management policy is based on the principles of the **Code of Ethics** and on the Group's Human Resources Management guidelines, which place human capital at the center of the value creation process. For Sofidel, people are a strategic corporate asset, which is why we foster **respect for equal opportunities, diversity (as a wealth to be cultivated)**, equal treatment (of all people working with us) and the development of individual skills (through teamwork and continuous training).

### REMOTE WORKING AND THE IMPORTANCE OF COOPERATION

In 2022, due to the ongoing Covid-19 pandemic in all Countries in which Sofidel operates, we continued to rely on **remote working** for some time for a good part of the Sofidel Group's employees and managers.

In this difficult pandemic scenario, marked by continuous periods and successions of lockdowns in the various countries, remote working enabled us to continue to carry out our duties on a regular basis, thus **zeroing the risk of infection** and ensuring the possibility to manage one's tasks remotely.

During this complex and delicate period, remote working allowed us to **protect the health** of our workers and to pursue the daily activities remotely. Such evolution was made possible thanks to digital innovation and Sofidel's ability to focus on the cooperation of its people and on the integration of the various offices to continue to grow and develop the talents of those working with us. In the future, the company will continue to adopt remote working to protect the health of workers and address new **difficult periods** connected to the development of the pandemic.

### WE4YOUTH AND THE FUTURE OF THE YOUNGER GENERATION

Together with the Sodalitas Foundation, we pursued the "We4Youth" project, an initiative aimed at the new generations and at **reducing the distance between school and the working world**.

The goal of the project is to think of the younger generation's future, thus helping them orient and integrate themselves within the working world and to develop the transversal skills companies are seeking. The project in which Sofidel took part in 2022 especially stimulated the young participants to train their communication, creative, teamwork and problem solving skills. This is a **virtuous cooperation between schools and the working world** aimed at helping the young become aware of their soft skills and to familiarize with the professions most needed by the companies of the paper-making sector.

### SOFIDEL PEOPLE

**Satisfaction is at the basis of people's motivation**, commitment and spirit of initiative. To ensure a strong and long-lasting development, it is essential to be able to count on satisfied workers who share the corporate strategy and are proud to help build its future. This is why the **"Sofidel People"** project, which was implemented following a 2016 survey on organizational well-being, was also pursued this year. In practice, we focused on three areas of intervention: improved internal communication, greater knowledge of the corporate processes and procedures and more efficient human resources management. In 2022, Sofidel also continued with the **"Welfare"** project, which allows employees to benefit from the tax reduction of the production bonus and to access a series of goods and services at convenient conditions.

**TAKING CARE OF PEOPLE MEANS PROTECTING THEIR PHYSICAL, SOCIAL AND PSYCHOLOGICAL WELL-BEING, WITH ATTENTION TO WHAT IS NICE, GOOD AND WELL. A RESPONSIBLE COMPANY HAS A COHESIVE AND MOTIVATED HUMAN CAPITAL.**





## Sofidel People. Creating a shared culture

To promote internal communication and the involvement of employees in the corporate life, Sofidel relies on different communication tools:

- an always updated **intranet**, where employees find corporate information, a specific human resources area and a series of tools to facilitate everyday work;
- our **"People & Paper"** magazine, which is published three times a year to share the Group's strategy and develop-

ment plans and to keep all employees up-to-date on the latest and most relevant news;

- the **Soft & Green blog** to increase the corporate culture on sustainability issues;
- the **Sofidel Channel**, the TV channel created for the screens of our Italian plants and which allows to reach those who don't work in the offices.

## Sofidel People. Knowing the corporate processes and procedures

In 2022, the Sofidel Group also continued to invest in initiatives aimed at improving awareness of the corporate processes and procedures. In fact, the corporate procedures, as well as the regulations and essential codes to be followed by employees, were conveyed very quickly,

in a widespread and traceable way, via the **e-learning platform**. The projects were structured so that to reach all concerned individuals according to their role and training topic covered. Some examples concern the **Antitrust Code** and the **231 Model**.



## Sofidel People. Improving human resources management

For Sofidel, it's very important to make sure the company has a shared leadership style. This is a challenging long-term project which aims to promote greater uniformity in the management of human resources and to improve the company's organization.

In 2022, the following projects were implemented and pursued:

- **The "Recruitment" Project**, to make the recruitment and selection of personnel more homogeneous within the Group. Thanks to the new recruitment portal available on **"SAP Success Factors"**, Sofidel improves the experience of applicants by involving them throughout the various recruitment steps. To facilitate smartphone applications, the site is responsive and allows to send resumes, or to register to speed-up a future application. The open positions are based on the Group's Organizational Manual and clearly define the goal, main responsibilities and requirements needed to cover the role. Moreover, the recruitment portal allows to create a digital archive, in which all information and assessments of the various selection processes are stored. In 2022, we also worked to enhance the Recruitment project through social channels. In fact, the HR and communication team developed a new specific corporate life area on Sofidel's

Linkedin page. The project involves all Sofidel offices to strengthen Employer Branding and employee engagement worldwide.

- **The "Induction" Project**, to make the insertion and training process of newly hired workers more uniform. The induction project allows to present the various corporate functions, to explain the Group's regulations and procedures and to provide all information on the hiring and continuation of the work relationship.
- **The "Remote Management" Project**, to define and share how to manage people who hierarchically report to a manager operating in a different country than the one in which they carry out their activity (for example, foreign colleagues who have a corporate level Line Manager). This project has also been very useful for the management of people working from home.
- **The "Compensation" Project**, to achieve a process for reviewing codified wages according to objective elements shared at Group level. To do this, we used a specific module of the **"SAP - SuccessFactors"** management system which allows to standardize salary review processes and to properly and strategically manage human resources.

## Welfare. In support of employees

Sofidel's "Welfare" project provides employees with a series of essential goods and services which ensures **discounts and tax benefits** (from training, assistance, health, supplementary pension plans, to the "shopping

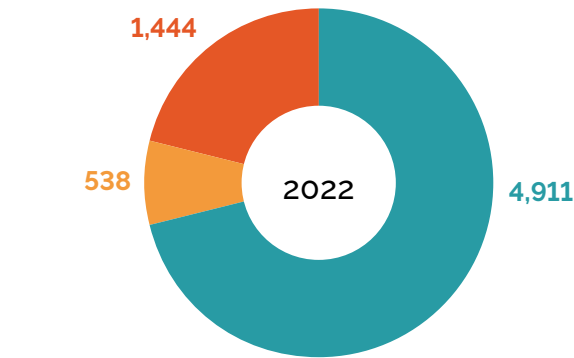
cart," which can also be filled from one's trusty supplier). Launched in 2018, the project was very successful and the company is assessing the possibility to extend it to all the Group's offices.

## Personnel composition and distribution

6,893 people, of which 71.25% blue collars, 20.95% white collars and 7.80% managers, contributed to the results of the Sofidel Group. The people of Sofidel work in **13 countries** and this allows the Group to have a direct knowledge of the markets in which it operates and to be able to count on **many different cultures and points of view**. Moreover, the Sofidel Group is committed to developing re-

lationships with the schools of the areas in which it operates. For this, several countries also have employees working as "Apprentices," or the like, in addition to trainees and students of school-work programs. On December 31, 2022, the employees under such contracts, which were not counted according to the Group's total number of employees, are 44 in all, of which 24 Blue Collars and 20 White Collars.

### Breakdown of the Sofidel Group's personnel by category



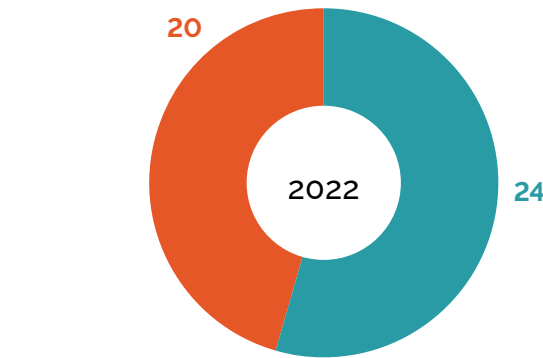
Employees worldwide: 6,893

■ blue collars ■ managers ■ white collars

Source: Sofidel.

THE PEOPLE WORKING IN SOFIDEL HAVE A WIDE RANGE OF TALENTS, SKILLS AND EXPERIENCE, THUS CONFIRMING A HEALTHY AND DEVELOPING GROUP READY TO ADDRESS THE FUTURE'S CHALLENGES.

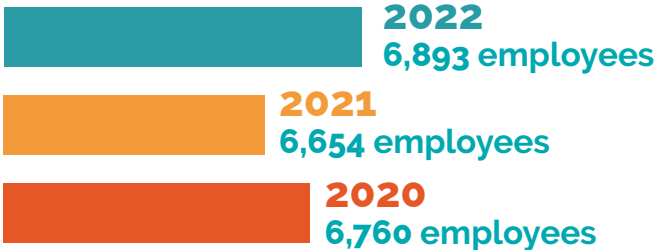
### Breakdown of employees of the Sofidel Group by the Apprentice category



■ blue collars ■ white collars

Source: Sofidel.

### Number of employees in the years



Source: Sofidel.



The data shows that the US is the country with the highest number of employees (25.08%). Followed by, with numerically consistent communities, the employees in Italy (19.10%), the UK (11.59%) and Germany (10.98).

The **close relationship between the company and territory** was also reconfirmed in 2022. In fact, Sofidel prefers to hire

workers residing in the communities in which it carries out its activities to contribute to the territory's occupational growth and income and to achieve a higher level of sustainability, thanks to shorter work-home routes. The company has always valued the people living near the plants, by trying to recruit the most prepared professionals among them: just consider that **80% of senior managers come from local communities**.

### Breakdown of employees of the Sofidel Group by category and geographical area – 2022

|               | Bel-gium | France | Germany | Greece | Ireland | Italy | Poland | Romania | Spain | Swe-den | UK  | Hungary | US    | Total |
|---------------|----------|--------|---------|--------|---------|-------|--------|---------|-------|---------|-----|---------|-------|-------|
| Blue Collars  | 97       | 514    | 571     | 46     | -       | 791   | 285    | 172     | 254   | 129     | 622 | 138     | 1,292 | 4,911 |
| White Collars | 40       | 109    | 159     | 8      | -       | 411   | 158    | 45      | 59    | 41      | 122 | 40      | 252   | 1,444 |
| Managers      | 25       | 58     | 27      | 6      | 1       | 115   | 14     | 4       | 29    | 9       | 55  | 10      | 185   | 538   |
| Total         | 162      | 681    | 757     | 60     | 1       | 1,317 | 457    | 221     | 342   | 179     | 799 | 188     | 1,729 | 6,893 |

Source: Sofidel.

### Breakdown of employees of the Sofidel Group by category and geographical area – 2021

|               | Bel-gium | France | Germany | Greece | Ireland | Italy | Poland | Romania | Spain | Swe-den | UK  | Hungary | US    | Total |
|---------------|----------|--------|---------|--------|---------|-------|--------|---------|-------|---------|-----|---------|-------|-------|
| Blue Collars  | 97       | 521    | 565     | 46     | -       | 781   | 273    | 184     | 250   | 131     | 634 | 121     | 1,182 | 4,785 |
| White Collars | 43       | 113    | 149     | 8      | -       | 403   | 142    | 45      | 56    | 41      | 106 | 40      | 266   | 1,412 |
| Managers      | 25       | 60     | 28      | 7      | 1       | 107   | 16     | 6       | 29    | 8       | 57  | 11      | 102   | 457   |
| Total         | 165      | 694    | 742     | 61     | 1       | 1,291 | 431    | 235     | 335   | 180     | 797 | 172     | 1,550 | 6,654 |

Source: Sofidel.

### Breakdown of employees of the Sofidel Group by category and geographical area – 2020

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

Source: Sofidel.

### Breakdown of employees of the Sofidel Group by category and geographical area – Apprentice 2022

|               | Germany | France | UK | Total |
|---------------|---------|--------|----|-------|
| Blue Collars  | 8       | 11     | 5  | 24    |
| White Collars | 8       | 12     | -  | 20    |
| Total         | 16      | 23     | 5  | 44    |

Source: Sofidel.





TYPE OF CONTRACTS

The absolute majority of contracts are open-ended (96.13%) and almost all employees (97.84%) have full-time contracts. Part-time employment, as governed by current employment contracts, is considered a useful tool for offering **a flexible solution according to the needs of people and of the corporate organization**. Moreover, the Group companies use forms of temporary work. On December 31, 2022, there was a total number of 246 external

employees. Most temporary workers within the Group are Blue Collars assigned to tasks related to production in the paper-making and converting plants and to warehouse management. With respect to previous years, in 2022, the number of temporary workers was in line with that of 2021, whereas it increased compared to 2020, since this type of worker was not tracked in the system of the Sofidel America companies before then.

Breakdown of employees of the Sofidel Group by category, gender and type of contract – Apprentice 2022

| FULL-TIME     |       |     |       | PART-TIME |     |       | TOTAL INTERNAL EMPLOYEES |     |       |
|---------------|-------|-----|-------|-----------|-----|-------|--------------------------|-----|-------|
|               | Women | Men | Total | Women     | Men | Total | Women                    | Men | Total |
| Blue Collars  | 1     | 23  | 24    | -         | -   | -     | 1                        | 23  | 24    |
| White Collars | 15    | 5   | 20    | -         | -   | -     | 15                       | 5   | 20    |
| Total         | 16    | 28  | 44    | -         | -   | -     | 16                       | 28  | 44    |

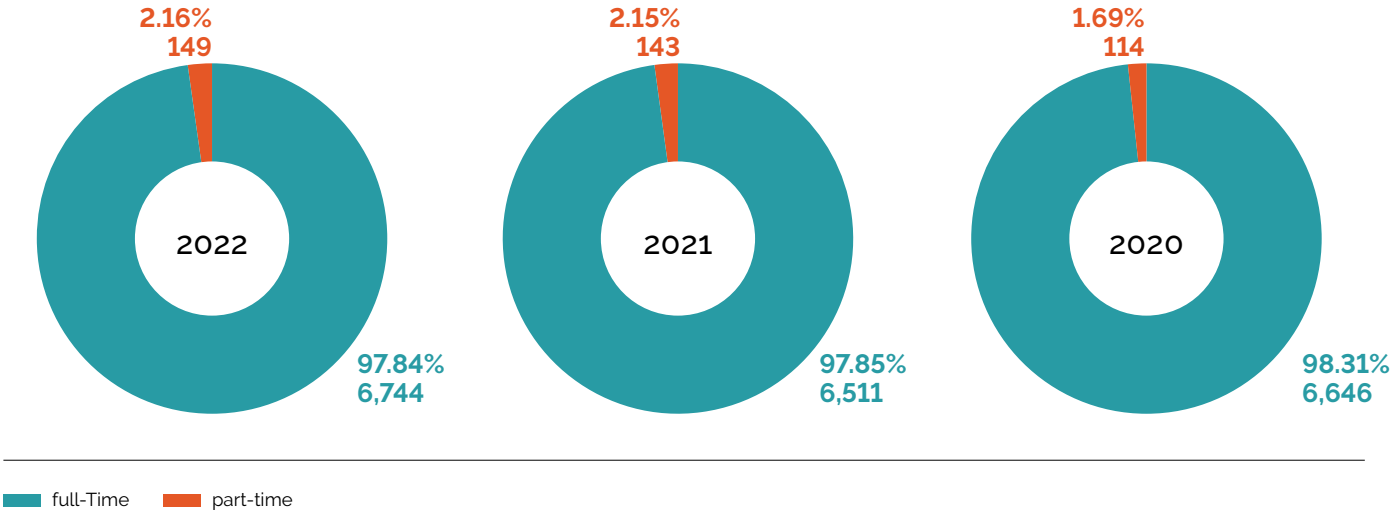
Source: Sofidel.

Breakdown of employees of the Sofidel Group by category, gender and type of contract – 2022

| FULL-TIME     |       |       |       | PART-TIME |     |       | TOTAL INTERNAL EMPLOYEES |       |       |
|---------------|-------|-------|-------|-----------|-----|-------|--------------------------|-------|-------|
|               | Women | Men   | Total | Women     | Men | Total | Women                    | Men   | Total |
| Blue Collars  | 501   | 4,334 | 4,835 | 9         | 67  | 76    | 510                      | 4,401 | 4,911 |
| White Collars | 553   | 823   | 1,376 | 63        | 5   | 68    | 616                      | 828   | 1,444 |
| Managers      | 106   | 427   | 533   | 4         | 1   | 5     | 110                      | 428   | 538   |
| Total         | 1,160 | 5,584 | 6,744 | 76        | 73  | 149   | 1,236                    | 5,657 | 6,893 |

Source: Sofidel.

Breakdown of employees of the Sofidel Group by type of contract



Source: Sofidel.

Breakdown of employees of the Sofidel Group by type of contract – Apprentice 2022



Source: Sofidel.

Breakdown of employees of the Sofidel Group by category, gender and type of contract – 2020

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

Source: Sofidel.



Breakdown of employees of the Sofidel Group  
by work contract and geographical area – Apprentice 2022

| COUNTRY | PERMANENT | TEMPORARY |
|---------|-----------|-----------|
| France  | -         | 23        |
| Germany | -         | 16        |
| UK      | -         | 5         |
| Total   | -         | 44        |



Breakdown of employees of the Sofidel Group by gender and work contract – 2022

|               | PERMANENT |       |       | TEMPORARY |     |       |
|---------------|-----------|-------|-------|-----------|-----|-------|
|               | Women     | Men   | Total | Women     | Men | Total |
| Blue Collars  | 502       | 4,206 | 4,708 | 8         | 195 | 203   |
| White Collars | 592       | 806   | 1,398 | 24        | 22  | 46    |
| Managers      | 108       | 425   | 533   | 2         | 3   | 5     |
| Total         | 1,202     | 5,437 | 6,639 | 34        | 220 | 254   |

Source: Sofidel.

Breakdown of employees of the Sofidel Group by gender and work contract – Apprentice 2022

|               | PERMANENT |     |       | TEMPORARY |     |       |
|---------------|-----------|-----|-------|-----------|-----|-------|
|               | Women     | Men | Total | Women     | Men | Total |
| Blue Collars  | -         | -   | -     | 1         | 23  | 24    |
| White Collars | -         | -   | -     | 15        | 5   | 20    |
| Total         | -         | -   | -     | 16        | 28  | 44    |

Source: Sofidel.

Breakdown of employees of the Sofidel Group  
by work contract and geographical area – 2022

| COUNTRY | PERMANENT | TEMPORARY |
|---------|-----------|-----------|
| Belgium | 159       | 3         |
| France  | 681       | -         |
| Germany | 703       | 54        |
| Greece  | 58        | 2         |
| Ireland | 1         | -         |
| Italy   | 1,277     | 40        |
| Poland  | 406       | 51        |
| UK      | 790       | 9         |
| Romania | 215       | 6         |
| Spain   | 278       | 64        |
| Sweden  | 156       | 23        |
| Hungary | 187       | 1         |
| US      | 1,728     | 1         |
| Total   | 6,639     | 254       |



### PERSONNEL CHARACTERISTICS

Young people are both an essential resource and source of fresh energy and new ideas for the company, which is why the Group plans on increasing their presence and making space for the new generations. Currently, most of the Sofidel population (54.68%) is between 30 and 50 years old on the average. The number of people above 50 years of age, for which adequate management tools will be required in the future, is also significant. In this regard, thanks to the “**Lifelong Employability & Corporate Welfare**” lab promoted by the Sodalitas

Foundation, Sofidel had the opportunity to examine many best practices developed in Italy and abroad to help older workers keep both an **active role within the company** and an **adequate level of motivation**.

This initiative, in which we took part in recent years, provided much insight and many tools useful in helping us promote a positive corporate context in which all people feel integrated, involved and motivated.

### Breakdown of employees of the Sofidel Group by category, gender and age – 2022

|               | AGE < 30 |     |       | AGE 30-50 |       |       | AGE > 50 |       |       |
|---------------|----------|-----|-------|-----------|-------|-------|----------|-------|-------|
|               | Women    | Men | Total | Women     | Men   | Total | Women    | Men   | Total |
| Blue Collars  | 91       | 695 | 786   | 237       | 2,365 | 2,602 | 182      | 1,341 | 1,523 |
| White Collars | 87       | 102 | 189   | 389       | 478   | 867   | 140      | 248   | 388   |
| Managers      | 6        | 13  | 19    | 66        | 234   | 300   | 38       | 181   | 219   |
| Total         | 184      | 810 | 994   | 692       | 3,077 | 3,769 | 360      | 1,770 | 2,130 |

Source: Sofidel.

### Breakdown of employees of the Sofidel Group by category, gender and age – 2021

|               | AGE < 30 |     |       | AGE 30-50 |       |       | AGE > 50 |       |       |
|---------------|----------|-----|-------|-----------|-------|-------|----------|-------|-------|
|               | Women    | Men | Total | Women     | Men   | Total | Women    | Men   | Total |
| Blue Collars  | 77       | 680 | 757   | 227       | 2,377 | 2,604 | 156      | 1,268 | 1,424 |
| White Collars | 73       | 94  | 167   | 386       | 521   | 907   | 118      | 220   | 338   |
| Managers      | 2        | 6   | 8     | 63        | 200   | 263   | 30       | 156   | 186   |
| Total         | 152      | 780 | 932   | 676       | 3,098 | 3,774 | 304      | 1,644 | 1,948 |

Source: Sofidel.

### Breakdown of employees of the Sofidel Group by category, gender and age – 2020

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

Source: Sofidel.

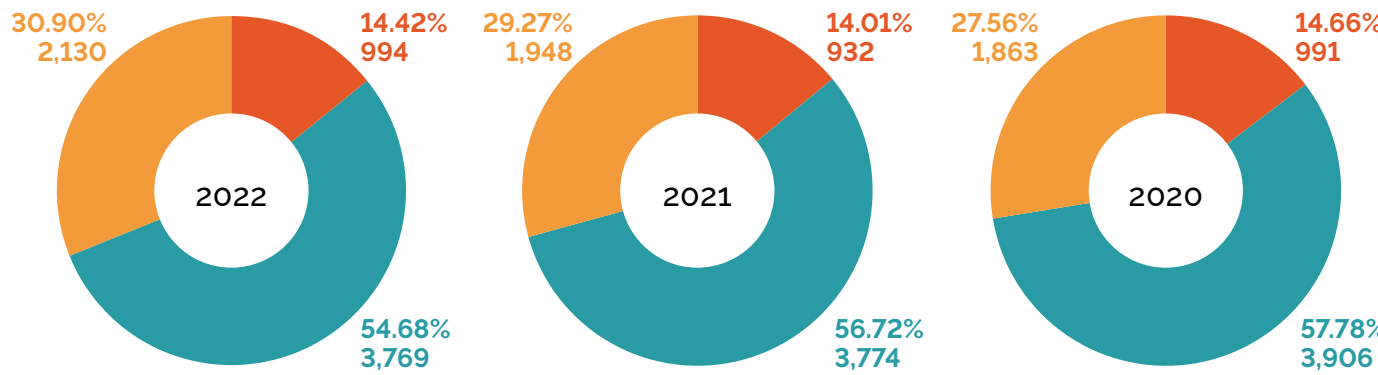


### Breakdown of employees of the Sofidel Group by category, gender and age – Apprentice 2022

|               | AGE < 30 |     |       | AGE 30-50 |     |       | AGE > 50 |     |       |
|---------------|----------|-----|-------|-----------|-----|-------|----------|-----|-------|
|               | Women    | Men | Total | Women     | Men | Total | Women    | Men | Total |
| Blue Collars  | 1        | 23  | 24    | -         | -   | -     | -        | -   | -     |
| White Collars | 14       | 5   | 19    | 1         | -   | 1     | -        | -   | -     |
| Total         | 15       | 28  | 43    | 1         | -   | 1     | -        | -   | -     |

Source: Sofidel.

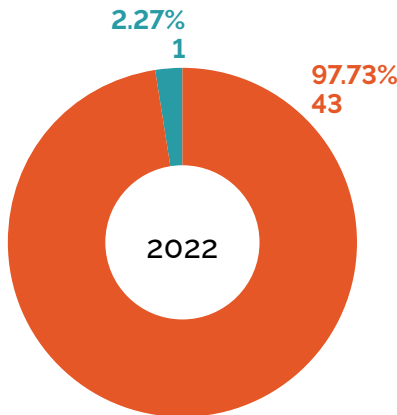
### Breakdown of employees of the Sofidel Group by age



age < 30    age 30-50    age > 50

Source: Sofidel.

### Breakdown of employees of the Sofidel Group by age - Apprentice



age < 30    age 30-50    age > 50

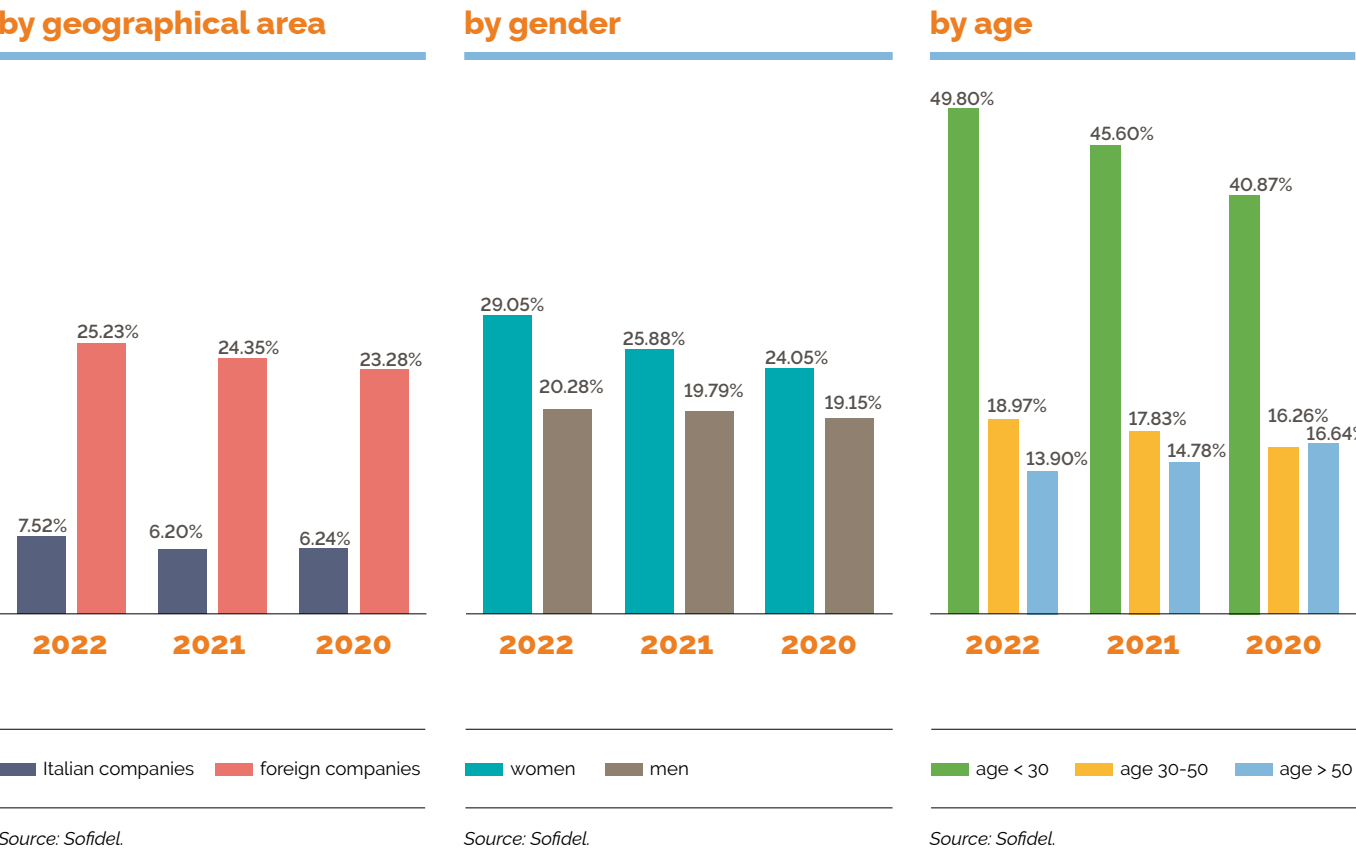
Source: Sofidel.



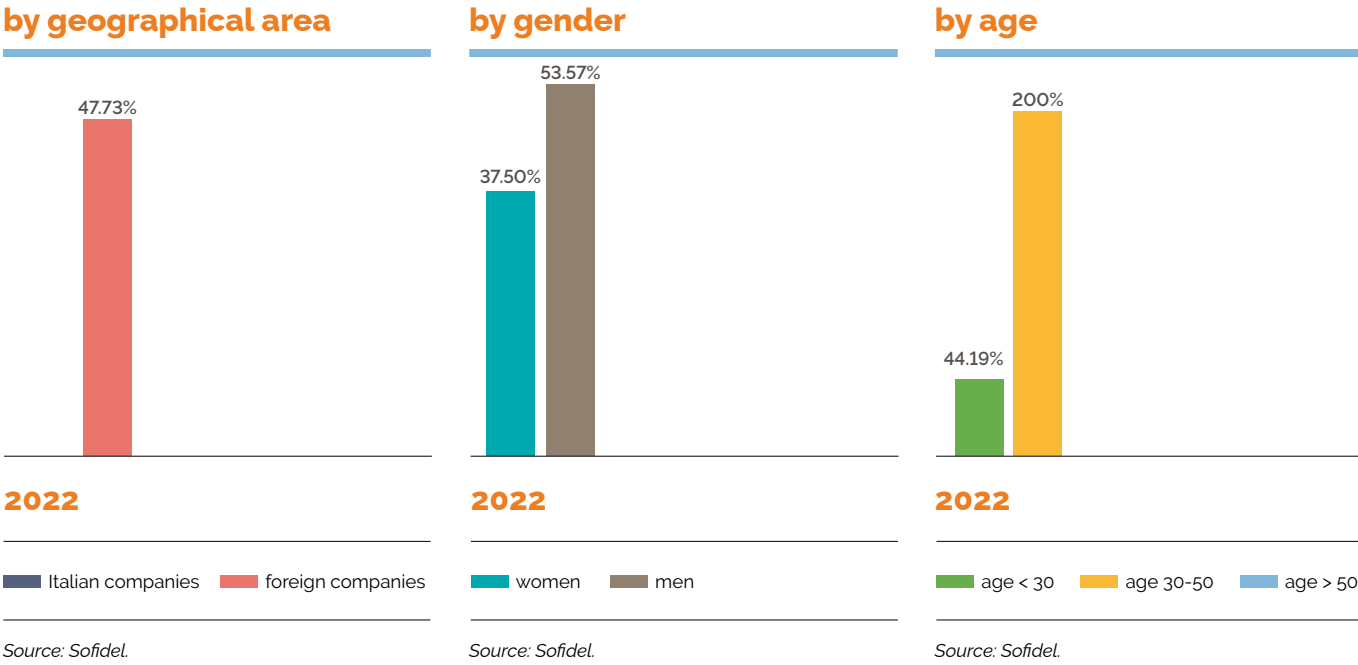
TURNOVER

The Group's turnover<sup>34</sup> is in line with the previous year, but the highest percentage value comes from abroad. In this regard, the voluntary turnover data of the foreign companies have increased in recent years, mainly due to the growth of the US market, where the frequent turnover of personnel is a physiological characteristic of the market.

Turnover rate of the Sofidel Group  
by geographical area, gender and age group - 2022



Turnover rate of the Sofidel Group  
by geographical area, gender and age group – Apprentice 2022



People who left the company  
by geographical area, gender and age group: absolute values - 2022

People who left the company by geographical area

| Country | Employees who interrupted the employment relationship | Total number of employees |
|---------|-------------------------------------------------------|---------------------------|
| Italy   | 99                                                    | 1,317                     |
| Abroad  | 1,407                                                 | 5,576                     |
| Total   | 1,506<br>(which corresponds to 21.85%)                | 6,893                     |

Source: Sofidel.

<sup>34</sup> The staff turnover rate was determined according to the total number of employees who voluntarily left the organization, for retirement or termination of the employment relationship.





People who left the company by gender

| Gender | Employees who interrupted the employment relationship | Total number of employees |
|--------|-------------------------------------------------------|---------------------------|
| Women  | 359                                                   | 1,236                     |
| Men    | 1,147                                                 | 5,657                     |
| Total  | 1,506<br>(which corresponds to 21.85%)                | 6,893                     |

Source: Sofidel.

People who left the company by age group

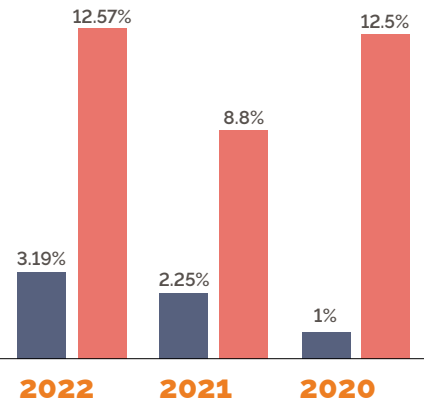
| Age group | Employees who interrupted the employment relationship | Total number of employees |
|-----------|-------------------------------------------------------|---------------------------|
| age < 30  | 495                                                   | 994                       |
| age 30-50 | 715                                                   | 3,769                     |
| age > 50  | 296                                                   | 2,130                     |
| Total     | 1,506<br>(which corresponds to 21.85%)                | 6,893                     |

Source: Sofidel.

The data reported hereunder was calculated on the basis of the voluntary resignations recorded among the employees of the Sofidel Group and according to the geographic area.

Turnover rate of the Sofidel Group for voluntary resignations by geographical area, gender and age group - 2022

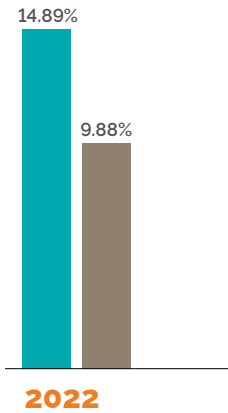
by geographical area



Italian companies foreign companies

Source: Sofidel.

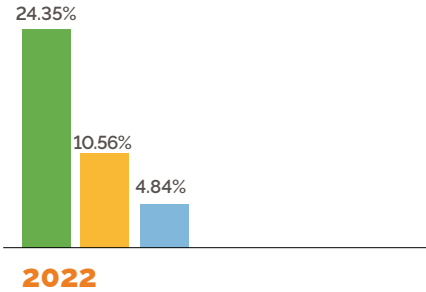
by gender



women men

Source: Sofidel.

by age



age < 30 age 30-50 age > 50

Source: Sofidel.

Turnover rate of the Sofidel Group by geographical area, gender and age group

by geographical area



2022

Italian companies foreign companies

Source: Sofidel.

by gender



2022

women men

Source: Sofidel.

by age



2022

age < 30 age 30-50 age > 50

Source: Sofidel.





Number of voluntary resignations in the Sofidel Group by geographical area, gender and age group: absolute values - 2022

Number of voluntary resignations in the Sofidel Group by geographical area

| Country | Employees who interrupted the employment relationship | Total number of employees |
|---------|-------------------------------------------------------|---------------------------|
| Italy   | 42                                                    | 1,317                     |
| Abroad  | 701                                                   | 5,576                     |
| Total   | 743                                                   | 6,893                     |

Source: Sofidel.

Number of voluntary resignations in the Sofidel Group by gender

| Gender | Employees who interrupted the employment relationship | Total number of employees |
|--------|-------------------------------------------------------|---------------------------|
| Women  | 184                                                   | 1,236                     |
| Men    | 559                                                   | 5,657                     |
| Total  | 743                                                   | 6,893                     |

Source: Sofidel.

Number of voluntary resignations in the Sofidel Group by age

| Age group | Employees who interrupted the employment relationship | Total number of employees |
|-----------|-------------------------------------------------------|---------------------------|
| age < 30  | 242                                                   | 994                       |
| age 30-50 | 398                                                   | 3,769                     |
| age > 50  | 103                                                   | 2,130                     |
| Total     | 743                                                   | 6,893                     |

Source: Sofidel.

Total number and rate of new hirings of the Sofidel Group by age, gender and geographical area - 2022

Total number and rate of new hirings in the Sofidel Group by age

| Age group | Hired 2022 | Staff | Hiring rate |
|-----------|------------|-------|-------------|
| age < 30  | 683        | 994   | 68,71%      |
| age 30-50 | 831        | 3,769 | 22,05%      |
| age > 50  | 232        | 2,130 | 10,89%      |
| Total     | 1,746      | 6,893 | 25,33%      |

Source: Sofidel.

Total number and rate of new hirings in the Sofidel Group by gender

| Gender | Hired 2022 | Staff | Hiring rate |
|--------|------------|-------|-------------|
| Women  | 462        | 1,236 | 37,38%      |
| Men    | 1,284      | 5,657 | 22,70%      |
| Total  | 1,746      | 6,893 | 25,33%      |

Source: Sofidel.

Total number and rate of new hirings in the Sofidel Group by geographical area

| Country | Hired 2022 | Staff | Hiring rate |
|---------|------------|-------|-------------|
| Belgium | 15         | 162   | 9,26%       |
| France  | 37         | 681   | 5,43%       |
| Germany | 59         | 757   | 7,79%       |
| Greece  | 3          | 60    | 5,00%       |
| Ireland | -          | 1     | -           |
| Italy   | 127        | 1,317 | 9,64%       |
| Poland  | 67         | 457   | 14,66%      |
| Romania | 14         | 221   | 6,33%       |
| Spain   | 42         | 342   | 12,28%      |
| Sweden  | 46         | 179   | 25,70%      |
| UK      | 191        | 799   | 23,90%      |
| Hungary | 97         | 188   | 51,60%      |
| US      | 1,048      | 1,729 | 60,61%      |
| Total   | 1,746      | 6,893 | 25,33%      |

Source: Sofidel.





Total number and rate of newly hired employees of the Sofidel Group by age, gender and geographical area - Apprentice 2022

Total number and rate of new hirings in the Sofidel Group by age

| Age group | Hired 2022 | Staff | Hiring rate |
|-----------|------------|-------|-------------|
| age < 30  | 22         | 43    | 51,16%      |
| age 30-50 | -          | -     | -           |
| age > 50  | -          | -     | -           |
| Total     | 22         | 44    | 50%         |

Source: Sofidel.

Total number and rate of new hirings in the Sofidel Group by gender

| Gender | Hired 2022 | Staff | Hiring rate |
|--------|------------|-------|-------------|
| Women  | 9          | 16    | 56,25%      |
| Men    | 13         | 28    | 46,43%      |
| Total  | 22         | 44    | 50%         |

Source: Sofidel.

Total number and rate of new hirings in the Sofidel Group by geographical area

| Country | Hired 2022 | Staff | Hiring rate |
|---------|------------|-------|-------------|
| Germany | 7          | 16    | 43,75%      |
| France  | 13         | 23    | 56,52%      |
| UK      | 2          | 5     | 40%         |
| Total   | 22         | 44    | 50%         |

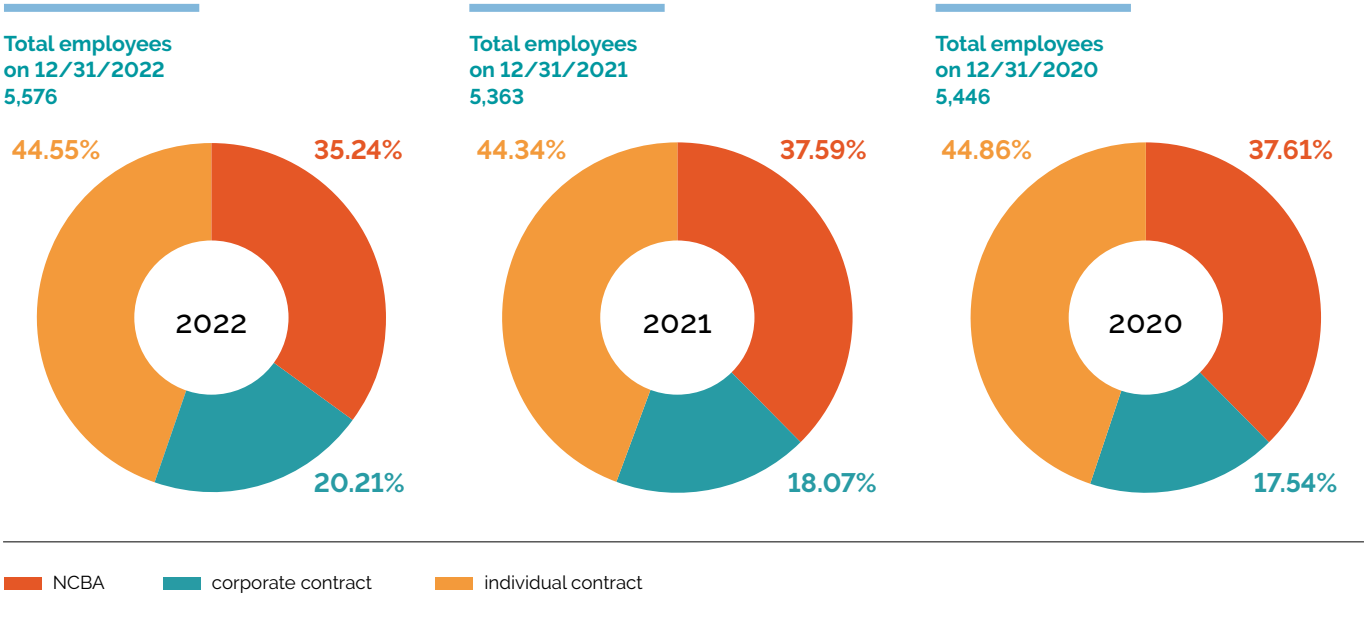
Source: Sofidel.

INDUSTRIAL RELATIONSHIPS

Sofidel has an industrial relationship system based on **open, constant and constructive exchanges** with the Trade Union Organizations of the various countries in which it operates. In the Italian companies of the Sofidel Group, the National Collective Labor Contract (CCNL) is applied to all employees, in compliance with existing regulations. In the other Group's companies, the employment relationship is governed by national collective contractual forms in 35.24% of the cases, whereas no individual or corporate contractual forms are applied to the remaining workers. The CAE (European Labor Committee) is the body assigned

by the European Directive 94/45/EC to promote trans-national consulting and information among the people working in companies and community-sized groups. The parties, although sharing the institutional scope and a mutual desire to implement it, are discussing of its effective operating methods. The Group's companies do not make direct or indirect contributions either to the parties, movements, committees and organizations of political or trade union character, or to their representatives, and they refrain from any direct or indirect pressure on political parties.

Breakdown of employees in the Group's foreign companies by type of contract (NCBA, company contract, individual contract)



Source: Sofidel.

Notice in case of organizational changes

In all countries in which it operates, the Sofidel Group observes the minimum notice periods required for operational and organizational changes which could have a significant impact on the company and its employees. The notice periods can differ from country to country, since governed by local legislations, regulations and agreements, thus varying from a minimum of one to two weeks up to

two to three months depending on the issue and country involved from time to time. Moreover, the company anyhow undertakes to apply reasonable terms even in countries in which local legislation does not provide for a minimum formal notice period, so that to manage changes and any consequent impact in **respect of the concerned parties**.





Interview

# GENDER EQUITY, POVERTY AND CLIMATE JUSTICE

*Oxfam efforts to combat inequality*



“  
IF WE WANT TO WIN THE FIGHT AGAINST CLIMATE CHANGE, WE NEED WOMEN PARTICIPATING IN CLIMATE ACTION.  
”

**ARETA SOBIERAJ**  
Global Citizenship Education Lead,  
Oxfam Italia

**What does it mean to take care of the communities today?**

Promoting transformative changes that allow poverty and inequality to be eradicated in the long term is the founding element of Oxfam's mission. Individuals and communities who experienced poverty, injustice, exclusion and crises are at the heart of Oxfam's work. Taking care of communities and individuals means supporting them economically or with basic goods, such as water, food, equipment, but also training and technical assistance.

First and foremost, however, it means amplifying the voice communities and individuals have, putting them in a position to reclaim their needs and their rights, as well as to participate in the definition of policies and programs that respond to those needs. Caring for communities therefore means activating and strengthening the links between the different actors that make it up.

Paying particular attention to the most vulnerable groups such as women's organizations, social entrepreneurs, LGBTQI+ people and creating spaces for their participation in the definition of policies and programs at a local level. It is for this reason that a community and multi-stakeholder approach characterizes much of our work across the world and in programs aimed at strengthening women's organizations or social entrepreneurship, for example, as well as programs which respond to and prevent humanitarian crises.

Increasing the focus on the commitment to the community and its local dimension is, in our view, also one of the ways to contribute to the effective achievement of the UN's Sustainable Development Goals.

**On the path towards gender equity and parity, what are the main challenges and where does the world stand?**

Being treated equally and enjoying the same rights, no matter your sex or gender, is a fundamental human right. However, according to last year's World Economic Forum's global gender gap, gender parity is not recovering. It will take another 132 years to close the global gender gap. As crises are compounding, women's workforce achievements are suffering as is gender parity. EIGE's latest gender equality index paints a similar disheartening picture, with only a 0.6. score increase a year.

Here are some of the equity and gender parity challenges we have to face. Only 24% of Members of Parliament and 5% of city majors are women. About 2/3 of the 781 million illiterate people all around the world are women. And this number didn't decrease in the last two decades. 153 countries still enforce laws that discriminates against women economically. In 18 countries, husbands can prohibit their wives from working. Globally, one woman in three will experience violence or abuse in her lifetime.



Watch the full interview



## Focus on people

### HUMAN RIGHTS, EQUAL OPPORTUNITIES AND PROTECTED CATEGORIES

Sofidel bases its operation on the **Universal Declaration of Human Rights** (UN), the United Nation's Global Impact Principles and the ethical criteria set forth in the OECD Guidelines for multinational companies.

The company considers and recognized the dignity of every human being and the equal and inalienable rights of every individual as the **basis of freedom, justice and peace worldwide**. This vision is an integral part of the company's culture and strategy and supports our commitment to promoting the well-being of both employees and the communities in which we operate.

#### Code of Ethics

Our code of Ethics sets forth full respect for human rights and for the health, safety and well-being of the people and local communities in which we operate. Moreover, it condemns child or forced labor and any gender, religious, cultural, ethnic or sexual discrimination, or physical, psychological, verbal or sexual harassment.

#### Human rights policy

Sofidel developed a human rights Policy based on the United Nations' Principles and on those of the main international conventions, including:

- the policies and standards of the International Labor Organization to promote decent working conditions that respect human rights;
- the United Nations' Convention on children's rights;
- the Women's Empowerment Principles to promote gender equality and to support women's awareness;
- the Dhaka Principles to ensure the dignity of migrant workers and that they are treated respectfully at all steps of the selection up to the termination of the contract.

Sofidel is very attentive to the respect for human rights in its organization and in all situations concerning those involved in its activities: customers, suppliers and the community. Moreover, the company requires its suppliers to sign the **Supplier Code of Conduct** to ensure they behave ethically and responsibly, according to the main international human rights standards.

### People at the center

On the basis of the human rights policy, people are at the center of the company's activities, people being understood as employees, partners and the communities of the areas in which the company operates.

Sofidel is committed to providing a work environment free from prejudice, free from harassment and respectful towards the personality and dignity of workers. The personnel's selection, hiring, training and growth plans are carried out without **discrimination of any kind**. In this regard, it adopted specific regulations against discrimination, sexual harassment in the workplace and mobbing. To prevent discriminatory events of any kind, all the Group's companies are involved in training and awareness-raising activities and are equipped with specific **anonymous reporting mechanisms** (whistle blowing) which allow workers to report any episodes in violation of human rights. **No reports of discrimination were reported over the year**. Compatibly with the general efficiency of work, the company encourages flexibilities, with respect to the organization of the activities, to facilitate a **balance between one's private and professional life**, such as flexible work schedules and part-time employment contracts. Moreover, workers have the **right to form and join unions**, or other similar collective organizations, and to refrain from joining such organizations.

### Diversity and equal opportunities

The Sofidel Group promotes respect for diversity and regards it as an **element to be cultivated** consistently with the principles and values expressed in the Code of Ethics and Policy for the protection of Human Rights. The goal is to exceed any cultural stereotype and to identify the barriers which prevent people from being fully included in the workplace. For the Group, it's essential to stimulate a **cooperative and supportive work environment, open to the participation of all employees**, so that to increase people's trust and, generally, the cohesion of civil society. Diversity enriches and provides new ideas, thus multiplying the possibilities of generating innovative solutions. People of different cultures, social backgrounds, age and with different skills and experiences are a distinctive value which allows to exchange many different perspectives and to reflect and antici-



pate the needs of the customers and stakeholders of reference.

### The protected categories

As far as the **protected categories** are concerned, the Group fulfills the obligations provided by the existing regulations of the countries in which it operates. In 2022, 65 employees belonged to such categories, of which 12 women and 53 men. Most of the protected categories are currently hired in Italy.

### Gender equality and parental leaves

Within the Sofidel Group, women represent 17.93% of employees, 20.44% among managers, 42.66% among the white collars and 10.38% among the blue collars. The prevalence of men, especially among the blue collar workers, is due to the characteristics of the jobs performed. In 2022, all Sofidel employees were entitled to request a parental leave (6,893). 68 people benefited from it in Italy, of which 30 women and 38 men, whereas the number of leaves in the foreign companies was equal to 79, of which 50 women and 29 men. At the end of the maternity leave, 7 employees of the Group decided to leave their jobs. Compared to 2021, the number of parental leaves increased because families have returned to the life rhythms they had prior

to the pandemic and because births and maternity leaves have increased among the Group's employees. Moreover, in 2021, many workers had taken advantage of remote working due to Covid-19 and this had limited, in addition to holiday hours and paid leaves, the optional leave periods allowed. In all countries in which it operates, the company observes the regulations provided on maternity and paternity leaves and, more generally, on any form of compulsory or optional leave granted to workers with children. Moreover, it favors forms of flexibility in the use of the leave, so that to meet the needs of its employees, always in full respect of existing local legislations and regulations.

**SOFIDEL'S CORPORATE CULTURE ADOPTS ETHICAL AND SOCIAL BEHAVIORS CAPABLE OF ENSURING A CONSCIOUS, SAFE, FAIR AND INCLUSIVE PARTICIPATION WITHIN THE CORPORATE ORGANIZATION.**

### Employees who have taken parental leave – 2022

|              | Women | Men |
|--------------|-------|-----|
| Italy        | 30    | 38  |
| US           | 10    | 0   |
| France       | 2     | 1   |
| Germany      | 8     | 16  |
| Hungary      | 11    | 0   |
| Poland       | 6     | 0   |
| Romania      | 1     | 1   |
| Spain        | 2     | 4   |
| Sweden       | 7     | 7   |
| UK           | 3     | 0   |
| Total leaves | 80    | 67  |

Source: Sofidel.

Employees who returned to work after taking a parental leave and who are still in the company 12 months following their return – 2022

|                                               | Women | Men | TOTAL |
|-----------------------------------------------|-------|-----|-------|
| Still active 12 months following their return | 34    | 55  | 89    |

Source: Sofidel.

Return rate of employees who have taken a parental leave – 2022

|             | Women  | Men  | TOTAL  |
|-------------|--------|------|--------|
| Return rate | 83,33% | 100% | 93,27% |

Source: Sofidel.

Employees who returned to work during the reporting period, after taking a parental leave – 2022

|                | Women  | Men    | TOTAL  |
|----------------|--------|--------|--------|
| Retention rate | 97,14% | 93,22% | 94,68% |

Source: Sofidel.

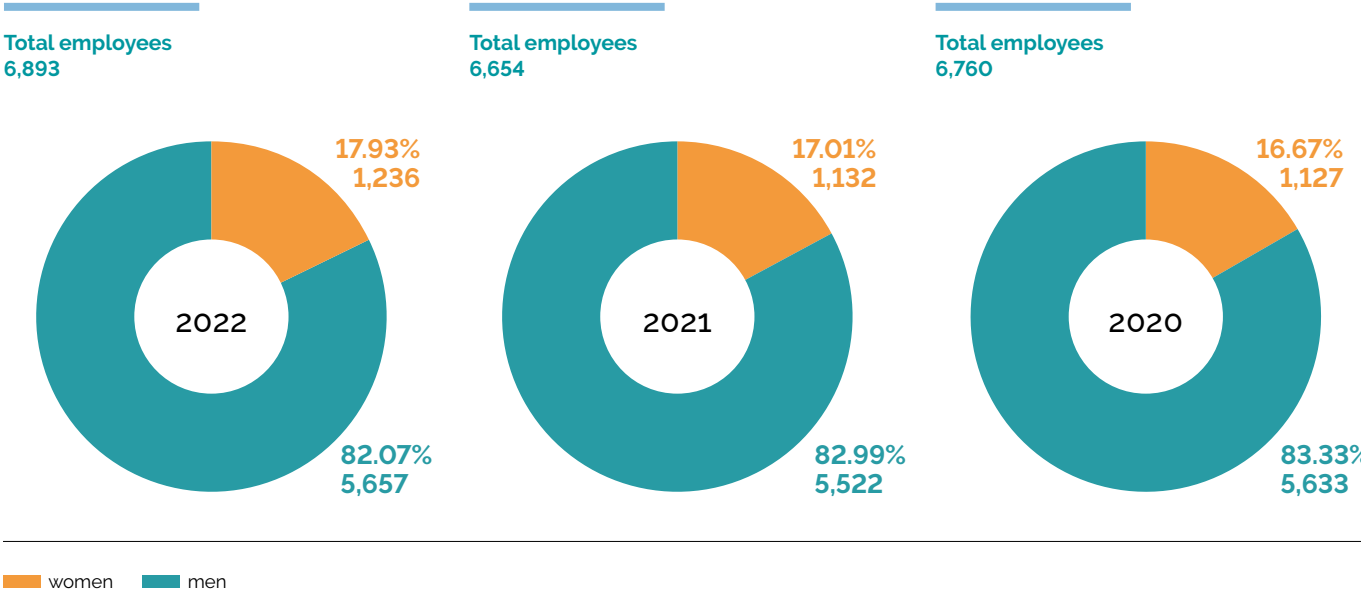
Employees who returned to work during the reporting period, after taking a parental leave – 2022

|                                       | Women | Men | TOTAL |
|---------------------------------------|-------|-----|-------|
| Employees who returned in the company | 42    | 62  | 104   |

Source: Sofidel.



Breakdown of employees of the Sofidel Group by gender



Source: Sofidel.







Breakdown of employees of the Sofidel Group by category and gender – 2022

|               | Women | Men   | Total |
|---------------|-------|-------|-------|
| Blue Collars  | 510   | 4,401 | 4,911 |
| White Collars | 616   | 828   | 1,444 |
| Managers      | 110   | 428   | 538   |
| Total         | 1,236 | 5,657 | 6,893 |

Source: Sofidel.

Breakdown of employees of the Sofidel Group by category and gender – 2021

|               | Women | Men   | Total |
|---------------|-------|-------|-------|
| Blue Collars  | 460   | 4,325 | 4,785 |
| White Collars | 577   | 835   | 1,412 |
| Managers      | 95    | 362   | 457   |
| Total         | 1,132 | 5,522 | 6,654 |

Source: Sofidel.

Breakdown of employees of the Sofidel Group by category and gender – 2020

|               | Women | Men   | Total |
|---------------|-------|-------|-------|
| Blue Collars  | 445   | 4,257 | 4,702 |
| White Collars | 586   | 814   | 1,400 |
| Managers      | 64    | 287   | 351   |
| Total         | 1,095 | 5,358 | 6,453 |

Source: Sofidel.

Breakdown of employees of the Sofidel Group by category and gender – Apprentice 2022

|               | Women | Men | Total |
|---------------|-------|-----|-------|
| Blue Collars  | 1     | 23  | 24    |
| White Collars | 15    | 5   | 20    |
| Total         | 16    | 28  | 44    |

Source: Sofidel.

Wage policy

Sofidel developed a **wage Policy** to define, in a clear and transparent way, the process that determines the remuneration of the top management and its employees.

The **remuneration of the Board of Directors** is decided at the Shareholder’s Meeting, to which the shareholders participate, on the basis of the commitment and experience required to define the strategic lines needed for the company’s development and future.

As far as employees are concerned, the wage Policy is applied to the **White Collars and Managers** of all the Group’s companies. To ensure a transparent process and avoid discretionary decisions, raises and remunerations are **defined according to an annual budget**, which is shared with top management and approved by the CEO.

The salary review process involves all levels of the organization and considers different elements, including:

- the individual performance of employees
  - the internal balances and consistency of the organization
  - the remunerative benchmarks provided by an external company, independent from the organization, so that to be in line with the economic scenario and evolution of the labor market.
- Moreover, the corporate wage system is also determined according to the negotiations that take place in each country with important stakeholders, such as trade unions and professional organizations.

As far as the ratio between the total annual remuneration of the highest office held within the Sofidel Group (the highest paid individual) and the median of employee salaries (i.e. the average salary between the highest and lowest pay) is concerned, **it is equal to 41.32**.

The ratio between the percentage increase in total annual remuneration for the highest office held and the median percentage increase in employee salaries is 0.

REMUNERATION AND INCENTIVES

The Sofidel Group determines the remuneration of its employees according to **criteria of fairness and transparency**.

Almost all the Group’s companies have **“Performance Evaluation” programs** to assess each employee, among which the reward system for European managers and Italian white collars. At the end of the year, these employees are interviewed by their manager, using a questionnaire which considers both the soft skills and various aspects of the work performance. The goal is to create **moments of open and cooperative exchanges** aimed at giving a clear feedback to people and to define future improvement goals to be measured, achieved and shared.

The managers of the various corporate areas have the task of assessing performance, **including performance in terms of sustainability**, such as CO<sub>2</sub> reduction and limitation of energy and water consumptions.

In 2022, **90% of the Group companies’ employees received a raise** and 90% received a prize or bonus. The benefits are granted to employees without any distinction between full-time and part-time workers.

The employment relationship with Sofidel is also characterized by the plurality of institutions and initiatives in favor of workers. For example, forms of **complementary pension plans**, which are activated through specific pension funds to which the company’s employees can contribute with different participation percentages, have been implemented for the employees of Italy, France, Germany, the UK and US. The percentage varies on the basis of the individual corporate regulations. Moreover, a specific **Solidarity Fund**, promoted through the Italian Worker’s Welfare Recreational Clubs (CRAL) and which provides to offer support to those who are in situations of serious need, has been implemented in Italy.



## Performance Evaluation Program

The qualitative assessment of performance is based on the constant evaluation of a series of parameters intended to measure performance in terms of: **individual commitment**, skills and professionalism, **ability to solve problems** and **cooperate** (teamwork), communication and interpersonal skills, **spirit of initiative**, delegation, control and, **development of colleagues**. This behavioral approach has been very effective, because it links the corporate strategy to the behaviors needed to implement and develop it. Moreover, the assessment ensures

individual performance is regularly monitored, checks progress and allows to make changes and to implement corrective measures for improving. The total percentage of employees involved in formalized performance assessments and professional development processes is 33.72% The formalized assessment processes mainly concern the White Collars and Managers and are carried out without distinction among men and women, according to the programs provided in the individual countries of origin (in the table hereunder).

### WAGES OF MEN AND WOMEN

The issue of fairness and equal treatment between men and women is very important for Sofidel. In this regard, the company developed compensation and skill development rules **based on criteria of equality and fairness** so that to avoid and reduce as much as possible any wage difference between men and women.

The data reported in the table on next page, broken down by Blue Collar, White Collar and Manager qualifications, does not allow to provide a real and complete picture of the company, because these are very broad categories which include **different roles in terms of responsibility, experience and competence**. This data shows that, despite the existence of policies based on the fair and equal treatment of men and women, women hold less important positions of responsibility and thus have lower wages than men. To improve this situation and support women's careers and professional development, the Sofidel Group adopted rules, which provide for flexible hours in and out of the company, and adhered to the **Equal Opportunities Charter in the workplace**, promoted by the Sodalitas foundation.

The Groups commitment to equal pay is clearer in two tables on p. 196 which consider the data from a more detailed view-

point and allow to **compare the compensation of men and women covering the same roles and duties**.

In this regard, to give an updated picture of the company, we compared the wages of the men and women **hired in the last three years**, while taking the specificity of their role into account. This allows us to portray the current situation and to check the fruits of our commitment on the issue of gender equality and equal **pay for men and women with equal roles and experience**. In this case, the data shows a more balanced situation and, in some countries such as Sweden, Germany and Poland, a substantially equal treatment has been achieved. In the future, the Sofidel Group plans to completely fill the wage gap between men's and women's wages and to fully implement its equal opportunity policy in the workplace.

To promote this, in 2022, the company joined **Valore D** (Women's Value), the first business association to promote **gender balance and inclusive culture** for the growth of companies and countries. Thanks to *Valore D*, the company will have the possibility to participate in discussions and training programs open to all employees, share best practices and exchange opinion with other companies which, like us, are committed to promoting and achieving full gender equality.

### Employees receveing periodic performance assessments - 2022

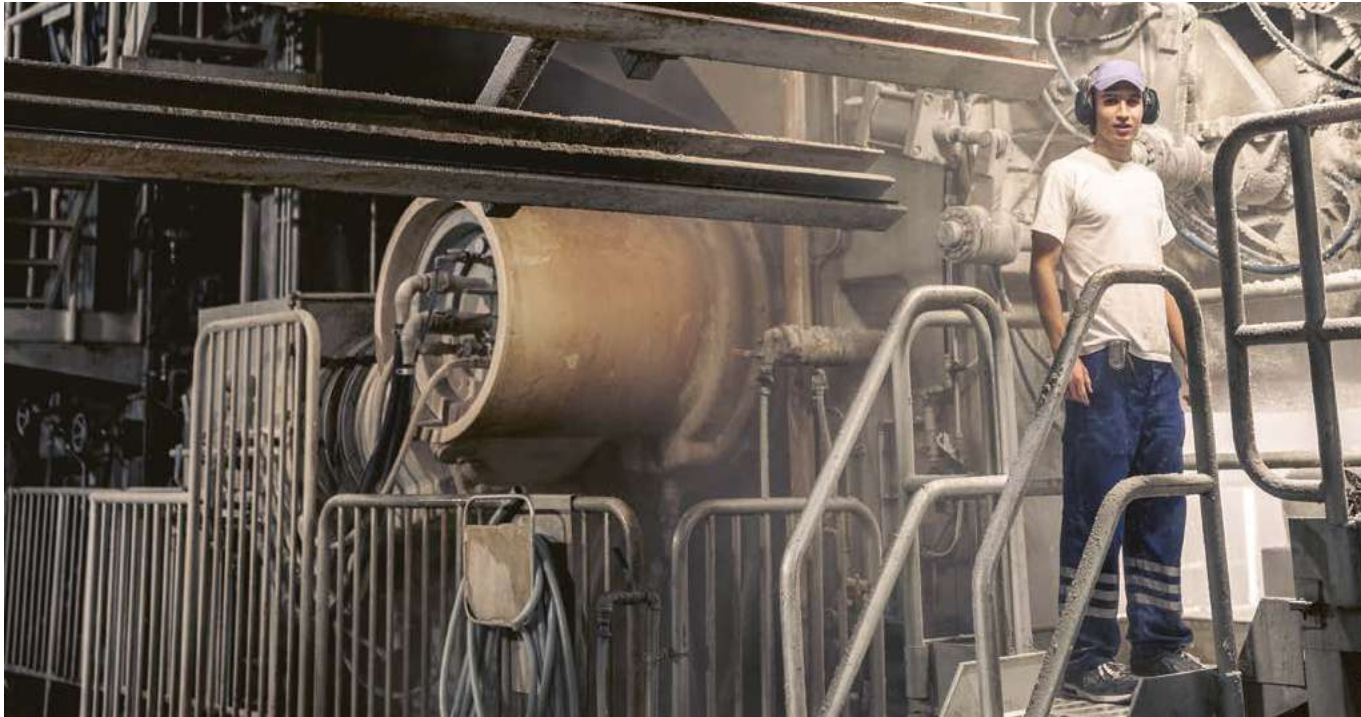
|                                                                                               | Women  | Men    | Blue Collars | Managers | White Collars |
|-----------------------------------------------------------------------------------------------|--------|--------|--------------|----------|---------------|
| Total employees with Performance Evaluations                                                  | 590    | 1,734  | 1,050        | 334      | 930           |
| Total Group employees                                                                         | 1,236  | 5,657  | 4,911        | 538      | 1,444         |
| Percentage of employees involved (compared to the total employees of the Sofidel Group 6,654) | 47.73% | 30.65% | 21.38%       | 63.94%   | 64.40%        |

Source: Sofidel.

### RATIO BETWEEN THE STANDARD SALARY OF A NEWLY HIRED AND THE MINIMUM LOCAL SALARY BY GENDER

The Sofidel Group ensures respect for the minimum local wages of all Countries in which its employees operate, whether they are newly hired or professionally more experienced. Moreover, no difference is applied between the minimum wages of men and women.

|         | Minimum wage in the Country | Ratio between the minimum corporate wage and minimum legal wage by Country |
|---------|-----------------------------|----------------------------------------------------------------------------|
| America | 100%                        | 213%                                                                       |
| Belgium | 100%                        | 167%                                                                       |
| France  | 100%                        | 102%                                                                       |
| Germany | 100%                        | 111%                                                                       |
| Greece  | 100%                        | 100%                                                                       |
| Italy   | 100%                        | 100%                                                                       |
| Poland  | 100%                        | 100%                                                                       |
| Romania | 100%                        | 100%                                                                       |
| Spain   | 100%                        | 135%                                                                       |
| Sweden  | 100%                        | 100%                                                                       |
| UK      | 100%                        | 116%                                                                       |
| Hungary | 100%                        | 101%                                                                       |





Ratio of basic salary and remuneration of women to men for same category - base salary - 2022<sup>35</sup>

|               | Gross average baseline salary<br>(euros/month) | Baseline salary percentage for<br>women<br>compared to men | Offset  |
|---------------|------------------------------------------------|------------------------------------------------------------|---------|
| Blue Collars  | 2,597.32 €                                     |                                                            |         |
| Women         | 2,469.86 €                                     | 94.56%                                                     | -5.44%  |
| Men           | 2,612.09 €                                     |                                                            |         |
| Managers      | 7,048.22 €                                     |                                                            |         |
| Women         | 5,743.57 €                                     | 77.79%                                                     | -22.21% |
| Men           | 7,383.52 €                                     |                                                            |         |
| White Collars | 3,297.26 €                                     |                                                            |         |
| Women         | 2,987.12 €                                     | 84.67%                                                     | -15.33% |
| Men           | 3,527.99 €                                     |                                                            |         |
| TOTAL         | 3,091.34 €                                     |                                                            |         |

Source: Sofidel.

Ratio of remuneration of women to men for the same category - total pay (including the variable part)<sup>35</sup>

|               | Total gross average<br>remuneration (euros/month) | Women's total remuneration<br>percentage compared to men | Offset  |
|---------------|---------------------------------------------------|----------------------------------------------------------|---------|
| Blue Collars  | 2,672.89 €                                        |                                                          |         |
| Women         | 2,544.23 €                                        | 94.66%                                                   | -5.34%  |
| Men           | 2,687.80 €                                        |                                                          |         |
| Managers      | 8,877.24 €                                        |                                                          |         |
| Women         | 7,160.53 €                                        | 76.84%                                                   | -23.16% |
| Men           | 9,318.46 €                                        |                                                          |         |
| White Collars | 3,523.67 €                                        |                                                          |         |
| Women         | 3,151.23 €                                        | 82.91%                                                   | -17.09% |
| Men           | 3,800.75 €                                        |                                                          |         |
| TOTAL         | 3,335.37 €                                        |                                                          |         |

Source: Sofidel.

<sup>35</sup> The data reported in the table shows that women hold less important positions of responsibility and thus have lower wages than men. The Blue Collar, White Collar and Manager qualifications in fact comprise many different roles of responsibility, experience and skill, reason why the wages differ according to the specific role.



New hires in the last 3 years

Ratio between men's/women's wages for the same qualification - baseline salary - 2022<sup>36</sup>

|         | Women's total remuneration<br>percentage compared to men | Offset |
|---------|----------------------------------------------------------|--------|
| Belgium | -                                                        | -      |
| France  | 100%                                                     | -0.13% |
| Germany | 101%                                                     | 0.86%  |
| Greece  | -                                                        | -      |
| Italy   | 141%                                                     | 41.09% |
| Poland  | 103%                                                     | 2.74%  |
| UK      | 96%                                                      | -3.57% |
| Romania | 96%                                                      | -4.02% |
| Spain   | 96%                                                      | -3.99% |
| Sweden  | 103%                                                     | 2.87%  |
| Hungary | 99%                                                      | -1.18% |
| US      | 97%                                                      | -2.69% |

Source: Sofidel.

New hires in the last 3 years

Ratio between men's/women's wages for the same qualification - total remuneration (variable remuneration included) - 2022<sup>36</sup>

|         | Women's total remuneration<br>percentage compared to men | Offset |
|---------|----------------------------------------------------------|--------|
| Belgium | -                                                        | -      |
| France  | 100%                                                     | 0.38%  |
| Germany | 101%                                                     | 0.90%  |
| Greece  | -                                                        | -      |
| Italy   | 154%                                                     | 53.53% |
| Poland  | 103%                                                     | 2.74%  |
| UK      | 96%                                                      | -3.57% |
| Romania | 96%                                                      | -3.93% |
| Spain   | 96%                                                      | -3.99% |
| Sweden  | 103%                                                     | 2.87%  |
| Hungary | 104%                                                     | 4.04%  |
| US      | 97%                                                      | -2.66% |

Source: Sofidel.

<sup>36</sup> For each country, we considered the roles for which men and women were hired over the last three years. Thus, we calculated the ratio between the average women's/men's wages for each position and, subsequently, the average of the ratios themselves at country level. Moreover, we calculated the offsets between the average women's and men's salaries and accordingly calculated the average at country level. The table only reports the average data for each country, but the data on individual roles is available upon request.



## Training and development of talent

The Sofidel Group is committed to and invests in the training and continuous updating of its employees with the aim of **increasing the creation of corporate value**, developing individual skills, both technical and transversal, and enhancing the company's competitive development.

In 2022, the company invested 1,227,161 euros and delivered **73,547 hours of training**, by relying on both Sofidel trainers, who shared the know-how and experience acquired over the years (42.03%), and experts, university professors and other qualified bodies (57.97%)<sup>37</sup> with which Sofidel works. Thanks to the easing of the Covid-19 health emergency, most of the courses were done face-to-face. However, the experience of the last two years, during which we used various digital tools, allowed us to explore new channels and to adopt a blend of solutions which combine face-to-face encounters and online lessons to promote exchanges and interaction with the trainer.

Training on the **health and safety of employees** never ceased, but just assumed a new form. In addition to **training on risks**, which includes practical exercises and tests, in 2022, we implemented an ambitious project aimed at encouraging safe **behaviors** via the **Behavior Based Safety** program, which will be more thoroughly described in the pages dedicated to health and safety. The pilot course was carried out in two Italian plants, a paper-making factory and a converting site, and involved 93 people through specific training sessions.

The Group also continued to use its **e-learning platform**, a system developed a few years ago which allows to provide a vast variety of contents to be used in a convenient and flexible way. This platform allows to quickly diffuse, in a wide-spread and traceable way, the corporate procedures requir-

ing training and the regulations and codes that are essential to the life of workers. In 2022, Sofidel implemented a **training program dedicated to the Antitrust topic** to diffuse the importance of the rules governing the market and competition within the company. The project consists of 12 modules delivered via the e-learning platform to the entire personnel, which is required to be informed on the topic for work. The project involved a total of 489 employees at European level. Moreover, the training on the **organizational model 231** was pursued. After the involvement of the Directors of the various functions, in 2022, Sofidel extended the training activity to all Italian White Collars and Managers with the aim of training them on the 231 organizational, management and control model and to raise awareness on the risks of corruption linked to the various corporate areas. In addition to a general training module on the 231 model, 10 specific modules were developed for the individual functions involved (i.e. recruitment of personnel, purchasing department, sales, etc.). In 2022, courses on the **human rights policies** were also implemented and involved 5% of the company's employees, for a total of 199 hours.

**Digital transformation** allowed to implement many training activities and initiates dedicated to the development of awareness with respect to the techniques and production process, but also to the consolidation of the know-how of the **Marketing&Sales** area. In this regard, the training dedicated to the sales team, with the aim of increasing its expertise in **e-commerce and digital marketing**, was also pursued in 2022, and a new project was simultaneously implemented for the **Supply Chain** management with the aim of enhancing the skills needed to achieve the change required for **digital transition**.

<sup>37</sup> Apprentices benefited from 209 hours of training.

### TRANSITION SUPPORT PROGRAMS

The Sofidel Group implements transition programs to **facilitate the continuity and end of the professional career**, both for reasons of retirement and termination of the employment relationship.

In particular, when a resource retires, the company assesses the eventual replacement of the position involved well in advance and implements, depending on the complexity of the role and effective organizational need, **support**, coaching and **"training on the job" programs** to facilitate the replacement of the position in proper times and manners.

When an individual holding a strategic position retires, the

Group first assesses whether the replacement can be found within the company. Career opportunities thus arise for the company's employees, for whom specific development plans and **job rotation** programs are provided and structured according to the effective abilities and skills, in view of both a personal and professional growth.

Moreover, in case of especially critical or strategic situations linked to the departure of some employees, the company assesses the need to offer **specific outplacement programs**, so that to support their reemployment into the working world and to accelerate their relocation.







LEADERSHIP PROGRAM SOFIDEL AMERICA

This year, at the request of our CEO, Sofidel America implemented a **program to strengthen the leadership of its managers** with the tools and know-how needed to motivate employees, develop cooperation and achieve more together, so that to be stronger and more competitive on the market. To achieve this goal, Sofidel America relied on the services of Development Dimensions International (DDI), a global leadership firm which helps companies train and develop extraordinary leaders capable of being successful in their respective organizations. From first-line managers to directors, DDI allows to transform talented resources into successful leaders.

In the first year, we involved 100 first-line managers and supervisors in all six American plants, involving the paper-making and converting plants. The program provides for moments of in-class training and online sessions on four different topics: **"The Leadership Journey," "Leading Teams," "Communications" and "Driving Change"**. The feedback received from the participants was very encouraging and positive. We are enthusiastic about this project and also plan on pursuing it next year, by involving the managers of the other organizational areas.

SOFIDEL 2030

Sofidel 2030 - the project implemented in 2021 with the MIP Polytechnic University of Milan to plan the Group's future and promote both creativity and the company's ability to innovate - was further developed in 2022 with new activities. The project involved a group of 20 people of the main functions with the aim of becoming **ambassadors of a new way of working together**, innovating the corporate organization and **accelerating the development of new products and services**. The lessons included face-to-face lab sessions, online sharing and in-depth workshops to give a strong boost to teamwork, creativity and research to find new meanings and directions for the development of innovative products and services. Each year, the teams who participate in Sofidel 2030 suggest a selection of innovative projects to be developed the following year to the CEO.

CYBERSECURITY AWARENESS PROGRAM

In recent years, training on cybersecurity awareness has evolved from a useful activity to a must-have for the global security strategy of organizations worldwide. To meet such necessity, in 2022, Sofidel designed a **stimulating and engaging learning program** aimed at transforming people's

behaviors and protecting the company from risks originating from the network.

Developed together with Knowbe4 - the largest integrated cybersecurity training and phishing simulation platform - the **Cyber Security Awareness program** provides continuous training to all employees in possession of an email account.

The goal is to **increase awareness on the use of IT systems**, through videos, interactive modules and real Netflix-like mini series available in the languages of the countries in which Sofidel is present. The tools are able to keep a high level of engagement, thanks to innovative techniques, such as **gamification**.

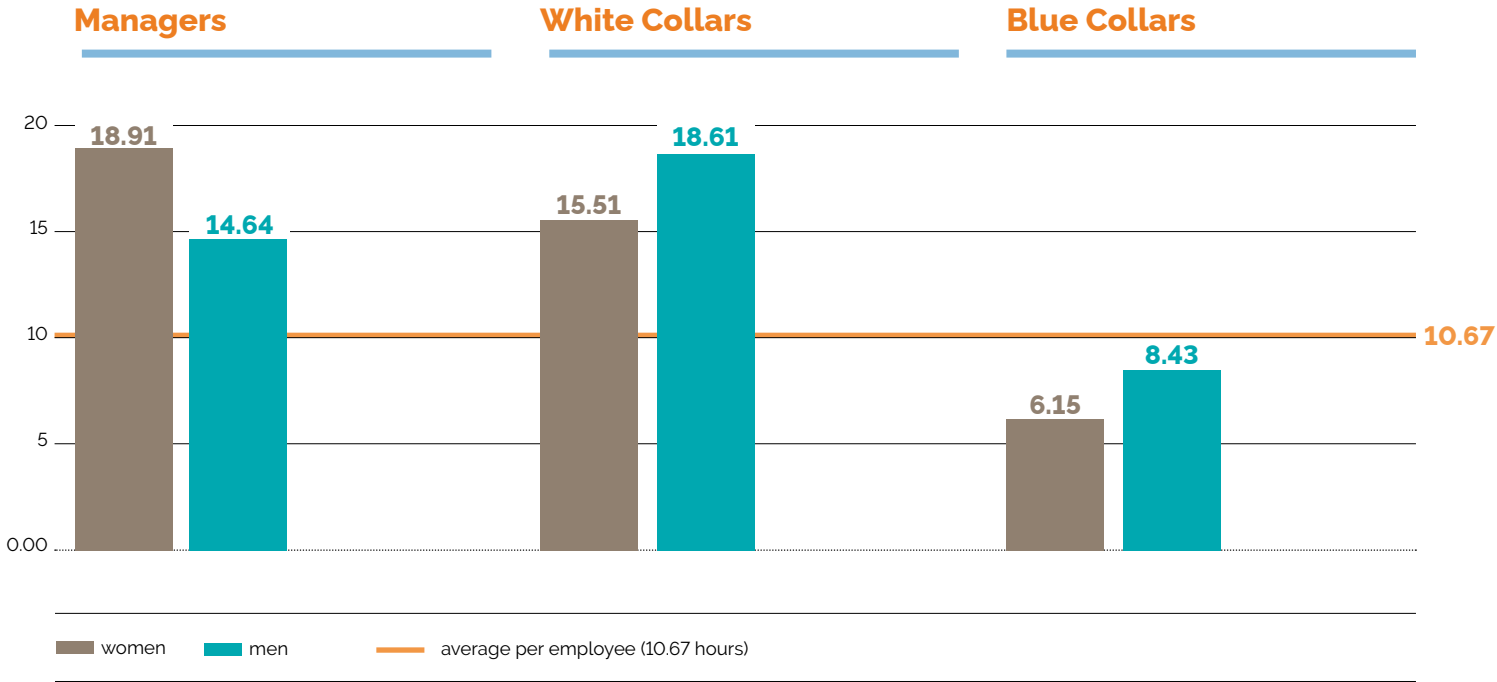
The contents of the training program include, among others, topics such as passwords and social engineering, in addition to both the **phishing campaigns** planned throughout the year and the periodic **assessment tests** used to check what has been learned.

SUSTAINABILITY PROFESSION

The team in charge of handling the company's Social Corporate Responsibility had the opportunity to attend the executive master **"Sustainability Profession"**, the Advanced Training Course organized by ALTIS (Superior School of Business and Society) of the Catholic University of the Sacred Heart of Milan. The constructive exchange with expert professors, and which allowed to contribute to sustainability plans developed within the company, was an essential point of the training. The exchange of ideas and suggestions with other managers and professionals was the basis of a networking activity with scholars and experts of the sector. Moreover, the course allowed to learn useful skills **for improving the efficacy of existing policies** on the sustainability issue. **Continuous updating** is one of the strategic factors on which Sofidel relies to develop, motivate and keep its talents over time.

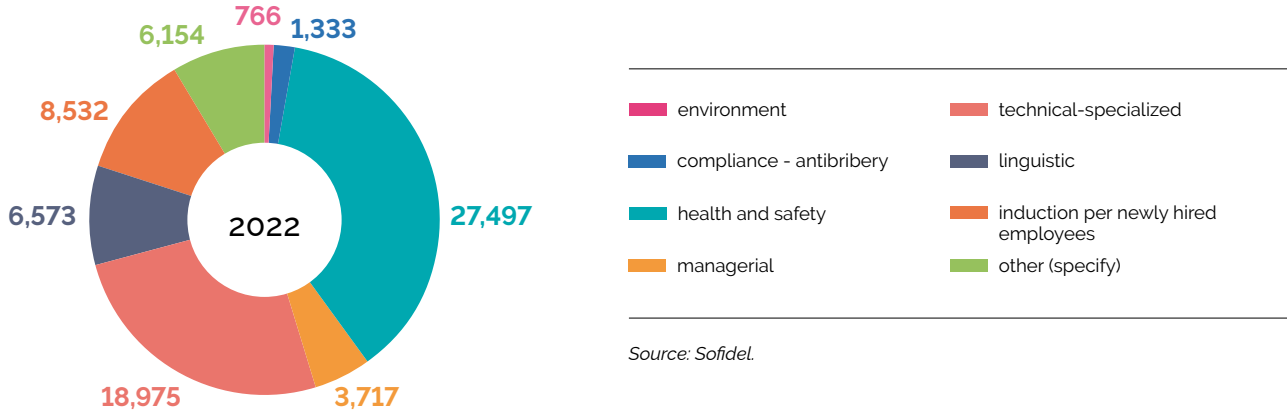
**PEOPLE ARE THE COMPANY'S HEART AND STRENGTH. WE CULTIVATE THEIR TALENT AND DEVELOP THEIR TECHNICAL AND MANAGERIAL SKILLS TO BE ABLE TO COUNT ON EXPERT AND MOTIVATED RESOURCES.**

Average hours of training for the Sofidel Group employees by gender and category – 2022



Source: Sofidel, data processed by the management system

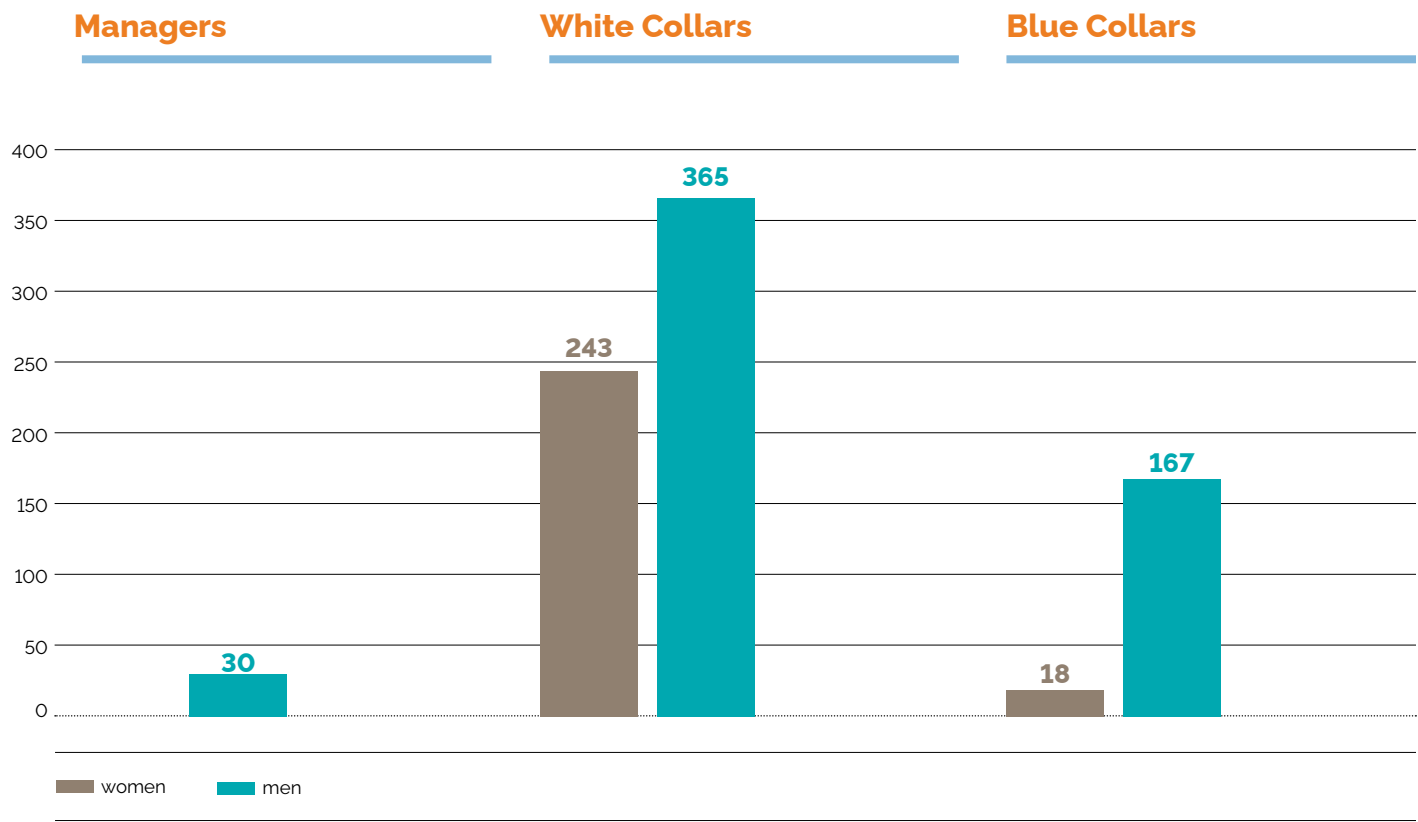
Hours of training per topic of the Sofidel Group



Source: Sofidel.



Number of employees of the Sofidel Group trained on antibribery by category and gender - 2022



Source: Sofidel.

Workplace health and safety

For Sofidel, health and safety in the workplace are essential elements for planning an equal and long-lasting development respectful of people.

To reach this goal, we implemented a Health and Safety Management System that complies with the **international ISO 45001 standard** and which we use to ensure the health and safety of our employees and all other stakeholders who interact with the company. All corporate activities are included in the **Health and Safety Management System**, covering both those of the employees managed and those of the temporary workers and contractors.

Our Health and Safety Management System is based on an accurate mapping of the risks, which are tracked in the **Risk Assessment Document**. This document is the cornerstone of a new philosophy on the protection of worker's health and according to which **we are all responsible and active actors of an effective prevention system**. From the Employer to the Prevention and Protection Service Manager, from the Occupational Physician to the Worker's Safety Representative, up to managers, supervisors and individual workers. This new philosophy is the pivot around which the corporate accident prevention system revolves.

The risks assessment allows to highlight the **severity and likelihood of occurrence** of risky events for each corporate role and for all activities carried out by our employees. In view of the **continuous improvement** and active participation of the entire corporate organization, Sofidel implemented a procedure for detecting and reporting near misses in the Italian plants. This activity is an essential tool for preventing and reducing accidents efficiently, because the commitment of every individual is important for the adoption of safe behaviors which allow to improve and ensure high levels of health and safety in all our plants.

As mentioned in the specific section on training, in 2022, the pilot program **"Safe Behavior Observatory,"** which is based on the **Behavior Based Safety** approach, was implemented. The first plants involved were those of Soffass in Via Fossanuova and Soffass in Via Leccio. The project required workers to watch each other carry out their activities, to assess positive and safe behaviors and attitudes and to report the practices which could put the health and safety of operators at risk. This is a real field observation project aimed at increasing attention and awareness on the health and safety issues and encouraging participatory discussions among workers to share feedback and improvement ideas. This innovative project was developed together with the Federation of Italian Employers of Northern Tuscany, the territorial INAIL department of Lucca and CO.CO. PRO INAIL Lucca.

The protection of workers and all people working with Sofidel is ensured through the constant monitoring of the workplace, development of numerous training programs aimed at promoting a culture of safety and implementation of the best protection standards on machinery and equipment. In this regard, we pay special attention to the selection of the **Personal Protection Equipment (PPEs)**, whose efficiency is checked and which efficiency is constantly improved so that to always ensure **a higher level of comfort and protection**.

Also in the context of commercial relationships, Sofidel ensures prevention and mitigates the impacts of health and safety issues by applying the Health and Safety Management System.

THE IMPORTANCE OF TRAINING

Each year, Sofidel develops a training plan on health and safety in all its companies. In 2022, 27,497 hours of training were delivered both to employees and new hires. The various modules covered the main aspects required by national regulations:





- the risks linked to the duties and consequent prevention and protection measures
- the use of work equipment
- the management of emergencies and fires
- first aid
- the rights and duties of the various corporate functions.

In each plant, for each category of workers, Sofidel carries out training programs and "on the job" training to raise awareness on safety. Moreover, our partnership with the European Agency of Health and Safety at Work (EU-OSHA) has been pursued, through adhesion in a biennial campaign (2020-2022) devoted to the prevention of **musculoskeletal disorders**. With regard to this topic, it is important not to let our guard down because such pathologies involve three out of five workers and are among the most common and widespread technology related disorders in Europe<sup>38</sup>. 72.2% of

the Group's workers is represented by the Health and Safety Committee, constituted by Management and Worker representatives at plant level, with the aim of diffusing awareness and proper behavioral practices among workers.

#### ACCIDENT TREND MEASUREMENT INDEXES

Sofidel measures the accident trends in the various plants through a series of indexes, among which the most significant ones, such as the Frequency Index<sup>39</sup> (FI) and Severity Index<sup>40</sup> (SI).

In 2022, the Health and Safety office improved accident reporting, by standardizing the data collection of each country. This allowed to have comparable and more detailed data, as reported in the tables of the following pages.

Moreover, in the 2020-2022 period, the external companies with which we work stated no accidents occurred in the Sofidel plants.



<sup>38</sup>Inail Source.

<sup>39</sup> Frequency Index (FI): number of accidents/hours worked x 1,000,000.

<sup>40</sup> Severity Index (SI): days of absence due to accidents/hours worked x 1,000.





Total number of recordable work-related injuries of employees<sup>41</sup> - 2022

| Employee work-related injuries                                                | Total      | Employee injuries rate                                                | Total |
|-------------------------------------------------------------------------------|------------|-----------------------------------------------------------------------|-------|
| Total number of work-related injuries                                         | 201        | Rate of recordable work-related injuries                              | 17.39 |
| At work                                                                       | 201        | Rate of fatalities as a result of work-related injury                 | 0     |
| Total number of fatalities as a result of work-related injuries               | 0          | Rate of high-consequence work-related injuries (excluding fatalities) | 0.17  |
| At work                                                                       | 0          |                                                                       |       |
| Total number of high-consequence work-related injuries (excluding fatalities) | 2          |                                                                       |       |
| At work                                                                       | 2          |                                                                       |       |
| NUMBER OF HOURS WORKED                                                        | 11,561,321 |                                                                       |       |

Source: Sofidel.

Total work-related injuries of temporary workers - 2022

| Work-related injuries of temporary workers                                    | Total   | Trainee injuries rate                                                 | Total |
|-------------------------------------------------------------------------------|---------|-----------------------------------------------------------------------|-------|
| Total number of work-related injuries                                         | 4       | Rate of recordable work-related injuries                              | 8.08  |
| At work                                                                       | 4       | Rate of fatalities as a result of work-related injury                 | 0     |
| Total number of fatalities as a result of work-related injuries               | 0       | Rate of high-consequence work-related injuries (excluding fatalities) | 0     |
| At work                                                                       | 0       |                                                                       |       |
| Total number of high-consequence work-related injuries (excluding fatalities) | 0       |                                                                       |       |
| At work                                                                       | 2       |                                                                       |       |
| NUMBER OF HOURS WORKED                                                        | 495,268 |                                                                       |       |

Source: Sofidel.

Total work-related injuries of employees - 2021

| Employee work-related injuries                                                | Total      | Employee injuries rate                                                | Total |
|-------------------------------------------------------------------------------|------------|-----------------------------------------------------------------------|-------|
| Total number of work-related injuries                                         | 160        | Rate of recordable work-related injuries                              | 13.63 |
| At work                                                                       | 158        | Rate of fatalities as a result of work-related injury                 | 0     |
| While commuting                                                               | 2          | Rate of high-consequence work-related injuries (excluding fatalities) | 0.09  |
| Total number of fatalities as a result of work-related injuries               | 0          |                                                                       |       |
| At work                                                                       | 0          |                                                                       |       |
| While commuting                                                               | 0          |                                                                       |       |
| Total number of high-consequence work-related injuries (excluding fatalities) | 1          |                                                                       |       |
| At work                                                                       | 1          |                                                                       |       |
| While commuting                                                               | 0          |                                                                       |       |
| NUMBER OF HOURS WORKED                                                        | 11,594,956 |                                                                       |       |

Source: Sofidel.

<sup>41</sup> For 2022-2021, all accidents at work which caused 0 days of absence or greater were included. For 2020, the accidents which caused 0 days of absence were not included in the table. For all 44 Apprentices, no accidents occurred in the workplace, neither fatalities nor accidents with serious consequences.

Total work-related injuries of employees - 2020

| Employee work-related injuries                                                         | Total      | Employee work-related injury indexes                                           | Total |
|----------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------|-------|
| Total number of work-related injuries                                                  | 133        | Rate of recordable work-related injuries                                       | 11.35 |
| At work                                                                                | 131        | Rate of fatalities as a result of work-related injury                          | 0     |
| While commuting                                                                        | 2          | Rate of work-related injuries with serious consequences (excluding fatalities) | 0.17  |
| Total number of fatalities due to work-related injuries                                | 0          |                                                                                |       |
| At work                                                                                | 0          |                                                                                |       |
| While commuting                                                                        | 0          |                                                                                |       |
| Total number of work-related injuries with serious consequences (excluding fatalities) | 2          |                                                                                |       |
| At work                                                                                | 2          |                                                                                |       |
| While commuting                                                                        | 0          |                                                                                |       |
| NUMBER OF HOURS WORKED                                                                 | 11,717,023 |                                                                                |       |

Source: Sofidel.

Frequency (FR) and Severity Rate (SR) of the Group's companies by country (injuries with more than 3 days off work)<sup>42</sup>

|         | FI    |       |       | SI   |      |      |
|---------|-------|-------|-------|------|------|------|
|         | 2022  | 2021  | 2020  | 2022 | 2021 | 2020 |
| Belgium | 10.68 | 16.77 | 0     | 0.84 | 0.50 | 0    |
| France  | 16.70 | 8.42  | 11.90 | 0.47 | 0.10 | 0.31 |
| Germany | 18.96 | 26.70 | 17.14 | 0.62 | 0.76 | 0.21 |
| Greece  | 0     | 18.07 | 0     | 0    | 0.19 | 0    |
| Ireland | 0     | 0     | 0     | 0    | 0    | 0    |
| Italy   | 11.38 | 7.52  | 7.12  | 0.43 | 0.37 | 0.35 |
| Poland  | 10.25 | 13.05 | 24.05 | 0.32 | 0.72 | 0.94 |
| Romania | 0     | 0     | 0     | 0    | 0    | 0    |
| Spain   | 16.54 | 30.54 | 21.29 | 0.53 | 1.15 | 0.35 |
| Sweden  | 11.17 | 17.70 | 0     | 0.42 | 0.28 | 0    |
| UK      | 4.12  | 6.43  | 10.22 | 0.05 | 0.43 | 0.43 |
| Hungary | 13.20 | 13.94 | 23.76 | 0.44 | 0.44 | 0.48 |
| US      | 7.30  | 6.86  | 5.50  | 0.19 | 0.35 | 0.18 |

Source: Sofidel.

<sup>42</sup> No fatalities were reported in the plants and offices of the Sofidel Group over the three-year period of reference.



Frequency (FR) and Severity (SR) rate of the Group's companies injuries with up to 3 days off work

|       | FR   |      |      | SR    |       |       |
|-------|------|------|------|-------|-------|-------|
|       | 2022 | 2021 | 2020 | 2022  | 2021  | 2020  |
| Total | 7.18 | 7    | 2.07 | 0.002 | 0.030 | 0.001 |

Source: Sofidel.

ACCIDENT RISK AND MITIGATION ACTIONS

In the following table, we highlighted the occupational hazards that constitute a risk of accident with severe

consequences and the actions taken by the company to eliminate and reduce these risks to a minimum using the hierarchy of controls.

| Types of accidents                            | Actions                                                                                                             |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| Flat falls and slips                          | Drafting of H&R standards, operational controls on production sites, specific information and training for workers. |
| Crushing and entrapment                       | Drafting of H&R standards on the controls to be carried out on the safety devices of machinery and equipment.       |
| Physical stress on the musculoskeletal system | Investments aimed at reducing the manual handling of loads, specific information and training of workers.           |

The battle against Covid-19

ASIDE PEOPLE IN THE MANAGEMENT OF THE PANDEMIC

In 2022, the Group's plants maintained and updated the anti-infection measures to protect the health of workers and their families according to existing local regulations. Moreover,

the anti-infection safety rules were subjected to the continuous monitoring of corporate management. During the entire period, the company committed to provide useful information to prevent infection and to share good behavior guidelines.

Workplace Health Promotion (WHP)  
The program dedicated to health promotion

The Group, in compliance with the principles of the European Network for Workplace Health Promotion, believes that a real and long-lasting improvement in the level of health and well-being of workers can only be achieved by combining the following elements: improving the workplace, promoting active participation, encouraging personal development and adopting healthier lifestyles. In Italy, over

the years, Sofidel has always adhered to the "Workplace Health Promotion" program, the multi-year project promoted by the Tuscan Region which supports the adoption of good practices in terms of nutrition, physical activity, fight against addiction (alcohol, smoking, gambling) and road safety. The program will be reactivated in 2023, to implement good practices in the Group's various countries.

COMPLEMENTARY HEALTH INSURANCE

The employees of the Sofidel Group can access various benefits in terms of health and personal well-being. Such as the complementary health insurance program aimed at everyone in Italy. It's an important tool which allows to integrate the National Healthcare Services with further ones so that to ensure complete, personalized and high quality assistance. Thanks to this program, it is possible to:

- request refunds for specialized visits in the hospital, clinics and medical offices;
  - receive advance payment directly from the affiliated facility;
  - book visits, checkups and medical consultations online.
- Moreover, by signing up to the Salute Sempre health insurance (www.salutesempre.it), it is possible to access the Unisalute App, which allows to manage the policies, activate services and request information directly online and using any mobile device.





The pictures of the "We, Sofidel" calendar



Anke, Germany



Ben, United States



Els, Belgium



Teodoro, Italy



Dafni, Greece



Fabrice, France



Naida, Italy



Mircea, Romania



Esther, Spain



Dan, Sweden



Gábor, Hungary



Magdalena, Poland





## Community and territories

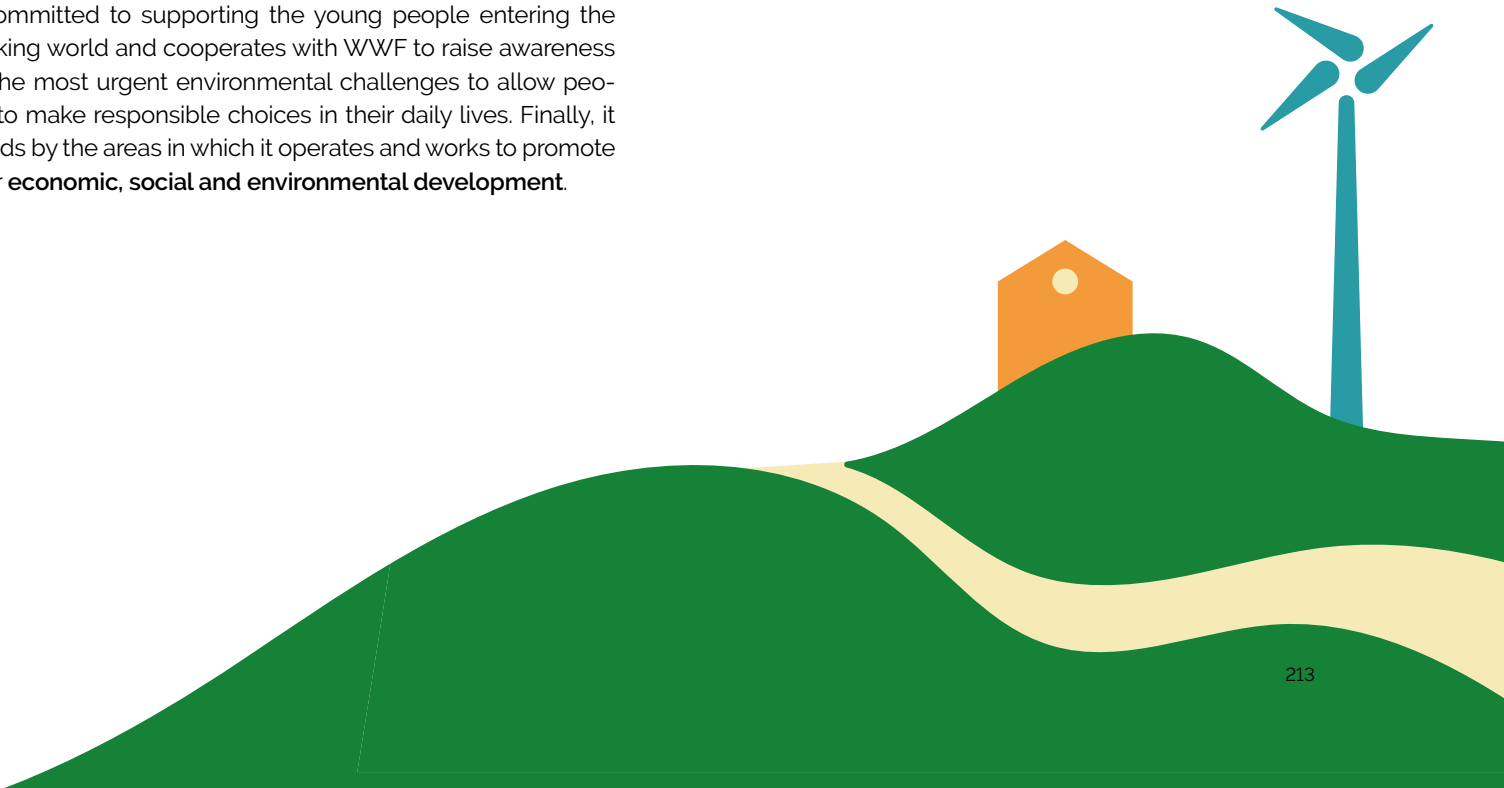
Today, we are experiencing a complex moment, characterized by uncertainty and great transformations. We are living an epochal transition, both ecological and digital, which is changing the economy and society. The Russian invasion of Ukraine continues, and we are faced with growing international geopolitical instability and repeated human rights violations in many countries.

In this context, Sofidel feels the need to commit to the search for new production models capable of combining profit goals and growth, with a renewed attention towards people, social impact and territorial development. We want to have a positive impact in the reality in which we operate and are thus committed in various directions **to promote the well-being of people and safeguard the Planet.**

By first building strong relationships with our stakeholders, listening to their needs and nurturing a constant dialog based on the principles of honesty, transparency and cooperation. In this period, our stakeholders and all people with whom we work have proven to be a precious resource needed to confidently address the challenges and difficulties humanity is facing.

Sofidel works to strengthen a shared culture capable of engaging and motivating its resources within the company. It is committed to supporting the young people entering the working world and cooperates with WWF to raise awareness on the most urgent environmental challenges to allow people to make responsible choices in their daily lives. Finally, it stands by the areas in which it operates and works to promote their **economic, social and environmental development.**

**THE GROUP'S SHARED CULTURE IS CHARACTERIZED BY A STRONG AWARENESS OF ITS RESPONSIBILITIES TOWARDS PEOPLE AND THE PLANET.**







## Shared passion and culture

Companies are made of people's passions and talents. People with skills and capable of envisioning new solutions and opportunities. For us, the most important challenge is that of being able to engage and motivate all those working with us on a daily basis.

In a big Group such as ours, we deal with very different cultures, needs and personal and professional backgrounds, but also with generations who lived through different experiences and historical times, thus with all that this entails in terms of values, lifestyles and future ambitions. It's a bumpy journey, made up of moments in which harmony and cohesion are stronger than ever and others where they are more difficult to achieve, wherein motivation and the sense of belonging must be built. To this end, we implemented some internal communication initiatives which help us inform and connect the people we work, to **collect ideas, share successes and create team spirit and a sense of belonging**. In other words,

initiatives aimed at keeping a high level of passion!

### THE "WE, SOFIDEL" CALENDAR

The "We, Sofidel. Our Passions Fuel Our Future" project was intended to give life to a 2023 calendar made with the help of the people we work with, those who enrich corporate life each day through their talent and passion. The Group's colleagues were asked to share their passions using pictures and videos **capable of becoming a source of inspiration for the new year**. An external jury, made up of communication and business experts, selected the 13 passions deemed most representative of Sofidel and most useful for the creation of a positive and motivating work environment. Pietro Paolini, a renowned Italian photographer, was entrusted the task of reinterpreting them through the lens of his camera. This shared project gave life to the 2023 calendar, which was created by the uniqueness and passions of colleagues from all Sofidel countries<sup>43</sup>.

### THE PEOPLE & PAPER MAGAZINE

In 2022, on a quarterly basis, we published the "People & Paper" magazine, an internal communication tool for sharing information and **developing a sense of belonging and shared culture**. The magazine is intended to ensure the people we work with are aware of the values, strategies, people, decisions, results and significant moments that enrich corporate life. The magazine is translated in 10 languages and issued in 12 countries.

### THE SOFT & GREEN BLOG

In 2022, we also addressed topics linked to environmental and social sustainability on the "Soft & Green" blog to give voice to current topics and projects of interest in terms of culture and corporate *modus operandi*. We are trying to do this in a clear, simple and pleasant way to help create the **value of shared knowledge**. This is a concrete commitment aimed at raising awareness and promoting change in the habits and decisions of people.

### THE FUTURE MAGAZINE

At the beginning of 2022, we published "FUTURE - Building a Better World Together", the magazine dedicated to our supply chain. The magazine, in digital and paper format, illustrates sustainability stories from all over the world **to share "good practices" and promote dialog among the Group's suppliers**. The initiative is designed to motivate them to increasingly become more responsible and proud of working with Sofidel.

OUR COMMUNICATION IS BASED ON VALUES OF HONESTY, INCLUSION AND PROPER INFORMATION, BUT ALSO ON THE ACTIONS BOUND TO HAVE A POSITIVE IMPACT ON PEOPLE AND THE PLANET.



<sup>43</sup>The pictures of the We, Sofidel calendar's protagonists are on pages 210-211 of the 2022 integrated report.







## Dialog with our stakeholders and commitment to society

Sofidel continuously dialogs and discusses with the academic world and some of the main international non-profit organizations to stay up-to-date and share visions and reflections on the most urgent issues humanity must face. The exchange allows to increase our knowledge and detect signs of hope and encouragement for the future.

### THE COMMITMENT WITH THE UNITED NATIONS' GLOBAL IMPACT WAS STRENGTHENED

Next year, it will be 15 years since Sofidel started working with the Global Compact Network Italy Foundation, the Italian office of the United Nations' Global Compact. In 2022 Sofidel helped draft the Position Paper **"Sustainable supply chain management: the responsibilities and opportunities of companies"**, presented in Sharm el-Sheikh in occasion of the COP27, the United Nations' Climate Conference.

**Supply chains drive global economy.** Today, it is estimated that 80% of global trade depends on the supply chain<sup>44</sup>. The open markets have allowed companies to source and outsource production to suppliers operating in developing countries, thus creating more socio-economic growth opportunities, but also increasing the risk of socially irresponsible practices.

In Sofidel, we are convinced that the sustainable management of the supply chain is one of the most important levers needed to create a positive impact at social and environmental level<sup>45</sup>. In the future, it's essential to involve the supply chain in the fight against climatic change and in creating working conditions respectful of human rights and capable of fostering a more equal and inclusive society.

More than 30 Italian companies, coming from the most representative sectors of the entrepreneurial fabric, took part in the drafting of the document with Sofidel. Each company had the opportunity to present, in the form of business-cases, its commitment, thus giving life to a very interesting discussion from which to learn, taking inspiration from best practices.

### 15 YEARS WITH WWF

In 2022, Sofidel celebrated **15 years of partnership with WWF**. This partnership made us **stronger and more aware** of our role as a responsible company. Stronger in defending biodiversity and natural ecosystems, in the fight against

climate change and in making the younger generations understand how essential it is to overcome environmental changes. This exchange prompted us to set ambitious goals, such as reducing emissions by 40% by 2030, using natural resources in an increasingly more responsible way and drastically reducing the use of plastic. Thanks to WWF, at Sofidel, we renew our commitment to a healthier, fairer and more sustainable world each day.

### SOFIDEL4TALENT, THE COURSE FOR TRAINING FOREST PROFESSIONALS

To celebrate 15 years of partnership, Sofidel and WWF launched "Sofidel4Talent", an **applied training course in forest preservation and management** to train the young professionals destined to take care of Italian forests in the future. Organized with the sponsorship of RUS (Universities for Sustainable Development Network), "Sofidel4Talent" was carried out at the end of May, in the WWF Biodiversity Museum of Monticiano and in the Natural Reserve of Alto Merse, in the province of Siena. The call to join the initiative allowed us to select **15 young undergraduates and recent graduates of scientific and naturalistic disciplines** who were very eager to take part in an on-field training experience. A total of over 160 applications were received.

### WWF'S RENATURE ITALY PROJECT AND THE OASES BY NIGHT WITH SOFIDEL

Another initiative to celebrate 15 years of partnership with WWF concerns the **ReNature Italy project. Regenerating Italy's nature**. The goal of "ReNature Italy" is to protect and regenerate our country's natural capital, by reversing the loss of biodiversity and fostering coexistence between men and nature for the benefit of current and future generations. Sofidel participates in ReNature Italy with the Regina brand and by taking care of 15 WWF oases. Moreover, in the summer, it organized, together with WWF Italy, the **"Oases by Night"** initiative, i.e. a series of appointments and visits to discover the 15 WWF Oases that Regina supports. Among the appointments: "On the trail of Wolves – Wolf Howling Night," "The Tears of San Lorenzo", "Night Flights" and "The Oasis at sunset."



<sup>44</sup> Source: Sustainable supply chain management: the responsibilities and opportunities of companies. Global Compact Network Italy, 2022, page 6.

<sup>45</sup> According to a 2020 Carbon Disclosure Project study, conducted on more than 8,000 companies worldwide, emissions from the supply chain are on the average 11.4 times higher than direct emissions. As a result, the setting of goals to reduce emissions along the entire value chain is becoming a new corporate priority.





#### I'LL TAKE CARE OF YOU : WORKING WITH SCHOOLS TOWARDS THE 2030 AGENDA

Sofidel renewed the environmental education project "I'll Take Care of You," promoted in partnership with WWF Italy and its Regina brand. Aimed at the primary and secondary Italian schools, "I'll Take Care of You" is a **free educational program** designed to teach the young to love our planet and to raise awareness on the **goals of the UN's 2030 Agenda**. Implemented in 2014, "I'll Take Care of You" involved almost 800 thousand children and adolescents and provided insight on the **Forest, Water and Climate** issues. The project is integrated within the ministerial guidelines on the teaching of Civic Education. The 2022/2023 edition explores the topics of **water and pollution** of our seas, oceans, lakes and rivers with respect to plastic.

#### SOFIDEL "MAIN SPONSOR" OF THE PLANET EARTH FESTIVAL

Sofidel supported, as "Main Sponsor," the first edition of the **"Planet Earth Festival – A revolution for sustainability**, an event designed and organized by the Laterza Publishers under the scientific direction of Stefano Mancuso. This multidisciplinary event, which was held in Lucca from October 6 to 9, 2022, witnessed the participation of scientists, biologists, ge-

ology and natural science experts, philosophers, writers and journalists. The goal of the Festival was to raise awareness on the issues of ecological transition and social inequalities, **to allow people to become the drivers of change**. Sofidel starred in two meetings: "Everything lives. Let's start anew from a renewed ecology of ourselves" and "Energetic transition. The challenge companies must overcome."

#### THE PARTNERSHIP WITH THE EUROPEAN AGENCY OF HEALTH AND SAFETY AT WORK CONTINUES

Sofidel adhered to the biennial campaign (2020 – 2022) **"Healthy and safe workplaces. Let's lighten the load!"**, organized by the European Agency for Health and Safety at work (EU-OSHA). The goal of the campaign was to focus attention on work-related **musculoskeletal disorders** (MSDs) through a program of actions and events aimed at raising awareness on a topic which affects millions of workers throughout Europe.

#### THE NEXTGEN PROJECT IN ITALIAN UNIVERSITIES

The "NextGen" project was also pursued this year. Together, Sofidel and WWF participated in eight meetings organized in as many Italian universities. All meetings addressed the **value of partnerships between profit e non-profit** organiza-



tions topic, starting from the experience of the sustainability projects implemented by Sofidel and WWF Italy and aimed at protecting nature and raising awareness on the environmental crises and at providing insight on how to address them. Moreover, Sofidel brought its own know-how to the "Communication forms and strategies" Master of the Catholic University of the Sacred Heart of Milan and to the "Sustainability and corporate social responsibility communication" Master of the 24Ore Business School, by involving students in two projects based on the company's sustainability initiatives.

#### SOFIDEL AT THE CSR AND SOCIAL INNOVATION EXHIBITION

Sofidel participated in the **"Sustainable Connections"** event, the tenth edition of the "CSR and social innovation exhibition," one of the main meetings, in Italy, dedicated to the topics of sustainability and Corporate Social Responsibility (CSR). At the event, Sofidel made two interventions. The first was during the **"Resilient chains: large companies vs. SMEs"** debate, to which Sofidel invited Plastylenia, the supplier with whom it developed the paper packaging of its products, to participate. The second was during the **"From delivery to co-planning"** session which was dedicated to the positive partnership experiences with companies and organizations of the Third-tier Sector.

#### SOFIDEL AND GREEN WEEK

In May, Sofidel took part in the **Green Week** of Parma, an event dedicated to the green economy issue. The partnership consisted of two moments: **Sustainable Factories**, a journey to discover the most innovative and sustainable Italian production realities, wherein Sofidel welcomed a hundred youngsters, among which students, doctoral students and researchers from the country's best universities; **Green Economy Festival**, an event involving important experts of economy, finance and institutions attentive to the sustainability issue, wherein Sofidel's CEO, Luigi Lazzareschi, took part in the **"Raw materials, inflation, energy: is sustainability still a priority?"** meeting.







## Projects to promote the entry of young people into the world of work

**Sofidel believes in young people** and views them as an extraordinary resource for building a better future. The company has been at their side for years, with projects and partnerships in the world of education in support of the training of new generations and to **foster their employment**.

In Tuscany, Sofidel cooperates with secondary schools, Upper Technical Institutes and Universities to contextualize the theoretical notions of educational programs within the paper industry. The goal is that of **making scholastic education consistent**, by providing students with the skills needed to enter the working world.

In 2022, with the easing of the pandemic emergency, Sofidel carried out numerous projects. The internships, for the drafting of the graduation theses, and ITS courses were once again held in person, thus bringing even more value to students' experience. The school-work alternation experience, via the **"Transversal Skills and Orientation Courses"** (PCTO), were carried out on-field for almost every project.

### RAISING THE LEVEL OF SKILLS

In 2022, the Federation of Italian Employers once again recognized Sofidel's commitment to the delivery of high quality training programs and **skill mismatching phenomenon**, i.e. the misalignment between the demands and offers of the working world which slows down a country's economic and social development.

In particular, the Federation of Italian Employers valued our commitment to training the new generations by awarding Sofidel two recognitions: the **Quality Alternation Recognition** (QAR) and the **ITS Business Recognition** (ITSBR).

The QAR rewards companies that stood out for the quality of the **School-work alternation** programs, by promoting virtuous cooperations with upper secondary schools and professional training centers.

The ITSBR rewards companies committed in the **diffusion of technical culture and STEM disciplines**, thanks to the support and promotion of the ITS Foundations present on the national territory.

### THE PAPERGEAR22 AND PAPER21 PROJECTS

The first edition of the project PAPERGEAR22 – Specialized Technician for innovating processes and machinery in the paper-making sector, **aimed at training highly specialized technicians in the technical areas of paper-making mechanics**, was concluded in 2022. Sofidel took part in the project as a partner of the ITS Prime Foundation and by making the expertise of its managers available for the lessons and welcoming student internships. Moreover, the implementation of the second edition of the two-year course PAPER21 – Specialized technician for managing production in the paper-making sector, to which Sofidel participated by involving its experts in lectures and technical seminars, continued.

### PROMOTING TRAINING ABROAD

The company's commitment to training is not limited to Italy, as Sofidel involves all countries in which it operates. In 2022, Sofidel pursued the **pilot project named Sofidel.EDU**, with the aim of also creating strong relationships with the world of education abroad, as is being done in Italy. In this regard, the company is working to **upgrade the educational offer and quality**, by developing orientation and school-work alternation projects, but also internships and work projects in partnership with the educational institutions and universities. As in Italy, the intention is to open the doors of the working world to young people and to simultaneously train the professionals required by the paper-making industry to continue to grow and develop.



## Commitment to communities and territories

Sofidel pays attention to the **needs of the local communities and areas** in which it operates. In 2022, we implemented interventions in the social field, in favor of people in difficult situations, with the aim of supporting the communities most affected by the Covid-19 health emergency, extreme climatic events or the war. Moreover, we continued to develop partnerships with renowned valuable and reliable partners to support **programs aimed at safeguarding nature and protecting the health and well-being of people**.

### UKRAINE EMERGENCY: SOFIDEL IS ACTIVE IN HUNGARY, POLAND AND ROMANIA TO DONATE PAPER TO REFUGEES FLEEING THE WAR

Sofidel responded to the humanitarian emergency caused by the war in Ukraine by donating its products to the countries most involved in hosting refugees, or thousands of civilians that fled the conflict.

The initiative concerned the subsidiary companies of Sofidel Hungary (association involved: Nagycsaládosok Országos Egyesülete - **National Organization of Families**), Sofidel Poland (associations involved: Red Cross Poland and Caritas Poland) and Sofidel Romania (association involved: **Red Cross Romania**).

**The overall amount of the donation is equivalent to about 130 thousand rolls of toilet paper.** It was Sofidel's way of expressing its support and solidarity towards the people affected by conditions of great material difficulty and profound psychological suffering.

### INITIATIVES IN FAVOR OF THE ITALIAN TERRITORY

For **Christmas**, the Group donated **600 food parcels** to families suffering from social and economic hardships. The parcels were distributed to some of the volunteer associations operating throughout the area: Caritas of Lucca, Caritas of Pescia, Green Cross of Porcari, Misericordia of Borgo a Mozzano. Moreover, in support of the local economy, **only local products** were selected for the usual Christmas package given to employees.

At **Easter**, Sofidel made a donation to **AIL Lucca**, the local Italian association against Leukemia, Lymphoma and Myeloma, and bought a thousand of AIL's traditional chocolate eggs. The eggs were delivered to families in difficult economic and social situations.

Finally, for **Mother's Day**, Sofidel gave an **"Azalea in favor of Research"** to the new mothers of the Municipality of Porcari in support of AIRC's researchers in the fight against cancer.

### THE GIUSEPPE LAZZARESCHI FOUNDATION

Strongly desired by the Lazzareschi family, the Foundation was founded in 2003, in memory of their father Giuseppe, founder of Sofidel together with Emi Stefani. The goal of the Foundation is **that of promoting the cultural, social and entrepreneurial growth of the Lucca area**, historical seat of the Group, and Tuscan region in general.

A decisive figure of the economic development of the city of Porcari and very attentive to environmental issues and safety in the workplace, Giuseppe Lazzareschi built his life and entrepreneurial activity on the values of **honesty, respect and loyalty**. These principles also animate the activities of the Foundation, which, together with the Municipality of Porcari, has become a point of reference for all realities operating in the area. Driver of the growth and enhancement of the cultural, social and entrepreneurial heritage of the area, the Foundation has organized exhibitions, events, conferences and fairs, involving an ever wider audience over the years.

In 2022, with the easing of the pandemic, the Foundation resumed its activities at full rhythm, with its traditional calendar events - Objective Zero and Blooming Porcari - and two completely new events.

The **Goal Zero** project on safety rewarded the Italian paper-making and paper goods plants that achieved the best results in the effort to eliminate accidents in the workplace.

**Blooming Porcari**, the event dedicated to spring and the environment, engaged the community in a cheerful and colorful festival, with flowers, plants, craft markets, street artists and the inevitable street food stations. This year's theme, "Our future without plastic," allowed the Foundation to **raise awareness among the community in the fight against single-use plastic** by organizing numerous round discussion tables with schools and encounters with the experts and representatives of virtuous companies.

Instead, the 2022 novelties included the **Paper Festival**, the festival of tissues, cardboard and paper, and the series of **Movie club meetings** organized with the "Ezechiele" club of Lucca. With the Paper Festival, the Foundation wanted to celebrate





**SOFIDEL AMERICA AND OCEAN CONSERVANCY FOR CLEANING THE OCEANS**

The partnership with the non-governmental US association Ocean Conservancy continued in 2022. Sofidel America supports the association to contribute to the **protection of oceans** and of the communities that rely on them for a living. Together with Ocean Conservancy, the company is committed to the **fight against plastic and climate change**, which cause sudden increases in temperatures and acidification phenomena that can lead to the loss of habitats and marine species. In 2022, Sofidel America sponsored two "Coastal Clean Up" events: the first involved thousands of volunteers in the cleaning of plastic waste abandoned in lakes, rivers, coasts and beaches across the United States; the second was held in South Padre Beach, Texas.

**SOFIDEL IN SUPPORT TELETHON ITALY WITH NICKY**

Sofidel, through the Nicky brand products, renewed the eleventh year of its partnership with the Telethon Foundation, committed to **supporting research on rare genetic diseases**. Since 2012, Sofidel supports the Telethon Foundation with a consistent donation and promotes its projects on the packaging of the Nicky products, website and Facebook and Instagram pages.

**SOFIDEL IN SUPPORT OF WOODLAND TRUST WITH NICKY IN THE UK**

Thanks to the partnership of Nicky with Woodland Trust, the UK's woodland conservation organization, Sofidel endorsed the **planting of 250,000 native trees** and undertakes to protect 1,200 wooded areas of the UK. The UK is one of the least

forested countries in Europe<sup>46</sup>: only 13.2% compared to an average of 37% in the rest of Europe.

**SOFIDEL WITH TALEA FOR AN URBAN FORESTRY PROJECT IN LUCCA**

Also this year, Sofidel endorsed the **"New Trees" project**, the initiative implemented with the Talea Association and Municipality of Lucca to **plant three thousand native trees by 2023**, of which 750 funded by Sofidel. Talea is an association founded by some youngsters from Lucca to promote and organize events, projects and initiatives on environmental education and sustainability in the area.

**SOFIDEL AND I BAMBINI DELLE FATE**

In 2022, Sofidel continued to support I Bambini delle Fate (Fairy Children), a social organization in support of **social inclusion projects and courses** dedicated to families with **relatives affected with autism and other disabilities** since 2005.



<sup>46</sup> Source: Woodland Trust 2022



the paper district over three days completely dedicated to paper and cardboard. On the stage of the "Paper Fortress", set up in Orsi square using a **very colorful papier-mâché system made by the tank masters of Viareggio**, a succession of talk shows, parades, live music, meetings and shows animated the square. Moreover, the Foundation dedicated

an award in memory of Luca Boschi, a renowned comics expert worldwide who passed away prematurely. Finally, together with the Ezechiele club of Lucca, the Lazzareschi Foundation inaugurated a series of flicks dedicated to the great **film director Luchino Visconti**: four films and a final debate, which was much appreciated by the public.

07

# FINANCIAL RESULTS





WE OPERATE BASED ON VALUES THAT ARE COMMON TO THE WHOLE GROUP – INTEGRITY, HONESTY AND FAIRNESS – AND ON ACTIONS THAT POSITIVELY IMPACT THE ENVIRONMENT AND SOCIETY.

THIS APPROACH IS ORIENTED TOWARDS TRANSPARENCY OF RESULTS, PRECISE ANALYSIS OF THE ECONOMIC AND FINANCIAL PERFORMANCE OF THE BUSINESS, MONITORING AND MANAGEMENT OF RISKS, AND THE CONSTANT REPORTING OF THE INVESTMENTS MADE. TAKEN TOGETHER, WE AIM TO PURSUE GROWTH AND DEVELOPMENT THAT IS TRULY SUSTAINABLE.

AT 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 BENEFITS (SHARED VALUE) FOR ALL STAKEHOLDERS AND AT ALL STAGES OF THE VALUE CREATION CHAIN.



## Highlights 2022

**2,801 €/M**

Net Sales  
(vs. 2,095 Euro/M 2021)

**390 €/M**

EBITDA  
(vs. 218 Euro/M 2021)

**13.94%**

EBITDA / Net Sales %  
(vs. 10.42% 2021)

**242 €/M**

Net operative cash flow  
(vs. 235 Euro/M 2021)

**8.63%**

Net operative cash flow/Net sales  
(vs. 11.24% 2021)

**2.72**

NFP/EBITDA  
(vs. 4.67 2021)

**1.1**

NFP/NET WORTH  
(vs. 1.11 2021)





## Performance of the world economy

2022 was characterized, almost everywhere, by high inflation, as well as by general uncertainty linked to the increase of energy costs in the Euro area, possible consequences of the Russia and Ukraine conflict and periodic outbreaks of coronavirus. The high inflationary levels forced the main central banks to deliberate repeated increases in interest rates and contractions of monetary policies.

### GLOBAL ECONOMIC TREND

Globally, the first quarter of 2022 showed signs of a slow-down, due to the spread of the Omicron variant of the coronavirus and, subsequently, to the Russian invasion of Ukraine. In the second quarter, the persistent constraints on the supply side were also associated with a slowdown in global demand. The GDP returned to grow in the third quarter, at least in some countries, before slowing down again in the fourth quarter of the year, partly due to the October-November measures imposed in China to contain the resurgence of the Covid-19 pandemic. However, the trends differed from area to area.

### ECONOMIC TREND IN THE US

In the US, the GDP fell in the first two quarters of the year, reflecting the contraction of investments and public spending: the weak performance of exports, further wave of the pandemic and reduction in private consumption weighed heavily. It then started to grow again in the third quarter due to a recovery in domestic demand. At the end of the year, inflation decreased moderately, in response to the measures adopted by the Federal Reserve.

### ECONOMIC TREND IN THE EURO AREA

In the Euro area, economic activity grew in the first nine months of the year, although unevenly across the various countries, thanks to the recovery in investments and household consumption, which both grew more than expected. However, the high level of energy costs, which kept the inflation rate high and fueled a widespread climate of uncertainty, characterized the first nine months of the year. In the last quarter of the year, economic activity slowed down and, with it, also energy prices, which anyhow remained at all-time high values.

Source: Bank of Italy, economic bulletins 2/2022, 3/2022, 4/2022, 1/2023; Swiss National Bank, economic bulletins: 2/2022, 3/2022, 4/2022.



## Group economic and financial performance

### SALE PRICES

The market prices of the main commodities needed for producing paper led to the trends commented below.

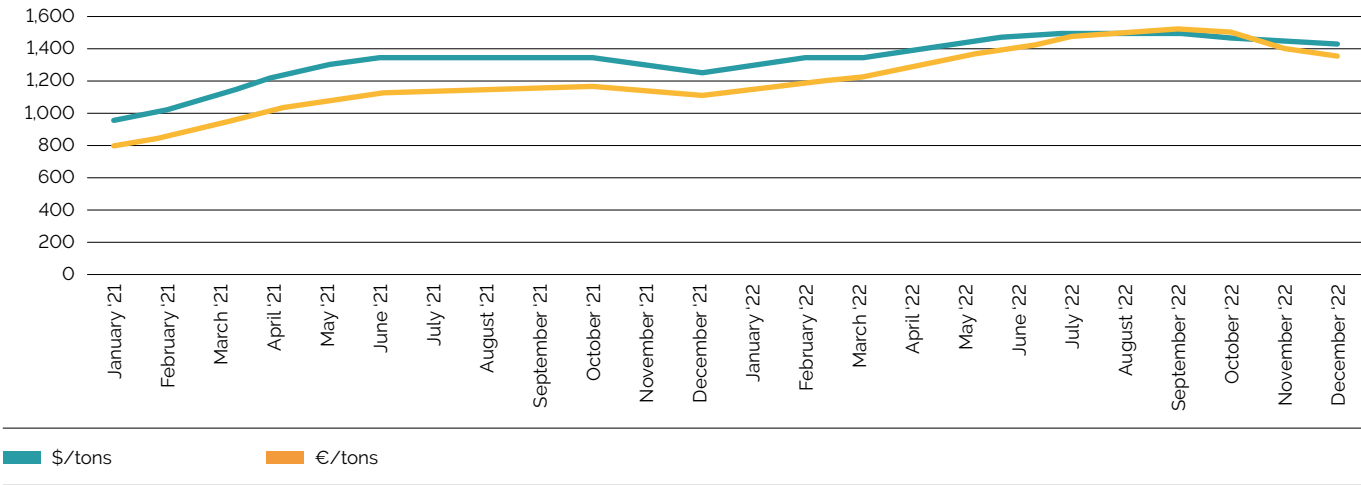
### CELLULOSE

In 2022, the purchase price of cellulose continued to increase compared to the end of 2021, thus reaching all-time highs. Among the fibers used by the group, the

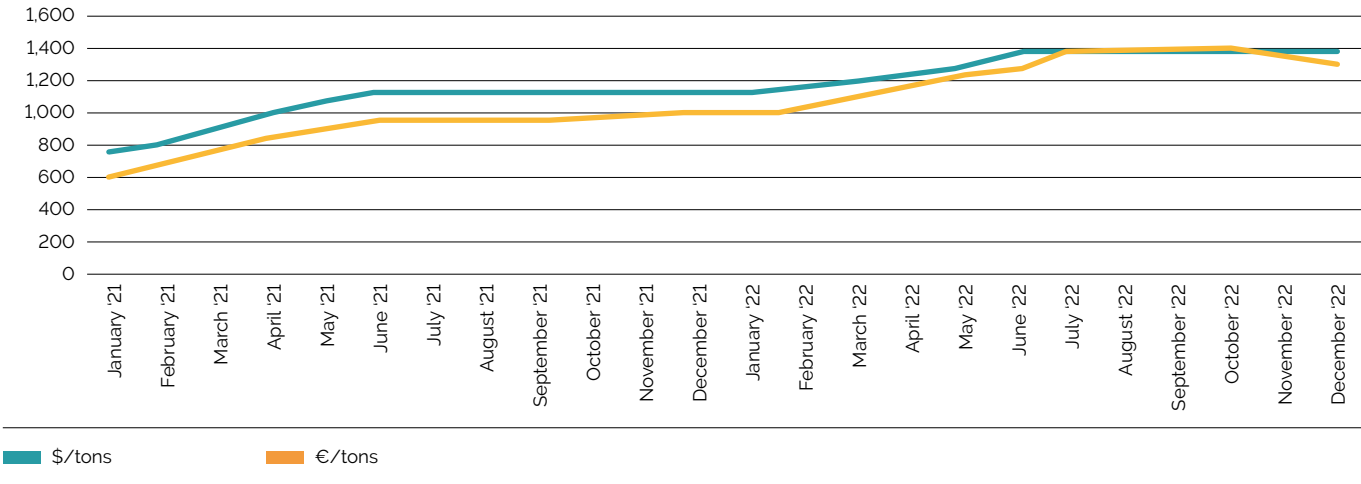
short one has had a greater cost increase than the long one, and both have anyhow exceeded the cost levels recorded in 2021.

As far as the fibrous raw material is concerned, the following graphs show the evolution of prices (expressed in USD) for both the short and long fibers, as well as the trend in Euro. (Source "Price Watch Market Pulp PPI").

### NBSK (long fiber)



### Eucalyptus (short fiber)







OTHER RAW MATERIALS

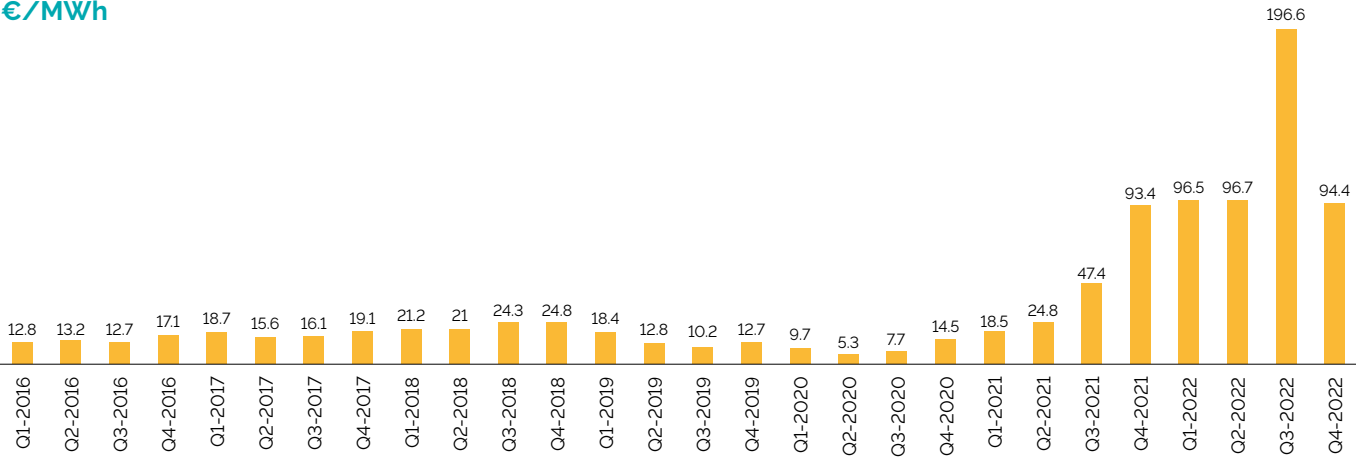
Like pulp, other raw materials used in production also increased during 2022. Inflationary phenomena led to **large increases in the price of cardboard, plastic products and chemicals.**

ENERGY

The **cost of energy increased exponentially in 2022.** Taking market values by quarter, the price of gas has significantly increased, as the following first chart shows. The same trend

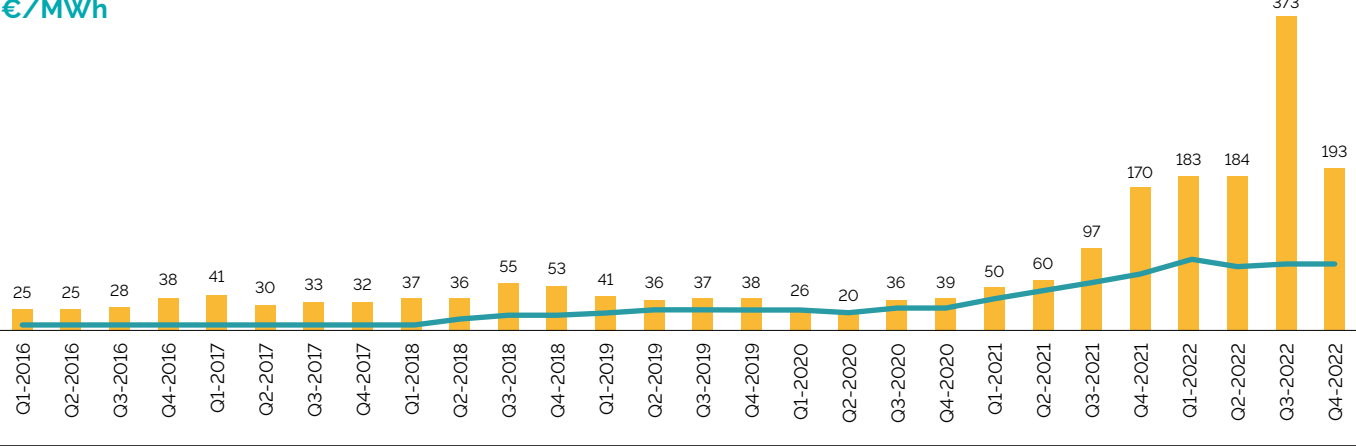
was also detected for electricity, as shown in the following second chart. These increases in an energy-intensive sector such as that of the paper industry are difficult to absorb in the medium- and long-term without an appropriate policy of increasing the prices of finished products. In America, where there is less energy dependence than Europe, the energy costs have instead risen slightly less than in Europe; always in America, gas more than doubled in 2022 (following third graph).

Increase in the cost of gas - TTF gas market price (Europe)  
€/MWh



Source: Kinect

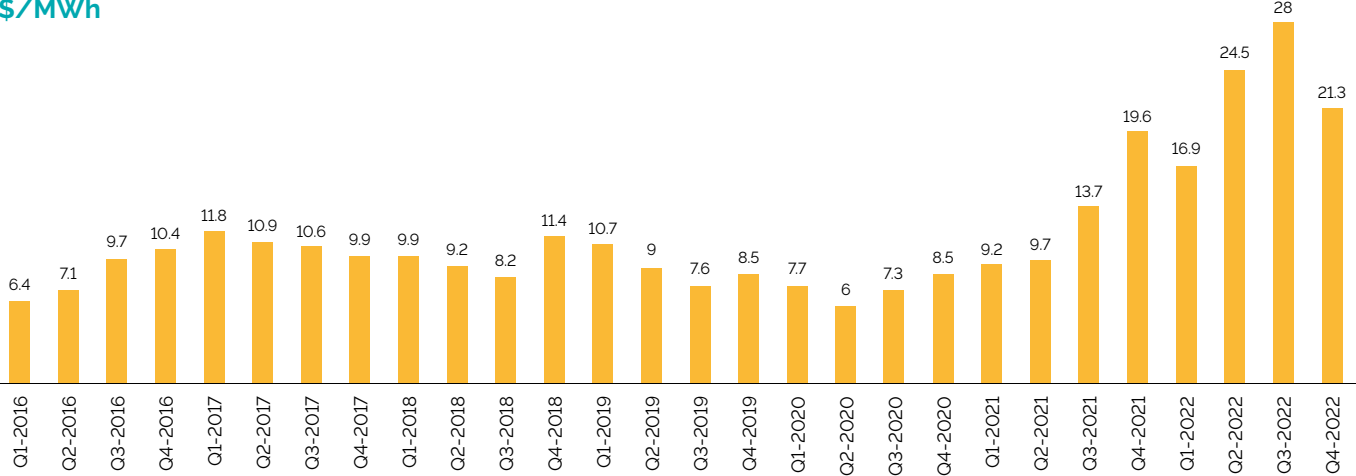
Increase in the cost of electricity - Power DE market price  
€/MWh



CO<sub>2</sub> price €/t

Source: EEX

Energy cost trends in the United States  
\$/MWh

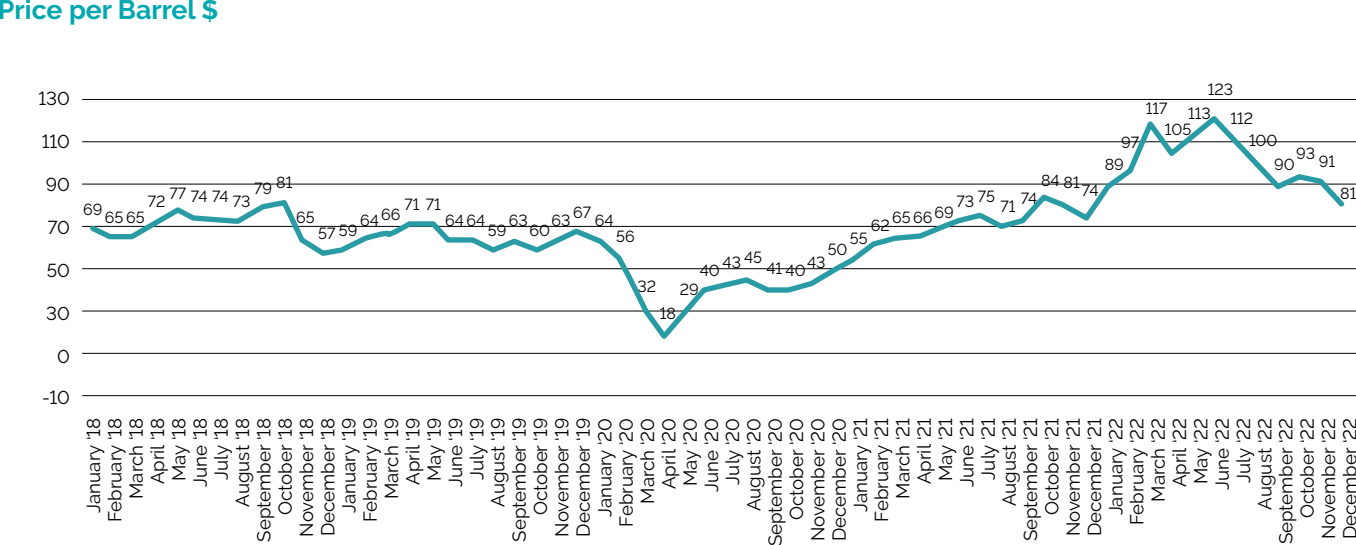


Source: Henry Hub

OIL

In 2022, the oil price index reached the highest level of the last years, thus affecting transport, as shown in the following chart.

Oil price trend - Brent Oil  
Price per Barrel \$

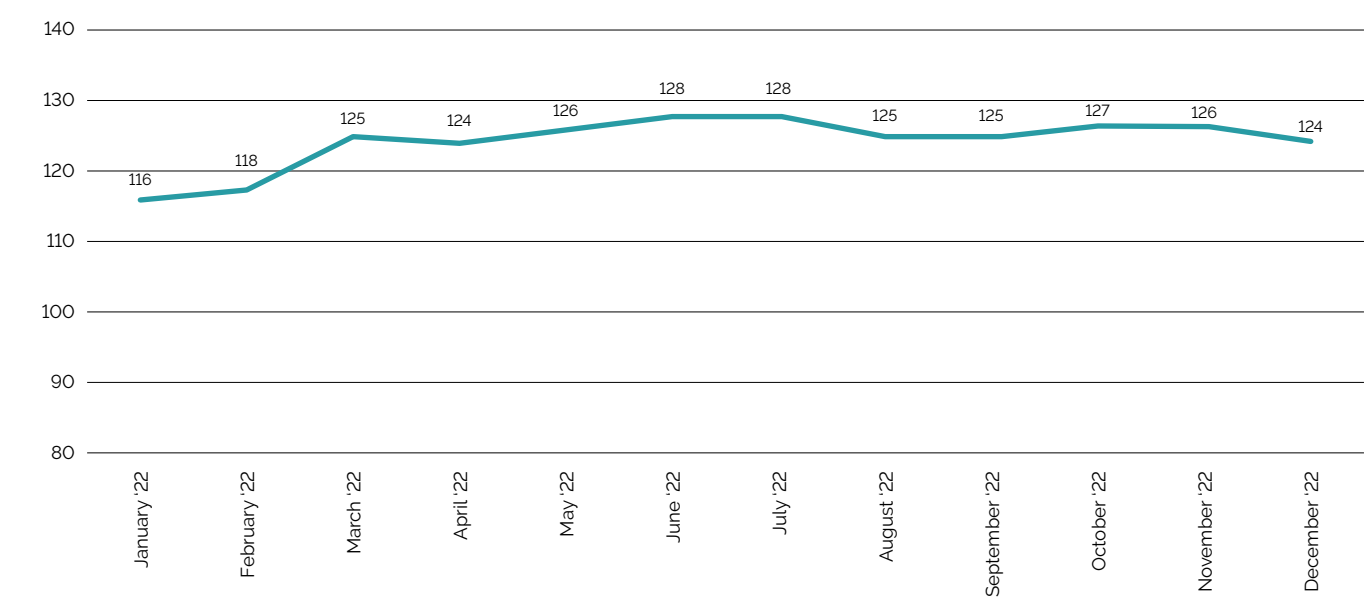


Source: EIA

In addition to the increase in the cost of fuel, the transport market was affected by a lack of availability of carriers, further increasing the price of the service.

The chart below illustrates the increasing trend of costs in Europe in 2022.

Container cost trend - Transport Index



Source: Trading Economics - European Union CPI Transportation.





## Group operating, economic and financial performance – Tables

### Economic and financial performance

The following tables are taken from the 2022 Consolidated Financial Statements.

#### Consolidated balance sheet

| (In thousands of Euro)                                       | Notes | December 31, 2022 | December 31, 2021 |
|--------------------------------------------------------------|-------|-------------------|-------------------|
| <b>NON-CURRENT ASSETS</b>                                    |       |                   |                   |
| Property, plant and equipment                                | 1     | 1,828,233         | 1,829,279         |
| Investment property                                          | 2     | 6,461             | 6,402             |
| Goodwill and investment property with indefinite useful life | 3     | 87,445            | 83,012            |
| Trademarks and other intangible assets                       | 4     | 45,825            | 45,418            |
| Rights of use for leasing                                    | 5     | 38,613            | 38,094            |
| Equity investments                                           | 6     | 1,900             | 1,854             |
| Other non-current financial assets                           | 7     | 3,513             | 10,568            |
| Deferred tax assets                                          | 8     | 165,815           | 154,417           |
| <b>Total non-current assets</b>                              |       | <b>2,177,805</b>  | <b>2,169,044</b>  |
| <b>CURRENT ASSETS</b>                                        |       |                   |                   |
| Inventories                                                  | 9     | 561,041           | 434,202           |
| Trade receivables                                            | 10    | 169,408           | 77,812            |
| Other current assets                                         | 11    | 21,338            | 17,291            |
| Tax receivables                                              | 12    | 17,459            | 10,528            |
| Other current financial assets                               | 13    | 50,775            | 1,956             |
| Cash and cash equivalents                                    | 14    | 29,982            | 140,683           |
| <b>Total current assets</b>                                  |       | <b>850,004</b>    | <b>682,472</b>    |
| Assets held for sale                                         |       | 0                 | 0                 |
| <b>Total assets</b>                                          |       | <b>3,027,809</b>  | <b>2,851,516</b>  |



| (In thousands of Euro)                                             | Notes | December 31, 2022 | December 31, 2021 |
|--------------------------------------------------------------------|-------|-------------------|-------------------|
| <b>SHAREHOLDERS' EQUITY</b>                                        |       |                   |                   |
| Share capital                                                      |       | 33,000            | 33,000            |
| Share premium reserve                                              |       | 1,500             | 1,500             |
| Legal reserve                                                      |       | 7,159             | 7,159             |
| Other reserves                                                     |       | 773,085           | 853,408           |
| Group profit (loss)                                                |       | 142,003           | 22,303            |
| <b>Total Group Shareholders' Equity</b>                            |       | <b>956,748</b>    | <b>917,370</b>    |
| Share capital and reserves pertaining to non-controlling interests |       | 66                | 62                |
| Loss attributable to non-controlling interests                     |       | 6                 | (4)               |
| <b>Total Non-Controlling Shareholders' Equity</b>                  |       | <b>72</b>         | <b>58</b>         |
| <b>Total shareholders' equity</b>                                  |       | <b>956,820</b>    | <b>917,428</b>    |
| <b>NON-CURRENT LIABILITIES</b>                                     |       |                   |                   |
| Employee severance fund and other provisions regarding personnel   | 16    | 11,750            | 14,736            |
| Deferred tax liabilities                                           | 17    | 128,131           | 108,695           |
| Provisions for risks and charges                                   | 18    | 1,036             | 884               |
| Non-current financial liabilities                                  | 19    | 741,687           | 865,950           |
| Non-current leasing liabilities                                    | 20    | 27,490            | 29,022            |
| Deferred revenues from capital grants                              | 21    | 12,715            | 16,110            |
| Other non-current liabilities                                      | 22    | 0                 | 0                 |
| <b>Total non-current liabilities</b>                               |       | <b>922,809</b>    | <b>1,035,397</b>  |
| <b>CURRENT LIABILITIES</b>                                         |       |                   |                   |
| Trade payables                                                     | 23    | 672,590           | 553,096           |
| Current financial liabilities                                      | 24    | 129,088           | 50,327            |
| Current portion of long-term borrowings                            | 25    | 239,431           | 217,715           |
| Current leasing liabilities                                        | 26    | 9,747             | 8,481             |
| Other current liabilities                                          | 27    | 81,534            | 64,027            |
| Tax payables                                                       | 28    | 15,791            | 5,046             |
| <b>Total current liabilities</b>                                   |       | <b>1,148,181</b>  | <b>898,691</b>    |
| <b>Total shareholders' equity and liabilities</b>                  |       | <b>3,027,809</b>  | <b>2,851,516</b>  |



## Consolidated income statement

| (In thousands of Euro)                                      | Notes | December 31, 2022 | December 31, 2021 |
|-------------------------------------------------------------|-------|-------------------|-------------------|
| Revenues from contracts with customers (net sales)          | 30    | 2,800,889         | 2,095,373         |
| Rental income                                               | 31    | 834               | 695               |
| Other revenues and income                                   | 32    | 68,196            | 28,248            |
| <b>Total Revenues</b>                                       |       | <b>2,869,920</b>  | <b>2,124,316</b>  |
| Raw materials, finished products and changes in inventories | 33    | (1,254,718)       | (979,912)         |
| Services                                                    | 33    | (749,107)         | (501,481)         |
| Leases and rentals                                          | 33    | (36,874)          | (30,572)          |
| Other operating costs                                       | 33    | (29,238)          | (27,427)          |
| Payroll costs                                               | 33    | (409,562)         | (366,663)         |
| <b>Gross operating margin</b>                               |       | <b>390,421</b>    | <b>218,260</b>    |
| Amortization, depreciation and write-downs                  | 33    | (164,644)         | (160,036)         |
| Provision for risks                                         | 33    | (2,501)           | (2,708)           |
| <b>Operating profit</b>                                     |       | <b>223,276</b>    | <b>55,517</b>     |
| Financial income                                            | 34    | 808               | 226               |
| Financial expenses                                          | 34    | (34,533)          | (30,330)          |
| Foreign exchange gains and losses                           | 34    | (8,078)           | (2,768)           |
| <b>Total financial income and expenses</b>                  |       | <b>(41,803)</b>   | <b>(32,872)</b>   |
| <b>Profit (loss) before tax</b>                             |       | <b>181,473</b>    | <b>22,645</b>     |
| Current taxes                                               | 35    | (31,294)          | (13,977)          |
| Deferred/(prepaid) taxes                                    | 35    | (8,169)           | 13,632            |
| <b>Profit (Loss) for the year</b>                           |       | <b>142,009</b>    | <b>22,299</b>     |
| Attributable to:                                            |       | 0                 | 0                 |
| Minority interests                                          |       | 6                 | (4)               |
| Group                                                       |       | 142,003           | 22,303            |

## Consolidated cash flow statement

| (In thousands of Euro)                                                                                           | Notes | December 31, 2022 | December 31, 2021 |
|------------------------------------------------------------------------------------------------------------------|-------|-------------------|-------------------|
| <b>Profit (loss) for the year</b>                                                                                |       | <b>142,009</b>    | <b>22,299</b>     |
| Income taxes                                                                                                     | 35    | 39,463            | 345               |
| Financial income/Expenses                                                                                        | 34    | 33,725            | 30,104            |
| <b>1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale</b> |       | <b>215,197</b>    | <b>52,748</b>     |
| Adjustment of non-monetary revenues                                                                              | 32    | (14,230)          | (12,663)          |
| Amortization/depreciation                                                                                        | 33    | 164,310           | 159,938           |
| Provisions                                                                                                       | 33    | 2,836             | 2,805             |
| <b>2. Cash flow before changes in net working capital</b>                                                        |       | <b>368,113</b>    | <b>202,828</b>    |
| Change in trade receivables                                                                                      |       | (91,596)          | 34,915            |
| Change in inventories                                                                                            |       | (126,839)         | (41,664)          |
| Change in trade payables                                                                                         |       | 103,309           | 117,569           |
| Change in short-term assets/liabilities                                                                          |       | 24,295            | (18,671)          |
| <b>3. Cash flow after changes in net working capital</b>                                                         |       | <b>277,281</b>    | <b>294,977</b>    |
| Change in other provisions and deferred tax assets                                                               |       | (2,440)           | (10,258)          |
| Income taxes (paid)                                                                                              |       | (31,294)          | (13,977)          |
| Interest paid on leasing liabilities                                                                             |       | (1,215)           | (1,434)           |
| Other changes                                                                                                    |       | (29,266)          | (45,216)          |
| <b>Cash flow from operating activities (A)</b>                                                                   |       | <b>213,066</b>    | <b>224,092</b>    |
| Disposals of tangible and intangible fixed assets                                                                | 1     | 627               | 3,603             |
| Investments in tangible and intangible fixed assets                                                              | 1     | (100,749)         | (72,354)          |
| Purchase (sale) of other financial fixed assets                                                                  |       | (46)              | (6)               |
| Capitalized interest                                                                                             | 3     | 1,264             | 202               |
| Change in trade payables - investment                                                                            |       | 16,185            | 8,203             |
| gains on disposal of fixed assets                                                                                |       | 452               | 685               |
| <b>Cash flow from investing activities (B)</b>                                                                   |       | <b>(82,267)</b>   | <b>(59,667)</b>   |
| Opening of medium/long-term loans                                                                                |       | 115,686           | 465,721           |
| Redemption of medium/long-term loans                                                                             |       | (219,160)         | (465,807)         |
| Change in short-term loans                                                                                       |       | 73,977            | (56,970)          |
| Redemption of shareholder loan                                                                                   |       | 0                 | (30,000)          |
| Change in financial assets                                                                                       |       | (37,863)          | 18,905            |
| Interest received/(paid)                                                                                         |       | (33,774)          | (30,715)          |
| Dividends (and interim dividends) paid                                                                           |       | (131,283)         | 0                 |
| Capital payments for leasing liabilities                                                                         |       | (10,730)          | (8,791)           |
| <b>Cash flow from financing activities (C)</b>                                                                   |       | <b>(243,147)</b>  | <b>(108,158)</b>  |
| <b>Increase (decrease) in net cash and cash equivalents (A+-B+-C)</b>                                            |       | <b>(112,347)</b>  | <b>56,768</b>     |
| Initial net cash and cash equivalents                                                                            |       | 140,683           | 81,177            |
| Exchange differences opening balance                                                                             |       | 1,647             | 2,738             |
| Final net cash and cash equivalents                                                                              |       | 29,983            | 140,683           |







## Investments

The investments made by the Group during the year were as follows:

| Description (values in thousands of euros)             | Amount  |
|--------------------------------------------------------|---------|
| Rights, trademarks and brands                          | 1,296   |
| Intangible fixed assets in progress                    | 1,015   |
| Land and buildings                                     | 10,082  |
| Investment property                                    | 266     |
| Plant and machinery                                    | 50,870  |
| Industrial and commercial equipment                    | 657     |
| Other tangible assets                                  | 2,761   |
| Tangible fixed assets in progress and advance payments | 33,802  |
| Total                                                  | 100,749 |

Around 34% of the value of investments during the year were made by Sofidel America, 22% by Sofidel UK and the rest by the Group companies, in particular:

- investments in new production lines and other improvements for approximately 25 million euros were made in the US;
- investments in new production lines, in a new electric sub-

station and in other improvements for approximately 19 million euros were made in the UK;

- ongoing construction of the automatic warehouse in Poland.

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.

## Calculation and distribution of Global Added Value

### GLOBAL ADDED VALUE CALCULATION

Creating value means taking care of the environment and building a positive relationship with our stakeholders, whether individuals and families, communities and territories, society, or the planet as a whole. The Global Added Value<sup>47</sup> generated by the Group in 2022 was equal

to 2,870 million euros, of which 8.1% is retained within the company, while the remaining 91.9% is distributed to external stakeholders, including the State, companies supplying goods and services, capital suppliers, and consumers and workers.

| Description (values in thousands of euros)                      | 2022      | 2021      |
|-----------------------------------------------------------------|-----------|-----------|
| Generated economic value                                        | 2,870,728 | 2,124,542 |
| Distributed economic value                                      | 2,684,687 | 1,953,131 |
| Operating costs (suppliers)                                     | 2,052,452 | 1,523,068 |
| Value distributed to employees                                  | 409,562   | 366,663   |
| Value distributed to capital suppliers (banks and shareholders) | 173,894   | 33,098    |
| Value distributed to public administrations                     | 47,123    | 29,054    |
| Value distributed to the community                              | 1,656     | 1,248     |
| Retained economic value                                         | 186,040   | 171,411   |

<sup>47</sup> The Global Added Value is a form of social disclosure which measures the economic-financial wealth produced by the Group 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.



# METHODOLOGICAL NOTE

## STANDARDS APPLIED

The twelfth edition of the Sofidel Group's Integrated Report was prepared, on a voluntary basis, in compliance with the **2021 GRI Universal Standards** – an option accorded by the Global Reporting Initiative (GRI).

The GRI standards are the main standard of global reference for Sustainability Reporting, or reporting of an organization's/company's performance in terms of sustainability. In particular, this Report was prepared according to the main GRI reporting principles with regard to the definition of the contents and quality of the report, including stakeholder inclusiveness, sustainability context, materiality, completeness, accuracy, balance, clarity, comparability, reliability and promptness.

The Integrated Report was prepared by considering the **Framework of the International Integrated Reporting Council (IIRC)**. The IIRC framework is focused on an organization's ability to create value in the short, medium and long term.

Thus, it values:

- conciseness, strategic focus, orientation towards the future and connectivity between the information and capital, with mutual interdependencies;
- the importance of integrated thinking within the organization, which consists in considering the relationships between the operating units and functions of an organization, as well as the capital the latter uses or influences.

Aspects such as the description of a corporate business model and focus on the leadership and centrality of the "sustainability context" confirm the company's desire to move towards a more integrated and integral reporting model, in which sustainability is increasingly becoming the lever used to rethink and redefine the strategy and operating processes and to address change and meet the needs and expectations of the market and society, with the ultimate goal of increasing its innovation, competitiveness and profitability.

The document was prepared by considering the sustainability topics deemed significant for the Group and its stakeholders, thus those presented in the context of the materiality analysis (see paragraph "Materiality analysis and results 2022"). The updating of the material topics followed a methodological approach in line with the novelties introduced by the **GRI 3 standards – Material Topics** appropriate for integrating the guidelines for the construction of double materiality according to the draft of the EFRAG standards.

The indicators published by **Sustainability Accounting Standards Board (SASB)** were also used as reference. Such indicators are clearly identified in the table of the paragraph "SASB performance indicators" and are to be considered supplementary to the information prepared in compliance with the GRI Universal Standards 2021.

In this report, according to American convention, dots are used to separate the decimals and commas to separate the thousands.

The GRI information of the Integrated Report was subjected to the limited review of EY S.p.A., according to the provisions of the ISAE 3000 International Standard on Assurance Engagements (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information - (ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB).

The quantitative indicators not referring to any general or topic-specific disclosure of the GRI standards, reported in the pages specified in the Content Index, are not subject to the limited review of EY S.p.A.. Moreover, the analysis of the material topics according to the double materiality method is not subject to the limited review of EY S.p.A..

## REPORT BOUNDARY

The reporting perimeter of the Integrated Report includes all the companies controlled by the parent company Sofidel S.p.A., with registered seat in Porcari (LU) - Italy, in Via Giuseppe Lazzareschi, 23. The period of reference is represented by the financial year 2022, coinciding with the calendar year running from January 1, 2022, to December 31, 2022, unless otherwise expressed in each paragraph. The periodicity of the publication of the Integrated Report is set on an annual basis. The last report, referring to the year 2021, was published in April 2022. The reporting method, in line with the one used to draft the Integrated Report of the previous years, allows to compare the data reported in this Report. Any reclassifications of the data already presented in the previous edition of the Integrated Report is duly justified in the text.

For information on the Integrated Report and reporting process adopted:

Mrs. Elena Faccio (elena.faccio@sofidel.com)

Mr. Antonio Pereda (antonio.pereda@sofidel.com)



GRI content index

| GRI standard                     | Information |                                                                             | Location                | Requirements omitted | Reason | Explanation |
|----------------------------------|-------------|-----------------------------------------------------------------------------|-------------------------|----------------------|--------|-------------|
| GENERAL DISCLOSURES              |             |                                                                             |                         |                      |        |             |
| GRI 2 - General Disclosures 2021 | 2-1         | Organizational details                                                      | p. 11, 15, 241          |                      |        |             |
|                                  | 2-2         | Entities included in the organization's sustainability reporting            | p. 241                  |                      |        |             |
|                                  | 2-3         | Reporting period, frequency and contact point                               | p. 242                  |                      |        |             |
|                                  | 2-4         | Restatements of information                                                 | p. 241                  |                      |        |             |
|                                  | 2-5         | External assurance                                                          | p. 249-251              |                      |        |             |
|                                  | 2-6         | Activities, value chain and other business relationships                    | p. 90-92, 96-129        |                      |        |             |
|                                  | 2-7         | Employees                                                                   | p. 170-177              |                      |        |             |
|                                  | 2-8         | Workers who are not employees                                               | p. 172                  |                      |        |             |
|                                  | 2-9         | Governance structure and composition                                        | p. 47-50                |                      |        |             |
|                                  | 2-10        | Nomination and selection of the highest governance body                     | p. 48                   |                      |        |             |
|                                  | 2-11        | Chair of the highest governance body                                        | p. 56                   |                      |        |             |
|                                  | 2-12        | Role of the highest governance body in overseeing the management of impacts | p. 47, 48               |                      |        |             |
|                                  | 2-13        | Delegation of responsibility for managing impacts                           | p. 48, 49               |                      |        |             |
|                                  | 2-14        | Role of the highest governance body in sustainability reporting             | p. 47-50                |                      |        |             |
|                                  | 2-15        | Conflicts of interest                                                       | p. 48                   |                      |        |             |
|                                  | 2-16        | Communication of critical concerns                                          | p. 47-50                |                      |        |             |
|                                  | 2-17        | Collective knowledge of the highest governance body                         | p. 47-50                |                      |        |             |
|                                  | 2-18        | Evaluation of performance of the highest governance body                    | p. 48                   |                      |        |             |
|                                  | 2-19        | Remuneration policies                                                       | p. 193                  |                      |        |             |
|                                  | 2-20        | Process to determine remuneration                                           | p. 193                  |                      |        |             |
|                                  | 2-21        | Annual total compensation ratio                                             | p. 193                  |                      |        |             |
|                                  | 2-22        | Statement on sustainable development strategy                               | p. 7, 8                 |                      |        |             |
|                                  | 2-23        | Policy commitments                                                          | p. 21-43                |                      |        |             |
|                                  | 2-24        | Embedding policy commitments                                                | p. 21-43, 135, 188, 189 |                      |        |             |
|                                  | 2-25        | Processes to remediate negative impacts                                     | p. 58-78                |                      |        |             |

| GRI standard                        | Information |                                                                              | Location                                                                       | Requirements omitted | Reason | Explanation |
|-------------------------------------|-------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------|--------|-------------|
|                                     | 2-26        | Mechanisms for seeking advice and raising concerns                           | p. 58-59                                                                       |                      |        |             |
|                                     | 2-27        | Compliance with laws and regulations                                         | IN 2022, no episodes of non-compliance with laws and regulations were detected |                      |        |             |
|                                     | 2-28        | Membership associations                                                      | p. 48-66                                                                       |                      |        |             |
|                                     | 2-29        | Approach to stakeholder engagement                                           | p. 34-43                                                                       |                      |        |             |
|                                     | 2-30        | Collective bargaining agreements                                             | p. 185                                                                         |                      |        |             |
| MATERIAL TOPICS                     |             |                                                                              |                                                                                |                      |        |             |
| GRI 3: Material topics 2021         | 3-1         | Process to determine material topics                                         | p. 34-43                                                                       |                      |        |             |
|                                     | 3-2         | List of material topics                                                      | p. 38, 39                                                                      |                      |        |             |
| ECONOMIC PERFORMANCE                |             |                                                                              |                                                                                |                      |        |             |
| GRI 3: Material topics 2021         | 3-3         | Management of material topics                                                | p. 227, 239                                                                    |                      |        |             |
| GRI 201: Economic performance 2016  | 201-1       | Direct economic value generated and distributed                              | p. 239                                                                         |                      |        |             |
| MARKET PRESENCE                     |             |                                                                              |                                                                                |                      |        |             |
| GRI 3: Material topics 2021         | 3-3         | Management of material topics                                                | p. 194                                                                         |                      |        |             |
| GRI 202: Market presence 2016       | 202-1       | Ratios of standard entry level wage by gender compared to local minimum wage | p. 194-196                                                                     |                      |        |             |
| PROCUREMENT PRACTICES               |             |                                                                              |                                                                                |                      |        |             |
| GRI 3: Material topics 2021         | 3-3         | Management of material topics                                                | p. 121                                                                         |                      |        |             |
| GRI 204: Procurement practices 2016 | 204-1       | Proportion of spending on local suppliers                                    | p. 121                                                                         |                      |        |             |
| ANTICORRUPTION                      |             |                                                                              |                                                                                |                      |        |             |
| GRI 3: Material topics 2021         | 3-3         | Management of material topics                                                | p. 59, 73, 74                                                                  |                      |        |             |
| GRI 205: Anticorruption 2016        | 205-1       | Operations assessed for risks related to corruption                          | p. 59, 73, 74                                                                  |                      |        |             |

| GRI standard                      | Information | Location                                       | Requirements omitted       | Reason | Explanation |
|-----------------------------------|-------------|------------------------------------------------|----------------------------|--------|-------------|
| MATERIALS                         |             |                                                |                            |        |             |
| GRI 3: Material topics 2021       | 3-3         | Management of material topics                  | p. 136, 137                |        |             |
| GRI 301: Materials 2016           | 301-1       | Materials used by weight or volume             | p. 136, 137                |        |             |
|                                   | 301-2       | Recycled input materials used                  | p. 136, 137                |        |             |
| ENERGY                            |             |                                                |                            |        |             |
| GRI 3: Material topics 2021       | 3-3         | Management of material topics                  | p. 140, 144, 148, 149, 151 |        |             |
| GRI 302: Energy 2016              | 302-1       | Energy consumption within the organization     | p. 142                     |        |             |
|                                   | 302-2       | Energy consumption outside of the organization | p. 143                     |        |             |
|                                   | 302-3       | Energy intensity                               | p. 140                     |        |             |
|                                   | 302-4       | Reduction of energy consumption                | p. 140                     |        |             |
| WATER AND EFFLUENTS               |             |                                                |                            |        |             |
| GRI 3: Material topics 2021       | 3-3         | Management of material topics                  | p. 152, 153                |        |             |
| GRI 303: Water and effluents 2018 | 303-1       | Interactions with water as a shared resource   | p. 153                     |        |             |
|                                   | 303-2       | Management of water discharge-related impacts  | p. 153, 155                |        |             |
|                                   | 303-3       | Water withdrawal                               | p. 154                     |        |             |
|                                   | 303-4       | Water discharge                                | p. 155                     |        |             |
|                                   | 303-5       | Water consumption                              | p. 154                     |        |             |
| EMISSIONS                         |             |                                                |                            |        |             |
| GRI 3: Material topics 2021       | 3-3         | Management of material topics                  | p. 148, 151                |        |             |

| GRI standard                               | Information | Location                                                                       | Requirements omitted | Reason | Explanation |
|--------------------------------------------|-------------|--------------------------------------------------------------------------------|----------------------|--------|-------------|
| GRI 305: Emissions 2016                    | 305-1       | Direct (Scope 1) GHG emissions                                                 | p. 150               |        |             |
|                                            | 305-2       | Energy indirect (Scope 2) GHG emissions                                        | p. 150               |        |             |
|                                            | 305-3       | Other indirect (Scope 3) GHG emissions                                         | p. 149               |        |             |
|                                            | 305-4       | GHG emissions intensity                                                        | p. 150               |        |             |
|                                            | 305-5       | Reduction of GHG emissions                                                     | p. 150               |        |             |
|                                            | 305-7       | Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions | p. 151               |        |             |
| WASTE                                      |             |                                                                                |                      |        |             |
| GRI 3: Material topics 2021                | 3-3         | Management of material topics                                                  | p. 160               |        |             |
| GRI 306: Waste 2020                        | 306-1       | Waste generation and significant waste-related impacts                         | p. 161               |        |             |
|                                            | 306-2       | Management of significant waste-related impacts                                | p. 160, 161          |        |             |
|                                            | 306-3       | Waste generated                                                                | p. 161               |        |             |
| SUPPLIER ENVIRONMENTAL ASSESSMENT          |             |                                                                                |                      |        |             |
| GRI 3: Material topics 2021                | 3-3         | Management of material topics                                                  | p. 114-115           |        |             |
| GRI 308: Supplier environmental assessment | 308-1       | New suppliers that were screened using environmental criteria                  | p. 117               |        |             |
| EMPLOYMENT                                 |             |                                                                                |                      |        |             |
| GRI 3: Material topics 2021                | 3-3         | Management of material topics                                                  | p. 178               |        |             |
| GRI 401: Employment 2016                   | 401-1       | New employee hires and employee turnover                                       | p. 178-184           |        |             |
|                                            | 401-3       | Parental leave                                                                 | p. 189, 190          |        |             |
| LABOR/MANAGEMENT RELATIONS                 |             |                                                                                |                      |        |             |
| GRI 3: Material topics 2021                | 3-3         | Management of material topics                                                  | p. 185, 188          |        |             |
| GRI 402: Labor/Management Relations 2016   | 402-1       | Minimum notice periods of operational changes                                  | p. 185               |        |             |
| OCCUPATIONAL HEALTH AND SAFETY             |             |                                                                                |                      |        |             |
| GRI 3: Material topics 2021                | 3-3         | Management of material topics                                                  | p. 203-204           |        |             |



| GRI standard                                  |       | Information                                                                                                   | Location                                                      | Requirements omitted | Reason | Explanation |
|-----------------------------------------------|-------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|----------------------|--------|-------------|
| GRI 403: Occupational health and safety 2018  | 403-1 | Occupational health and safety management system                                                              | p. 203                                                        |                      |        |             |
|                                               | 403-2 | Hazard identification, risk assessment, and incident investigation                                            | p. 204                                                        |                      |        |             |
|                                               | 403-3 | Occupational health services                                                                                  | p. 209                                                        |                      |        |             |
|                                               | 403-4 | Worker participation, consultation, and communication on occupational health and safety                       | p. 203, 204, 209                                              |                      |        |             |
|                                               | 403-5 | Worker training on occupational health and safety                                                             | p. 204                                                        |                      |        |             |
|                                               | 403-6 | Promotion of workers' health                                                                                  | p. 203, 204, 209                                              |                      |        |             |
|                                               | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | p. 203, 204                                                   |                      |        |             |
|                                               | 403-8 | Workers covered by an occupational health and safety management system                                        | p. 203, 209                                                   |                      |        |             |
|                                               | 403-9 | Work-related injuries                                                                                         | p. 206-208                                                    |                      |        |             |
| TRAINING AND EDUCATION                        |       |                                                                                                               |                                                               |                      |        |             |
| GRI 3: Material topics 2021                   | 3-3   | Management of material topics                                                                                 | p. 199, 200                                                   |                      |        |             |
| GRI 404: Training and education 2016          | 404-1 | Average hours of training per year per employee                                                               | p. 201                                                        |                      |        |             |
|                                               | 404-2 | Programs for upgrading employee skills and transition assistance programs                                     | p. 198                                                        |                      |        |             |
|                                               | 404-3 | Percentage of employees receiving regular performance and career development reviews                          | p. 194                                                        |                      |        |             |
| DIVERSITY AND EQUAL OPPORTUNITY               |       |                                                                                                               |                                                               |                      |        |             |
| GRI 3: Material topics 2021                   | 3-3   | Management of material topics                                                                                 | p. 188, 189                                                   |                      |        |             |
| GRI 405: Diversity and equal opportunity 2016 | 405-1 | Diversity of governance bodies and employees                                                                  | p. 47                                                         |                      |        |             |
|                                               | 405-2 | Ratio of basic salary and remuneration of women to men                                                        | p. 196                                                        |                      |        |             |
| NON-DISCRIMINATION                            |       |                                                                                                               |                                                               |                      |        |             |
| GRI 3: Material topics 2021                   | 3-3   | Management of material topics                                                                                 | p. 72, 188                                                    |                      |        |             |
| GRI 406: Non-discrimination 2016              | 406-1 | Incidents of discrimination and corrective actions taken                                                      | p. 188<br>No episodes of discrimination were reported in 2022 |                      |        |             |

| GRI standard                             |       | Information                                                                                   | Location                                                                                                                                      | Requirements omitted | Reason | Explanation |
|------------------------------------------|-------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------|-------------|
| SUPPLIER SOCIAL ASSESSMENT               |       |                                                                                               |                                                                                                                                               |                      |        |             |
| GRI 3: Material topics 2021              | 3-3   | Management of material topics                                                                 | p. 114, 115                                                                                                                                   |                      |        |             |
| GRI 414: Supplier social assessment 2016 | 414-1 | New suppliers that were screened using social criteria                                        | p. 117                                                                                                                                        |                      |        |             |
| CUSTOMER HEALTH AND SAFETY               |       |                                                                                               |                                                                                                                                               |                      |        |             |
| GRI 3: Material topics 2021              | 3-3   | Management of material topics                                                                 | p. 85, 87                                                                                                                                     |                      |        |             |
| GRI 416: Customer health and safety 2016 | 416-1 | Assessment of the health and safety impacts of product and service categories                 | p. 87                                                                                                                                         |                      |        |             |
|                                          | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | In 2022, no episodes of non-compliance with laws and regulations about the impact of products and services on health and safety were detected |                      |        |             |
|                                          |       |                                                                                               |                                                                                                                                               |                      |        |             |
| MARKETING AND LABELING                   |       |                                                                                               |                                                                                                                                               |                      |        |             |
| GRI 3: Material topics 2021              | 3-3   | Management of material topics                                                                 | p. 87                                                                                                                                         |                      |        |             |
| GRI 417: Marketing and labeling 2016     | 417-2 | Incidents of non-compliance concerning product and service information and labeling           | In 2022, no episodes of non-compliance on information and labeling of products and services were detected                                     |                      |        |             |
|                                          |       |                                                                                               |                                                                                                                                               |                      |        |             |
| CUSTOMER PRIVACY                         |       |                                                                                               |                                                                                                                                               |                      |        |             |
| GRI 3: Material topics 2021              | 3-3   | Management of material topics                                                                 | p. 92                                                                                                                                         |                      |        |             |
| GRI 418: Customer privacy 2016           | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data  | p. 92, 93<br>In 2022, there were no complaints concerning privacy breaches or the loss of customer data                                       |                      |        |             |
|                                          |       |                                                                                               |                                                                                                                                               |                      |        |             |

Independent Auditors' Report

| GRI standard                | Information | Location                      | Requirements omitted | Reason | Explanation |
|-----------------------------|-------------|-------------------------------|----------------------|--------|-------------|
| BRAND REPUTATION            |             |                               |                      |        |             |
| GRI 3: Material topics 2021 | 3-3         | Management of material topics | p. 75                |        |             |
| RESEARCH AND INNOVATION     |             |                               |                      |        |             |
| GRI 3: Material topics 2021 | 3-3         | Management of material topics | p. 78                |        |             |
| RESPECT FOR HUMAN RIGHTS    |             |                               |                      |        |             |

SASB Indicators

For the Group's environmental performance reporting, Sofidel also referred to the indicators published in the Sustainability Accounting Standards Board (SASB). Below is a table of correspondence between such indicators and their positioning in the text.

| Material topics                               | SASB                | Description                                                                                                                                                                           | Page       |
|-----------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| GENERAL STANDARD DISCLOSURE                   |                     |                                                                                                                                                                                       |            |
| Correct management of water resources         | R R - P P - 140a.1. | (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with high or extremely high water stress                                                           | p. 152-155 |
|                                               | R R - P P - 140a.2. | Description of the water management risks and strategic and practical discussion to mitigate such risks                                                                               | p. 152-155 |
| Correct management of forest resources        | R R - P P - 430a.1. | Percentage of wood fiber sourced from (1) certified forests by third parties and (2) which meets other fiber sourcing standards                                                       | p. 135-137 |
|                                               | R R - P P - 430a.2. | Amount of recycled and recovered fiber purchased                                                                                                                                      | p. 135-137 |
| Climate change and climate-altering emissions | R R - P P - 110a.1. | Scope 1 gross global emissions                                                                                                                                                        | p. 140-151 |
|                                               | R R - P P - 110a.2. | Discussion on the strategy and short and long term plan for managing Scope 1 emissions, emission reduction goals and performance analysis of such goals                               | p. 140-151 |
|                                               | R R - P P - 120a.1. | Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SO2, (3) volatile organic compounds (VOC), (4) particulate matter (PM) and (5) hazardous air pollutants (HAP) | p. 140-151 |
|                                               | R R - P P - 130a.1. | (1) total energy consumed, (2) percentage of grid electricity, (3) percentage of biomass, (4) percentage of other renewable energies, (5) total self-produced energy                  | p. 140-151 |



Building a better working world

EY S.p.A.  
Piazza della Libertà, 9  
50129 Firenze

Tel: +39 055 552451  
Fax: +39 055 5524850  
ey.com

Independent auditors' report on data and information included in the Integrated Report 2022 and referenced in the "GRI content index"

(Translation from the original Italian text)

To the Board of Directors of Sofidel S.p.A.

We have been appointed to perform a limited assurance engagement on the data and information included in the Integrated Report 2022 referenced in the "GRI content index" of Sofidel Group S.p.A. (hereinafter "the Company") and its subsidiaries (hereinafter also "Sofidel Group" or "the Group") for the year ended on December 31<sup>st</sup>, 2022 (hereinafter also "GRI Disclosure of the Integrated Report").

Responsibilities of the Directors for the GRI Disclosure of the Integrated Report

The Directors of Sofidel S.p.A. are responsible for the preparation of the GRI Disclosure of the Integrated Report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative ("GRI Standards"), as described in the section "Methodological note" of the Integrated Report 2022.

The Directors are also responsible for that part of internal control that they consider necessary in order to allow the preparation of a GRI Disclosure of the Integrated Report that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for defining the commitments of Sofidel Group regarding the sustainability performance as well as for the identification of the stakeholders and of the significant matters to report.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality, and professional behavior.

Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the GRI Disclosure of the Integrated Report with the requirements of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard

EY S.p.A.  
Sede Legale: Via Meravigli, 12 – 20123 Milano  
Sede Secondaria: Via Lombarda, 31 – 00187 Roma  
Capitale Sociale Euro 2.505.000,00 i.v.  
iscritta alla C.O. del Registro delle Imprese presso la CCIAA di Milano Minza Branca L.051  
Codice fiscale e numero di iscrizione 00404000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003  
iscritta al Registro Riscatti Legati al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998  
iscritta al Registro Speciale delle società di revisione  
Cotizzato al progressivo n. 2 delibera n. 10831 del 19/7/1997  
  
A member firm of Ernst & Young Global Limited





on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of procedures in order to obtain a limited assurance that the GRI Disclosure of the Integrated Report is free from material misstatements.

Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the GRI Disclosure of the Integrated Report were based on our professional judgment and included inquiries, primarily with the Company's personnel responsible for the preparation of the information included in the GRI Disclosure of the Integrated Report, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the process relating to the definition of material aspects included in the GRI Disclosure of the Integrated Report, with reference to the criteria applied to identify priorities for the different stakeholders' categories and to the internal validation of the process outcomes;
2. comparison of economic and financial data and information included in the GRI Disclosure of the Integrated Report with those included in the Group's consolidated financial statement;
3. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the GRI Disclosure of the Integrated Report.

In particular, we have conducted interviews and discussions with the management of Sofidel S.p.A. and Soffass S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the department responsible for the preparation of the GRI Disclosure of the Integrated Report.

Furthermore, for significant information, considering the Group's activities and characteristics:

- at Group level,
  - a) with reference to the qualitative information included in the GRI Disclosure of the Integrated Report, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.



- for Soffass S.p.A. (via Leccio plant), that we have selected based on its activity, relevance to the consolidated performance indicators and location, we have carried out a site visit during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

**Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the GRI Disclosure of the Integrated Report of Sofidel Group and its subsidiaries for the year ended on December 31<sup>st</sup>, 2022 has not been prepared, in all material aspects, in accordance with the requirements of the GRI Standards, as described in the paragraph "Methodological note" of the Integrated Report 2022.

**Other aspects**

The Integrated Report for the year ended on December 31<sup>st</sup>, 2020, whose figures are presented for comparative purposes, was subjected to a limited review by another certification company, who expressed an unqualified conclusion on the Report on March 24<sup>th</sup>, 2022.

Firenze, March 10<sup>th</sup>, 2023

EY S.p.A.  
Signed by: Andrea Eronidi (Auditor)

*This report has been translated into the English language solely for the convenience of international readers*

Graphic project: Amapola Srl Società Benefit  
Translations: Amapola Srl Società Benefit  
Illustrations: Stefano Marra

Printed in June 2023  
by Grafica Metelliana S.p.A.

**Sofidel S.p.A.**  
Via Giuseppe Lazzareschi 23  
55016 Porcari (LU) - ITALY  
t +39 0583.2681 | [www.sofidel.com](http://www.sofidel.com)



This document is owned by the Sofidel Group  
which reserves all rights. Any reproduction, also partial, is for-  
bidden without prior written authorization.  
This document is a translation of the document originally pro-  
duced in Italian ('Report Integrato 2022'). The Italian version is  
understood to be the authoritative and official source of refer-  
ence for all published information.





The Sofidel Group, based in Porcari (Lucca), is one of the world's leading manufacturers of paper for hygienic and domestic use. Founded in 1966, the Group operates in 13 countries – Italy, Belgium, France, Germany, Greece, Ireland, Poland, the United Kingdom, Romania, Spain, the United States, Sweden and Hungary – with more than 6,000 employees, a consolidated net sales of EUR 2,801 million and a production capacity of more than one million tons per year (1,440,000 tons). “**Regina**” is its best known brand, present in most markets. Other brands include: Softis, Le Trèfle, Sopalin, KittenSoft, Nalys, Cosynel, Lycke, Nicky, Papernet. A member of the **UN Global Compact** and the **WWF Climate Savers** international program, the Sofidel Group considers sustainability a strategic growth factor and is committed to reducing impacts on natural capital and maximizing social benefits with the aim of creating shared added value for all its stakeholders. Sofidel's 2030 greenhouse gas emission reduction targets were recognized by the **Science Based Targets initiative (SBTi)** as being in line with the levels required to limit global warming to well below 2 °C, as required by the Paris Agreement.

[www.sofidel.com](http://www.sofidel.com)

