

# CLEAN LIVING

**2021  
Integrated  
Report**



**CLEAN LIVING**

**FOR EVERYDAY  
NEEDS.**

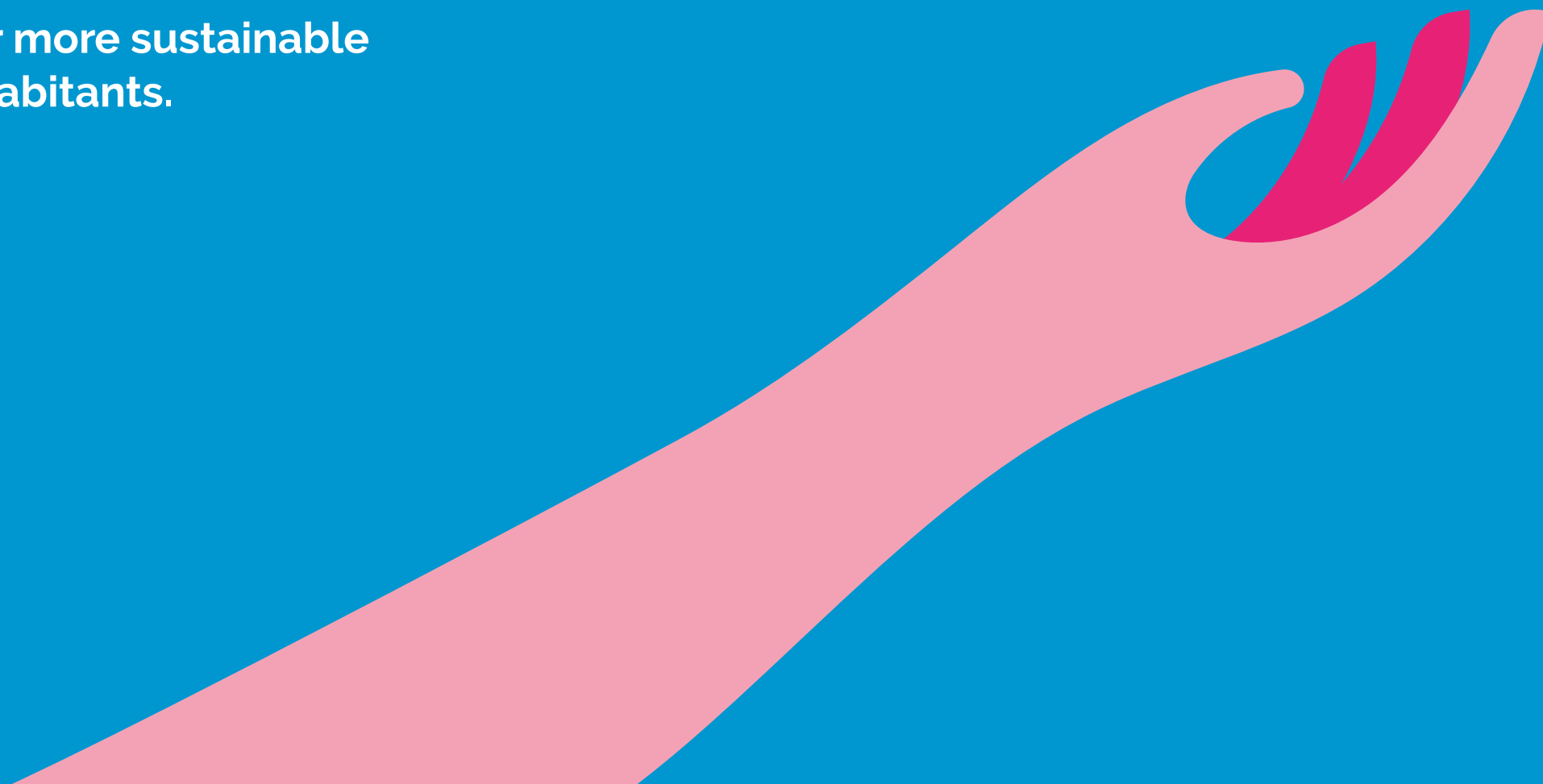
**FOR A HEALTHIER  
PLANET.**

**FOR INTEGRITY  
AND RESPECT.**

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'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.



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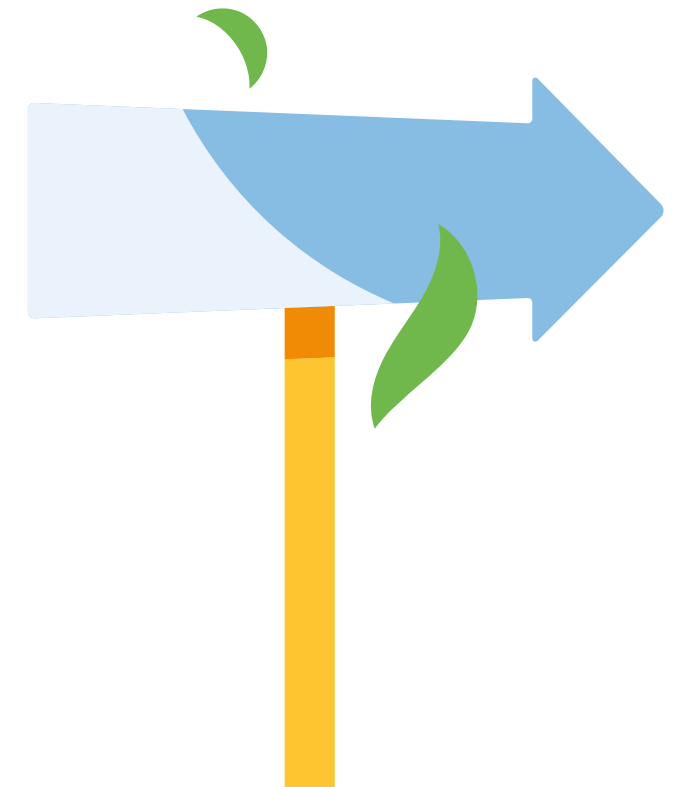
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## LETTER TO STAKEHOLDERS

**As we search for a new 'normality', increases in raw material prices are having a major impact.**

The sharp rise in the costs of raw materials – specifically energy, pulp and transportation prices – combined with a market that is struggling to return to 'normal' creates a particularly challenging situation. Add to that the spread of new Covid-19 variants and the impact on Sofidel Group's production cost structure and margins in 2021 are significant.

This situation was exacerbated in the second half of 2021 as the price of natural gas peaked. The geopolitical crisis in Ukraine further strained energy costs.

Concurrently, the tissue market, which in 2020 had encountered a sharp increase in retail channel sales and a pronounced decline in the Away-from-Home channel, witnessed a gradual, albeit slow, rebalancing of sales.

Cast against this backdrop, Sofidel has endeavoured to limit the impact of production cost increases while strengthening its competitive edge in the medium-to-long term. In early spring and again in the autumn, the Group asked customers for price adjustments on its products.

In the USA, the greater production capacity (the first time at full capacity for the entire year) along with the improved geographical and logistical coverage helped to strengthen partnerships with some leading supermarket operators. We also launched Nicky, Sofidel's first consumer brand in the country. **The North American market continued to gain great momentum** and as the Group focuses on innovation and 'sustainable hygiene,' this market shows the strongest growth potential. We continue to assess further investment in new production capacity.

In Europe, where the average growth rate of the tissue market in Western countries remains slightly above 1% per year, Sofidel continued to consolidate market share. There are a number of contributing factors to this success, including:

- new investments in (mainly digital) advertising;
- the launch of new products designed for more specific hygiene needs (Regina Fast & Clean, Regina disposable towels, Regina Power, Nicky Pour Elle);
- strengthening partnerships with large-scale retailers and the effort to encourage them to offer both the best price and value;
- the work to promote brands and penetrate markets in Spain, France, Germany and Belgium;
- and, the continuous push to update and develop production technologies and advance a culture of innovation.

Overall, the sales trend in 2021 closed with a recovery in volumes with a particularly strong second half of the year, notably in the Away-from-Home channel, an area where Sofidel intends to grow.

**'SOFIDEL WILL CONTINUE TO PURSUE ITS STRATEGIC IMPERATIVES OF ECOLOGICAL TRANSITION, TECHNOLOGICAL AND DIGITAL TRANSFORMATION, INCLUSION, AND SOCIAL COHESION. IT WILL REDOUBLE ITS EFFORTS TO SAFEGUARD ITS MARGINS, STRENGTHEN ITS COMPETITIVE POSITION (PARTICULARLY IN THE USA) AND TOGETHER WITH ITS STAKEHOLDERS, IMPLEMENT RESPONSIBLE DEVELOPMENT POLICIES TO CREATE SHARED, LONG-TERM VALUE FOR THE COMPANY.'**

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



On the energy front, which is undergoing a period of profound global transformation, Sofidel has launched a new strategic phase in its procurement policy. As the Group pursues **its path towards decarbonisation**, it is committed to the purchase and self-production of electricity from renewable sources, namely by newly built plants committed to long-term supply agreements.

Agreements to date have been signed with RWE Renewables to supply wind energy in Italy and with Sweden's Meva Energy for the Kisa production site, where they will build a renewable gas production plant (syngas produced from woody biomass from the local supply chain). This will be the first plant of its kind in the world in the papermaking industry. This multi-option approach will gradually be implemented in other countries where the Group operates, depending on national climatic, technical, and legislative considerations.

Sofidel has also increased its commitment to protecting forests, preserving biodiversity, and helping to protect the rights of local communities that depend on them by joining the Forests Forward program, an international initiative launched by the WWF. It is among the first companies in the world to join this effort. Meanwhile, Sofidel United States has entered a partnership with Ocean Conservancy to protect ocean ecosystems.

Also noteworthy is Sofidel's inclusion in the **CDP 2021 A-List in its fight against climate change**, as well as receiving a Platinum recognition from EcoVadis for its sustainability work. To further encourage suppliers to embrace environmental and social sustainability development, we recognize those suppliers who have demonstrated excellence with our **Sofidel Suppliers Sustainability Award** (3Saward). After a two-year interruption, we're excited to reignite this program.

Sofidel's determination to measure sustainability performance and

tie its impact to value creation further illustrates why the company continues to emphasize the importance of sustainability (ESG) ratings. We've confirmed our targets for 2030 as follows: a **40% reduction in CO<sub>2</sub> emissions in Scope 1, 2 and in Scope 3** for the pulp production activities of suppliers compared with the 2018 base year; a 24% reduction in CO<sub>2</sub> emissions in Scope 3 per tonne of paper compared with the 2018 base year; and, a **50% reduction in the incidence of conventional plastics** in production compared with 2013.

The growth of both economic volume and geographic expanse has compelled the company **to bolster its corporate governance**. This includes the introduction of external directors on the board for the first time. A generational transition has also taken place as Edilio Stefani has assumed the role of Chairman in place of his father and co-founder, Emi Stefani, and will work together with Giuseppe Lazzareschi.

The year ended with conflicting signals. The international economic situation continues to demonstrate encouraging signs of economic recovery in several countries. Meanwhile, the ongoing uncertainties due to the pandemic, a volatile energy market – especially in Europe – and inflationary pressures give cause for concern. How this reverberates with respect to price trends and the related social effects on those already suffering from a persistent pandemic is yet to be determined.

Within this context, Sofidel will continue to pursue its strategic imperatives of ecological transition, technological and digital transformation, inclusion, and social cohesion. It will redouble its efforts in 2022 to safeguard its margins, strengthen its competitive position (particularly in the USA) and implement, together with its stakeholder, responsible development policies to create shared, long-term value for the company.

Edilio Stefani  
Sofidel Chairman

Luigi Lazzareschi  
Sofidel CEO



# SOFIDEL IN FIGURES

**55**  
years  
in business

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

**16**  
companies

**2,095** m EUR  
Group net sales



## SOFIDEL PRODUCTS

**1,440,000 t**

production capacity

**48**

products with new paper packaging

**-9,000 t<sup>1</sup>**

plastic reduction

**93%**

use of Euro 5 and Euro 6 trucks to deliver products



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

## SOFIDEL AND THE ENVIRONMENT

**100%**

pulp certified with forest certification schemes

SBTi

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

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

**7.6** l/kg of paper water consumption

**-29.5%**

incidence reduction of virgin plastic in packaging

2. For pulp suppliers only. For all other suppliers, the company has set a 24% reduction target.





# SOFIDEL AND PEOPLE

## 6,654

employees  
worldwide

## 71,137

hours  
of training

## 26,561

hours of health  
and safety training

## 84%

excellent or  
sustainable suppliers  
in ESG terms



# SOFIDEL IN THE WORLD

At the end of 2021, the Sofidel Group was present in 13 countries  
(in Europe and the United States) 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> Intertissue Ltd is also part of the Group and on 1 June 2019 it sold its assets and business to Sofidel UK Ltd and began the winding-up process.

# AWARDS AND RECOGNITIONS

## PLACED ON CDP'S 'A LIST' FOR COMBATING CLIMATE CHANGE

In 2021, Sofidel received the highest rating from CDP (Carbon Disclosure Project) – an **A rating** – for its **commitment to combating climate change** (based on 2020 data). CDP is a non-profit organization that supports investors, companies, cities, countries, and regions worldwide in managing their environmental impact. In 2021, CDP included 272 companies on the 'A List' out of approximately 12,000 participants.

## CDP RECOGNIZES SOFIDEL'S LEADERSHIP IN THE FIGHT AGAINST DEFORESTATION

Sofidel's leadership in combating deforestation was recognized when it achieved an **A- rating in the Forests Timber category** (based on 2020 data). The CDP Forests rating confirms Sofidel's commitment to protecting biodiversity and the planet's green lungs.

## RECOGNIZED AS A GLOBAL LEADER FOR SUPPLIERS

### INVOLVEMENT IN THE FIGHT AGAINST CLIMATE CHANGE

With its **A rating**, Sofidel has been recognized as a global leader for its work in engaging suppliers in the fight against climate change. It achieved the **top score on CDP's 'Supplier Engagement Leaderboard 2021'** (based on 2019 data). The rating assessed over 8,000 companies by considering governance, scope 3 emissions, and supply chain engagement. Sofidel is one of the 396 companies awarded with the highest rating.

## AWARDED PLATINUM RATING BY ECOVADIS

In 2021, the Group was awarded the Platinum rating by EcoVadis for its approach to sustainability. The EcoVadis sustainability risk and performance assessment is based on globally recognized standards – including the Global Reporting Initiative (GRI) and



the United Nations Global Compact (UNGC) – and is overseen by an international scientific committee. **Environment, labor and human rights, ethics, and sustainable procurement** are the four macro-areas covered by the analysis. Sofidel obtained above average ratings in all four areas, with a particular rating of excellence in the environment.

## REGINA VOTED ONE OF ITALY'S 'BEST SUSTAINABILITY BRANDS'

Regina has been chosen as one of Italy's 'Best Sustainability Brands' in the sixth edition of the Best Brands organized by GfK – one of the world's leading market research institutes – and Serviceplan, a communications company. The recognition came after a year of observing the **brands most loved by Italians** and is based on a reference sample of 3,000 people. The ranking measures a brand's ability to work on four key areas of sustainability: environmental responsibility, economic responsibility, social responsibility, and activism.

## IN THE UK, IRELAND AND SPAIN, CONSUMERS HAVE VOTED NICKY DEFEND PAPER TOWELS THE 'PRODUCT OF THE YEAR'

Nicky Defend, the disposable paper towel for the consumer market, has been voted '**Product of the Year 2021**' by consumers in Spain, the United Kingdom, and Ireland. Ten thousand people in each country were surveyed and indicated they appreciated Nicky Defend because it is a practical, effective, and highly innovative product.

## SOFIDEL RECOGNIZED BY INDUSTRIA FELIX MAGAZINE

Sofidel has been recognized as **one of the 19 most solid Tuscan companies** according to the results of the survey conducted by Industria Felix Magazine, a quarterly supplement distributed with 'Il Sole 24 Ore.' The award is based on data provided by the **Research Office of Cerved**, a company that assesses the solvency and creditworthiness of companies. Sofidel was awarded the recognition as 'Best company in the commerce sector and among the best companies with an international vocation, in terms of growth in the number of employees, shareholders' equity, excellent management performance and financial reliability.'





CHAPTER 1

—  
**Sustainability  
creates value**

# **SUSTAINABILITY LIGHTS THE WAY**

**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**

### **OUR CONTRIBUTION TO THE WORLD TO COME**

We are living in times of uncertainty and great change. The actions we undertake in the next decade have the potential to guide the future of humanity. Climate change can **permanently degrade human and natural habitats**, and deplete the Earth's resources, which will contribute to greater instability.

Climate change could cause 200 million people to migrate by 2050<sup>1</sup>, leading to greater poverty, hunger and inequality in the world. Natural resources are not infinite. Our planet's limitations define the boundaries within which humanity can continue to develop and build an equitable, positive, and resilient future for the generations to come. Overstepping these limits increases the risk of generating sudden and irreversible environmental changes that compromise our planet's equilibrium and the quality of life for future generations.

The Sofidel Group actively intends to help change course and make economic development compatible with protecting the climate. The company's strongly adheres to the **United Nations 2030 Agenda**, the plan of action for people, the planet and prosperity, signed by 193 member countries in 2015. The 17 Sustainable Development Goals (SDGs) encourage and guide governments, institutions, companies, non-governmental organizations, and citizens to pursue common economic, social, ethical, and environmental objectives to truly build sustainable development together.

1. Source: World Food Programme.

**'HUMANS, BY THEIR ACTIONS, ARE STRONGLY INTERCONNECTED TO NATURAL ECOSYSTEMS. THERE ARE NOT TWO SEPARATE ISSUES, ONE ENVIRONMENTAL, THE OTHER SOCIAL. IT'S CLEAR THAT THE IMPACT OF ONE DIRECTLY INFLUENCES THE OTHER.'**

**Sofidel understands that companies have a social and environmental impact 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 concept composed of three main pillars that reflect the way we do business:

**THE PRODUCT**

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

**THE ENVIRONMENT**

Respect for the environment is the focus of our 'ecological transformation' approach to production. It is aimed at fostering the **transition to an economy with a low-carbon impact** and low natural capital consumption. This production model values the responsi-

ble sourcing of forest-based raw materials, the careful use of water resources, the attention to energy sources used, and the energy efficiency of our plants, processes and machinery. It also promotes waste reduction and limiting the use of conventional plastic in the packaging of our products.<sup>2</sup>

**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. Integrity, mutual respect, moral strength, and the courage to imagine a **positive future for people in the planet** – we embrace these ideals and believe we have the means to make this a reality today.

These three pillars will play an essential role in creating the world of tomorrow. It is a world inspired by the concept of 'Clean Living' where we minimize our environmental impacts and help to develop the people, territories and communities where we operate. We envision a world where innovation leaves no one behind, and contributes to 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.

2. The company is committed to adopting a prudent approach to environmental impacts.

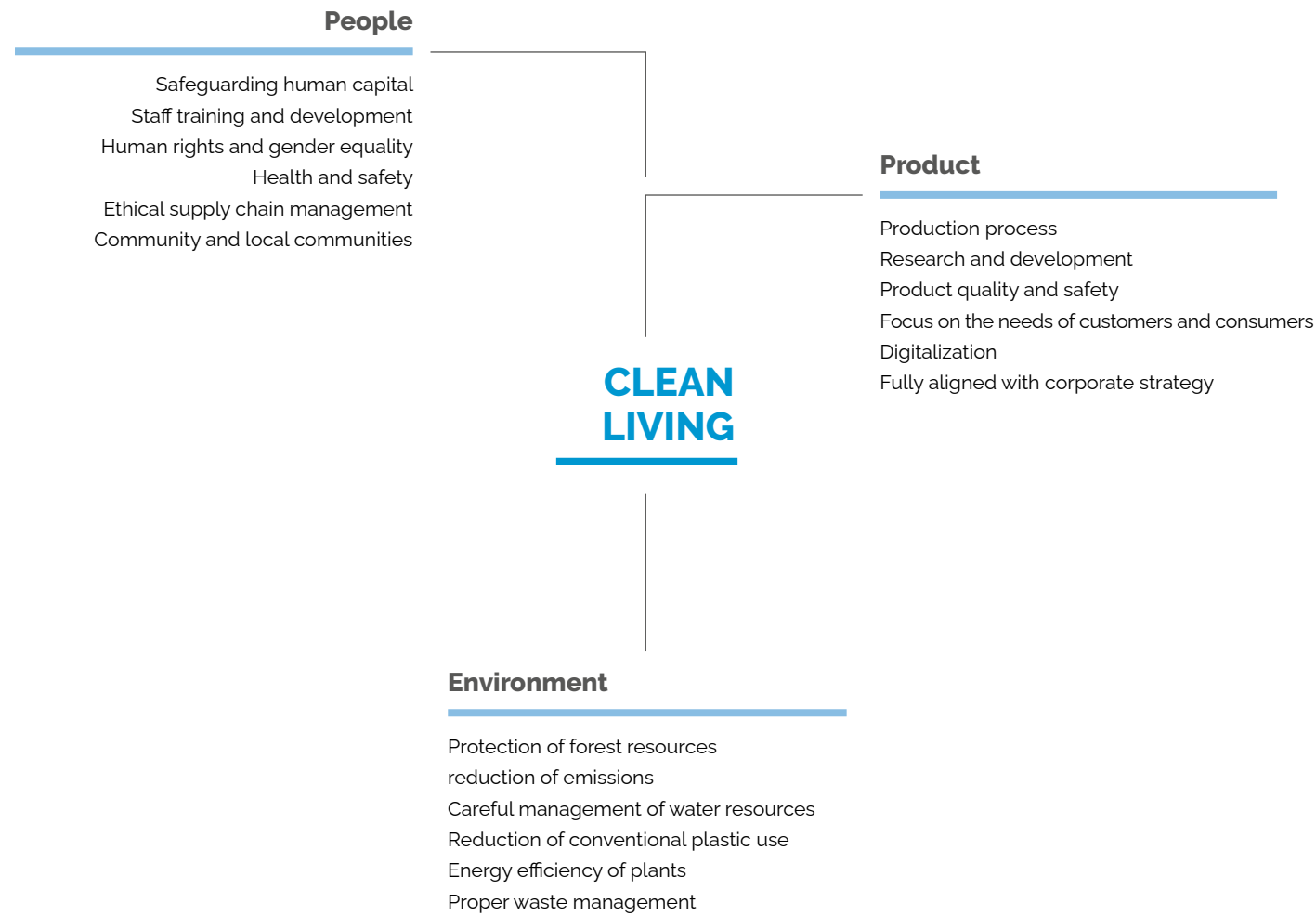
**CLEAN LIVING**

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



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

## 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 that contain reduced amounts of natural capital and perform better in terms of comfort, hygiene, and services for the consumer.



**LEVERS FOR RESPONSIBLE AND SHARED GROWTH**

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 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 opportunities for growth and development earlier. This mindset compels us to **continuously improve** to make a positive contributions 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 phase, it has started up **new, higher performance lines** with technology that ensures better winding quality, preserves the softness of the

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

**Geographical coverage and greenfield plants**

Over the years, 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 space and have been designed with scalable features so that their production capacity can be increased over time.

In many cases, production capacity can be doubled and tripled quickly with a relatively modest investment.

In Europe, the Group is **focusing on organic growth** by increasing production capacity and upgrading certain sites, such as in Ciechanów in Poland (2017) and Buñuel in Spain (2018). In the United States, where we have been operating since 2012, the two new greenfield plants in Circleville (Ohio) and Inola (Oklahoma) – opened in 2018 and 2020 respectively – were conceived with the same strategic objectives in mind to be able to double and triple production capacity.

**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 created integrated systems for monitoring and managing the finished product in our converting pro-

duction departments, **with fully automatic handling** using laser-guided vehicles.

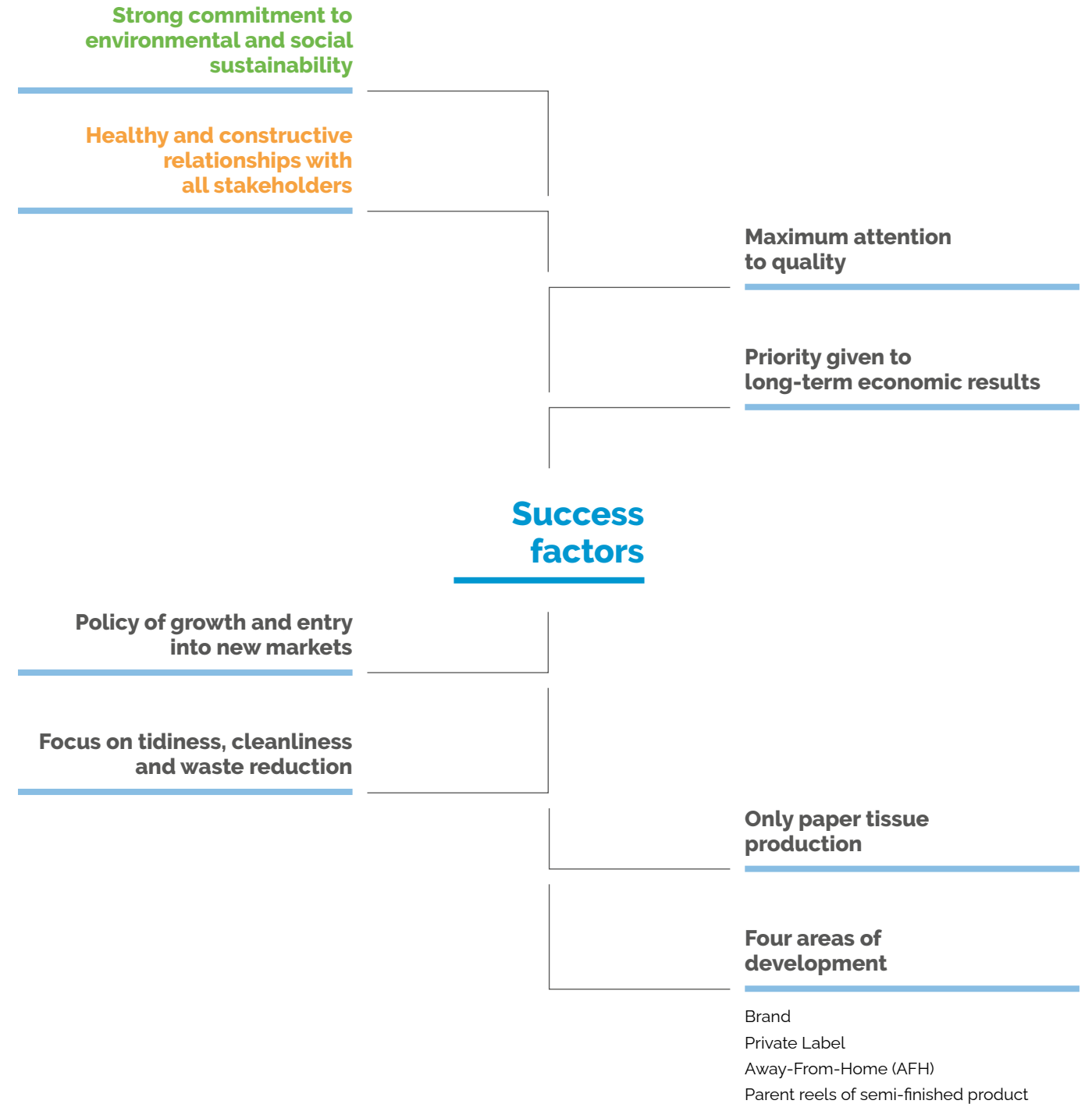
Backed by our management and technical expertise, we immediately embraced the digital revolution and the **applications of Industry 4.0 in the tissue paper industry**. We have already activated a proprietary supervision system for all our converting lines which allows us to collect and elaborate process data in real time to monitor performance and reduce resource use. In time, this database will allow us to develop predictive analysis logic which will be applied to both process quality control and maintenance policies.

In addition, we have implemented a **Remote Assistance** system that, thanks to wearable devices (smart glasses and smart helmet) based on Augmented Reality technology, enables remote assistance, and ensures faster diagnostics, lower costs and greater productivity.

During the health emergency, these devices proved to be extremely useful and will continue to have an impact as they reduce the travel required of internal technicians and suppliers while diminishing the costs and CO<sub>2</sub> emissions associated with travel.

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

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



## The strategy for steady and 'clean' growth

### STEADY AND 'CLEAN' GROWTH

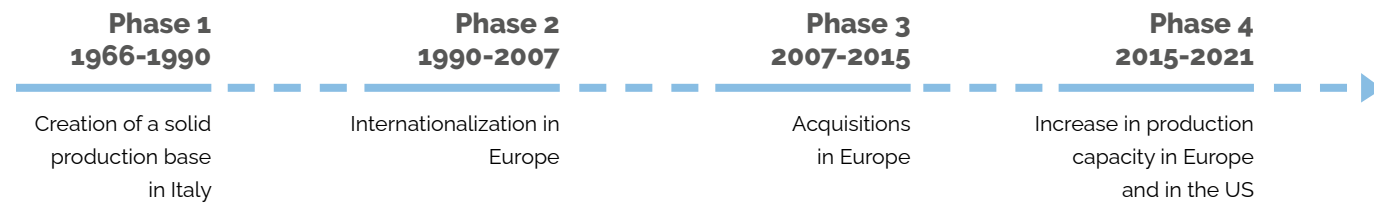
Sofidel's steady growth is the expression of a long-term strategy that has developed according to four strategic phases. Underpinning this is a management and operational approach based on a system of values – professionalism, honesty, ethicality, sustainability, and transparency – which permeate the 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. Two factors that are central to our ambitions to grow are the prevalence of companies with **strong technical expertise**, specifically within the tissue paper sector, and the trusted **relationships** developed **with the local manufacturing district**.

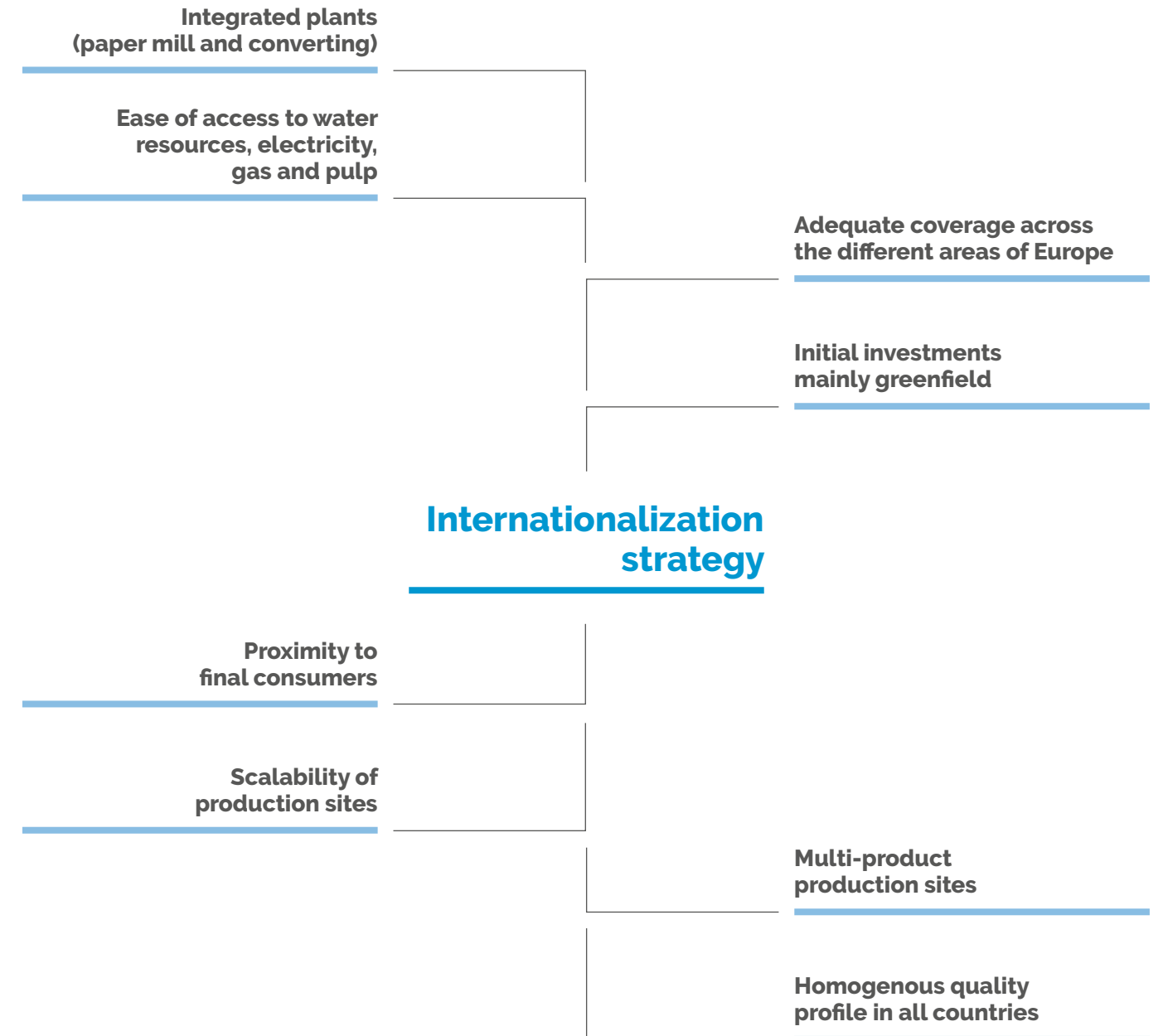
Growth in Italy continued thanks to collaboration with the large-scale retail trade and the development of the Regina brand. Once its presence was established, Sofidel began to explore new markets, first in Europe and then in the United States. Expansion has been accompanied by the **gradual integration of sustainability into all aspects of the business**. 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 the motivation of its people. It enabled the company to broaden its horizon and gain experience and skills that are essential for future development.

For more information on the four phases of the Group's growth, see the 'Our history' page on the Sofidel website.



## Strategic basis for the internationalization process





## Sofidel and the UN Global Goals

### TOGETHER FOR SUSTAINABLE DEVELOPMENT

Since 2010, Sofidel has adhered to the United Nations Global Compact, the pact that commits companies to **contribute to the development of sustainable business** to build a better world and better future.

A company's environmental, social, and economic responsibility starts with the sys-

tem of principles and values that guide its approach to business.

We embrace the **ten principles of the United Nations Global Compact** on human rights, labor standards, environmental protection, 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 conduct of everyone who works with Sofidel and **encourage dialogue and collaboration with our stakeholders** to develop lasting relationships based on trust and transparency. They are our starting point for taking responsibility for people and the planet.

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



#### SOFIDEL AND THE UN 2030 AGENDA

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

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

of all the Sustainable Development Goals of the 2030 Agenda, we have identified eight of them as priorities 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 is the first Italian manufacturing company, and the first in the world from the tissue industry, to join the **WWF Climate Savers** international program in 2008 to guide the transition to a zero-emissions economy. In 2020, we received Science Based Targets initiative (SBTi) approval of our targets to reduce greenhouse gas emissions by 2030. Specifically, we have committed to reducing **our scope 1 and 2 emissions by 40%**, while for our **scope 3 emissions** we have engaged our supply chain to decrease emissions related to our pulp suppliers by 40% and emissions 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 joined the Vancouver Declaration, an initiative launched at the FSC General Assembly to promote a sustainable supply chain for forest products.



The Sofidel Group is committed to **promoting hygiene and well-being** to improve the daily lives of consumers, employees, and all other stakeholders. For us, the culture of health - from the production environment, to the hygiene and sanitary characteristics of products and their distribution - is fun-

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



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: **to reduce the conventional plastic used in our production by 50%** by 2030, compared to the 2013 base year. This means eliminating over 11,000 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 natural capital and facilitate the **transition to a low-carbon economy**, Sofidel promotes sustainable energy sources and is achieving greater energy efficiency in its plants and processes. As a member of the WWF Climate Savers program since 2008, Sofidel is committed to the reduction of climate-altering emissions. As of 2020 the Group **has reduced its CO<sub>2</sub> emissions by 24%**, thanks to investments in cogeneration, solar and hydroelectric power plants, biomass power plants and, in general, constant improvement of energy efficiency and company logistics. For the future, the Group aims to use energy from renewable sources **for 84% of its consumption by 2030**.



Being aware of how precious water is for the survival of the planet, we are especially careful to ensure **good water management**. We constantly monitor our production processes to optimize water use. Management measures, specific investments and policies of reusing waste water all contrib-

ute to the overall goal. We aim to achieve a production process that is as efficient as possible using 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. The remaining water is treated in the purification plants and returned to the environment.



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. There is an increasing need to **develop inclusive collaborations** – at national, regional and local levels – based on a global multi-stakeholder strategic approach. At Sofidel, we have been working for years with partners of recognized value and reputation, such as the WWF and the United Nations Global Compact.

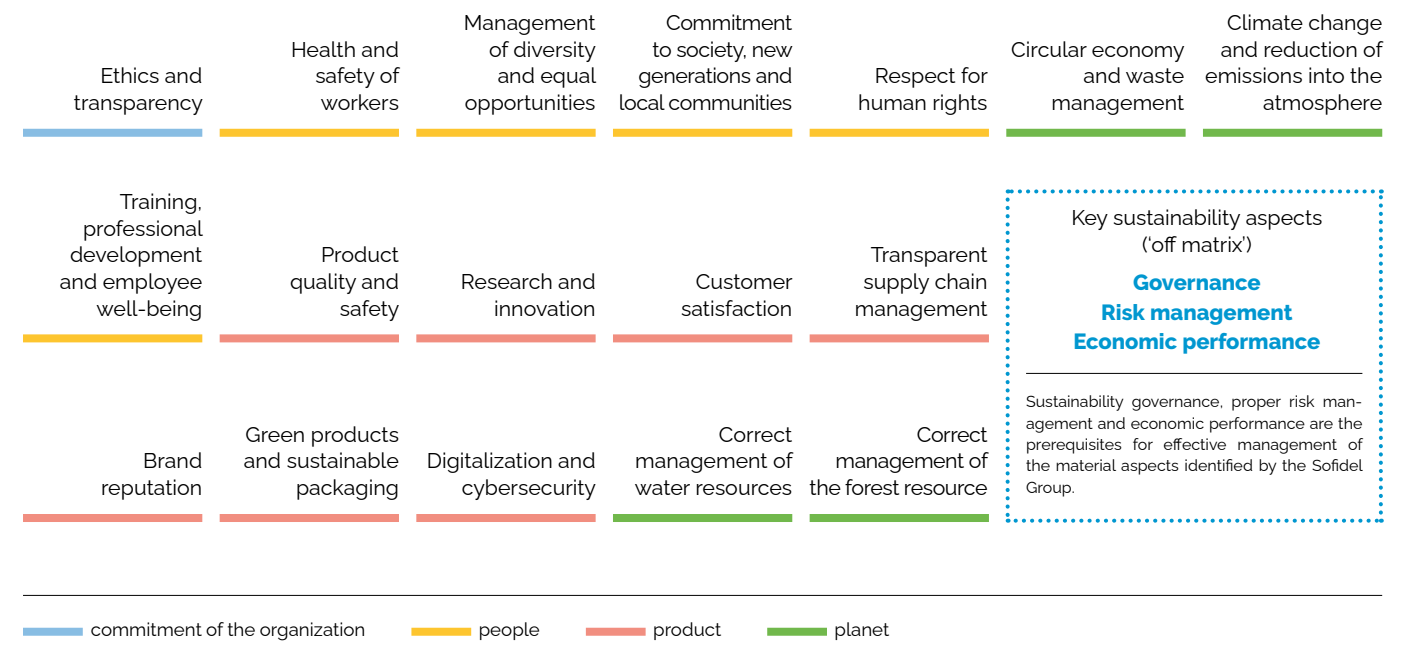
## Materiality analysis and dialog with our stakeholders

In 2021, to strengthen dialog and discussion with our stakeholders, Sofidel decided to **renew its materiality matrix**. To this end, the company opened an active dialog with its stakeholders, based on values of **transparency, trust and consensus in decisions**. The first step was to define 'material aspects', i.e. those issues that reflect the economic, environmental and social impact of the company and that can substantially influence the assessments, decisions and conduct of our stakeholders. To define material aspects, we analyzed key trends in sustainability reporting and compared the material aspects considered in previous years with those identified by a sample of peers and best practices. This allowed us to update the material aspects, incorporating new topical issues and reducing the number of aspects to 17.

We then launched an **operation to listen to key corporate stakeholders**, asking them to prioritize these aspects using a scale of 1 to 5. We involved perspectives from both within and outside our organization, with varying levels of experience and maturity. In particular, we involved Group employees, customers, suppliers, NGOs, representatives of the territories in which we operate, and investors.

This work allowed Sofidel to **assess the expectations and interests of its stakeholders** and identify areas on which to focus its efforts. The contents of this integrated report were defined based on the results of the materiality analysis, in line with the GRI standards.

### The material aspects identified



**METHODOLOGY**

The materiality analysis involved **33 people**: 22 external stakeholders and 11 Sofidel employees with positions of responsibility.

The methodology used was developed along three phases:

1. Gather feedback and opinions from stakeholders on **material aspects**.
2. Gather input to identify emerging trends in sustainability related to Sofidel's business and update our strategic sustainability objectives.
3. Rework the assessments and insights gathered during Stakeholder Engagement to define the materiality matrix.

**STAKEHOLDER ENGAGEMENT**

Stakeholder engagement allowed to prioritize the material issues, considering not only the perspective of the organization but also that of the stakeholders. In fact, the positioning of material aspects in the materiality matrix is the result of the importance placed on each aspect by Sofidel stakeholders.

The 17 material aspects identified during the benchmarking phase were submitted to internal and external stakeholders who assessed their **relevance** in terms of their impact on the achievement of the Group's strategic objectives. Through these assessments, it was possible to prioritize the different aspects within the materiality matrix.

**External stakeholders** were involved using **one-on-one interviews**, during which they were presented with Sofidel's approach to sustainability and the path taken to define the materiality matrix. In this interview, they were asked to rate the impact that each material aspect has on the world around us, environmentally and socially, on a scale of 1 to 5.

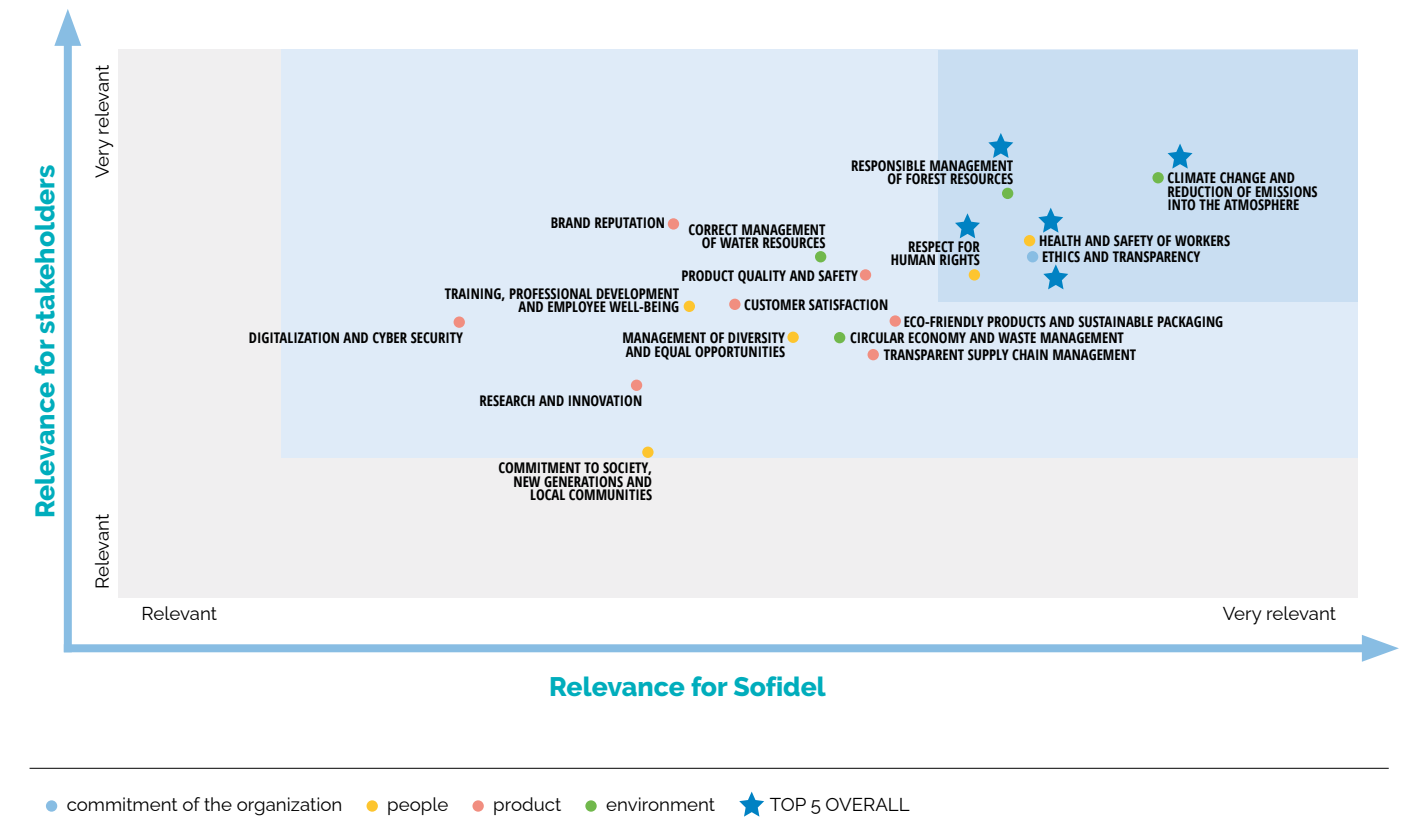
**Internal stakeholders**, on the other hand, were involved by holding a **workshop**, in which was presented the growing attention of markets, institutions and investors to sustainability and the evolution of the reporting system. During the workshop, participants were asked to fill out an online questionnaire using an app, either on a smartphone or PC, which asked them to rate the impact each material aspect has on achieving Sofidel's strategic objectives on a scale of 1 to 5.



**MATERIALITY ANALYSIS**

The graph shows the results of the materiality matrix. The most relevant material aspects are represented in the top right area. Compared to last year, environmental aspects have become even more important. **Climate change and reduction of atmospheric emissions** are the most important issue, followed immediately by the **proper management of forest resources** which, for our sector, is fundamental. The other top aspects concern the area of people and corporate governance. The **health and safety of workers** this year proved to be, yet again, a key element around which the company's business should be designed.

In addition, the issue of **human rights**, along with **ethics and transparency**, is becoming increasingly important. Immediately after the top five topics, focus is placed on the **product** in terms of quality and safety as well as the attention to the environment, which means creating eco-friendly products with sustainable packaging. It should be noted that in defining the materiality matrix, **sustainability governance, risk management and economic performance** were considered fundamental, but not 'votable', because they are the primary prerequisites for effective management of material aspects.





## The materiality matrix: 2020 and 2021 in comparison

- The benchmarking analysis allowed us to reduce the material aspects assessed by stakeholders from 25 to 17.
- In 2021, the material aspect 'Climate change and the reduction of climate-altering emissions' became more relevant than 2020's 'Decreasing CO<sub>2</sub>'.
- 'Responsible management of the forest resource', Health and safety of workers', and 'Ethics and transparency' are confirmed

among the most relevant issues for both internal and external stakeholders.

- For the first time, the product has fallen out of the Top 5 most relevant material aspects. However, this does not mean that its importance has diminished. It simply means that our stakeholders take product quality, safety and sustainability for granted.

### Top 5 2020

1. Health and safety of workers
2. Responsible management of the forest resource
3. Product quality and safety
4. Ethics and transparency
5. Respect for human rights

### Top 5 2021

1. Climate change and reduction of emissions into the atmosphere
2. Correct management of the forest resource
3. Health and safety of workers
4. Ethics and transparency
5. Respect for human rights

## Impacts of Covid-19

During the engagement phase, stakeholders were also asked to identify material aspects that have **become more relevant** due to the Covid-19 pandemic.

Below are the three topics that emerged most frequently:

1. health and safety of workers
2. training, professional development and employee well-being
3. climate change and reduction of emissions into the atmosphere

## The future

The one-on-one interviews with external stakeholders yielded a real **conversation on the issues**, one that went far beyond simply voting. Here is a summary of the main points that emerged during the discussion with stakeholders:

- focus on reducing energy consumption **throughout the production chain**
- invest in R&D to innovate and diversify the product

- share logistics management with suppliers and customers to find **synergies to reduce CO<sub>2</sub>**
- develop a governance framework that goes **beyond compliance obligations** to achieve excellence
- subscribe to **ESG ratings** to increase the company's transparency as regards these aspects



**STAKEHOLDER ENGAGEMENT**

Dialog with our stakeholders is ongoing. We dialog with them on the most relevant issues and pursue numerous engagement initiatives.

The company chooses the most suitable methods and tools depending on the aspects covered, the frequency and intensity of the relationship and level of knowledge of the aspects.

Category	Inform	Listen	Consult	Involve	Work with
<b>Environment</b>	<ul style="list-style-type: none"> <li>Voluntary disclosure initiatives</li> <li>Product environmental information</li> <li>Adhesion to stakeholder initiatives to collect information</li> <li>Website, social media, corporate newsletter</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 environmental authorities</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 environmental authorities</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 environmental authorities</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 environmental authorities</li> <li>Specific meetings with trade associations</li> <li>Certification bodies</li> <li>Sofidel internal committees</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>Consolidated Financial Statements and Report on Operations</li> <li>Integrated Report</li> <li>Corporate website</li> <li>Financial solidity and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' Meeting</li> <li>Board Meetings</li> <li>Quarterly/Six-monthly</li> <li>Specific meetings</li> </ul>			

Category	Inform	Listen	Consult	Involve	Work with
<b>Community</b>	<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> </ul>	<ul style="list-style-type: none"> <li>Specific meetings</li> </ul>	<ul style="list-style-type: none"> <li>Specific meetings with Local Authorities</li> </ul>	<ul style="list-style-type: none"> <li>Relationships with regional institutions</li> <li>Social projects and initiatives</li> <li>Initiatives with NGOs</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships with universities and the world of research</li> <li>Partnerships with NGOs</li> <li>Partnerships with schools and universities</li> </ul>
<b>Financial community</b>	<ul style="list-style-type: none"> <li>Consolidated Financial Statements and Report on Operations</li> <li>Integrated Report</li> <li>Corporate website</li> <li>Bank Meetings</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>	
<b>Consumers and customers</b>	<ul style="list-style-type: none"> <li>Newsletter</li> <li>Corporate website</li> <li>Commercial and service sites</li> <li>Social media</li> <li>SofidelShop</li> <li>Sales documentation</li> <li>Communication campaigns</li> <li>Integrated Report</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Complaints management (Toll-free numbers)</li> <li>Monitoring of all business communication channels</li> <li>E-commerce SofidelShop</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>Ad hoc training</li> </ul>	<ul style="list-style-type: none"> <li>Multi-topic working parties</li> <li>Specific interviews</li> </ul>
<b>Trade suppliers and partners</b>	<ul style="list-style-type: none"> <li>Corporate website</li> <li>Supplier guidelines</li> <li>Integrated Report</li> <li>Dedicated 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>TenP Paper: Sustainable Supply Chain Self-Assessment Platform</li> <li>Sofidel Suppliers Sustainability Award</li> </ul>	<ul style="list-style-type: none"> <li>Support programs</li> </ul>
<b>Institutions</b>	<ul style="list-style-type: none"> <li>Corporate website</li> <li>Integrated Report</li> <li>Social media, PR media 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 Authorities</li> <li>Relationship with Regulatory Bodies</li> </ul>	<ul style="list-style-type: none"> <li>Technical roundtables with government bodies</li> </ul>	<ul style="list-style-type: none"> <li>Conferences</li> </ul>
<b>Sofidel Group people</b>	<ul style="list-style-type: none"> <li>Intranet Portal</li> <li>Communications from top management</li> <li>Integrated Report</li> <li>Group organizational communications</li> <li>'People &amp; Paper' House Organ</li> <li>Sofidel Informa/News</li> <li>Distribution of HR guidelines, policy and 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 survey (Sofidel People)</li> </ul>	<ul style="list-style-type: none"> <li>Company events</li> <li>International Human Resources Meeting</li> <li>Meetings with Trade Unions</li> <li>Meetings with Workers' Safety Representatives (RLS) - Health &amp; Safety</li> <li>Sofidel People</li> <li>Welfare Project</li> </ul>	<ul style="list-style-type: none"> <li>CRAL (Workers' Recreational Club)</li> </ul>



CHAPTER 2

—  
**Enlightened and  
inclusive governance**

# **A PATH ILLUMINATED BY SHARED IDEALS**

**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 task force 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.**

## Corporate structure

In 2021, directors from outside the two founding families (Lazzareschi and Stefani, who own 100% of the capital) joined the Sofidel board of directors for the first time. This includes university professors and experts in sustainability and management, Chiara Mio and Silvio Bianchi Martini, the chairman of BNL, Andrea Munari, and the Milanese accountant Alessandro Solidoro.

The aim of opening the Board of Directors to independent directors, who offer extensive experience and expertise in the economic and banking world and in sustainability, is to promote the company's growth and further strengthen its credibility. This will help to **ensure solid and sustainable development in the future**.

This initiative also opens the Sofidel Group to new ideas that will help us address future challenges. Bringing external points of view and a strong critical spirit to the table will contribute to a broader long-term vision for the company and **generate value for all stakeholders** connected to Sofidel.

Having exceeded the threshold of two billion euros in sales, and with a geographic presence on two continents, it was important to strengthen governance to give new impetus to growth and continue to act with the utmost transparency for the good of the company, including its workers, business partners and communities where Sofidel operates. The **Corporate Governance model** adopted by Sofidel provides for two bodies appointed by the Shareholders' Meeting: the Board of Directors and the Board of Statutory Auditors, the Supervisory Board, and the Independent Auditor.

The **Board of Directors** (BoD) is elected by the Shareholders' Meeting and consists of the two families that control the company as well as outside directors. This body is vested with the broadest powers. It has the task of directing management, determining that the organizational, administrative, and accounting structure is appropriate, supervising the company's performance, and passing resolutions on matters which, according to the company By-Laws, are the responsibility of the Board of Directors. It assumes the full responsibility for the Group's financial, social, and environmental performance, which is approved by the Shareholders' Meeting each year during the profit (or loss) presentation.

The **Board of Statutory Auditors**, appointed at the Shareholders' Meeting, monitors compliance with the law and the company By-Laws as well as the principles of correct administration. The **Supervisory Board** is tasked with supervising the operation and compliance with **Model 231**, and of reporting any shortcomings in the

company's organizational, management, and control model. In addition, it updates the model following regulatory and organizational changes and, together with Sofidel management, turns regulatory requirements into opportunities to improve the company's organization and control systems.

The company currently appointed to perform the **statutory audit of the accounts** is EY.

### A TASK FORCE FOR SUSTAINABILITY

In addition to the traditional governing bodies, Sofidel has established a Sustainability Task Force that is responsible for developing a **three-year sustainability plan** that is updated annually and approved by the CEO. This task force includes the managers of the various functions who define the objectives for the next three years, the performance indicators, and the priority actions to achieve them. Objectives are monitored periodically and all function managers are expected to commit themselves to meet these goals.

To further strengthen the company's governance, in 2021 the BoD worked on the planned **Audit Risk and Sustainability Committee**, which will include those independent directors who do not hold operational positions in the company to avoid the risk of conflicts of interest. This Committee was confirmed in March 2022 at the Board of Directors meeting to approve the financial statements, and will be responsible for confirming the adequacy of the company's internal control system, ensure that risks are being monitored and that all functions are performing their tasks in accordance with the company's ethics and responsibility to all stakeholders.

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

## Corporate structure of the Sofidel Group

### Board of Directors

IN OFFICE FOR THE FINANCIAL YEAR  
2021

#### EDILIO STEFANI

Chairman and Board Member

#### PAOLA STEFANI

Non-executive Director

#### 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

#### GUIDO CORBETTA

Secretary of the Board of Directors

Full Professor of Corporate Strategy at Bocconi University of Milan

#### LUIGI LAZZARESCHI

Chief Executive Officer

#### NICOLÒ STEFANI

Non-executive Director

#### SILVIO BIANCHI MARTINI

Non-executive Director

Full Professor of Business Economics at the University of Pisa

#### ALESSANDRO SOLIDORO

Non-executive Director

Accountant and Contract Professor at Bocconi University of Milan for the 'Company Valuation' course

### Board of Auditors

IN OFFICE FOR THE FINANCIAL YEAR  
2021

#### UGO FAVA

Chairman

#### GABRIELE NENCINI

Permanent auditors

#### GIULIO GROSSI

Permanent auditors

### Supervisory Board 231/01

#### GIANFRANCO DEL GRANDE

Permanent members

Permanent members

### Independent Auditing Company

IN OFFICE FOR THE FINANCIAL YEARS  
2019-2021

EY S.p.A.

## 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 avoiding duplication and making the process more effective.

The objective is to allow the Group to generate positive economic, environmental, and social impacts, and take on a fundamental role in the life and economy of the local communities in which it operates.

To accomplish this, the Group's organizational model meets three requirements:

1. Define the responsibility of managers working at the holding company and production plants.
2. Make the best use of resources to meet customers' needs.
3. Rely on effective integration and control mechanisms and on the best organizational culture to ensure the company runs smoothly.

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

know-how needed to assess and decide on 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 (PL)**, **Away-From-Home (AF-H)**, and **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**: supervises production scheduling and raw material procurement. It guarantees the traceability of raw materials and finished products, organizes transport services, and optimizes costs.
- **Purchasing**: oversees supplier management and the purchase of strategic raw materials (pulp and wastepaper) to respond effectively to market needs.
- **Quality**: proposes and manages certifications and ensures quality as the Group develops and grows. It plays a key role in developing products that satisfy customers.
- **Business development and innovation**: coordinates the process for development and integration of the business in Europe and the United States. It manages the Group's research and development activities.

#### 4. Strategic Services

Strategic Services comprise the following functions:

- **Finance**: Responsible for the administrative management of the Group and of the follow-

ing activities: planning and control, credit management, Information & Communication Technology, and insurance.

#### • Risk management

Identifies main risks that may compromise the company achieving its objectives and defines the necessary protection and mitigation actions.

#### • Human resources

Function in charge of personnel management, Group organization, training, and management of safety and legal affairs.

#### • Treasury

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

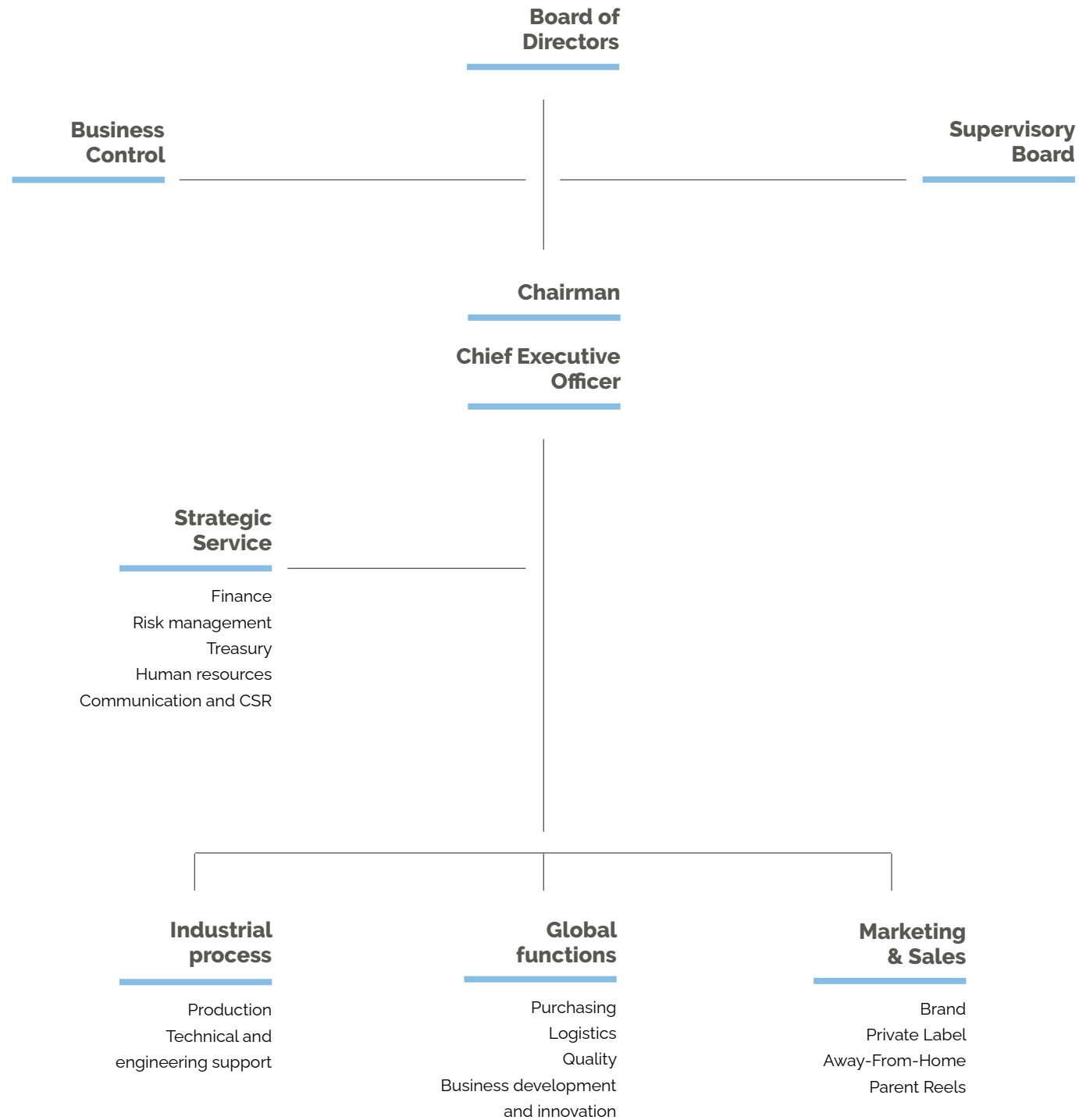
#### • Communication and Corporate Social Responsibility (CSR)

Function that handles the Group's institutional communication. It has the task of strengthening Sofidel's reputation and brand equity, and promoting the company's commitment to social and environmental sustainability.

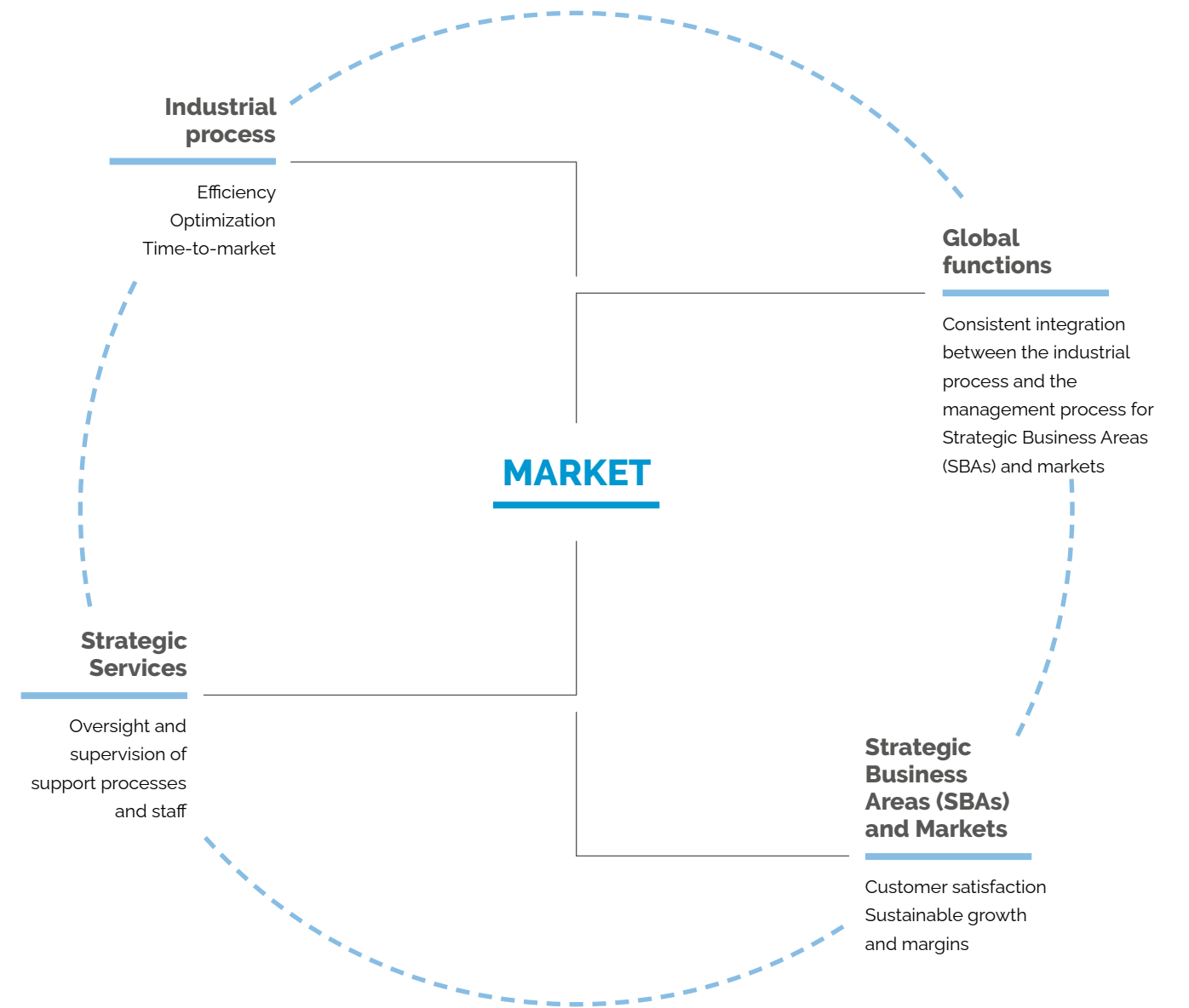
**'SOFIDEL'S ORGANIZATIONAL CULTURE PROMOTES DIALOGUE AND DISCUSSION BETWEEN THE VARIOUS FUNCTIONS AND ENSURES THE SMOOTH RUNNING OF THE COMPANY.'**



### Sofidel Group organizational model



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



## The integrated risk management and control system

Risk management and related control systems are essential to ensure sustainable development of the company, which creates long-term value not only for shareholders but for the benefit of all stakeholders.

Ours is an integrated risk management and control system that involves three control levels:

### First level

Concerns the Directors of the various functions, the so-called **Risk Owners**. They identify, assess, and manage risks within the scope of responsibility, and implement specific mitigation actions.

### Second level

Is the responsibility of the **Control and Risk Management** functions. Monitors main risks to ensure effective treatment and adequate control measures.

### Third level

Regards **Business Control**. Objectively and independently ensures the effectiveness and adequacy of the first two levels of control. Added to this is the **Supervisory Board**, which has the task of supervising the implementation, proper functioning, and compliance with the company's Organizational, Management and Control Model in accordance with **Legislative Decree 231/01**.<sup>1</sup>

During 2021, the **Risk Management & Compliance** function started to report directly to the Chief Executive Officer to guarantee the autonomy necessary for a second-level control function. The same holds true for the office that deals with **cybersecurity**, which now reports to the Risk Management & Compliance Director, and is independent of the Information Technology department.

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

**'THE INTERNAL MANAGEMENT AND RISK CONTROL SYSTEM IS THE SET OF TOOLS, PROCEDURES, RULES AND ORGANIZATIONAL STRUCTURES THAT ALLOW THE COMPANY TO BE MANAGED IN A HEALTHY AND CORRECT WAY THAT'S CONSISTENT 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 fairness**.

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, and encourages the creation of relationships based on maximum ethicality with all our stakeholders.

### ANTI-BRIBERY RISK ASSESSMENT

In 2021, the **Anti-Bribery Risk Assessment** model was updated in Italian and French companies, which had been adopting the **ISO 37001 standard**<sup>2</sup> since 2018. On this occasion, the model was extended to two other companies: Sofidel Spain and Sofidel Belgium. It will be gradually introduced throughout the Group<sup>3</sup> over the next few years.

Adoption took place by resolution of the respective Boards of Directors and, during these same meetings, the **Ethics & Compliance Program** was also adopted. A **Focal Point** was appointed to oversee implementation of the program and ensure its adequacy and constant updating. All the functions, at various levels, that carry out tasks considered sensitive for Anti-Bribery purposes were involved in these activities. Furthermore, control and monitoring actions were carried out on sensitive processes through an audit program.

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

### THE FUNCTIONS OF THE INTERNAL CONTROL SYSTEM

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. They also carried out a training and information campaign to ensure employees understand **the importance of and responsibility for the relevant checks and controls**.

Following a **risk assessment** activity, the Supervisory Board updated the Organizational, Management and Control Model (Legislative Decree 231/01) to include **tax and smuggling offences**. In particular, the company has developed a project to critically assess the effectiveness and suitability of its Organizational, Management and Control Model in light of the new **Confindustria Guidelines** and the **Position Paper of the Association of Members of Supervisory Bodies (AODV)**. Furthermore, it has created a training program that involves all corporate functions to increase knowledge of the Legislative Decree 231/01 and its contents. All first level managers have already been trained.

The **Quarterly Report**, which is prepared every three months by the Legal Representatives 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.

1. Legislative Decree 231/01 is applied in Italy.

2. The Sofidel Group has adopted the international ISO 37001 standard in Italy, France, Spain and Belgium, but is not yet certified.

3. The risk assessment involved 14 out of 37 offices and plants, or 38% of the Sofidel Group.

## 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 ERP SAP management program.

The model that Sofidel uses is known internationally as **Integrated Finance Organization (IFO)** and is preparatory to the implementation of **Integrated Business Planning (IBP)**, a model for the integrated planning, management, and control of corporate activities and business objectives. This model is based on the idea of **viewing the company as 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 the Sofidel Group goes 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 operational objectives.

During the year, this function finalized the **Risk Management Manual** that identifies the elements of the ERM model, and it defined the **Risk Governance** by identifying the Risk Owners, those who constitute the first level of control in identifying, assessing, and managing risks.

The Risk Management & Compliance function has also initiated and concluded the first cycle of **risk assessment** after interviewing all the Risk Owners. Discussions with the Directors of the various business functions made it possible to identify an extensive and complete list of risks to be monitored and kept under control.

To assess the risks, consideration was given to both the **probability of occurrence** and **the impacts that would be created** over a given time frame should the event occur. 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 made it possible to measure the impact of risks against the achievement of corporate objectives, and led to the drafting of the Sofidel Group's first **Risk Catalog**. Based on the catalog, it was possible to prioritize the action plans identified with the various Risk Owners.



## Risk management: the Sofidel model





## Sustainability at the heart of the organizational model

### Governance

- Rules on governance
  - Organization
- Management systems

### Risk management

- Cross-business risk management model
  - Coverage of all business areas

### Assets

- Four lines of business
- Efficient production plants
- Diversified range of products
- Wide base of national and international customers



### Strategic guidelines

- Sustainable growth, within the limits of the planet
  - Strict control of investments and costs
  - Internationalization
  - Partnerships with large-scale distribution
- Reduced time-to-market
  - Leadership in the European market
  - Focus on customers and premium segments

### Drivers

- Cooperation in the development of foreign countries
- Excellent operating performance
- Innovative development of products and solutions
  - Fair and responsible business conduct

## The main ESG risks and related management policy

Using the materiality matrix, the Sofidel Group has identified the main risks relating to environmental, social and governance (ESG) issues that are priorities for our stakeholders.

These risks are integrated into the ERM model, which takes into account ESG factors and the impact they can have on the company and our business.

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 the protection 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.

## Climate change and reduction of emissions into the atmosphere

Type of risk	Management policy
<p><b>Risk of not meeting sustainability objectives (carbon, plastic, forests)</b></p>	<p>The Sofidel Group has a three-year sustainability plan, shared with all business functions and approved by the Chief Executive Officer.</p> <p>The Group's <b>system of governance</b> makes it possible to minimize the risk of not achieving the sustainability objectives the company has set for itself. Key mitigation measures include:</p> <ul style="list-style-type: none"> <li>the <b>quarterly report</b> prepared to update the BoD on financial performance and main sustainability objectives;</li> <li>the introduction of high-profile personalities to the BoD, including Chiara Mio, one of <b>Italy's leading sustainability experts</b>;</li> <li>the audit carried out each year by authoritative and credible external entities to provide <b>assurance to the integrated report</b>, which presents the Group's sustainability objectives;</li> <li><b>annual participation in the CDP rating</b> (Carbon Disclosure Project), the non-profit organization that is the global benchmark for assessing the environmental impacts of companies, countries and cities. In this regard, Sofidel received the highest score for Climate (A), Forest (A-) and Supply Chain Management (A);</li> <li>the development of a strict and detailed <b>Policy</b>, in collaboration with WWF, to regulate <b>procurement of the forest resource</b>.</li> </ul>
<p><b>Risk of a skills gap on decarbonization and energy transition issues</b></p>	<p>The Sofidel Group started to work very early on the issue of decarbonization. In 2009 it was the first company in Italy – and the first in the world in the tissue paper industry – to join the <b>WWF's Climate Savers</b> program, a voluntary project to reduce CO<sub>2</sub> emissions.</p> <p>Its long and fruitful <b>collaboration with WWF</b> allows the company to benefit from constant comparison with an expert and up-to-date perspective on the issues of decarbonization and energy transition.</p> <p>All of the Group's plants are <b>ISO 14001</b> certified and our 2030 emission reduction targets have been endorsed by <b>SBTi (Science Based Target initiative)</b> and recognized as being in line to keep the planet's temperature increase well below 2°C.</p> <p>Furthermore, the Group has an open and continuous line of communication with the main <b>associations of the tissue paper industry at the Italian and European level</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>The Sofidel Group also has an internal training program dedicated to the theme of sustainability and a blog that periodically addresses the most topical issues.</p> <p>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 the Sofidel Board of Directors.</p>

Type of risk	Management policy
<p><b>Risk of extreme weather events due to climate change (floods, drought, hydrogeological instability, etc.)</b></p>	<p>The Sofidel Group has been working in multiple directions to be more resilient and mitigate the risk of extreme weather events, which can impact its plants:</p> <ul style="list-style-type: none"> <li>it has <b>invested in works to protect</b> the plants most exposed to the danger of flooding;</li> <li>it has <b>minimized water consumption</b> to better address drought and water stress issues;</li> <li>it uses <b>multiple water sources</b> to more efficiently manage any critical situations.</li> </ul> <p>The company is working on a <b>Disaster Recovery Plan</b> to guarantee business continuity in the event of extreme weather events. It also uses one of the most recognized insurance services to identify the most effective damage mitigation measures. This service, with the help of local Sofidel teams, performs <b>on-site due diligence</b> to analyze and manage the risk of natural events that could impact plant business continuity.</p>
<p><b>Risk of energy, gas and CO<sub>2</sub> price increases</b></p>	<p>To mitigate the risk of rising energy, gas, and CO<sub>2</sub> certificate costs, the Sofidel Group adopts supply contracts that combine fixed and variable pricing to reduce exposure to market volatility.</p> <p>Furthermore, in 2021, Sofidel signed:</p> <ul style="list-style-type: none"> <li>a <b>long-term partnership</b> agreement (Power Purchase Agreement - PPA) <b>with RWE</b> for the construction of a 13.6 MW <b>wind farm</b> in Sicily. The company will be the sole purchaser of the energy produced by the plant, with a contract for 26 GWh/y;</li> <li>a long-term (10 years) agreement with <b>Meva Energy</b> for the construction of a <b>bio-syngas generation plant</b> at the Kisa site in Sweden. This will allow fossil fuels to be substituted within the next two years and <b>CO<sub>2</sub> emissions to be reduced by 8,500 tons</b>.</li> </ul> <p>Dedicated biomass supplies for energy use in France and Sweden from a controlled and sustainable local supply chain have been in place for some time. This fuel does not suffer from the fluctuations that plague the gas and electricity markets and allows climate-altering emissions to be reduced.</p> <ul style="list-style-type: none"> <li>Furthermore, programs for the reduction of energy consumption are active within the energy management systems certified to ISO 50001 standard and now present in almost all production sites. In 2021, Sofidel UK obtained a <b>dedicated energy efficiency facility</b> through a mechanism called the Industrial Energy Transformation Fund (IETF) for a project at the Baglan site.</li> </ul>



## Correct management of the forest resource

Type of risk	Management policy
<b>Risk of reputational damage to the company and its brands by a supply chain that is not in line with Sofidel principles</b>	<p>The objective of the Sofidel Group is to have a <b>risk-free supply chain</b>. To achieve this result and mitigate the risk of reputational damage, we have two courses of action:</p> <ul style="list-style-type: none"> <li>· evaluate suppliers' sustainability strategies and performance</li> <li>· apply a sustainability model to purchasing.</li> </ul> <p>The tool we use to assess suppliers on sustainability is the <b>TenP Paper</b> platform. Developed in collaboration with the Global Compact Network Italy, TenP Paper measures supplier performance in four areas: <b>working conditions, respect for human rights, environmental protection, and anti-corruption</b>.</p> <p>Based on the score obtained with this evaluation system, Sofidel divides its suppliers into three categories: green for those that have achieved excellent results in all four areas, yellow for those that are sustainable but still have areas of weakness on some fronts, and red for those that are not currently in line with the Group's sustainability principles. To help suppliers who are not yet sustainable to improve, Sofidel provides support and training. If, despite this support, suppliers are not making progress, the company considers terminating the collaboration. In 2021, <b>97% of the Group's purchases were made with excellent or sustainable suppliers</b>.</p> <p>Furthermore, Sofidel has a <b>Supplier Code of Conduct</b> that must be shared and accepted by all suppliers working with us.</p>
<b>Risk of loss or restriction of the license to use PEFC, FSC and Ecolabel labels as a result of serious non-compliance</b>	<p>To reduce the risk of losing the license to use the PEFC, FSC and Ecolabel labels, Sofidel Group is committed to:</p> <ul style="list-style-type: none"> <li>· carefully selecting its suppliers by choosing only those who can guarantee not only the quantity and delivery times, but also the quality of the fibers and an <b>eco-sustainable management of forest resources</b>;</li> <li>· establishing long-term relationships by choosing only suppliers who can <b>guarantee the license for use</b> and compliance with certifications;</li> <li>· providing for annual verification of these certifications through our supplier pre-qualification system;</li> <li>· requesting detailed information on how the supplier produces the pulp.</li> </ul> <p>Furthermore, in the future the company intends to activate <b>third-party audits</b> of key suppliers to verify their compliance with PEFC, FSC and Ecolabel schemes.</p>
<b>Risk of not meeting raw material and finished product traceability requirements</b>	<p>The Sofidel Group has adopted an <b>identification system</b> that allows raw materials and finished products to be properly traced.</p> <p>The traceability system is described in a specific procedure and is periodically monitored using internal and external audits.</p> <p>In particular, raw materials of forestry origin must undergo a due diligence process imposed by EU and UK regulations in order to verify the legality of their origin (EU Timber Regulation and UK Timber Regulation). This process is described in procedures made available to each Sofidel Group company and is <b>verified annually using internal audits</b>. The information is gathered through annual questionnaires sent to suppliers, backed up by <b>random inspections conducted by specialized third parties</b>.</p>
<b>Risks associated with pulp availability</b>	<p>To reduce the risk of pulp shortages, the Sofidel Group protects itself by:</p> <ul style="list-style-type: none"> <li>· carefully selecting suppliers able to guarantee not only the quantity and delivery times, but also the quality of the fibers, intended both as intrinsic quality of the raw material and as a guarantee of <b>eco-sustainable management of forest resources</b>;</li> <li>· concluding <b>multi-year contracts</b> to guarantee supply and obtain better economic conditions;</li> <li>· researching and evaluating <b>alternative fibers</b>, which do not originate from trees but come from agriculture, herbaceous plants or textile waste.</li> </ul>

## Health and safety of workers

Type of risk	Management policy
<b>Accident risk</b>	<p>To limit the risk of accidents and protect the health of workers, contractors and visitors, Sofidel constantly monitors the work environment, implements the best safety standards on machinery and equipment, and delivers training and information programs.</p> <p>The company has developed a risk assessment report that encompasses the risks and prevention measures for occupational health and safety based on Legislative Decree 81/2008.</p> <p>Furthermore, the Group has adopted the <b>OHSAS 18001</b> and <b>ISO 45001</b> management systems, which makes it possible to verify that the prevention and protection measures laid down in European and national legislation have been implemented.</p>
<b>Occupational disease risk</b>	<p>Sofidel pays careful attention to the choice of <b>personal protective equipment (PPE)</b> and works continuously to improve its efficiency and ensure increasingly higher levels of protection and comfort.</p> <p>Based on the risk assessment report, the company performs a constant control over the use of PPE through its supervisors.</p>
<b>Risk of purchasing machinery that is not suited to Sofidel's production environment and plants, which may affect their overall efficiency and safety</b>	<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 from a <b>technical perspective</b>, the Chief Technical Officer (CTO) and Production Functions:</p> <ul style="list-style-type: none"> <li>· make a preliminary analysis to define the characteristics of the machine to be introduced into the plant and the processing cycle, with the aim of optimizing the workflow;</li> <li>· check the operation of the machine at the supplier's premises or at other companies where it is used;</li> <li>· define a <b>specification to improve the machine</b> based on the experience gained over the years by Sofidel, which covers several aspects: ergonomics, efficiency, ease of maintenance..</li> <li>· carry out the <b>factory acceptance test</b> to verify that the machine has no defects and is working correctly;</li> <li>· check that the machine is <b>CE marked</b> and has a use and maintenance manual in the local language.</li> </ul> <p>In terms of Health and Safety for workers, the plant's <b>Health &amp; Safety Manager</b> updates the <b>Risk Assessment Report</b> after the machine has been installed in the production cycle. The various aspects assessed include, for example, protective measures against chemical, electrical or mechanical risks, noise, vibration, and musculoskeletal damage.</p>
<b>Fire risk</b>	<p>The fire-fighting systems adopted by the Sofidel Group comply with current regulations and are subject to <b>regular checks</b>.</p> <p>To further mitigate the risk of fire, Sofidel has prepared an <b>emergency plan</b> with 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>

## Ethics and transparency

Type of risk	Management policy
<b>Risk of corruption and conflict of interest</b>	To prevent and reduce the risk of corruption and conflict of interest, Sofidel has implemented an <b>anti-bribery model</b> in accordance with the international standard <b>ISO 37001</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. With this anti-bribery model, <b>specific controls</b> have been introduced <b>in all the Group's sales or purchasing activities</b> with the aim of separating tasks and creating a management system to mitigate the risk of corruption and promote an <b>ethical business culture</b> .
<b>Compliance risk in connection with environmental, tax and antitrust regulations</b>	To mitigate the risk relating to compliance with environmental regulations, the Group has implemented the <b>ISO 14001 system</b> in its plants and has defined a system of guidelines and procedures in relation to <b>Emission Trading</b> regulations and the <b>Timber Regulation</b> . Furthermore, external and internal audits are conducted on a regular basis. As regards tax compliance, the Group manages Transfer Pricing centrally and has initiated the <b>Global Transfer Pricing Project</b> and APA (Advance Pricing Agreements) and BAPA (Bilateral Advance Pricing Agreements) transactions between Italy and the U.S. The objective is to provide <b>prior certainty</b> regarding the criteria and methods used to determine transfer pricing.
<b>Risk of unfair competition</b>	As regards Antitrust, the Group has implemented a <b>Code of Conduct</b> accompanied by ancillary procedures and regulations to prevent the risk of unfair competition.  Specific <b>training</b> on the Code of Conduct is provided for the M&S function, and <b>regular audits</b> are conducted by external consultants to verify that it is being applied.  Furthermore, the company performs several checks on the products before putting them on the market, during both the conception phase and the production phase. These checks are carried out by Sofidel's legal department with the support of external consultants, and by the Quality and Safety department.
<b>Failure to provide a true representation of the figures in the financial statements and in the periodic reports on company performance</b>	In order to deal with reporting risk, the Group has developed a <b>system of procedures</b> at administrative, financial and management level that help to minimize its occurrence. The audit of the Sofidel Group's 2021 financial statements was done by EY.

## Respect for human rights and management of diversity and equal opportunities

Type of risk	Management policy
<b>Risk of mismanagement of issues relating to rights, equality and inclusion</b>	The Group addresses these issues in the <b>Code of Ethics</b> that is distributed to all employees upon hiring. Sofidel has also developed a <b>Policy</b> for the respect of <b>Human Rights</b> within the company and is preparing a <b>Policy</b> to promote <b>Diversity</b> as a value and wealth within the Group.  The Group has also set up a <b>Whistleblowing</b> system to allow all employees to report any critical issues, abuses and misconduct.

## Eco-friendly products and sustainable packaging

Type of risk	Management policy
<b>Risk of future restrictions on trade in disposable products and products of forest origin</b>	The Group monitors this risk by participating in the meetings and activities of entities representing the industry in the countries in which it operates and at European level.  Sofidel uses only pulp in its production process, starting from a renewable raw material – wood – which is easily recyclable and can be reintegrated into the natural life cycle. 100% of the pulp purchased comes from <b>FSC and PEFC certified suppliers</b> . Furthermore, the Group is committed to searching for alternative raw materials and fibers that can partially replace pulp.  In terms of <b>packaging</b> , product innovation in recent years has worked to reduce the thickness of plastic film and introduce new packaging made of kraft paper, or using bioplastics or recycled plastics.

## Product quality and safety

Type of risk	Management policy
<b>Product quality risk</b>	The Sofidel Group pays careful attention to ensuring the <b>quality of its products is consistent</b> and complying with the <b>highest safety standards</b> to protect consumer health. To reduce the quality risk in its products, Sofidel has implemented an <b>ISO 9001 certified Quality Management System</b> in all of the Group's European plants. Product quality is constantly monitored at all stages of production, both at the paper mill and at the converting sites, through various <b>Product Conformity Indexes</b> . These management systems enable us to meet the needs of consumers and all the requirements of large-scale retail customers while significantly reducing quality risk throughout the product life cycle. In every phase of production, the company verifies that all the procedures and controls established by the Quality Management System are correctly applied.
<b>Risks associated with poor product design</b>	In order to reduce the risk of poor product design, the Group has a <b>New Product Development procedure</b> that ensures that the new product is analyzed from the perspective of various business functions in order to guarantee compliance with regulations, the actual feasibility of making the product, and its ability to meet the needs of customers and consumers.  Furthermore, all Sofidel Group plants are <b>ISO 9001-certified</b> , with the objective of pursuing customer satisfaction and continuing to improve company performance in order to maintain and further develop the quality of its goods and services.
<b>Product contamination risk</b>	To limit and control the risk of product contamination and safety, the Sofidel Group's production is certified according to the voluntary standards <b>BRC Global Standard Consumer Products, Personal Care and Household</b> and the <b>International Food Standards (IFS), Household and Personal Care Products</b> for products dedicated to hygiene and to domestic and personal care. Furthermore, all production sites have adopted the <b>Health-Hygiene Control System</b> that ensures compliance with the regulations for the tissue industry. These management systems allow us to ensure consumer safety and significantly reduce the risk of contamination throughout the product life cycle. All functions, from production to warehouse, work to minimize the risk of contamination.
<b>Risk of losing customers due to loss of ISO 9001, BRC and IFS certification</b>	To reduce the risk of losing customers as a result of the loss of key certifications related to product quality and safety, the Sofidel Group performs the following actions: <ul style="list-style-type: none"> <li>· implements all procedures</li> <li>· organizes training sessions</li> <li>· implements monitoring and control systems.</li> </ul> <p>The Quality Manager is responsible for monitoring actions developed to reduce the risk as much as possible.</p> <p>This figure is tasked with spreading the quality culture throughout the company and is responsible for monitoring that all ISO 9001 procedures are respected and regularly applied.</p> <p>The company also organizes regular training courses dedicated to quality.</p>

## Correct management of water resources

Type of risk	Management policy
<b>Risks associated with availability of the water resource</b>	Global water consumption has increased 6-fold in the last 100 years and continues to grow due to population growth, economic development, and changing lifestyles. Climate change will make rainfall increasingly erratic and uncertain, causing droughts not only in water-stressed regions, but also in countries where water resources are still abundant. To prevent risks associated with the water availability, the Group has made significant investments to reduce the amount of water required for the production process. Today, thanks to the <b>optimization of production cycles</b> and the <b>careful design of industrial plants</b> , its consumption is the lowest in the industry. This performance has been achieved thanks to the careful design and construction of the plants (many newly built) to minimize water consumption. Plants purchased from other companies have been upgraded over time with numerous interventions and brought up to optimal performance.
<b>Risk of soil, subsoil, groundwater, and surface water pollution</b>	Respect for the environment and for people's health is a fundamental principle that guides all Sofidel's production activities. For this reason, the company is very careful to manage its environmental impacts and has adopted the <b>ISO 14001</b> -certified management system in all its plants. The Group also plans specific measures to <b>manage waste water treatment plants more and more efficiently</b> and prevent the risk of soil and groundwater pollution. In order to ensure an optimal level of control over the company's procedures and practices, <b>frequent audits are carried out</b> , both by internal staff and by third-parties, with the aim of minimizing the risks of environmental accidents impacting the water, air, soil and subsoil.

## Transparent management of the supply chain

Type of risk	Management policy
<b>Supply continuity risk</b>	To guarantee continuity of the supplies necessary for its business, the Group analyzes the supply chain from different perspectives by: <ul style="list-style-type: none"> <li>• <b>periodically monitoring the creditworthiness</b> of all suppliers that operate in complex markets and are difficult to replace due to the product they supply;</li> <li>• <b>checking the concentration of spending</b> on only one supplier. Sofidel carries out a regular <b>spend analysis</b> to check the concentration of spending within the same product category, assesses Sofidel's dependence and makes decisions on it;</li> <li>• <b>mitigating the risk of unplanned interruptions</b> in energy supply through: <ul style="list-style-type: none"> <li>- continuous monitoring of the financial health of its energy suppliers</li> <li>- the maintenance and <b>continuous updating</b> of its plants to the technical standards in terms of energy.</li> </ul> </li> </ul> <p>Furthermore, all critical suppliers, those who have been included in the thirteen spending categories identified as critical, <b>must take a self-assessment on the Ariba platform</b>. This way, the Group has an up-to-date snapshot of the sustainability level of its suppliers.</p>
<b>Supplier dependence risk</b>	In order to prevent the risk of dependence on suppliers, Sofidel implements a constant <b>diversification of suppliers</b> , both nationally and internationally, to guarantee a negligible risk of dependence.

## Circular economy and waste management

Type of risk	Management policy
<b>Risk of fraudulent disposal of production waste</b>	The Sofidel Group's plants follow <b>strict procedures</b> to reduce the risk of illegal and fraudulent waste disposal and to sort waste materials into categories to enable their recovery. These procedures are incorporated into <b>ISO 14001</b> management systems and are subject to frequent review. The waste is mostly metals, plastics, wood, and cardboard, and is disposed of through specialized collection and recycling companies. The <b>waste produced by the paper business</b> is mostly sludge that comes from wastepaper production. This type of waste is recycled for use in brick manufacture or in the environmental reclamation of areas used for mining. <b>Hazardous waste</b> , however, concerns maintenance work on the industrial plants and includes fluorescent tubes, used oil and accumulators. Sofidel performs frequent checks to verify that the operators who carry out the activities of transporting and brokering this waste are operating correctly both inside and outside the Group's factories.

## Training, professional development and employee well-being

Type of risk	Management policy
<b>Risk of losing people with high potential and know-how</b>	People are a fundamental asset for Sofidel, which is why the Group is committed to designing <b>growth paths</b> that allow it to retain and develop workers with the most potential and high degree of know-how. To this end, the Group has furnished itself with a tool that provides reliable information on labor market trends and the benefits offered to employees: salary benchmarks, benefits, and MBO (Management by Objectives) plan. Furthermore, it has established a <b>process for appraising and managing the performance</b> of its employees, which Sofidel intends to develop further next year to mitigate the risk of losing talented people with experience and know-how.
<b>Risk of impact on production due to trade union actions</b>	To limit as much as possible the risk of an impact on production due to trade union actions, the Sofidel Group has a system of industrial relations based on <b>constant, open and constructive discussion</b> . Confidence in dialog and the desire to prevent risks of negative consequences on production and on the supply of products to its customers has led the Group to define a <b>process for managing trade union negotiations</b> coordinated by the Corporate Human Resources Department.

## Research and innovation

Type of risk	Management policy
<b>Risk of intellectual property infringement</b>	To protect the intellectual property of its innovation projects, Sofidel has established a process that involves signing <b>confidentiality agreements</b> with the people on the research team. It also uses three consecutive levels of analysis: <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 performed by the patent granting body.</li> </ul>



## Digitalization and cybersecurity

Type of risk	Management policy
<b>Risk of non-compliance with privacy regulations</b>	<p>The Sofidel Group is very careful about protecting the personal data of its stakeholders. To this end, it has developed a management model in compliance with European privacy legislation (GDPR - General Data Protection Regulation) and has conducted a risk assessment to identify and evaluate the main risks for the Group.</p> <p>It has also appointed a <b>Data Protection Officer</b> in companies where it was found to be necessary based on the risk analysis. This figure, within the company organization, is the point of reference for all matters related to privacy.</p> <p>In 2021, <b>there were no complaints</b> regarding privacy breaches or loss of customer data.</p>
<b>Cyber risk</b>	<p>The issue of cyber security is of primary importance to Sofidel and it is dealt with using various risk mitigation measures. Furthermore, personnel are continuously trained by sending them <b>simulated phishing</b> campaigns.</p> <p>In 2021, the <b>Cybersecurity Office</b> was established. This second-level control office has the aim of increasing the Group's resilience to cyber threats and developing a culture on cybersecurity as an integral part of employees' work habits and conduct.</p> <p>The first activity carried out by this office was a <b>risk assessment</b>, both in the office and in the factory, in order to define - together with the functions involved - a short- and medium/long-term action plan.</p> <p>From a technical point of view, the main measures pursued in 2021 were:</p> <ul style="list-style-type: none"> <li>• the <b>ISO 27001</b> certification of the parent company Sofidel;</li> <li>• migration to <b>Windows 10</b> to reduce risks related to the vulnerability of different operating systems;</li> <li>• data migration to <b>Onedrive-Sharepoint</b> which allows data to be shared securely and rendered unreadable if mis-handled or fraudulently managed;</li> <li>• email protection through <b>3 levels of protection</b>: Native Microsoft Anti-spam, Cloud-managed Cisco Anti-spam and Antigena Email;</li> <li>• strengthening of the credentials for accessing corporate resources;</li> <li>• use of the <b>Global Protect</b> platform to address the need for remote working and ensure that users working from home have the same levels of security as in the office.</li> </ul> <p>Lastly, the Group has taken out an insurance policy that covers financial damage from cyber events.</p>
<b>IT business continuity risk</b>	<p>To ensure business continuity in the event of computer problems and cyber attacks, Sofidel Group has 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>

## Commitment to society, new generations and local communities

Type of risk	Management policy
<b>Risk of not providing stakeholders with reliable, up-to-date information</b>	<p>The Sofidel Group is committed to promoting a <b>sustainability culture</b> inside and outside the company. To this end, it has created a <b>project dedicated to Italian primary and secondary schools</b> to educate the new generations on respect and care for the planet and to raise awareness of the main environmental challenges facing humanity. It has also developed different information channels and tools, each with specific objectives and content, depending on the audience and the timing of communication deemed most appropriate (newsletters, magazines, online news, social channels, blogs, institutional website..).</p> <p><b>To ensure the traceability and reliability of the data</b>, the communications office follows a precise procedure that requires all members of the office to verify and keep track of information received from other business functions.</p>
<b>Risk of failure to manage a crisis situation</b>	<p>The Sofidel Group has developed a <b>Crisis Management</b> manual and procedure so that it will be ready to face and manage - promptly and skillfully - any crisis situation that may suddenly erupt.</p> <p>A <b>Media Training</b> program has also been set up for top management to prepare them to strategically manage communications and press interviews with confidence and awareness.</p> <p>Media training has enabled simulation of various crisis situations that could potentially occur, and the sharing of <b>key messages</b> prepared to handle information and media requests. It was also an opportunity to acquaint the directors of the various functions with the logic and timing of information production, and to ensure that everyone has the <b>appropriate sensitivity and awareness</b> to deal with a crisis.</p> <p>The Sofidel Group has also partnered with a PR agency with an international network to be ready to handle a crisis in all the countries in which it operates.</p>



## Management systems

Sofidel has chosen to voluntarily adopt the main Management Systems in order to continue to improve its performance and respond effectively to the needs of its various stakeholders.

ISO 9001:2015	for the Quality Management Systems
ISO 14001:2015 and EMAS (Community Regulation 1221/2009)	for the Environmental Management Systems
BS OHSAS 18001:2007/ISO 45001:2018	for the workplace Health and Safety Management Systems
BRC Global Standard Consumer Products Personal Care and Household and IFS Household and Personal Care	for the Self-Controlled Health-Hygiene Systems
FSC® - PEFC™	for the responsible, sustainable management of the forests from which the products of wood origin, like pure pulp, come from
ISO 50001:2011	for the Energy Management Systems
Ecolabel, Der Blaue Engel and Swan Label	Product certifications
ISO 27001:2017	Information Security Management System
ISO 20400:2017	Sustainable procurement

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

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

	Product safety*		Quality*	Self-Controlled Health-Hygiene System	Health and Safety	Environment							Energy	Sustainable procurement**	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 Paper Mill Via Lazzareschi			•	•	•	•	•				•	•	•		
Soffass Converting Via Lazzareschi		•	•	•	•		•				•	•			
Soffass Monfalcone		•	•	•	•		◊		◊		•	•	•		
Soffass Tassignano		•	•	•	•		•				•	•			
Soffass Val Fegana			•	•	•	•	•				•	•	•		
Soffass Valdottavo			•	•	•	•	•				•	•	•		
Soffass Via Fossanuova		•	•	•	•		•				•	•			
Soffass Via Leccio			•	•	•	•	•				•	•	•		
Sofidel			•	x	•						Δ	Δ		•	•
Sofidel Belgium	•		•	•	•	•	◊				•	•	•		
Sofidel France Frouard		•	•	•	•	•	•				•	•	•		
Sofidel France Ingrandes		•	•	•	•		•				•	•			
Sofidel France Roanne		•	•	•	•	•	•				•	•			
Sofidel Germany Arneburg		•	•	•	•	•	•		•		•	•	•		
Sofidel Germany Wershausen Omega		+	•	•	•	•	•	•			•	Δ	•		
Sofidel Germany Wershausen THP		+	•	•	•	•	•				•	•	•		
Sofidel Germany Wershausen Werra			•	•	•	•	•	•			•	Δ	•		
Sofidel Greece		•	•	•	•	•					•	•			
Sofidel Hungary		•	•	•							•	•			
Sofidel Poland		•	•	•	•	•					•	•			
Sofidel Romania		+	•	•	•	•	•				•	•	•		
Sofidel Spain		•	•	•	•	•	•				•	•			
Sofidel Sweden		•	•	•	•	•	•		•		•	•	•		
Sofidel UK Baglan	•		•	•	•	•					•	•	•		
Sofidel UK Hamilton, Leicester	•		•	•	•	•					•	•	•		
Sofidel UK Lancaster			•	•	•	•				•	•	•			
Sofidel UK Rothley Lodge, Leicester	•		•	•	•	•					•	•			
Sofidel United States Circleville	•			•							•	•			
Sofidel United States Green Bay				•							•	•			
Sofidel United States Haines City	•			•							•	•			
Sofidel United States Hattiesburg				•							•	•			
Sofidel United States Inola				•							•	•			
Sofidel United States Las Vegas				•							•	•			

◊ Only for reels    Δ Only trading    x n.a.

+ The certification renewal audit was not conducted in 2021 owing to the Covid-19 pandemic and was postponed until 2022.

\* Plants with self-monitoring system: 31 | Total plants: 32 | Percentage: 97%.

\*\* The ISO 20400 guideline allows sustainability to be integrated into the organization's procurement policies and is applied throughout the Sofidel Group.



CHAPTER 3

—  
**Transparent  
reporting**

**EVERY STEP WE  
TAKE IS IN THE  
SUNLIGHT**

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.

## 2021 Highlights

**2,095** m EUR

net revenues  
(vs. 2,173 m EUR 2020)

**218** m EUR

EBITDA

**10.42%**

EBITDA percentage

**235** m EUR

net operating cash flow  
(vs. 484 m EUR 2020)



## Performance of the world economy

The year 2021 saw a **general recovery in economic activities**, although difficulties related to the unavailability of some raw materials, rising prices, and the resurgence of the pandemic emerged in the second half of the year. These trends manifested themselves differently from one country to the next.

### THE TREND IN GLOBAL ECONOMIC ACTIVITY

In the **first quarter** of the year, continued vaccination campaigns – coupled with supportive economic policies – were reflected in an improved global outlook.

In the United States the Biden administration's expansive budget plan led to an improvement in growth expectations and long-term yields. This prompted the International Monetary Fund (IMF) to **revise its forecast on the expected global growth upward** in 2021 from 6 percent to 6.5 percent.

Growth continued at a steady pace in the **second quarter**, extending to the service sector in the United States and the United Kingdom. In Japan, on the other hand, growth was much weaker and limited to the manufacturing sector. Around the middle of the year, economic activity recovered to the level of the end of 2019 in the United States, while in Japan and the United Kingdom it is still 1.4 and 3.3 percentage points below, respectively.

In the **third quarter**, **GDP slowed** in both the major advanced economies, except for the Euro area, and the emerging economies. In the United States, the slowdown in consumption due to the diffusion of the Delta variant during the summer months had an impact. The Chinese economy also showed definite signs of slowing down, primarily linked to the downturn in the real estate sector, which was affected by the collapse of 'Evergrande'.

Against this backdrop, the problem of **rising prices**, which is not new in times of economic growth, reappeared. In fact, since the beginning of the year, the **problem of inflation** has been looming in the United States, which stabilized at 5.4% in September and then continued to grow until reaching 7% in December, the highest level since the beginning of the 1980s. This was mainly due to rising energy prices, the increase in used cars and rents, as well as more bottlenecks in the supply of raw materials.

In emerging countries, inflationary pressures remain high: in Brazil and Russia, twelve-month price growth stood at 10.1% and 8.4% in December, respectively.

Significant growth was also observed in the **price of natural gas**, especially in Europe. Tensions with Russia relating to the temporary suspension of the use of the 'Nord Stream 2' gas pipeline, which escalated in mid-November, the cold temperatures recorded in the Nordic countries, and the high demand for electricity production significantly reduced stock levels, leading to an increase in trade prices. However, the increased inflow of liquefied gas by cargo ships from the United States during the last days of 2021 contributed to a containment of trade prices.

### ECONOMIC TREND IN THE EURO AREA

In the euro area, the first quarter saw a decrease in economic activity of 0.3%. Gross domestic product fell sharply in Germany (-1.8%) and less sharply in Spain and France. It has, however, barely increased (0.1 percent) in Italy.

Economic activity, **driven by a recovery in consumption** and investment, returned to strong growth in the second quarter, reaching 2.1 percent. However, manufacturing activity, particularly in the automotive sector, was held back by global **shortages of semiconductors**. The difficulties were particularly pronounced in Germany, due both to the greater use of these components and the greater dependence on foreign countries for their procurement. The third quarter showed robust GDP growth (2.3%), driven by an increase in household consumption. In the fourth quarter, on the other hand, economic activity showed signs of weakening: industrial production, especially in the automotive sector, continued to be affected by the global shortage of semiconductors, with difficulties again particularly pronounced in Germany. The **rise in energy prices** led to a significant increase in inflation, which in December reached 5% over twelve months, the highest level since the start of the monetary union. Half of this trend is attributable to the energy component. It is also affected by factors related to the fiscal policies launched in 2020, the effects of which will fade beginning in January 2022.

Overall, **inflation was 2.6%** in 2021.

Source: European Central Bank, Bulletins 5.2021; 6.2021; 8.2021; Bank of Italy, Bulletins 2.2021; 3.2021; 4.2021; 1.2022; International Monetary Fund, World Economic Outlook Update, January 2022.

## Group economic and financial performance

### SALE PRICES

During the first few months of 2021, finished product prices remained stable and then continued on an upward trend. However, these increases were not sufficient to cover the rise in commodity prices and energy costs.

### PULP

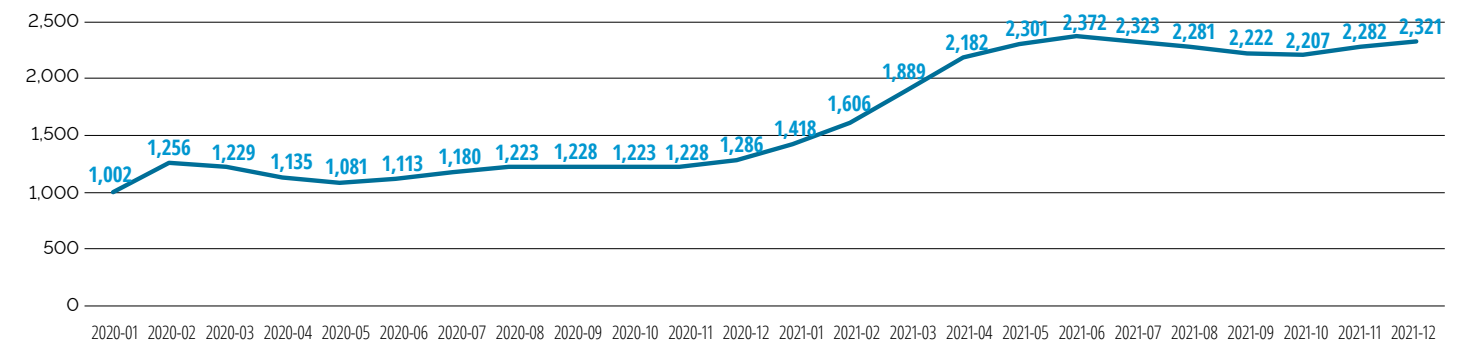
As early as the end of 2020 the cost of pulp had shown the first signs of growth, reaching its highest level in 3Q 2021.

Among the fibers used by the Group, the short fiber has had a greater cost increase than the long fiber. Both have exceeded the cost levels recorded in 2018.

### OTHER RAW MATERIALS

Like pulp, other raw materials used in production also increased during 2021. Inflationary phenomena led to **large increases in the price of cardboard, plastic products, and chemicals**. The increase in the price of plastic since January 2021 can be seen in the chart below.

### Price increase of plastic LDPE €/TON Italy



Source: S&P Global Platts.

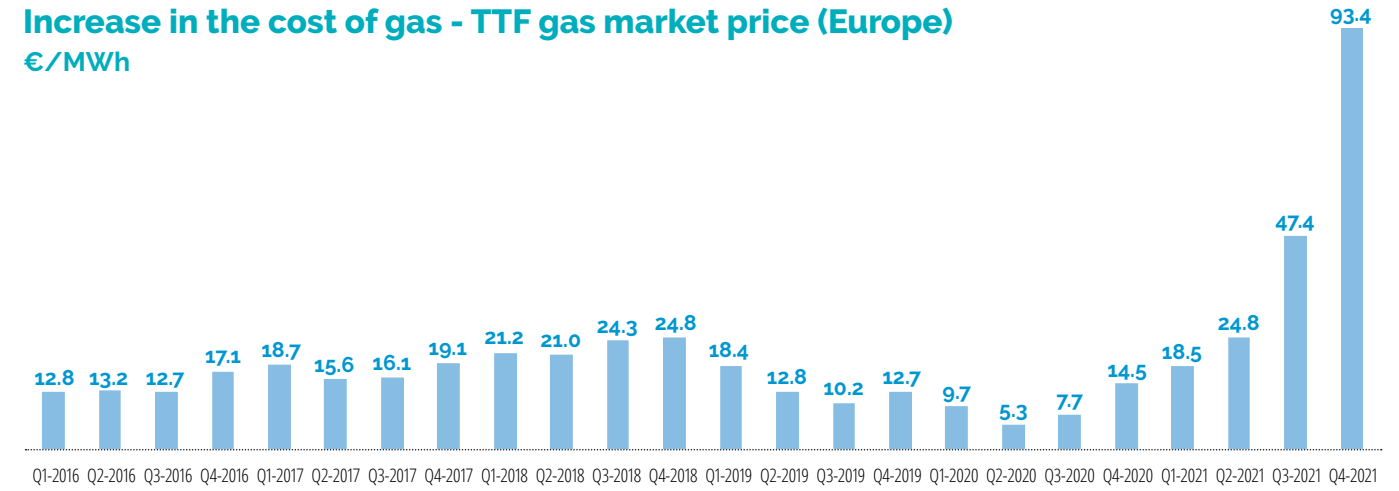
**ENERGY**

The cost of energy increased exponentially in 2021. Taking market values by quarter, the **price of gas has increased five-fold**, as the first chart on the opposite page shows. Electricity values, on the other hand, increased more than three times that of the first quarter (see second chart on opposite page).

These increases in an energy-intensive sector such as 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, energy costs have risen slightly less than in Europe. Gas has more than doubled over 2021 (third chart on opposite page).

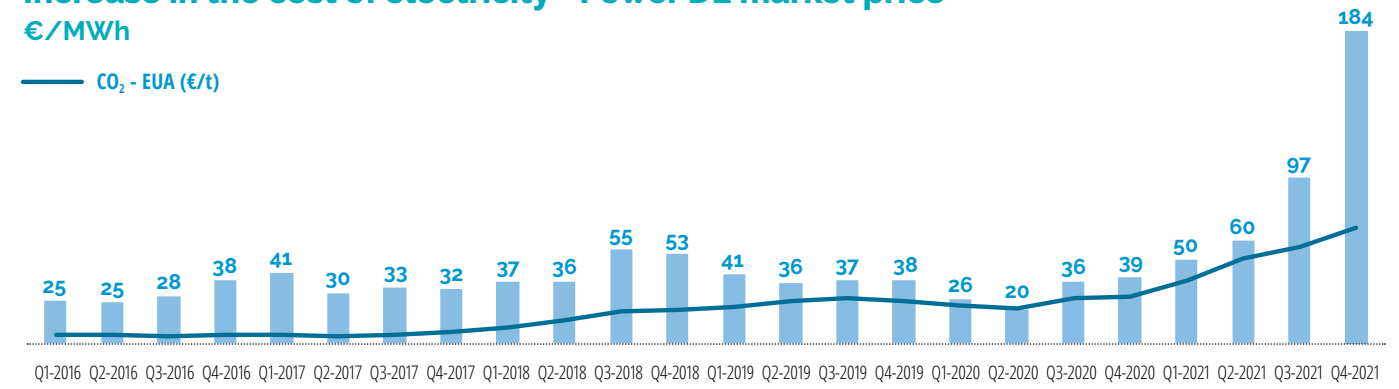


**Increase in the cost of gas - TTF gas market price (Europe)**  
€/MWh



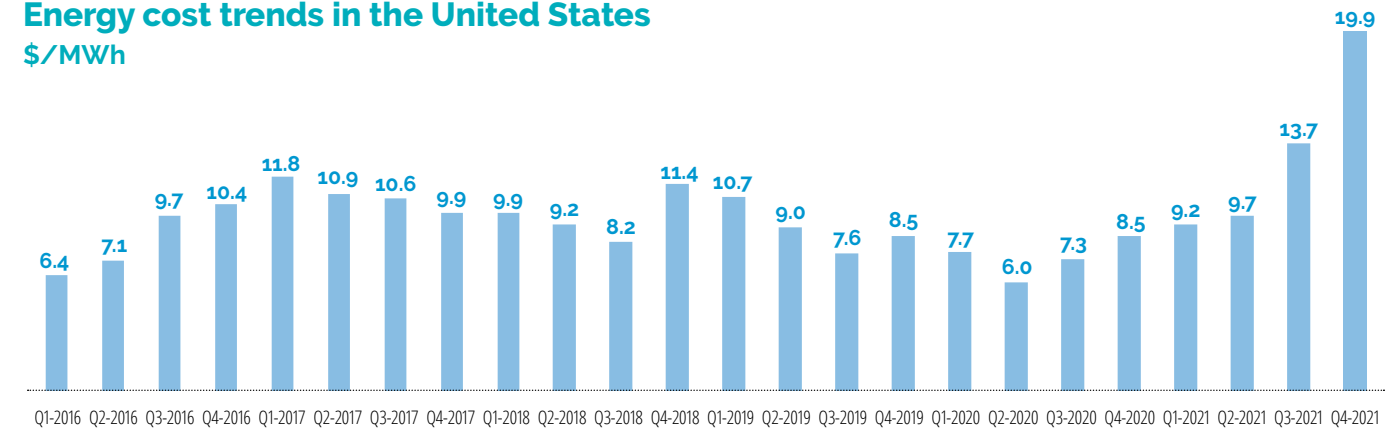
Source: Kinect.

**Increase in the cost of electricity - Power DE market price**  
€/MWh



Source: EEX.

**Energy cost trends in the United States**  
\$/MWh

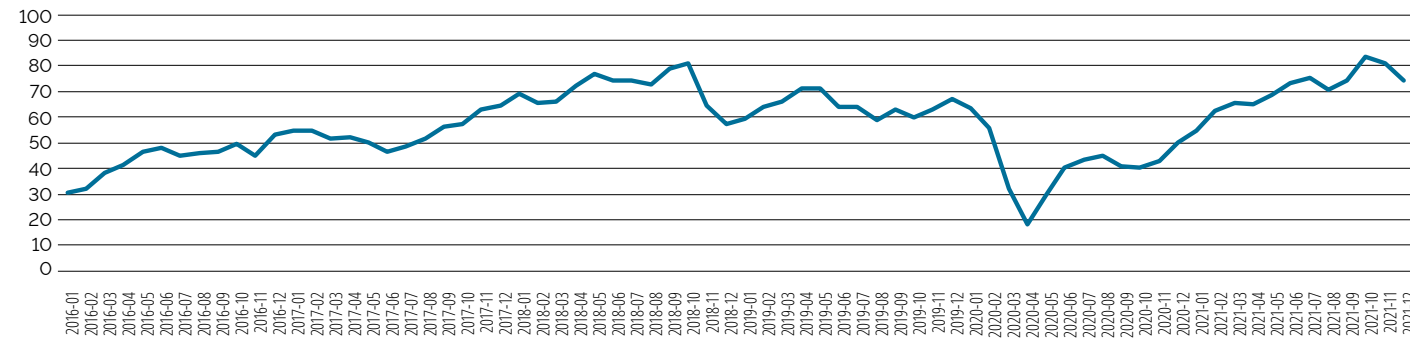


Source: Henry Hub market price (USA).

**TRANSPORT**

The oil price index in 2021 reached the highest amount over the past five years, spilling over into transportation, as the following chart shows.

**Oil price trend - Brent Oil**  
Price per Barrel \$

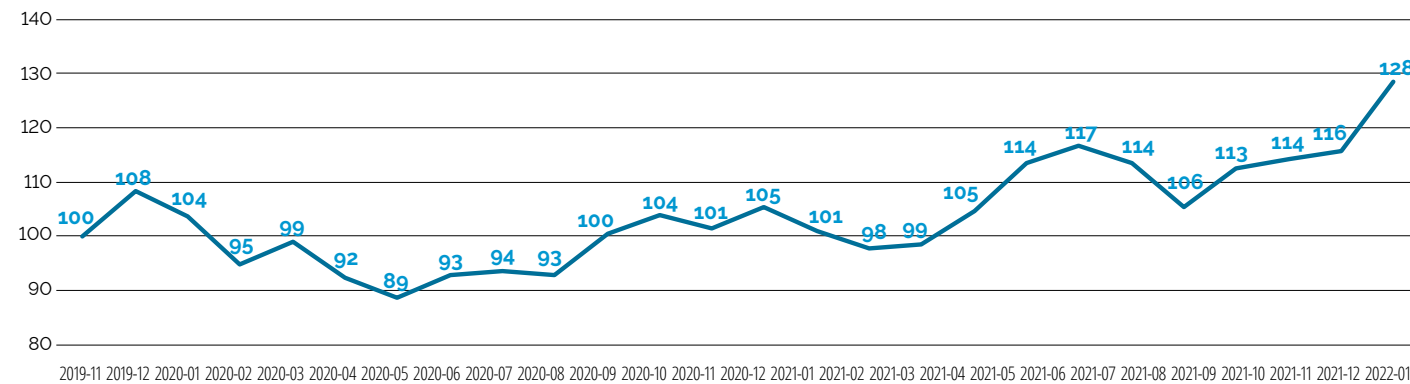


Source: EIA.

In addition to the increase in fuel costs, there was a further problem in the UK related to the lack of transporters, which further increased the cost of transport for some weeks. The costs of containers transported to America have been signifi-

cantly higher than in previous years, due in part to a chronic container shortage and associated higher maritime costs. The chart below illustrates the increasing trend of container costs in Europe from 2019 to 2021.

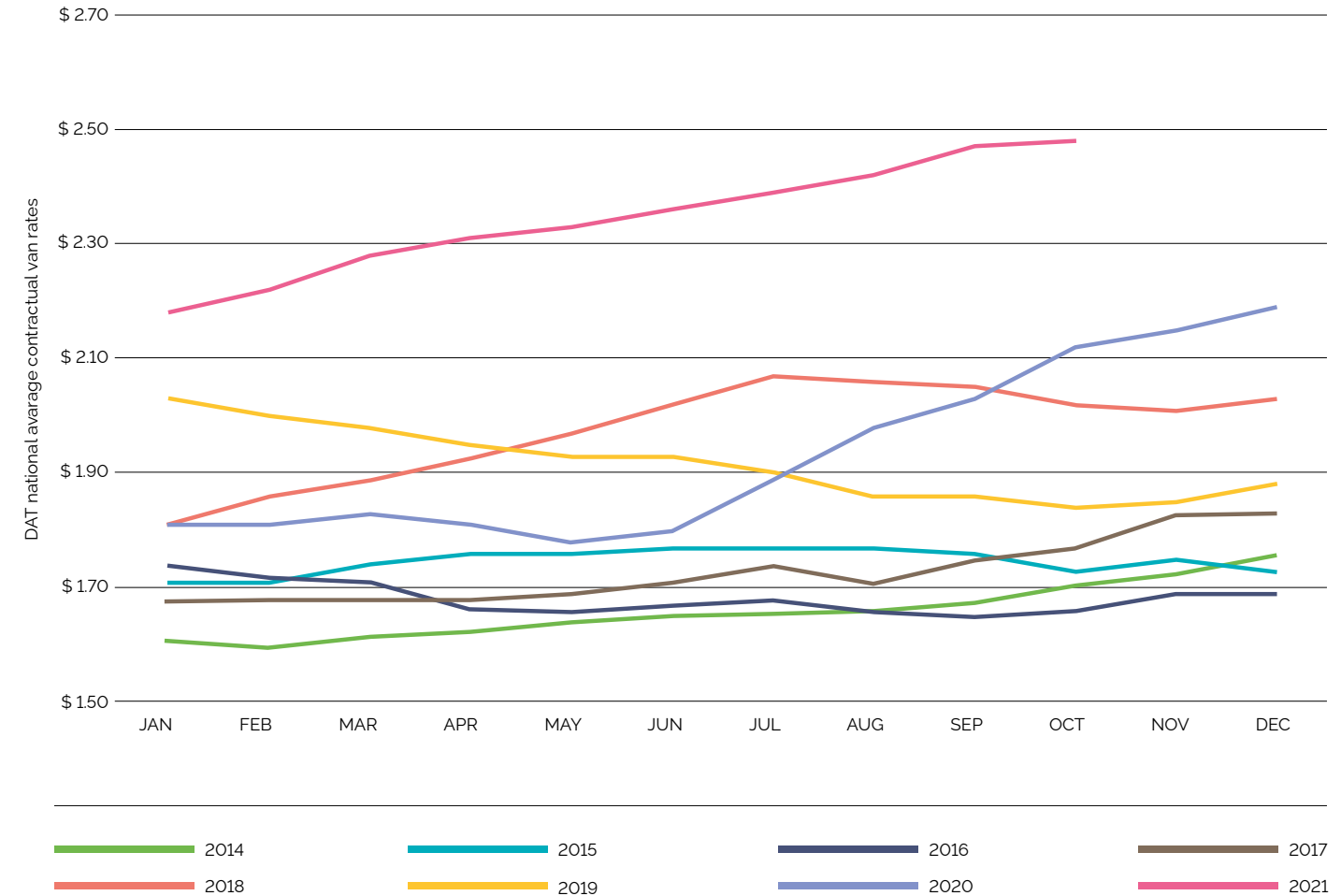
**Container cost trend - Transport Index**



Source: Transporeon.

The following chart illustrates the price of transportation in the U.S. from 2014 to October 2021.

**Transport price trend**



Source: Morgan Stanley Research - National average contract van rates excl. fuel surcharge.

**FINANCIAL CHARGES**

The total amount of financial charges relating to interest expense on short- and medium-term loans decreased by 13.9 million euros compared with the previous year. In particular, a significant reduction in financial charges was made possible by the early settlement of the medium-term loan signed on less favorable terms in 2019, and the return to medium- and long-term financing structures and rates more in line with the Group's wishes.

**'THE COST OF ENERGY AND RAW MATERIALS INCREASED EXPONENTIALLY IN 2021.'**

## THE GROUP'S OPERATING, ECONOMIC AND FINANCIAL PERFORMANCE – TABLES

### Economic and financial performance

The following tables are taken from the 2021 Consolidated Financial Statements.

#### Consolidated balance sheet

Description (thousands of Euro)	31/12/2021	31/12/2020
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,829,279	1,823,047
Investment property	6,402	6,611
Goodwill and investment property with indefinite useful life	83,012	76,717
Trademarks and other intangible assets	45,418	45,086
Rights of use for leasing	38,094	37,121
Equity investments	1,854	1,848
Other non-current financial assets	10,568	9,779
Deferred tax assets	154,417	113,179
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,169,044</b>	<b>2,113,389</b>
<b>CURRENT ASSETS</b>		
Inventories	434,202	392,539
Trade receivables	77,812	112,727
Other current assets	17,291	20,073
Tax receivables	10,528	7,975
Other current financial assets	1,956	17,477
Cash and cash equivalents	140,683	81,177
<b>TOTAL CURRENT ASSETS</b>	<b>682,472</b>	<b>631,967</b>
Assets held for sale	0	0
<b>TOTAL ASSETS</b>	<b>2,851,516</b>	<b>2,745,356</b>

Description (thousands of Euro)	31/12/2021	31/12/2020
<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	853,458	659,951
Group profit (loss)	22,303	141,047
<b>Total Group Shareholders' Equity</b>	<b>917,370</b>	<b>842,657</b>
Share capital and reserves pertaining to non-controlling interests	62	60
Loss attributable to non-controlling interests	(4)	3
<b>Total Non-Controlling Shareholders' Equity</b>	<b>58</b>	<b>63</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>917,428</b>	<b>842,720</b>
<b>NON-CURRENT LIABILITIES</b>		
Employee severance fund and other provisions regarding personnel	14,736	18,701
Deferred tax liabilities	108,695	86,750
Provisions for risks and charges	884	2,347
Non-current financial liabilities	865,950	652,624
Non-current leasing liabilities	29,022	29,196
Deferred revenues from capital grants	16,110	20,035
Other non-current liabilities	0	41
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,035,397</b>	<b>809,693</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	553,096	427,325
Current financial liabilities	50,327	103,191
Current portion of long-term borrowings	217,715	462,181
Current leasing liabilities	8,481	7,855
Other current liabilities	64,027	82,676
Tax payables	5,046	9,716
<b>TOTAL CURRENT LIABILITIES</b>	<b>898,691</b>	<b>1,092,943</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,851,516</b>	<b>2,745,356</b>



## Consolidated income statement

Description (thousands of Euro)	31/12/2021	31/12/2020
<b>REVENUES</b>		
Revenues from contracts with customers (net sales)	2,095,373	2,172,855
Rental income	695	739
Other revenues and income	28,248	30,600
<b>TOTAL REVENUES</b>	<b>2,124,316</b>	<b>2,204,195</b>
<b>OPERATING COSTS</b>		
Purchase of raw materials, finished products and changes in inventories	(979,912)	(907,137)
Services	(501,481)	(446,719)
Leases and rentals	(30,572)	(30,491)
Other operating costs	(27,427)	(28,573)
Payroll costs	(366,663)	(372,985)
<b>GROSS OPERATING MARGIN</b>	<b>218,260</b>	<b>418,290</b>
Amortization, depreciation and write-downs	(160,036)	(159,114)
Provision for risks	(2,708)	(2,177)
<b>OPERATING PROFIT</b>	<b>55,517</b>	<b>257,000</b>
Financial income	226	1,765
Financial expenses	(30,330)	(44,162)
Foreign exchange gains and losses	(2,768)	(23,417)
<b>Total financial income and expenses</b>	<b>(32,872)</b>	<b>(65,813)</b>
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>22,645</b>	<b>191,186</b>
Current taxes	(13,977)	(40,667)
Deferred/(prepaid) taxes	13,632	(9,469)
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>22,299</b>	<b>141,050</b>
Attributable to:		
Minority interests	(4)	3
<b>GROUP</b>	<b>22,303</b>	<b>141,047</b>

## Consolidated cash flow statement

Description (thousands of Euro)	31/12/2021	31/12/2020
Profit (loss) for the year	22,299	141,050
Income taxes	345	50,136
Financial income and expenses	30,104	42,271
<b>1. Profit/(loss) for the year before income taxes, interest, dividends and capital gains/losses from sale</b>	<b>52,748</b>	<b>233,457</b>
Adjustment of non-monetary revenues	(12,663)	(14,726)
Amortization/depreciation	159,938	159,027
Provisions	2,805	2,264
<b>2. Cash flow before changes in net working capital</b>	<b>202,828</b>	<b>380,022</b>
Change in trade receivables	34,915	(37,948)
Change in inventories	(41,664)	42,246
Change in trade payables	117,569	(21,103)
Change in short-term assets/liabilities	(18,671)	52,411
<b>3. Cash flow after changes in net working capital</b>	<b>294,977</b>	<b>415,628</b>
Change in other provisions and deferred tax assets	(10,258)	4,395
Income taxes (paid)	(13,977)	(40,667)
Interest paid on leasing liabilities	(1,434)	(1,514)
Other changes	(45,216)	56,692
<b>Cash flow from operating activities (A)</b>	<b>224,092</b>	<b>434,534</b>
Disposals of tangible and intangible fixed assets	3,603	1,916
Investments in tangible and intangible fixed assets	(72,354)	(99,582)
Purchase (sale) of other financial fixed assets	(6)	(40)
Capitalized interest	202	817
Change in trade payables - investment	8,203	8,054
Gains on disposal of fixed assets	685	2,843
<b>Cash flow from investing activities (B)</b>	<b>(59,667)</b>	<b>(85,992)</b>
Opening of medium/long-term loans	465,721	61,518
Redemption of medium/long-term loans	(465,807)	(288,023)
Change in short-term loans	(56,970)	1,877
Redemption of shareholder loan	(30,000)	0
Change in financial assets	18,404	(22,006)
Interest received/(paid)	(30,715)	(43,088)
Dividends (and interim dividends) paid	0	0
Capital payments for leasing liabilities	(8,791)	(9,302)
<b>Cash flow from financing activities (C)</b>	<b>(108,158)</b>	<b>(299,024)</b>
<b>Increase (decrease) in net cash and cash equivalents (A+B+C)</b>	<b>56,768</b>	<b>49,519</b>
<b>Initial net cash and cash equivalents</b>	<b>81,177</b>	<b>32,680</b>
Exchange differences opening balance	2,738	(1,022)
<b>Final net cash and cash equivalents</b>	<b>140,683</b>	<b>81,177</b>

## Investments

The investments made by the Group during the year were as follows:

Description (thousands of Euro)	2021
Rights, trademarks and brands	1,082
Intangible fixed assets in progress	689
Land and buildings	2,938
Investment property	-
Plant and machinery	41,426
Industrial and commercial equipment	836
Other tangible assets	2,690
Tangible fixed assets in progress and advance payments	22,694
<b>TOTAL</b>	<b>72,354</b>

Around 34% of the value of investments during the year were made by Sofidel United States, 25% by Sofidel Poland and the balance by the rest of the Group companies, in particular:

- ongoing construction of the automatic warehouse in Poland;
- Circleville, Ohio, U.S: investments in production lines and other improvements for approximately 12 million euros were made.

In general, all the other investments made relate to continuous

improvements in all production processes, in line with the Group's consolidation and growth strategies.

For further information on the economic and financial results, please refer to the 2021 Consolidated Financial Statements.

### SIGNIFICANT POST BALANCE SHEET EVENTS

There are no events which require mention in this report.

## Calculation and distribution of Global Added Value

### GLOBAL ADDED VALUE CALCULATION

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>1</sup> generated by the Group in 2021 is 2,125 million euros, of which 8.1% is retained within the company, while the remaining 91.9% is distributed to external stakeholders, including the State (1.5%), companies supplying goods and services (78%), capital suppliers (1.7%), and consumers and workers (18.8%).

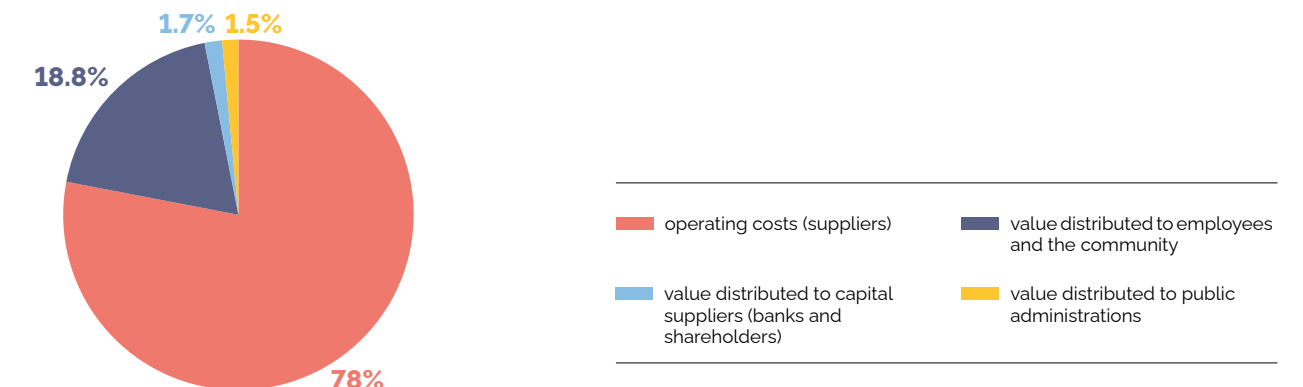
The Global Added Value also includes donations, which in 2020 amounted to more than 291,000 euros. These are intended to pro-

vide support to needy families in the area, scientific research, and NGOs committed to environmental protection.

1. Global Added Value is a form of social disclosure which measures the 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.

Description (thousands of Euro)	2021	2020
<b>Generated economic value</b>	<b>2,124,542</b>	<b>2,206,085</b>
<b>Distributed economic value</b>	<b>1,936,731</b>	<b>1,880,202</b>
Operating costs (Suppliers)	1,523,068	1,394,337
Value distributed to employees	366,663	372,985
Value distributed to capital suppliers (banks and shareholders)	33,098	44,162
Value distributed to public administrations	29,054	66,719
Value distributed to the community	1,248	2,000
<b>Retained economic value</b>	<b>171,411</b>	<b>311,810</b>

### 2021



Source: Sofidel.



CHAPTER 4

—  
Products for hygiene  
and well-being

# BRILLIANT SOLUTIONS FOR A BETTER QUALITY OF LIFE

**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 handkerchiefs, and facial tissues.

These primary goods are for personal care and cleaning of domestic environments as well as public and work spaces.

The companies within the Group handle the entire production process, from pulp procurement to tissue production (parent reel) and converting, through to finished product.

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 2021, Sofidel undertook 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 2021 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**. The study of fibers from herbaceous species, or recovered from agriculture or other sectors such as textiles or food, 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 2021, the company tested the theoretical and laboratory results of the three-year (2018-2020) research program sponsored by RI.SE, 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 pulp, our basic raw material, in the paper machines.

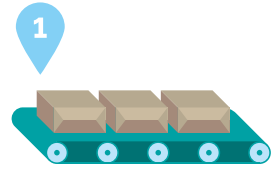
Sofidel has also joined a new international research program launched by RI.SE that is divided into two levels: the first level of **precompetitive basic research** is developed over four years, and the second level of **pre-industrial applied research** includes two phases of two years each. The program has a longer duration than its predecessor and allows for more resources for basic research while getting closer to the industrialization phase for applied research projects.

The objective of the project is to characterize tissue paper in terms of **physical/mechanical properties** in relation to the raw materials as well as to the parameters of the manufacturing and converting processes.

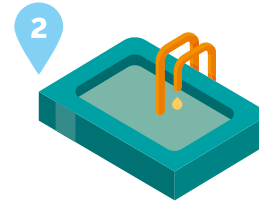
**Sofidel is the lead company in an applied research project**, which involves a limited number of companies but enough to reconstruct the production chain. The project aims to optimize the performance of the finished product by establishing a connection between the characteristics of the base paper and the converting process.

**'SOFIDEL COLLABORATES WITH UNIVERSITIES AND RESEARCH CENTERS, AS WELL AS CUTTING-EDGE SUPPLIERS, TO DEVELOP NEW TECHNOLOGIES, SHARE KNOW-HOW AND DESIGN PRODUCT AND PROCESS INNOVATIONS IN THE TISSUE PAPER INDUSTRY.'**

## Tissue production process



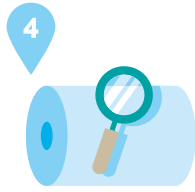
Virgin pulp warehouse and loading belts



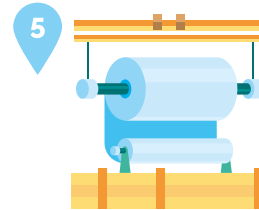
Pulp preparation in pulpers



Parent reel formation



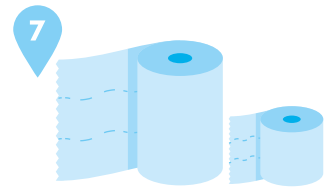
Product specification control



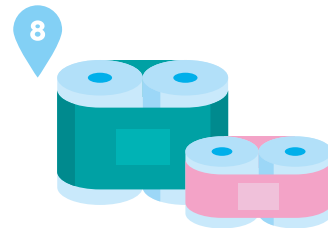
Rewinder: multiple ply bonding



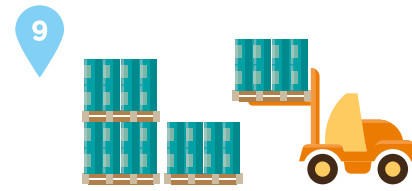
Parent reel warehouse



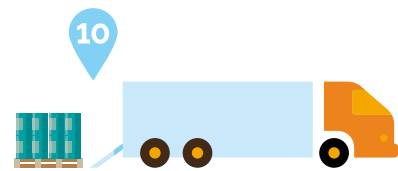
Converting: from parent reel to finished products



Packaging and palletization



Finished product warehouse



Shipping and transport

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

The quality of our products – that is meeting the demands and expectations of customers and consumers – is guaranteed through company processes that comply with the **Quality Management System**, while the protection of consumer safety is overseen by the **Self-Controlled Health-Hygiene System**. These two synergistic management systems allow us to control the entire production chain, from suppliers to the delivery of products to our business partners, scrupulously monitoring the production, converting, and storage processes. Our quality and safety policies testify to the way we operate. They encourage us to pursue excellence and to continuously improve to be ready to meet market needs, and to anticipate regulatory requirements.

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



**PRODUCT QUALITY**

In our plants, product quality is constantly monitored through the **Product Compliance Index**<sup>1</sup>, a parameter that takes into account 'nonconformities' detected during production and removed before the products are placed on the market. Nonconforming products are those that do

not meet the requirements and expectations of customers and consumers. The following table shows the values of the Product Compliance Index recorded in the European production sites for the last three years and in the American production sites in the last year. Considering that the maximum value that can be obtained is 100 and that the

Compliance Index is based on stricter criteria than the simple ratio between compliant products and total production, the data show **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 Compliance Index**

	Soffass Converting Via Lazzareschi (ITA)	Soffass Via Fossanuova (ITA)	Soffass Monfalcone (ITA)	Soffass Tassignano (ITA)	Sofidel Belgium	Sofidel France Frouard	Sofidel France Ingrandes	Sofidel France Roanne	Sofidel Germany Arneburg (Plant A)	Sofidel Germany Werns- hausen (Plant O)
<b>2021</b>	98.90	98.19	99.47	96.68	98.95	98.22	99.17	99.27	99.42	99.47
<b>2020</b>	99.13	98.78	96.86	96.63	98.42	97.27	98.55	99.10	99.17	99.73
<b>2019</b>	98.49	97.58	98.10	94.26	98.23	96.87	98.35	97.28	98.34	97.58

	Sofidel Germany Werns- hausen (Plant T)	Sofidel Germany Werns- hausen (Plant W)	Sofidel Greece	Sofidel Hungary	Sofidel Poland	Sofidel Romania	Sofidel Spain	Sofidel Sweden	Sofidel UK Baglan	Sofidel UK Leicester
<b>2021</b>	98.33	100.00	100.00	98.64	99.34	98.61	98.69	99.58	97.57	99.45
<b>2020</b>	98.09	99.50	98.17	98.95	98.88	98.64	97.99	96.64	97.82	99.59
<b>2019</b>	97.76	99.58	94.58	94.49	98.39	98.65	97.47	95.34	97.50	97.68

	Sofidel United States Haines City	Sofidel United States Hattiesburg	Sofidel United States Circleville	Sofidel United States Inola	Sofidel United States Las Vegas	Sofidel United States Green Bay
<b>2021</b>	95.33	98.62	94.61	95.91	96.87	99.34
<b>2020</b>	-	-	-	-	-	-
<b>2019</b>	-	-	-	-	-	-

Data for the United States is only available for 2021.  
Source: Sofidel, produced from SAP.

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

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

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

50 and 500 are two empirically calculated multiplication coefficients

**PRODUCT SAFETY**

In most of Sofidel's plants product safety is guaranteed through the implementation of the **Self-Controlled Health-Hygiene System** and certification 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 products dedicated to hygiene and to domestic and personal care.

The Self-Controlled Health-Hygiene system is based on the assessment of the potential risks of physical, chemical and biological contamination connected with the various phases of the production cycle. For example, raw materials, production processes, and storage. The risk analysis follows the principles of the **HACCP** (Hazard Analysis and Critical Control Points) methodology and applies the Severity multiplied by Probability algorithm. Implementing Good Manufacturing Practices (**GMP**) helps mitigate the initial risk and keep it limited.

A key role in the self-controlled system is played by the **recall procedure**, which allows product safety issues to be managed while ensuring traceability. There were no such events during 2021. The Self-Controlled Health-Hygiene System also includes monitoring activities such as audits, traceability tests and product recalls, in addition to **chemical and microbiological analyses** on samples of the various types of products, carried out by accredited

external laboratories in compliance with the main regulations and guidelines applicable to them.

The scheduling of the tests is periodically updated taking into account the evolution of regulations and special market requirements. In plants where the Self-Controlled Health-Hygiene System is implemented (97% of the total Group plants), 100% of the products are subject to assessment of the impact **on the health and safety of consumers**. All these processes enable 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**

This year, despite the ongoing Covid-19 pandemic, almost all plants that had been unable to undergo the renewal audit for **BRC and IFS certification** last year were able to do so, except for three cases where health conditions did not allow it. In parallel, three new sites achieved IFS certification for the first time (Sofidel Greece, Sofidel Hungary and Sofidel Sweden). In terms of numbers, we dropped from 17 plants in 2019 (representing 74.68% of overall production) to 7 at the end of 2020 because many sites had been unable to do the renewal audit (38.14% of overall production), rising to 19 in 2021, representing 79.25% of overall production. In any case, all management systems were maintained and continued to meet

product quality and safety standards. Furthermore, all of the Group's European plants are certified according to the **ISO 9001:2015** standard.

BRC certification of the U.S. plants in Inola (Oklahoma), Green Bay (Wisconsin) and Las Vegas (Nevada) is on the schedule for 2022. For Europe, the implementation of the Self-Controlled Health and Hygiene System has been planned at the British production site in Lancaster.

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

## Creating value for the consumer and our business partners

### A RESPONSIBLE APPROACH THAT LOOKS TO THE FUTURE

Our goal is to create value for consumers and our business partners. In line with Goal 12 of the United Nations 2030 Agenda (Responsible Consumption and Production) the Sofidel teams working in the Marketing and Research & Development departments are committed to developing innovative products that **make careful and efficient use of natural resources**. Our products are designed **to increase comfort and hygiene in people's daily lives** and satisfy their desire for well-being and cleanliness inside and outside the home. This allows us to respond to a fundamental need, but we want to make a 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 plastic film used for our product packaging and continued to introduce **kraft paper, recycled plastic or bioplastic packaging** in our main product lines. The search for alternative materials to standard polyethylene (PE), to make our range more sustainable, is a practical response to the market's growing demand for care and attention for the environment.

On this front, Sofidel has **committed to reducing 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 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 BUILDING A CLEAN, FAIR AND RESPONSIBLE FUTURE.'**

**-50%**

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



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

To be able to meet the needs of consumers and our customers, the first step is **to be able to listen**. 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 in organizational terms reports to local managers to offer a more concrete and accessible local presence.

#### Complaints management

Sofidel has a thorough system for analysis and management of complaints and claims from business partners and consumers. On this front, responsiveness is essential to 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, **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 B-Brand Nicky, ensure **direct dialogue between the company and consumers**. The questions we receive every day in the various countries yield important suggestions and ideas for improvement.

#### Customer satisfaction

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

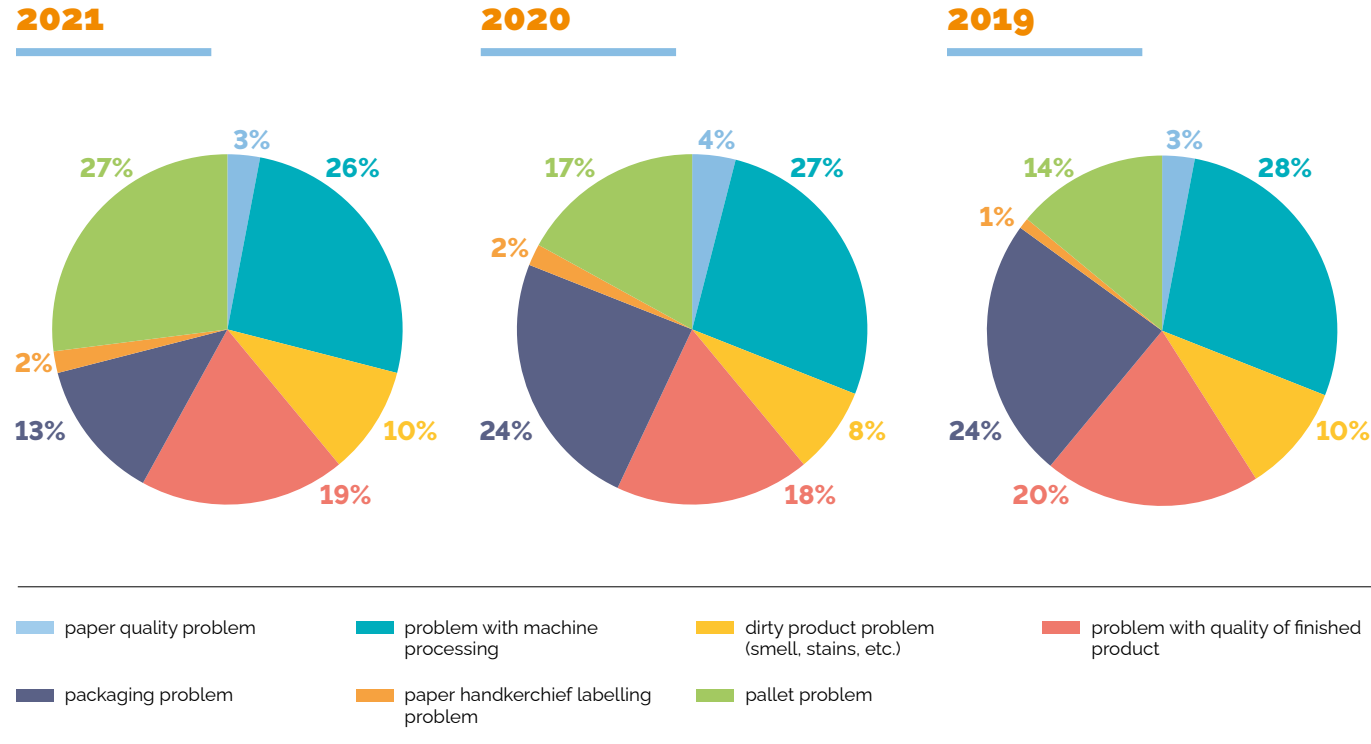
#### Social Media

Social media management is a continuous source of feedback, comments, and interactions that teach us a lot about preferences, values, and the way consumers and our customers think. Listening is very important to us. We are convinced that an **open and collaborative attitude**, based on the **principles of dialogue and transparency**, is the starting point to improve the daily experience of those who use our products and to support the large-scale retail trade.



### Distribution of complaints by type – Europe

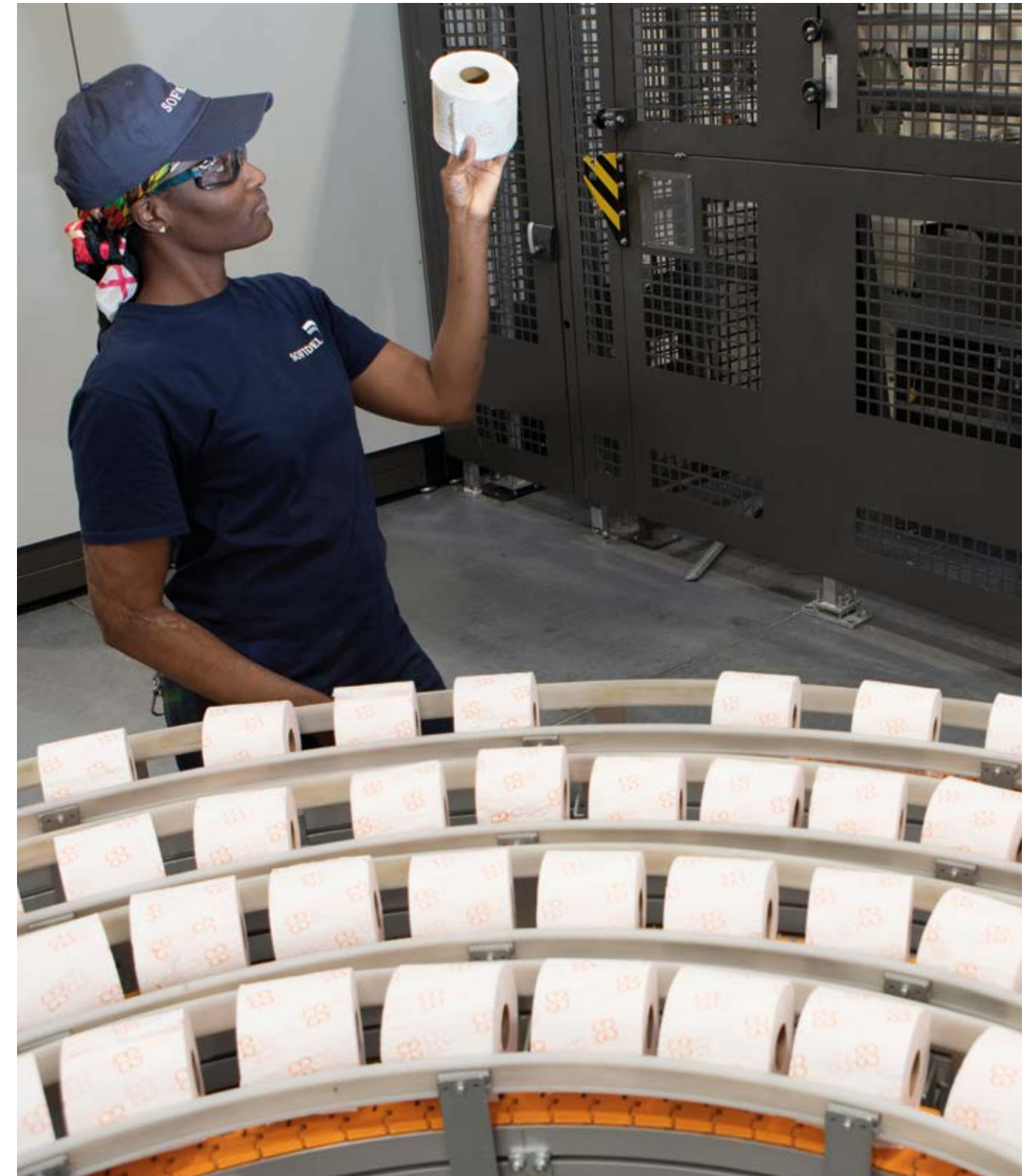
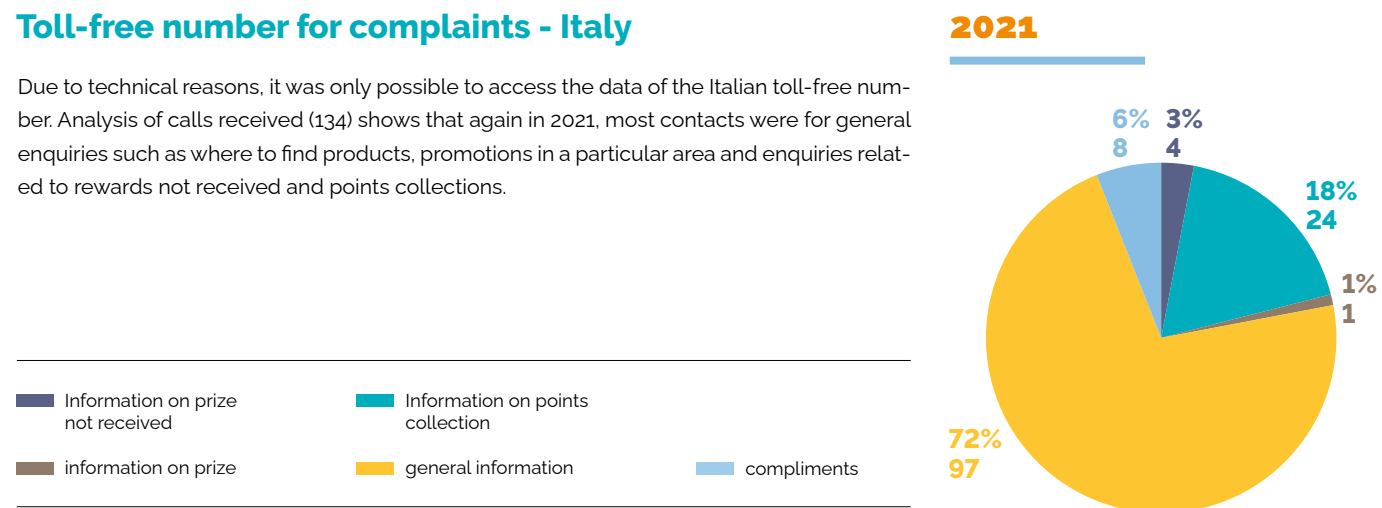
In 2021, Sofidel received **2,774 complaints**, compared to 3,067 in the previous year. A significant reduction has been achieved thanks to the introduction of more thorough controls.



Source: Sofidel, produced from SAP.

### Toll-free number for complaints - Italy

Due to technical reasons, it was only possible to access the data of the Italian toll-free number. Analysis of calls received (134) shows that again in 2021, most contacts were for general enquiries such as where to find products, promotions in a particular area and enquiries related to rewards not received and points collections.





## The scenario

### RAW MATERIALS, ENERGY AND TRANSPORT: RECORD INCREASES

After the planet-wide health crisis and the severe economic repercussions caused by repeated lockdowns, 2021 marked the start of recovery. **Confidence in the vaccine** and the desire to return to a new normality **accelerated the restart**, but the resumption of production and a euphoric demand triggered a series of chain reactions.

If 2020 will be remembered in history as the year of the Covid-19 pandemic, 2021 is the year of rising commodity, energy and transport costs. It is a **phenomenon that has affected all countries** and, in terms of power and size, can be considered a new epidemic.

In our industry, the impact is magnified by the fact that we are a company that needs a significant amount of energy to produce and dry paper. In addition to the uncontrolled explosion of costs, in Europe we have suffered from the lack of drivers that has affected Britain, Italy and Germany in particular, causing a service price increase of about 10%, while in America the problems have been related to the lack of containers that we use to transport parent reels to the United States.

Managing an inflationary cost spiral is always a difficult matter, but the Group reacted immediately by taking several key steps. First, it put in place several economies of scale to create efficiency and reduce energy costs, but this measure alone was not enough to offset the magnitude of the price increases. To cope with increasing cost pressure and **an unprecedented increase in pulp prices**, which reached levels of over 40% for long fiber and 60% for short fiber, Sofidel worked on two fronts: careful planning of production activities and transparent communication to its customers to inform them of price increases and the **need to raise price lists**.

Despite the difficult period, Sofidel has maintained a firm **focus on creating value** for all 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. That's because, especially when the going gets tough, sustainability and the ability to innovate become assets that are differentiators and that guarantee competitive advantage.

### THE BOOM IN E-COMMERCE

The health crisis due to Covid-19 has accelerated digitalization and e-commerce has boomed. This **explosive growth** has affected all European markets and has maintained a positive trend throughout 2021.

According to a study by Casaleggio Associati, retail e-commerce sales grew an average of 27%. North America witnessed growth of 32%, Central and Eastern Europe 29%, the Asia-Pacific region and Western Europe 26%, and the Middle East and Africa 20%. Growth has been most vigorous in the food sector as well as health and personal care because they offer basic necessities that consumers cannot do without. According to Nielsen data, in 2021 online personal care in France grew by 24% and in the UK by 52.9%. The value growth rate of e-commerce in Germany is seven times higher than the offline growth rate, while in Italy it is up to 16 times higher.

The pandemic **has transformed the behaviors, mindset and attitude of consumers** towards

**'DURING THIS DIFFICULT TIME, OUR TEAMS HAVE SHOWN TREMENDOUS RESILIENCE. THANKS TO THEIR EFFORTS, WE WERE ABLE TO CONTINUE OUR DEVELOPMENT STRATEGY AND ACHIEVE GOOD RESULTS.'**

online shopping, generating changes that are bound to take root and last over time. The prolonged lockdown and fear of contagion have profoundly transformed our habits, and consumers have discovered that shopping online is simple and convenient. If we consider that before the health emergency 70% of retailers and wholesalers were not organized for online sales, while in 2020 e-commerce at European level reached 757 billion euros with a growth of +10 compared to 2019, we understand how much the health emergency marked a **real explosion of online commerce**. It highlighted the importance of digital transformation that has spurred manufacturers, retailers and the entire retail sector to open new online sales channels to adopt omnichannel commerce solutions.<sup>2</sup>

According to the Digital Innovation Observatory of the Polytechnic University of Milan, **e-commerce plays an increasingly important role** in defining the development plan of retail in our country and in the rest of the world. In Italy, B2C e-commerce represented one of the main drivers of growth and innovation in retail even before the lockdown. As a result of the restrictions imposed due to the pandemic, however, there has been an extraordinary evolutionary leap in favor of digital technology that has also involved the world of commerce and large-scale retail trade. Not only have purchasing behaviors changed, but retailers have also become more aware of the need to design a sales and relationship process based **on integration and collaboration between physical and online channels**. The acquisitions of Brick & Mortar players strengthened the capacity of geographical coverage also from an online perspective.

For example, Carrefour in the last year has acquired several groups, such as SuperSol in Spain with its 172 supermarkets. These operations will be useful for e-commerce development, because the stores will be converted into new pick-up points for orders placed by customers.<sup>3</sup>

### 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. To meet the needs of consumers who want to shop with complete freedom and convenience, we created our e-commerce platform SofidelShop in 2016. During 2021 we strengthened our presence on the main marketplaces and online sites of large-scale retailers. To support sales, we constantly monitor the digital shelf and work with SEO (Search Engine Optimization) experts to facilitate consumers' online searches and help them find our products.

We also engage consumers through contests, promotions and

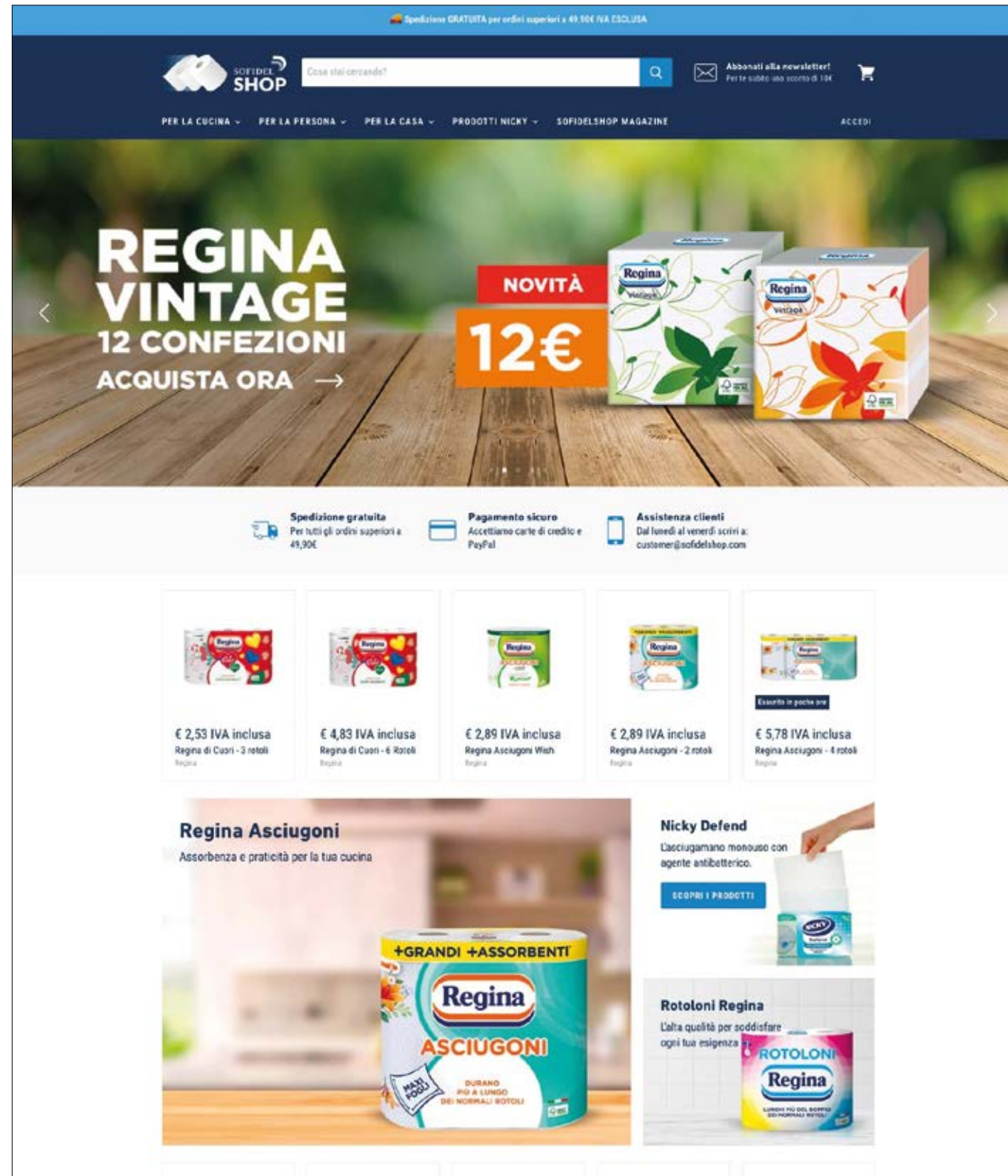
gaming activities to build loyalty and increase service quality. We have also created a magazine on our e-commerce site that contains interesting facts, recipes and tips for the home and for better and more sustainable living. We also offer the possibility of saving money by activating a subscription, with deliveries scheduled according to needs. A simple idea that helps the consumer manage a regular purchase automatically and relieves the supermarket trolley of a bulky product.

All of this has given us an additional resource to meet consumer needs and promote business in these complex times. In 2021, our brands grew +25% on online channels, a result achieved thanks to a dedicated team able to integrate traditional skills with digital and e-commerce skills.

2. Source: NetCom Group.

3. Source: El Pais 2021.

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



## Lines of business, markets and products

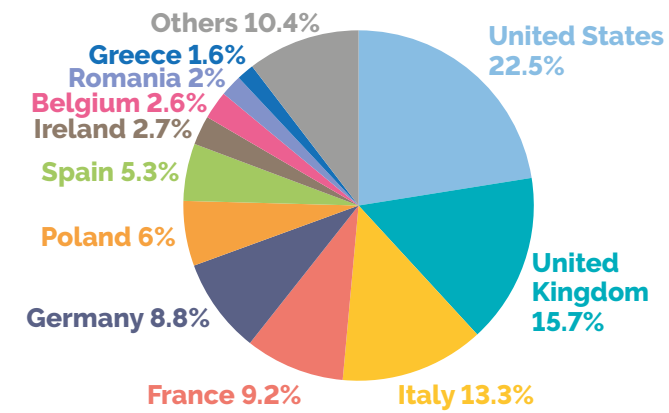
### THE TISSUE MARKET AND OUR LINES OF BUSINESS

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 LINES OF BUSINESS HAVE A SINGLE FOCUS: THE WELL-BEING OF PEOPLE AND PROTECTION OF THE ENVIRONMENT.'**

### Breakdown of turnover by country

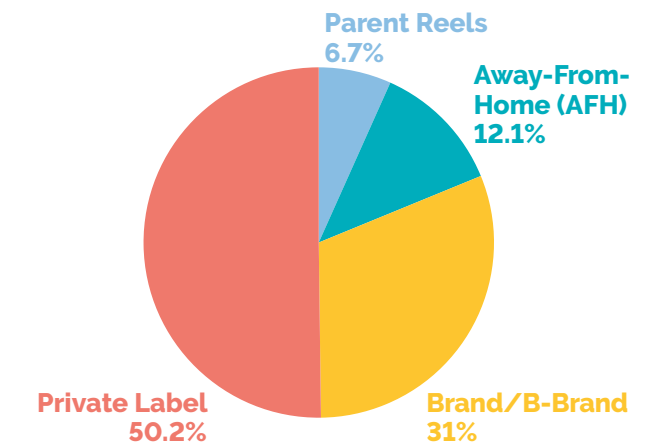
2021



Source: Sofidel, produced from SAP.

### Breakdown of turnover by line of business

2021



Source: Sofidel, produced from SAP.

## The Brand line

### REGINA, IN THE HOMES AND HEARTS OF CONSUMERS FOR 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 guaranteed performance of the products, as well as to the broad product range and the ability to innovate, an example of which

are products such as Rotoloni Regina, Regina Asciugoni, Regina Cartacamomilla, Regina Blitz, Regina Wish, Regina Sensation and Regina Skin.

Today Regina is the only brand in the tissue sector to be marketed in approximately **30 countries worldwide**. In recent years, and in particular in 2021, in addition to completing territorial expansion, the main objective has become to make Regina an even more global brand, universally recognized in terms of positioning and content, synonymous with guarantee and reliability.

The **'Paper for People'** 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 conveys its commitment to sustainable development in advertising

There is a time for everything. There is also a time for telling the story of your commitment to sustainability. Especially when the entire world is looking at ecological transition as one of the central issues in building a positive and inclusive future.

**'Let's Sustain'** is the title of the new online advertising campaign launched in November by Regina, the best-known brand in the Sofidel portfolio. The objective is to make people more aware that **'there is so much more' behind every sheet of Regina paper**. There is the constant commitment to people's quality of life and to protecting nature's equilibriums.

The campaign was unveiled in conjunction with **COP26**, the global climate conference held in Glasgow, Scotland. That is no accident, because Regina toilet paper, kitchen towels, handkerchiefs and napkins are designed to offer simple and effective hygiene solutions while strictly **safeguarding the planet's ecosystem balance**. These are the small daily certainties you can count on while knowing that Regina uses only pulp from certified forests, limits CO<sub>2</sub> emissions as much as possible, reduces the use of plastic in its packaging, and avoids water waste in its production.

The key figures in the campaign are normal people, just like all of us, coping with typical moments of family life and with small household mishaps that happen daily: a child who suddenly discovers himself as an artist, dirtying the windowpanes; a freshly baked cake that escapes the cook's grasp and ends up on the floor; a pan left carelessly on the stove that ends up in a burned mess. Whatever happens is in keeping with the strategic and creative platform that has been guiding the brand's communication for four years. Regina offers the certainty of 'supporting' anyone who finds themselves in these situations and helps them to fix everything in the house, quickly and without waste.

Home situations are just the beginning, as the voice-over leads us to discover the 'much more.' Regina is also committed to responsibly **taking charge of a much larger home that belongs to everyone: our Planet**. The only one we have. The one we need to protect.

The campaign was promoted online in a 30" format and in shorter 15" and 6" cuts.



**OTHER BRANDS IN EUROPE**

Regina is joined by seven other brands acquired or launched by the Group in various European countries: Softis in Germany and Austria, Le Trèfle and Sopalin in France, Cosynel and Nalys in the Benelux area, KittenSoft in Ireland and Lycke in Sweden. Over the years, Sofidel has enhanced the **wealth of 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.

During 2021, the project to reduce virgin plastic in product packaging continued. This innovation program was carried out throughout Europe and achieved excellent results: **80% of Brand products are now packaged with alternative materials**, such as kraft paper, bioplastic, and recycled polyethylene. Two of the Brand line's most iconic products have also joined the project: Regina Rotoloni and Regina Asciugoni. This accomplishment consolidates the Group's positioning as an undisputed leader in the field of sustainability and attention to the environment.



**PRODUCT INNOVATIONS OF THE BRAND LINE**

In 2021, the Brand line unveiled several product innovations to enhance consumers' experience and meet their daily hygiene and cleaning needs.

Two new products were launched in Italy: **Regina Power** and **Regina Asciugamani**.

Regina Power is a kitchen towel suitable for cleaning every surface in the house. The paper's high-performance characteristics make it up to three times stronger than a standard Regina kitchen towel. It is an ideal ally for even the most difficult environments.

The new **Regina Asciugamani** are paper towels designed to guarantee maximum hygiene. Thanks to their resistance and absorbency, as well as their **disposable format**, they can replace the usual cloth towel for drying hands while **ensuring higher levels of hygiene**. They are practical and convenient, due to the interleaved packaging, protected from external con-

tamination and can be taken out one at a time. The compact, innovative packaging allows them to be placed on the bathroom countertop for quick and easy use. Not just hygienic, Regina Asciugamani are also practical. There's no need to wash or iron them, and they can be deposited in the toilet after use, affirming Regina's promise to take better care of consumers.

During the year, two of the most important sub-brands in the Regina range joined the assortment of Sopalin and Nalys brands. It was the launch of **Sopalin Love** and **Nalys Love** kitchen towels, and **Sopalin Blitz** and **Nalys Blitz** multipurpose paper rolls.

The Blitz range and the Love range represent two of the most recognizable trademarks of the Sofidel Group, which is why the Group decided to expand the two brands in the Franco-Belgian area. The products launched under the Sopalin and Nalys brands fully respect the essence and positioning of the two ranges while maintaining their distinctive features.

**'SUSTAINABILITY IS A STRATEGIC ASSET THAT HAS MADE US ONE OF THE ITALIAN COMPANIES WITH THE BEST REPUTATION AMONG CONSUMERS.'**



In the Love product range, the colorful decorations inspired by the theme of love make each sheet romantic. Blue glue is used for the Blitz product range. Its maxi sheets and uniqueness of its texture mean this household paper towel does not leave lint and cleans all shiny surfaces in the home quickly and effectively.

The new **Sopalin Ultr'Absorb** kitchen towel has also been created in France. It is the pioneer of a new range of high performing products in terms of absorbency. Due to the success of the So-

palin product, the new **Regina XXL Absorb** kitchen towel was also launched in Ireland and the UK, as was the Regina Absorb kitchen towel in Poland. Thanks to a meticulous process of studying the technical specifications of the paper, these new products are ideal allies for everyday activities in the kitchen. Qualitative analyses have confirmed that they are 50% more absorbent than traditional tissue paper.



## The B-Brand line

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. B-Brand products are the result of the most innovative production technologies and are marketed in numerous large-scale retail chains and on the so-called 'Long Channel.'

The main brand is **Nicky**, which accounts for **around 90% of European volumes** and is distributed in four countries (Italy, UK, Ireland and Spain). B-Brand Nicky offers products that stand out for their **innovation, creativity, good value for money** and the **focus on environmental responsibility**. 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.

### THE INNOVATIONS OF THE B-BRAND LINE

The main product innovation is **Nicky Pour Elle**, the paper towel for feminine hygiene. Launched on World Menstrual Day, Nicky creates a new product category to satisfy a need long overlooked in the market.

Designed exclusively for women, **Nicky Pour Elle** are disposable towels produced in pure pulp that are a new ally on days when women have their period. **Ideal for intimate hygiene**, they are a practical and hygienic solution that offers many advantages. Used as an alternative to traditional terry towels during the menstrual cycle, they reduce the **proliferation of germs and bacteria** and the **waste of water** caused by frequent washing in the washing machine. The technology developed to make the Nicky Pour Elle paper also allows the product to be disposed of in the toilet, easily and conveniently.

Nicky is an environmentally conscious brand that strives to conserve natural resources and minimize its impact. In line with the Group's strategy to reduce the use of plastic, during 2021 Nicky replaced traditional plastic packaging wherever possible with new solutions made of paper, bioplastic, or recycled plastic. Special merit goes to Spain, which has pursued an even larger project: all Nicky products made in Buñuel have been developed **using only renewable energy**.

In the latter part of the year, Nicky launched the brand new **Happy Life 'Party' napkin line** to turn every day into a day of celebration. Available in four patterns, they offer cheerfulness, hygiene, and practicality. They provide a guarantee of style and good humor on every occasion, because life is more wonderful with lots of colors!

### The new Nicky image

The B-Brand Nicky has renewed its image to differentiate itself, increase its recognition, and communicate with a younger, fresher, and more modern language. That starts with the primary communication tool: packaging. To make consumers' lives easier, Nicky reduced the information on the pack, putting the brand and product benefits at the forefront. It updated the graphics by adopting a playful line with illustrations boasting an essential but very recognizable stroke, similar to icons. The flat colors identifying the different lines do all the rest and catch the eye. The image ensures a consistent and recognizable style for the brand in all European countries where Nicky is sold.

### The launch of Nicky in the U.S. market

Nicky is the first Sofidel brand to launch in the United States. There are two products featured in this adventure: the **Nicky Elite kitchen towel and toilet paper**, both produced in the United States with Forest Stewardship Council (FSC) certified paper. Nicky Elite combines the performance of a premium quality product with packaging made of paper, a renewable and biodegradable material, to reduce the impact on the environment.

The **Nicky Elite kitchen towel** combines absorbency and durability. Each individual roll offers more sheets than regular rolls (3 Nicky Elite Large Rolls are equivalent to 5 regular rolls) and Nicky Elite Adapt-A-Size sheets allow you to tear off the size you need, minimizing waste.

**Nicky Elite toilet paper**, soft and 100% biodegradable, dissolves quickly to prevent pipes from clogging. Durability is also an important selling point for toilet paper: 6 Nicky Mega Rolls last as long as 24 regular 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

2021 was a busy year. Like the other lines of business, the Private Label Line had to deal with the increase in raw material prices and the rise in energy and transport costs. It was a generalized pressure that affected all European markets, but that has not slowed down the program to reduce virgin plastic and search for new products.

Despite the turbulent period, the Group confirms the four main growth drivers of the Private Label line:

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

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

### UNITED STATES MARKET

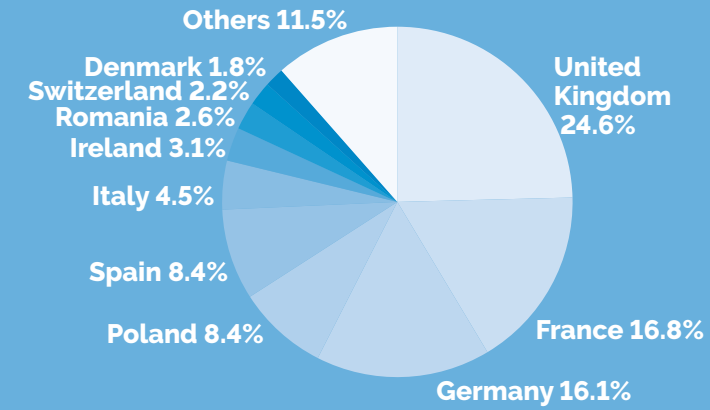
The strong growth of the Private Label line launched in recent years continued. In 2021, the total volume exceeded **155,000 tons**. After a very strong performance in 2020, a year in which sales received a vigorous boost due to the Covid-19 pandemic prompting consumers to stockpile products, in 2021 we saw the retail channel return to normal levels of business.

In particular, we sought to gain a deeper understanding of the consumer and the **new demand patterns created by the pandemic**. 2021 began with low demand that gradually increased over the course of the year. Sofidel United States was able to expand business with its key customers, and with the relationships created, it is safe to assume further growth for 2022. To achieve this, Sofidel is focusing on **high-quality paper production and state-of-the-art plants**.

**'INCREASED RAW MATERIAL, ENERGY AND TRANSPORT COSTS HAVE NOT STOPPED THE PROGRAM TO REDUCE VIRGIN PLASTIC AND THE COMMITMENT TO DEVELOP NEW, BETTER PERFORMING AND INNOVATIVE SOLUTIONS.'**

## European Private Label market by value

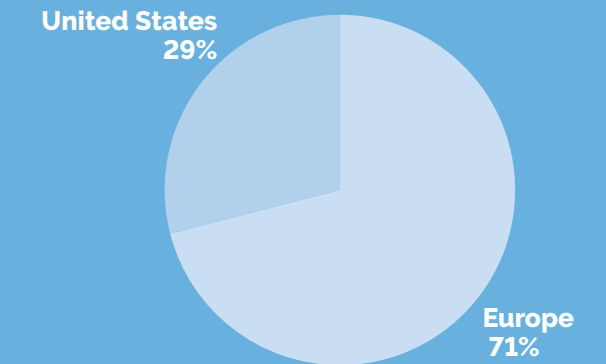
2021



Source: Sofidel, produced from SAP.

## Worldwide Private Label market by value

2021



Source: Sofidel, produced from SAP.



## The Away from Home line (AFH)

### EUROPEAN MARKET

2021 was a two-speed year. The first few months of the year were very difficult. Amid a health emergency caused by the pandemic and with generalized lockdowns in major European countries, we suffered a further market collapse, recording up to 30% less than the same period in 2020. And with the slowdown in tourism, forced into a real standstill in many periods, the sectors most affected were hotels, restaurants and cafés, and transport.

Fortunately, the second half of the year enjoyed a gradual recovery. Thanks to the easing of restrictions and an economic rebound, driven by the tourism sector over the summer and an overall sense of confidence, the Away-From-Home line of business was able to end the year with a result that registered higher than the pre-Covid-19 period.

Throughout 2021, hygiene continued to be the focus of attention. With Papernet, the Sofidel brand dedicated to the professional world, we focused on the innovative features of our products, which are capable of guaranteeing safety and the highest levels of hygiene, particularly in hand drying where we are the undisputed leader.

Unfortunately, 2021 was also the year marked by the uncontrolled explosion of the costs of raw materials, energy and transport, which caused an unprecedented increase.

This led the Papernet team to revise its business terms to counteract the margin squeeze, only partially succeeding in balancing the cost increase.

### PRODUCT INNOVATIONS

#### IN THE AWAY-FROM-HOME (AFH) LINE

Also during 2021 the desire to continue to improve safety and protection measures never stopped.

The launch of the innovative multipurpose 'Fast&Clean' paper cloths has helped to expand the Defend Tech range, ensuring the highest level of hygiene and safety. Developed to offer easy, rapid cleaning of any surface, it is perfect for any type of envi-

ronment, such as cafés, restaurants, kitchens, cafeterias, offices, and hospitals.

The 'Only For You' disposable toilet paper roll, individually wrapped in antibacterial poly, provides **maximum protection from external contamination**. Designed to meet the new hygiene requirements of the hotel industry, it is suitable for all accommodation facilities that want to offer guests a quality experience by promoting an even more hygienic and safe bathroom environment.

Innovation involves not just paper products, but also the world of dispensers. With 'Universus', Papernet launches a revolutionary product on the market: a unique dispenser that combines style and functionality and is compatible with any paper roll. **Made entirely of antibacterial and recycled plastic**, it was designed by Papernet research to ensure maximum hygiene in the areas of highest traffic. Thanks to its compact and modern design, it is an ideal solution for any environment. 'Universus' is available in both the mechanical and no-touch versions. The new range of antibacterial soap and gel dispensers also feature touchless dispensing and are designed to further protect hand hygiene and reduce the risk of contamination from germs and bacteria.

### UNITED STATES MARKET

2021 was a year of recovery for the Away-From-Home (AFH) business, with the various business segments gradually reopening and returning to traditional levels of demand. During the year, Sofidel United States was able to regain stability in overall volumes, exceeding 78,000 tons. The most favored products were those dedicated to the tourism, restaurant, and hospitality sectors, which began a slow recovery as early as 2020.

For 2022, the Away-From-Home business will work to continue to grow and strengthen the Papernet brand by focusing on new products such as the **HyTech Sea dispenser**, made from plastic recovered from the ocean. The pandemic has shifted the industry's focus to initiatives related to sustainability and hygiene, two key areas where Sofidel United States is now well positioned.

## 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 produced in our plants are mainly marketed in Europe, but also in Central America and North Africa.

In 2021, paper production was put under pressure due to **sharp increases in raw materials and energy costs**. The Group was able to partially pass on these costs in the sale prices of parent reels, which increased

by 37% compared to December 2020. In terms of volumes, there was a 5.6% reduction compared to last year.

Despite the health crisis, which continued throughout 2021, demand for paper from our manufacturing customers has remained high. Only the summer period saw a slight drop in sales. Our competitors have announced the installation of new paper machines which will make the parent reel line's market even more complex and competitive in coming years.

### UNITED STATES MARKET

Sofidel United States continues to expand the parent reel market (semi-finished prod-

ucts) by offering **high-quality tissue paper** throughout North America. In 2021, we exceeded 37,000 tons, with monthly volumes growing steadily throughout the year.

In 2022, Sofidel United States is in a good position to continue with a balanced approach to meet internal business needs (reels for use in the Group's converting plants in the U.S.) while supporting key customers and converters operating in this market. This effort will be critical for our future growth plans. Sofidel United States believes 2022 will see increased internal business needs, while sales to customers will rebalance due to this increased demand.



## 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.

2021 was a year marked by difficulties. As business resumed, and with the pandemic still ongoing, the company faced supply chain disruption. Around the world, sudden growth in demand caused severe shortages of transport vehicles and raw materials. In particular, in Italy, Germany, Poland and the UK there was a shortage of drivers and this led to difficulties in procuring raw materials and delivering finished products. Add to that an **exponential increase in costs**.

In the U.S., we had the problem of commercial ports being overwhelmed by thousands of containers waiting to be unloaded ashore and not enough manpower.

In 2021, Sofidel's logistics focused specifically on the following activities:

- **Increasing the service rate**, that is to say 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 trucks with lower CO<sub>2</sub> impact** to reduce greenhouse gas emissions into the atmosphere during transport activities. In 2021, we used lower-emission Euro 5 and Euro 6 trucks for **93% of our trips**.
  - We are starting to use **trucks powered by natural gas**, 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 its infancy 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 United States, on the other hand, the percentage of electric forklifts is 84%. The company has developed a plan to use only electric forklifts by 2029.

· **Limiting dead and stagnant items** that have completed their life cycle and constitute an unused use of raw materials and therefore of business and natural resources.

· **Optimizing SKUs**, that is to say reducing the low turnover and low margin products managed through our warehouses (SKUs) to ensure more efficient use of natural resources.

### PREVENTION MEASURES

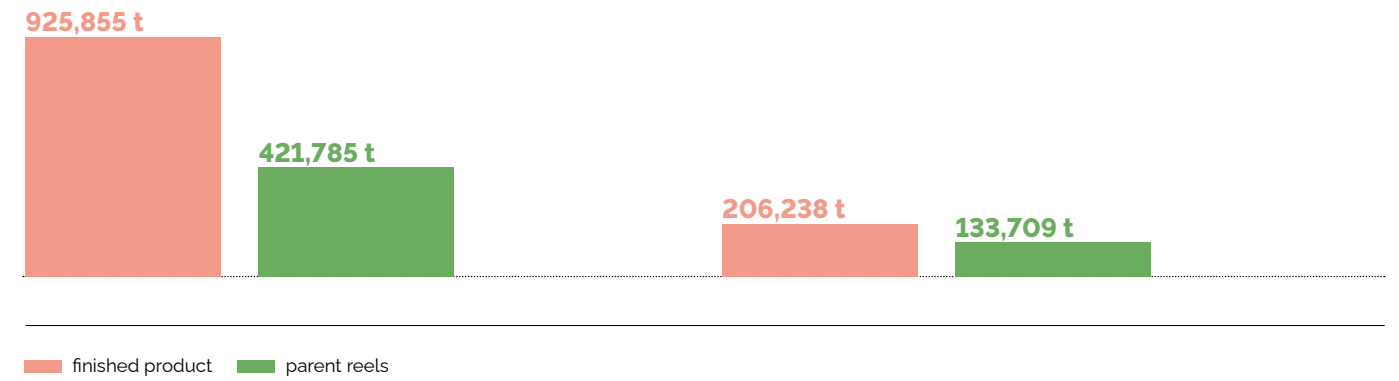
Due to the constraints imposed by the Covid-19 pandemic, the company has adopted several prevention measures to limit contagion among employees and between employees and external personnel (mainly carriers), including:

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

## Goods movements – 2021

### Europe

### United States



Source: Sofidel, produced from SAP.

Movements relate both to deliveries to customers and to the movement of goods between Group plants.







CHAPTER 5

—  
**Responsible supply chain  
management**

**WE CREATE  
A VIRTUOUS  
CIRCLE**

**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 supply chain's impact is 11 times higher than that of our company's. To promote development that is in harmony with the limits of the planet 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 continuously 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 the Sofidel Group deals with its suppliers for the purchase of goods or services. The Group **integrates sustainability into its purchasing processes**, rewarding suppliers and products that generate benefits for the environment and the 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 issues that guide our concept of sustainability in the supply chain, we were inspired by the **10 principles of the United Nations Global Compact**. In particular, we focused on: anti-corruption, respect for human rights, fairness and safety at work, and environmental protection. These principles are fully integrated into our supply chain, from selecting suppliers and monitoring them to promoting training and awareness initiatives.

The objective 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 Group has structured its sustainable purchasing model in line with 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 2021, SGS - a leading provider of inspection, verification, testing, and certification services - confirmed that Sofidel's purchasing model meets ISO 20400 guidelines. By applying these guidelines, the Group **reduces the risk of potential reputational and economic damage** that results from poor supplier performance on sustainability issues.



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

ESG Factors	Global Compact principles	Sustainable Development Goals
<b>E</b> Environment	<b>Environmental protection</b>	  
<b>S</b> Social	<b>Human Rights Working conditions</b>	 
<b>G</b> Governance	<b>Anti-corruption</b>	



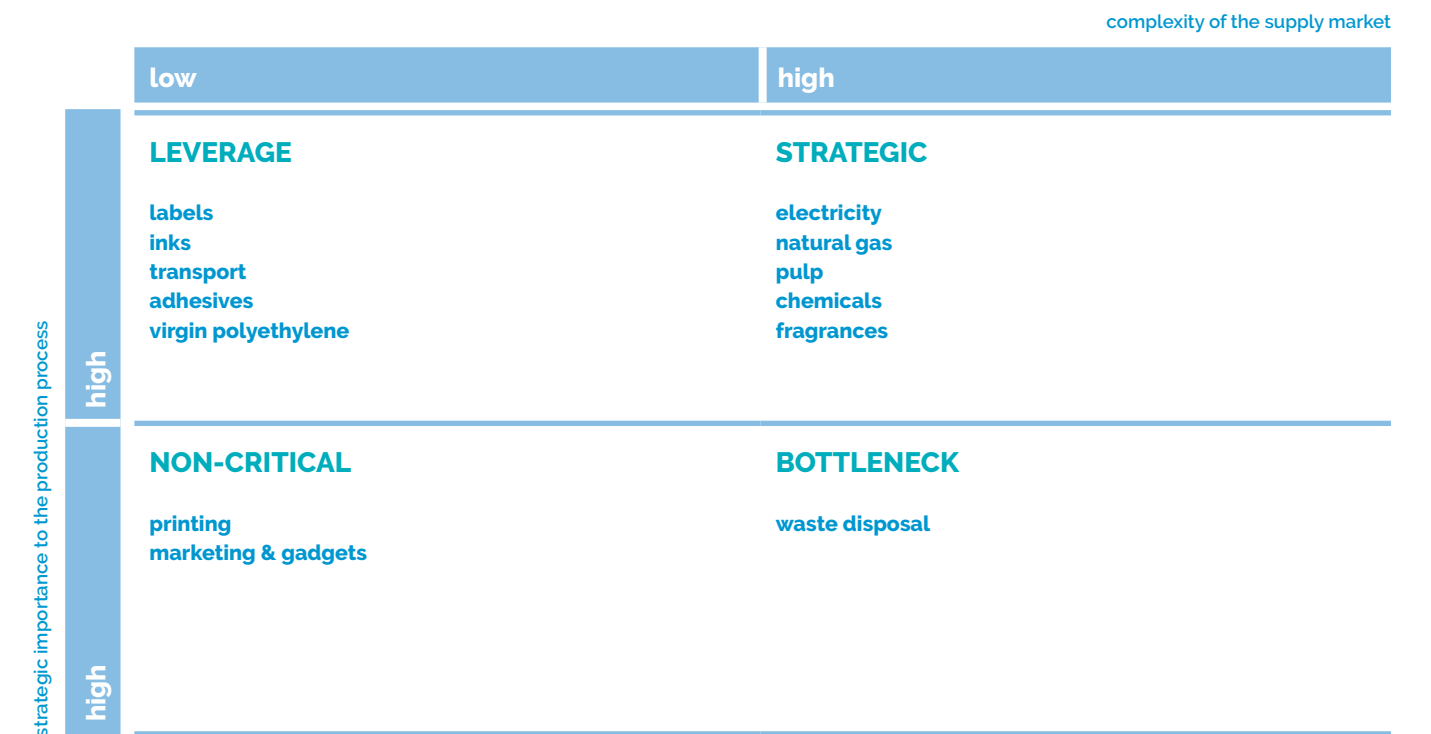
**SUPPLIER RISK ANALYSIS**

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. These product categories can be classified according to the **Kraljic matrix**, as the following diagram highlights. 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**



Source: Sofidel. Risk analysis on supplier portfolio.

## The TenP Paper questionnaire and supplier assessment

TenP Paper is the tool that Sofidel uses to assess the sustainability of its suppliers. This is a pre-qualification system developed in collaboration with the Global Compact Network Italy, of which the Group has been a Founding Member since 2013. TenP Paper was created to assess the sustainability of suppliers and it allows us to measure supply chain performance in four areas: **working conditions, respect for human rights, environmental protection, and anti-corruption**. It helps us to identify risks and to work on common solutions that improve supply chain sustainability.

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

- EXCELLENT SUPPLIERS: SCORE ≥ 80
- SUSTAINABLE SUPPLIERS: SCORE 50-79
- NON-SUSTAINABLE SUPPLIERS: SCORE ≤ 49

**Excellent suppliers**, indicated by green, are those that score high in all four areas.



**Sustainable suppliers**, indicated by yellow, are those that have already achieved a very good level of sustainability, but still have weaknesses in some of the four areas.

**Non-sustainable suppliers**, highlighted in red, are those that are not yet in line with our sustainability principles. These suppliers must improve their profile to continue to work with the Group.

For Sofidel it is strategic to develop **fully collaborative relationships with its suppliers** and to work together to define objectives and improve paths. The Group supports its supply chain through **online training and help-desk services**, which aim to improve suppliers' sustainability levels and protect the company from reputational damage caused by unsustainable suppliers.

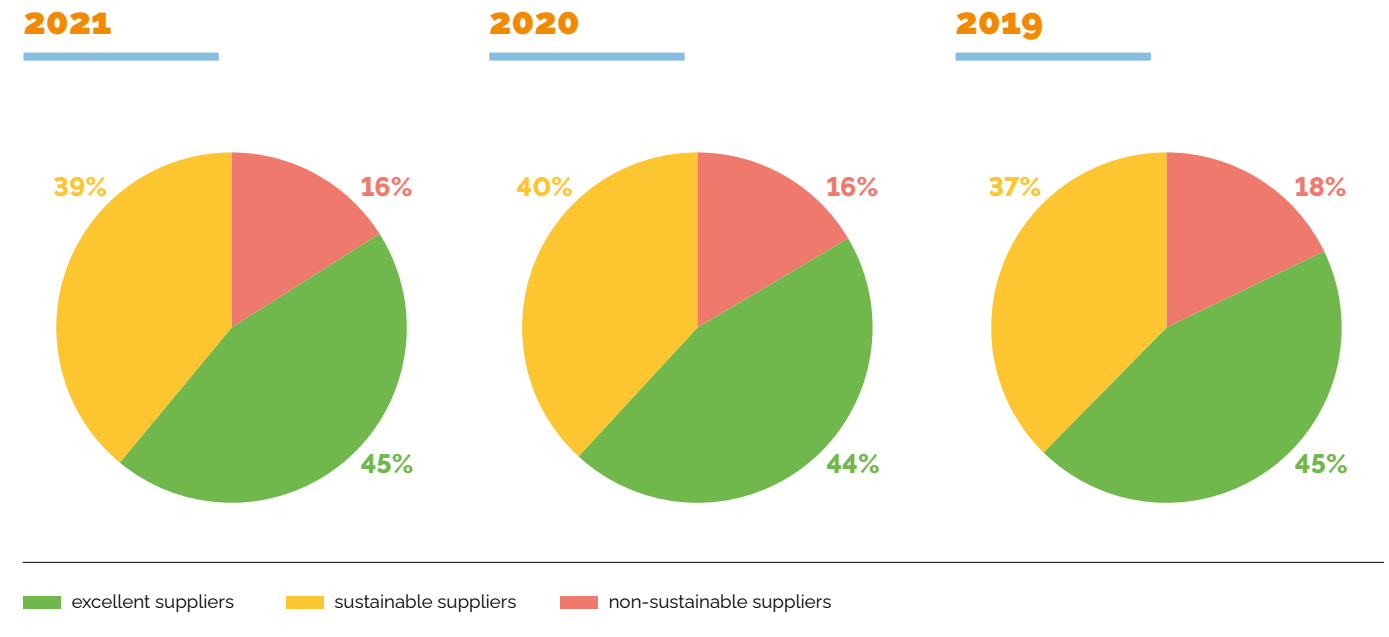
### ANALYSIS OF THE GROUP'S SUPPLIER PORTFOLIO

2021 confirmed the merit profile of the Group's supplier portfolio. In fact, the percentage of suppliers belonging to the 'Sustainable' and 'Excellent' classes of merit has remained virtually unchanged.

A more detailed analysis of the supplier portfolio shows that: **non-sustainable suppliers** are on average in the upper end of the category. This means that their results are very close to the values that allow them to join the yellow category of 'sustainable' suppliers;

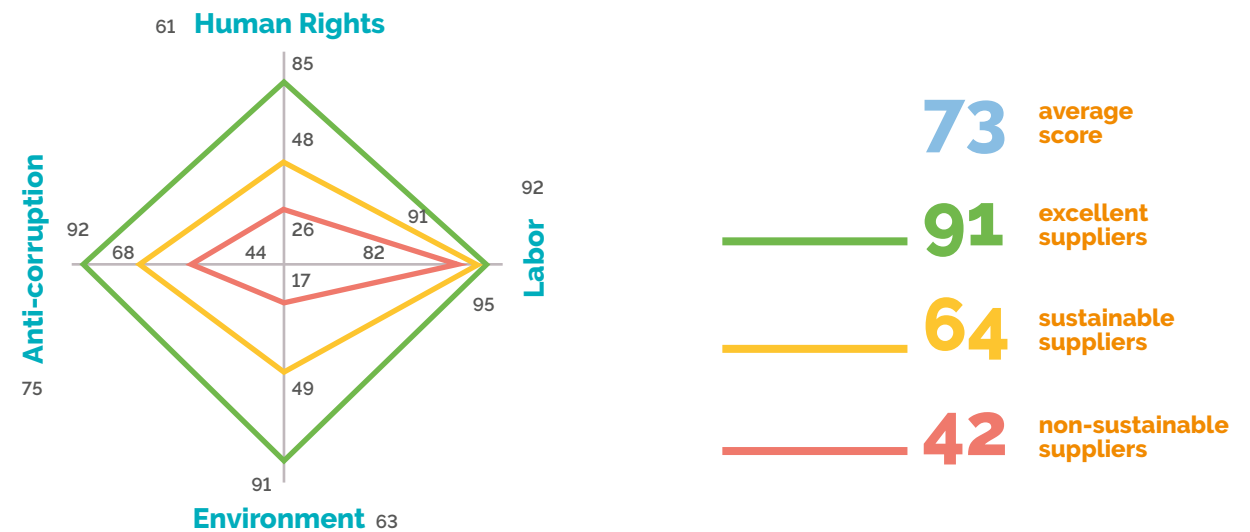
- the **Environment and Human Rights areas** are the most critical for 'non-sustainable' suppliers and 'sustainable' suppliers;
- the **Labor area** is a strength for 'non-sustainable' suppliers and, more generally, for all suppliers, regardless of category. Performance in this area is significantly higher than the average performance.

## Breakdown of Sofidel suppliers by merit class



Source: Sofidel: number of suppliers by merit class.

## Average score analysis



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

**EFFECTIVE MONITORING**

Monitoring effectiveness is measured through the **coverage ratio**, which is the ratio of expenditure monitored with TenP Paper to total spending. This ratio can be applied to each product category, or it can refer to a macro area that includes 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 **99% of raw material suppliers** (+1% compared to 2020), 95% of energy suppliers (+11% compared to 2020) and 92% of logistics services (+2% compared to 2020) have been qualified using the TenP Paper self-assessment system.

**Structure of the sample spend**

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

Source: Sofidel, business warehouse.

**Quality of monitored spending (Sofidel Group: Europe + United States) – 2021**

Spending class	No. of suppliers			Share of spending monitored			Spending class
> € 1,000,000	7	46	104	0.9%	12.5%	76.3%	> € 1,000,000
> € 500,000 + ≤ 1,000,000	10	22	55	0.5%	1.1%	3.0%	> € 500,000 + ≤ 1,000,000
> € 100,000 + ≤ 500,000	46	106	107	0.8%	1.8%	2.1%	> € 100,000 + ≤ 500,000
≤ 100,000	83	178	149	0.2%	0.4%	0.3%	≤ 100,000
<b>TOTAL</b>	<b>146</b>	<b>352</b>	<b>415</b>	<b>2%</b>	<b>16%</b>	<b>82%</b>	<b>TOTAL</b>

Source: Sofidel: SMOSC (Sustainable Management of Supply Chain). ■ excellent suppliers ■ sustainable suppliers ■ non-sustainable suppliers

If the quality of the monitored expenditure is considered rather than the number of suppliers, we notice a **clear prevalence of excellent suppliers, that alone cover 82% of total spending**. This marks a 2% increase over 2020 and a 7% increase over 2019 – a great result.

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.

**Coverage ratio by macro area of the sample spend**

Raw materials	Machines and Plants	Energy and gas	Logistics services	Services
99%	43%	95%	92%	29%

**Coverage ratio of the sample spend**

**90%**

**+3% compared to 2020**

In 2021, 90% of the sample spend is generated from business partnerships with suppliers that have a valid self-assessment report on the TenP platform.

**Coverage ratio of critical spending<sup>1</sup>**

**97%**

**+2% compared to 2020<sup>2</sup>**  
**+12% compared to 2019**

In 2021, the coverage ratio referring to critical spending increased to 97%.



1. In 2021, Sofidel registered 1091 new suppliers, including 225 critical suppliers. Of these, 6% completed the TenP Paper self-assessment. The figure reflects the trade-off required by the macroeconomic context, which has made it more complicated to combine a commitment to sustainability with the difficulty of sourcing raw materials and meeting delivery times and standards requested by customers.  
2. The improvement is partly due to increased costs of raw materials, energy and transportation.

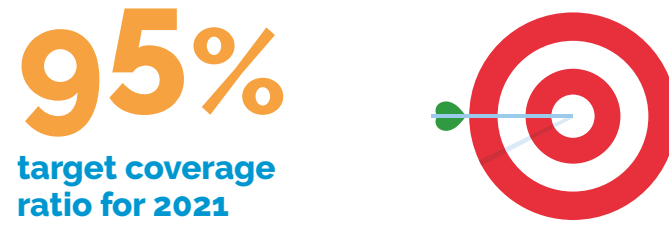
**A CLEAR TARGET FOR ALL PRODUCT CATEGORIES**

For the year 2021, a target of 95% in terms of coverage ratio has been set for all product categories.

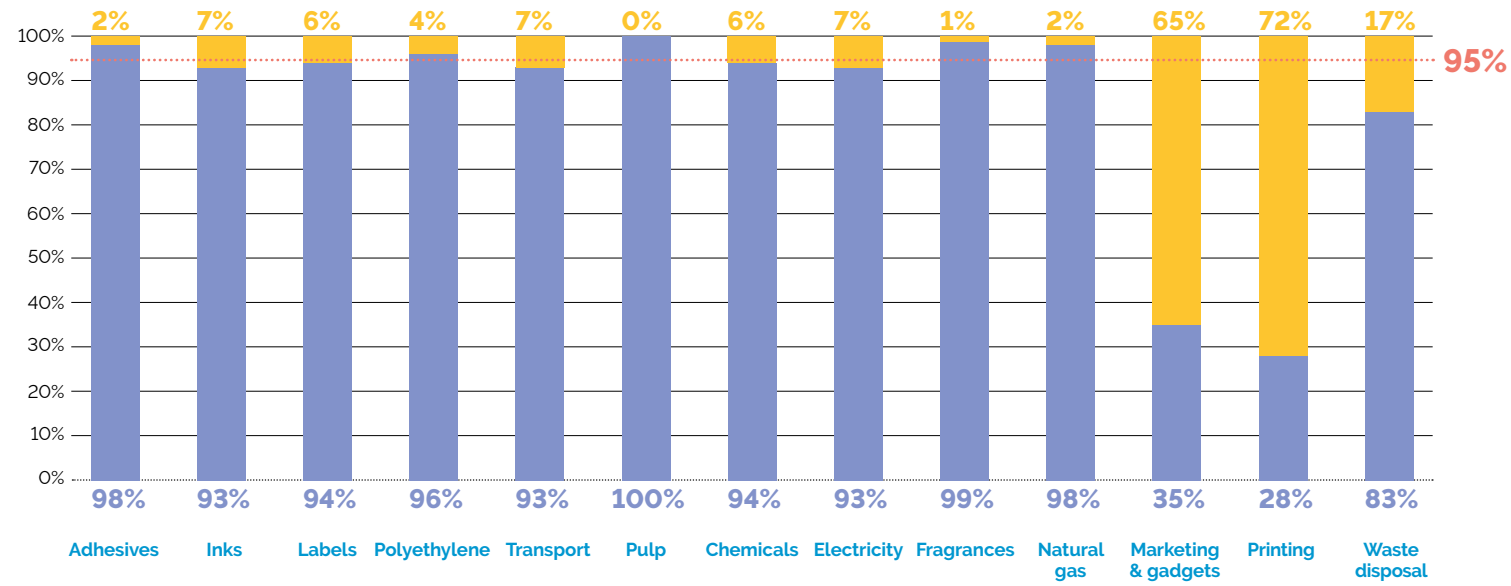
The adhesives, polyethylene, pulp, natural gas, and fragrance product categories met and exceeded the annual target coverage ratio.

The chart below details the coverage ratios achieved by the 13 critical product categories.

For 2022, the coverage ratio was set at 97%.



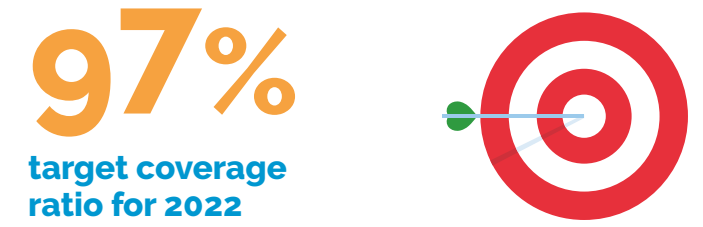
**Coverage ratios by critical category (Sofidel Group: Europe + United States)**



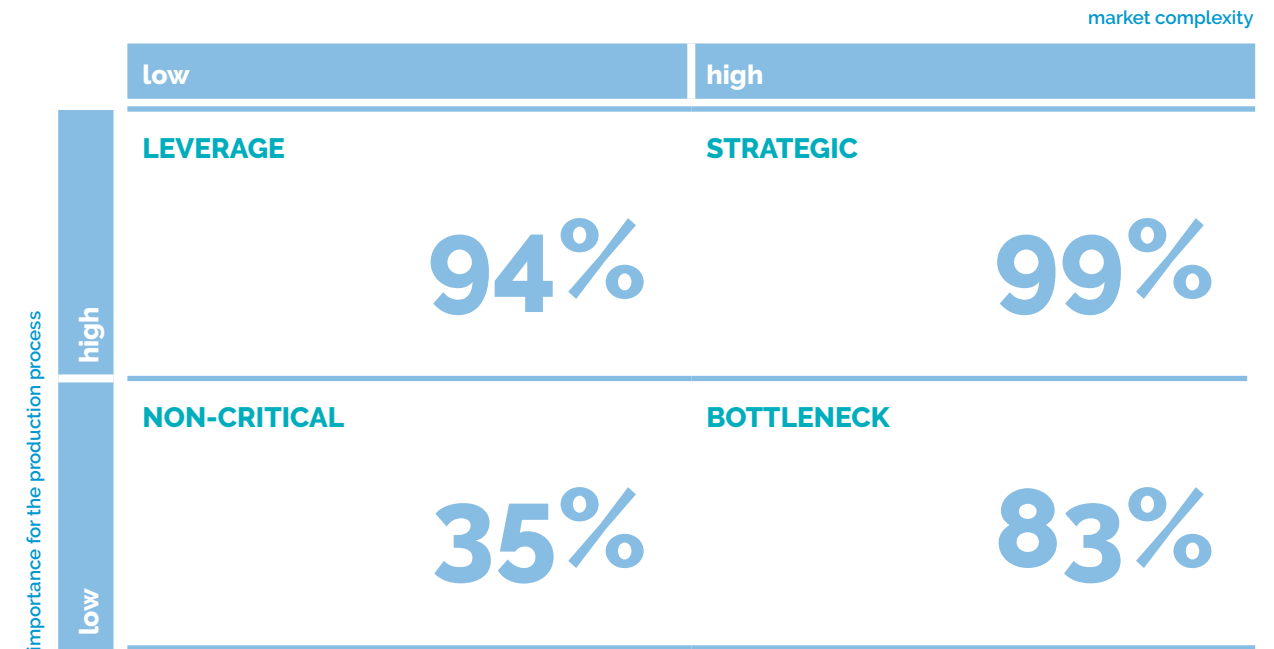
■ % of spending on TenP ■ % of spending outside TenP

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

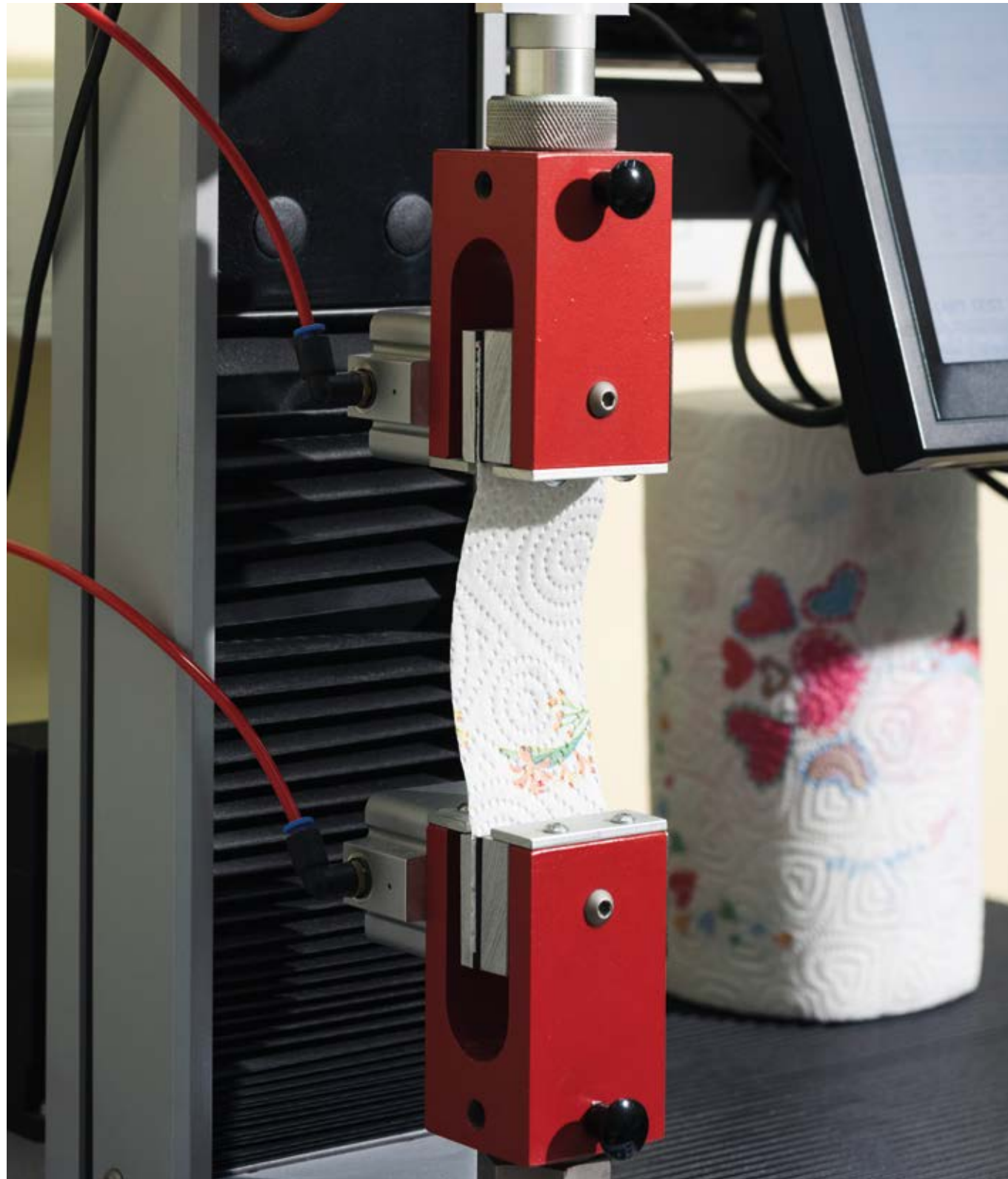
In aggregate form, previous results can be related to the Kraljic matrix. Thanks to the **monitoring and control activity**, the coverage ratio in the various areas has remained constant. We report improvement only in the strategic supplier area, which is now close to 100% due to an increase in the coverage ratio of pulp, power, and natural gas suppliers.



**Kraljic Matrix: distribution of critical turnover covered by TenP Paper**



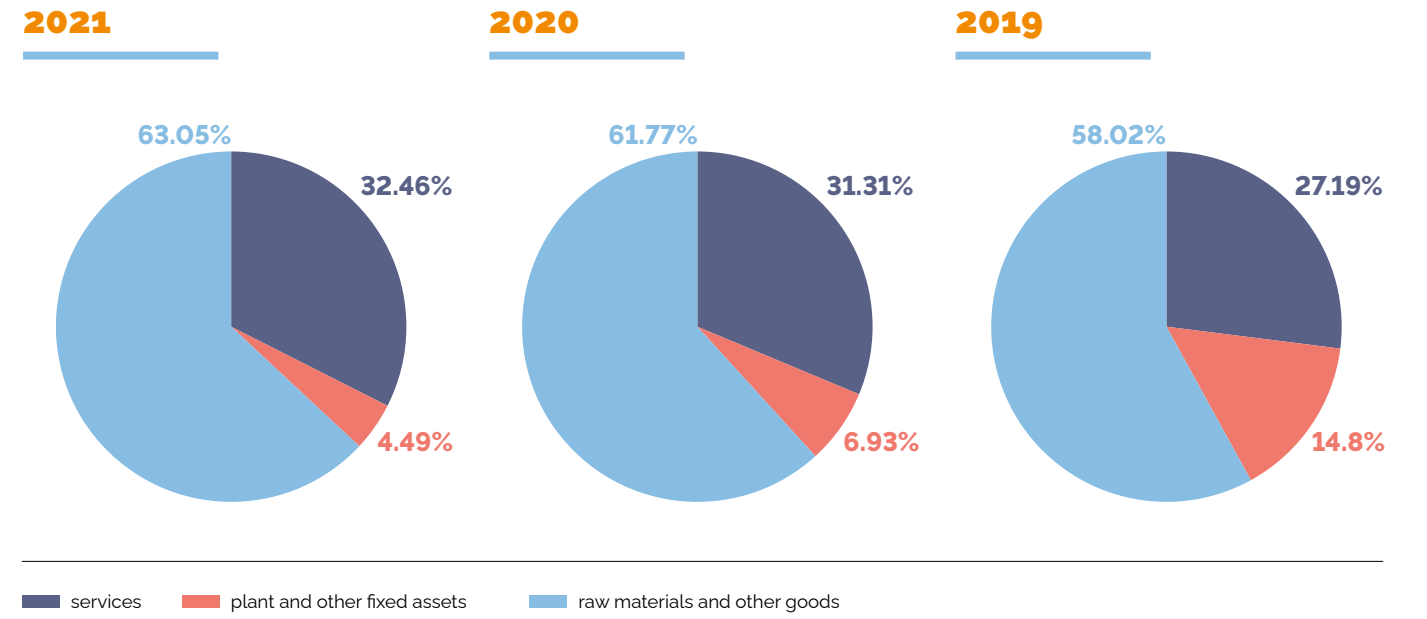
Source: Sofidel: SMOSC (Sustainable Management of Supply Chain).



**SUPPLIER MAP**

In 2021, Sofidel mainly purchased raw materials for a total value amounting to 63% of total spending on supplies.

**Turnover - Sofidel Group suppliers**



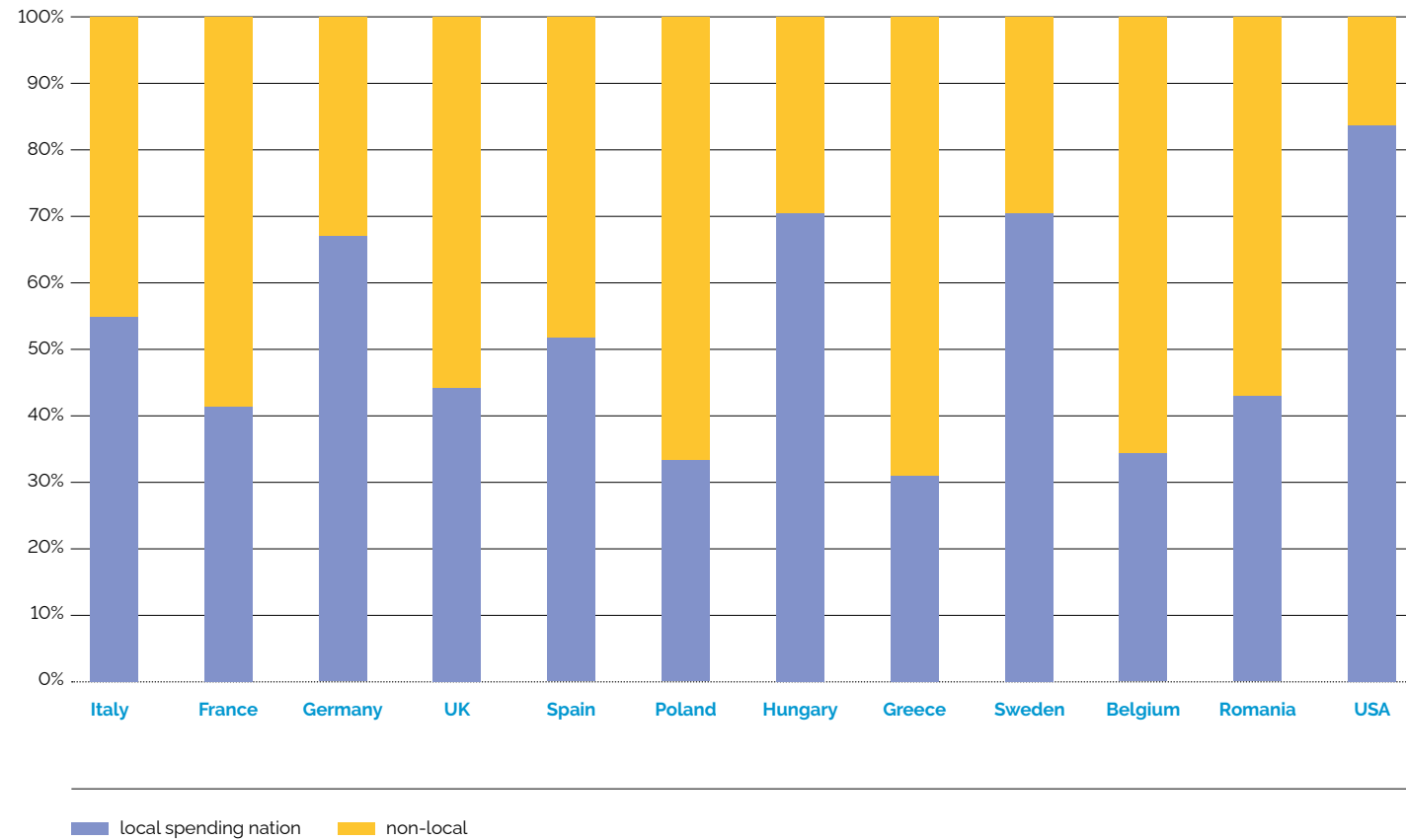
Source: Sofidel, produced from SAP.

**PROPORTION OF SPENDING WITH LOCAL SUPPLIERS**

Whenever possible, the Group chooses suppliers who can 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.

**Spending concentration with local suppliers by area – 2021**



Source: Sofidel.

**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 directions to further solidify the integration of sustainability into the supply chain.

**1. REWARD SYSTEM**

By **including sustainability goals in the scorecard** used for year-end interviews, we will aim to engage and motivate the procurement team to more actively promote an ethical and responsible supply chain. The objective is to link recognitions, promotions, and increased remuneration to improved supplier sustainability performance.

**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**. The Group intends to start with suppliers of strategic raw materials, particularly

pulp suppliers who may have critical factors related to product type and geographic origin.

In 2021, the company began screening its tier-one suppliers and created a dedicated section in the TenP Paper self-assessment questionnaire which inquired:

- 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.

**4. SMALL COMPANIES**

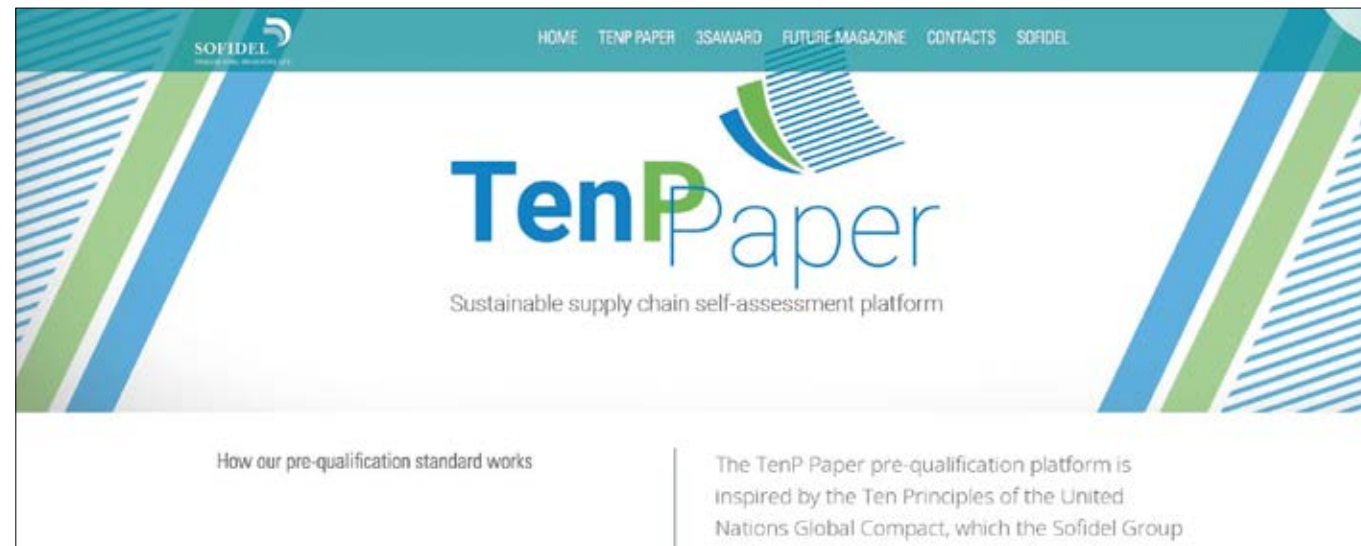
The Group will continue to work towards the **sustainable transformation of small- and medium-sized companies** (with turnover of less than €20 million) that are part of the Sofidel supplier network. In 2021, we continued the training campaign to support smaller suppliers and reduce the gap separating them from other Group suppliers.



## The website dedicated to the supply chain

In 2021, the Sofidel Group created a website completely dedicated to the supply chain: [www.sustainable-procurement.sofidel.com](http://www.sustainable-procurement.sofidel.com). This was intended both at sharing the principles of environmental and social sustainability that guide the selection of suppliers working with us and at promoting a collaborative relationship based on trust and transparency. The website aims to be a **hub of information and tools** designed to make our supply chain even more responsible and sustainable. Suppliers can **access the TenP Paper platform**

to register the rating that 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). The aim of this award is to promote a culture of sustainability among its suppliers and reward those who **stand out for their social and environmental commitment**.

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

In particular, in the last edition, the event was attended by lobbyist, climate expert and author, **Tom Rivett Carnac**, along with Cristiana Figueres of the Paris Agreements (2015), and American writer, activist and co-author of 'Drawdown: The most comprehensive plan ever proposed to reverse global warming', **Katharine Wilkinson**. In their respective speeches, each offered inspiring insights into what all of us can do in our work and daily lives to combat climate change and overcome the challenges.



Above: the winners of 'The Best Supplier' and 'The Best Improver' awards at the 3SAward 2021 event.

Opposite: Edilio Stefani, Chairman of Sofidel, and Andrea Piazzolla, Chief Purchasing Officer of Sofidel, together with the purchasing team.





#### AWARDS

This past December, the event honored ten companies in three different categories:

- **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 pro-

cesses 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.

In the future, the award will be biennial to allow time for suppliers to make significant progress.

## Objectives for the supply chain

During the 3SAward event, the Group involved the supply chain in two major challenges of importance to the company:

- the **fight against plastic**, calling on suppliers to halve the use of plastic in their manufacturing operations by 2030;
- **cutting greenhouse gas emissions** by adopting Science Based Targets (SBTi) to keep the increase in global warming well below 2 degrees Celsius.

Specifically, Sofidel's suppliers will be expected to contribute to the SBTi's scope 3 targets that the company has committed to achieve by 2030. For pulp suppliers, this means a 40% reduction in CO<sub>2</sub> emissions. For all other suppliers, the goal is a 24% reduction in emissions.

## 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 analyses (Global Supply Chain Report 2021), the supply chain's

GHG emissions are more than **11 higher** than the company's. 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 2021, CDP awarded Sofidel Group an **A rating**, the highest assessment, for its ability to involve the supply chain **in actions to fight climate change**.





CHAPTER 6

Safeguarding  
our natural capital

**WE'RE  
DEDICATED TO  
PROTECTING  
THE PLANET**

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.

Added to this is 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.

## 2021 Highlights

**100%**

certified pulp,  
80% of which with the FSC®

**-13.1%**

reduction in carbon intensity  
compared to 2018

### Power Purchase Agreement

with RWE for renewable  
energy procurement

### Reduction of emissions from combustion

agreement with Meva Energy  
for the production of biosyngas

### Forest Procurement Policy

Updating of commitments



## The environment and the changes underway

In 2021, climate change and its effects recaptured public attention after the raging pandemic practically monopolized 2020, which led to the cancellation of events such as COP 26. The year was undoubtedly characterized by two different series of events, which were exceptional in both size and intensity. The first is purely climatic; the second, economic and political.

Since the outset of 2021, we've witnessed the escalation of **extreme weather events** triggered by global warming. In February 2021, winter storm Uri struck the United States as far south as Oklahoma and Texas, with temperatures dipping to **-26°C** for a few days. These areas had not experienced such temperatures since 1899. That event caused electricity outages in many southern states, **leaving 4.5 million people without electricity** for several hours during the event's four-day peak. When electricity became available, it reached **prices nearly 100 times higher than normal**.

During the summer, North America encountered unprecedented temperature peaks, which **caused hundreds of fires**. Three of these, the Bootleg Fire in Oregon, the Dixie Fire and the Caldor Fire in California, alone destroyed approximately 647,000 hectares of woodland.

The **extreme heat wave** even reached Canada, causing Lytton, British Columbia, to almost touch 50°C at the end of June. These temperatures are typical of the Sahara Desert and 25°C higher than the local average. These temperatures caused extensive damage to both the population and much of the wildlife, leading to the deaths of more than 130 people on Canada's west coast.

In Germany, the same period witnessed the **worst wave of bad weather since 1962**. On July 15th, more than 200,000 homes in North Rhine-Westphalia were without electricity and more than 180 people lost their lives in the ensuing floods. The event also hit Belgium and the Netherlands.

On the economic front, the sudden upturn in manufacturing after many business closed in 2020 caused major impacts in the supply equilibrium of many goods and services. This phenomenon **drove up the price of many raw materials**, including wood and pulp. **Energy and transportation prices** also spiked to levels not seen for decades.

Particularly significant was the increase in energy prices that occurred in Europe after the launch of the 'Fit for 55' package of EU regulations in July, which caused prices to increase up to five times higher than pre-pandemic levels. This package contains the policies that will accompany future decarbonization actions through to 2030. The combination of these events could result in 2021 being remembered as the year that truly began the European continent's energy transition.

Despite these events, **COP 26 held in Glasgow in November** missed the opportunity to reach a unanimous agreement to achieve **climate neutrality by 2050** due to China and India's disagreement with the UN negotiators' proposed timetable for moving away from coal.



**'TAKE URGENT ACTION  
TO COMBAT CLIMATE CHANGE  
AND ITS DANGEROUS  
CONSEQUENCES.'**

## Protection of forest resources and certifications

### FOREST PROTECTION

While COP 26 did not result in a unanimous climate agreement, an important step forward was taken in protecting the world's forests. The international community agreed during the Conference of the Parties to **stop the loss of forest area and biodiversity** by the end of 2030. This agreement covers more than 90% of the world's forested area.

In 2021, Sofidel decided to update its **policy on the procurement of forest goods**. The new document was drafted in collaboration with the staff of WWF Italy and WWF International, and was inspired by the guidelines developed within the **Accountability Framework initiative (AFI)**. The full text is available on Sofidel's website and includes some important targets, including to:

- Develop and maintain a procurement chain that does not induce deforestation or conversion of forest areas in any of its phases.
- Exclude, as far as possible, genetically modified organisms from the raw materials used.
- Maintain a purchase level of material certified with chain of forestry custody that **not less than 95% of total annual purchases**, and which in any case has received at least one certification of good forest management for its entirety.
- Maintain a level of procurement of **FSC Chain of Custody** certified raw material of **no less than 80%** of the amount purchased in a calendar year.
- Map, within its supply chain, the amount of goods supplied by smallholders to increase their involvement.

Implementing these targets will encourage **more thorough audits of pulp suppliers**, with **third-party audits** conducted at some producers' plants and a revision of Sofidel's current Supplier Code of Conduct.



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

## Forest Forward

Alongside the new policy, Sofidel participated in a forest protection initiative organized by WWF International called **Forest Forward**. The project involves companies, communities, and organizations in all sectors (especially those related to the use of forest materials) and aims to accelerate commitments to **zero-deforestation and zero-conversion of natural ecosystems**.

The overall objective is to combat decline and encourage forest restoration to improve the management of 150 million hectares of forest globally by 2030. The initiative also pays special attention to forest management in tropical and subtropical countries, including protecting **the role of local communities** in forest conservation.

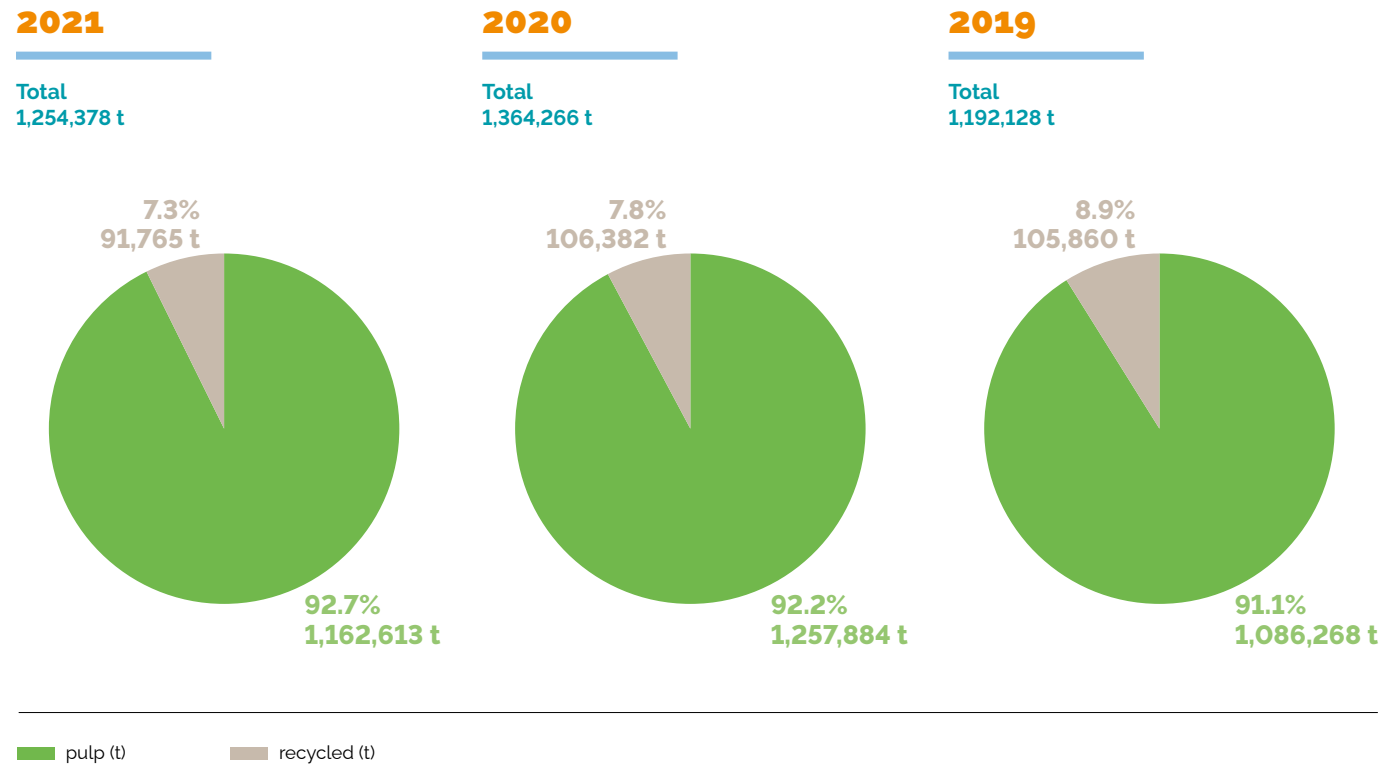
**SOFIDEL AND FORESTRY CERTIFICATIONS**

During 2021, Sofidel purchased a total of **1,162,613 tons of virgin fiber**, with upwards of 80.2% certified with the FSC (Forest Stewardship Council) chain of custody. The remainder (17.8%) received PEFC (Program for Endorsement of Forest Certification) chain-of-custody certification and 2% of the total received certification under the FSC Controlled Wood standard. Therefore, in 2021, the entirety of the fibrous raw material received at least one certification of good forest management. In 2021, the new procurement policy and increasingly improving for-

est certification data earned Sofidel an **A-** mark for the prestigious **CDP Forest rating**.

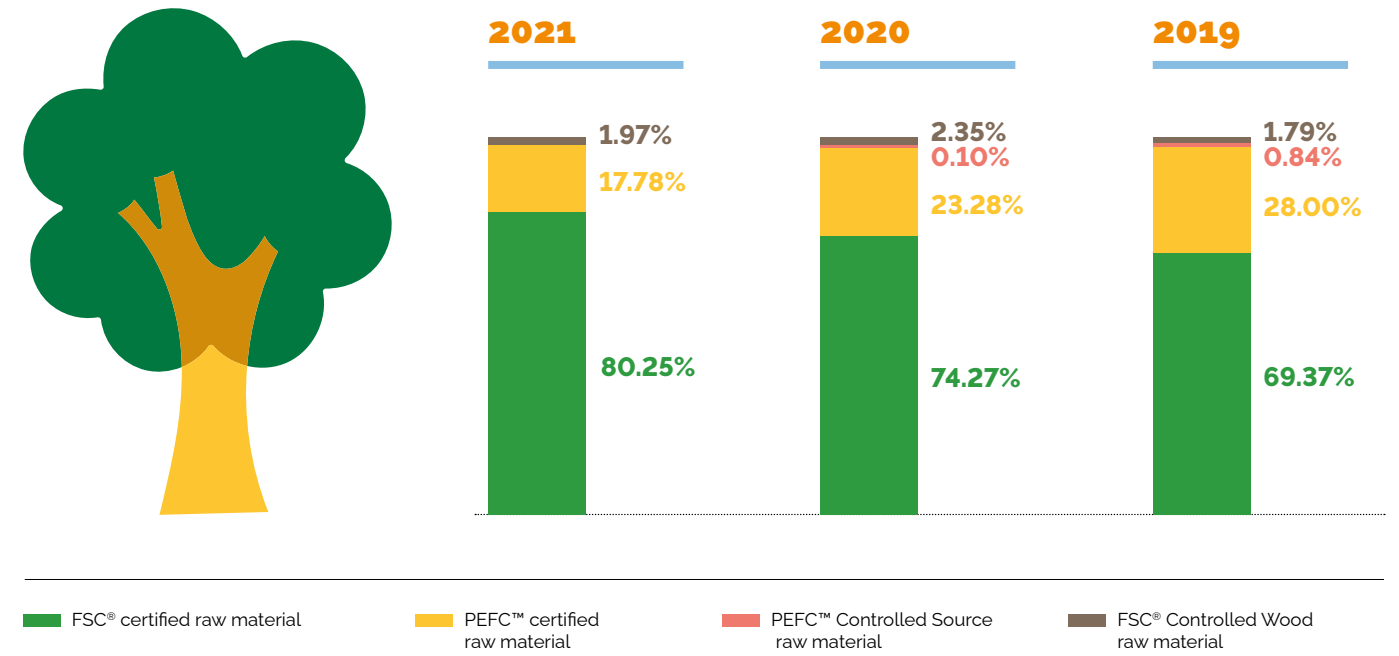
This achievement has allowed Sofidel to be among the 56 companies that have achieved an A or A- level, and among the 611 companies that have made the rating public. Acting on behalf of more than 590 investors that represent over \$110 trillion in financial assets and over 200 large corporate buyers, CDP Forests provides companies with a framework for action to **measure and manage forest-related risks and opportunities**, transparently report on progress, and engage in preventative actions to restore forests and ecosystems.

**Purchases of virgin fibrous and recycled raw material**



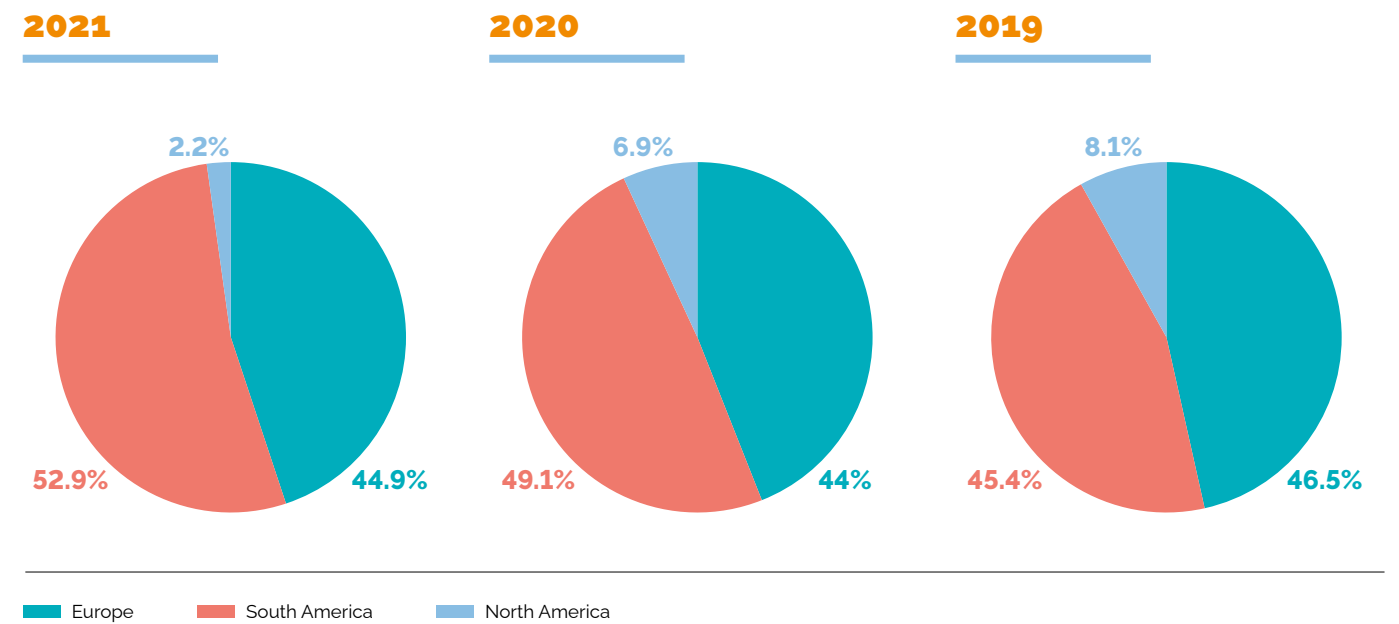
Source: Sofidel, extrapolation from SAP.

**Purchases of virgin fibrous raw material by forest certification scheme**



Source: Sofidel, extrapolation from SAP.

**Countries of origin of the virgin pulp purchased**



Source: Sofidel, extrapolation from SAP.

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

### THE ENERGY BALANCE

This last year was characterized by a **continuous escalation in the market prices of natural gas**, and consequently of electricity, which led to record prices in Europe.

While 2020 witnessed the marked reduction in consumption due to the pandemic, which drove energy commodity values to historic lows, the exact opposite occurred in 2021. The economic recovery, combined with a colder, prolonged winter that significantly lowered inventories, boosted demand for natural gas to unexpected levels. **Geo-political tensions with Russia**, Europe's main gas supplier, contributed to a worsening situation which then escalated later in the year.

Only in the final days of 2021 did prices lower again, thanks to the arrival of several tankers containing Liquefied Natural Gas (LNG) from the United States and forecasts for a milder winter.

In 2021, the Group's specific energy demand was **11.7 GJ/t paper**, confirming the previous year's consumption.

In Italy, an ambitious project to modernize the combined electricity and steam generation plants at Soffass S.p.A. was launched in 2020. The project involves replacing the three existing gas turbines, dating back to the 1990s, with more efficient systems. This includes **two gas turbines** at the Soffass plant in Via Lazzareschi and **an endothermic engine** at the Soffass plant in Via Leccio. The project is managed through a specialist energy services company and will be completed at the end of 2022.

This investment aligns with Sofidel's strategy to reduce climate-altering gas emissions. It adds to the more than **100 million euros that the company has invested** in optimizing the management of energy resources from 2008 to 2021.

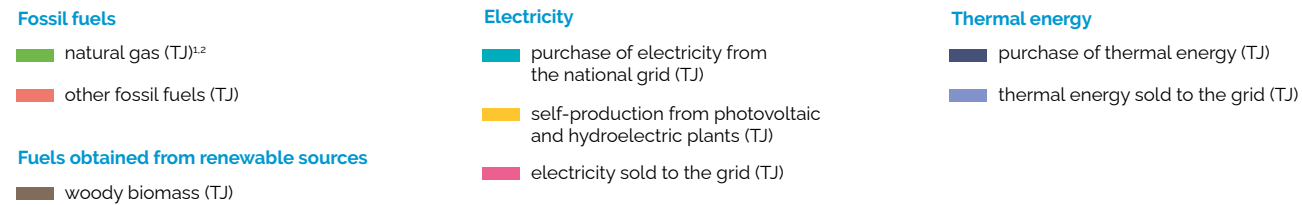
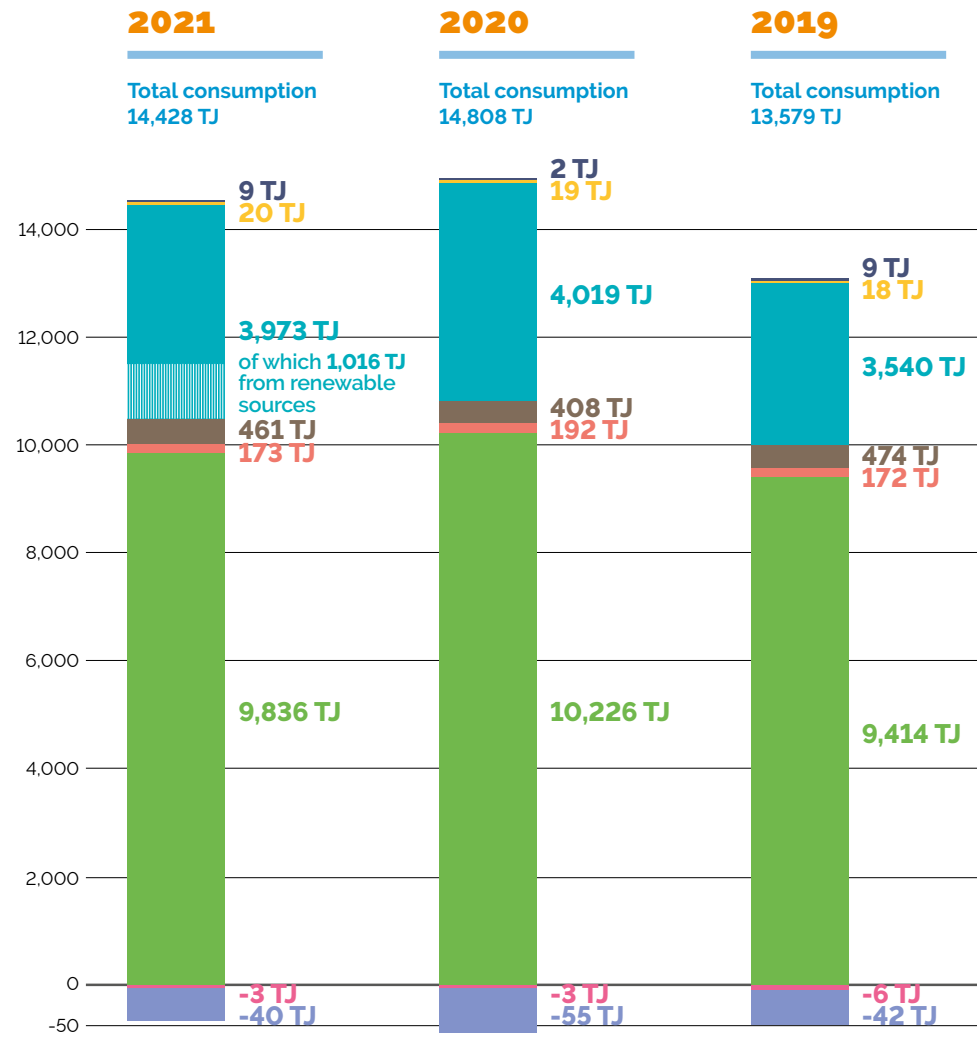
In addition to these investments in plant modifications to improve efficiency, Sofidel also promotes the spread of an environmental culture and the introduction of Energy Management Systems. The certification process for the **ISO 50001** standard (Energy Management System) started in 2012 at the German and Swedish plants and continued with the certification of our plants in Sofidel Belgium, Sofidel UK, Soffass, Sofidel France Frouard, and Sofidel Greece.



**'ENSURING ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE, AND MODERN ENERGY SYSTEMS FOR ALL.'**

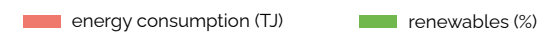
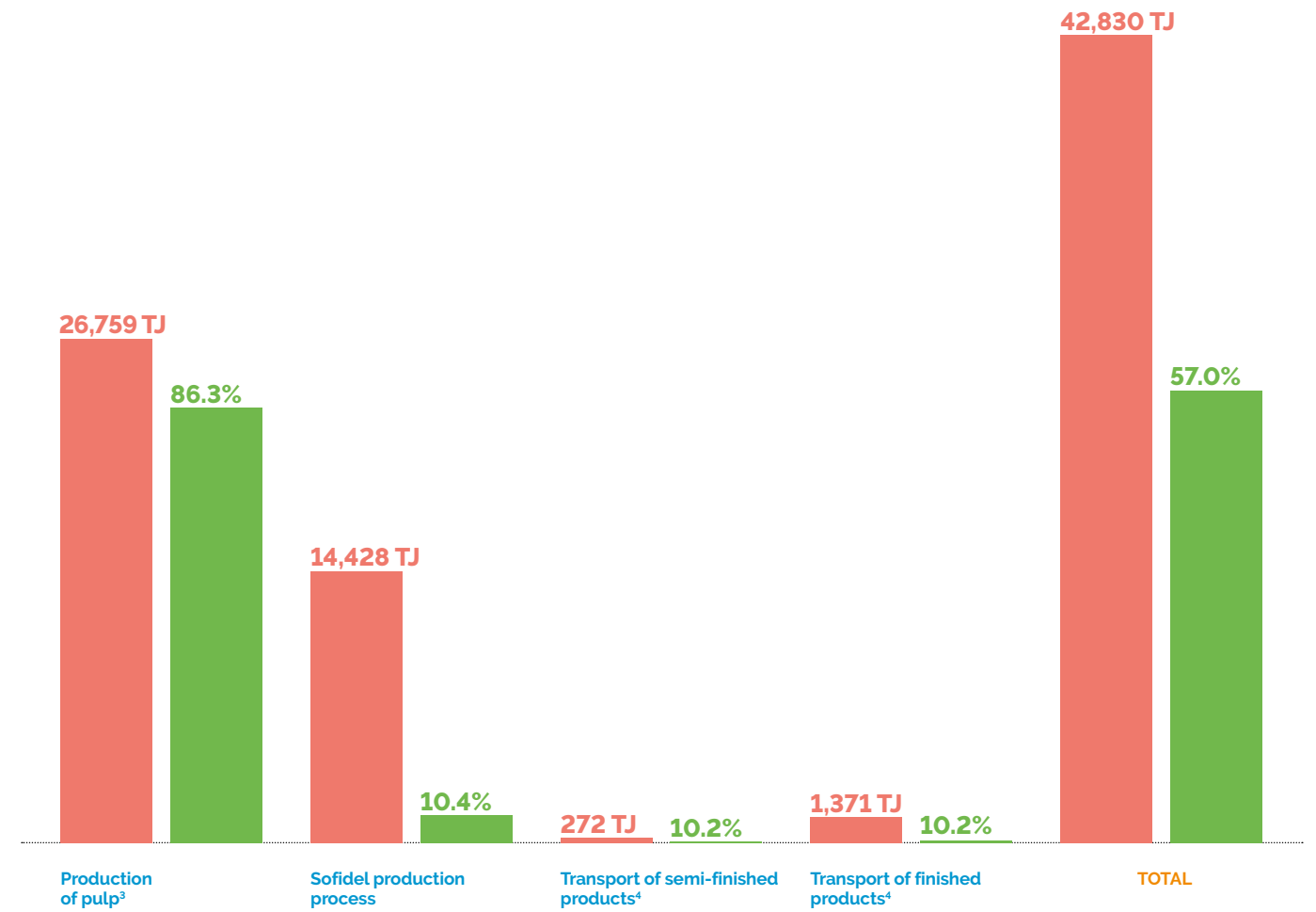


### Energy balance of the Sofidel Group



1. Energy calculated based on Lower Calorific Value (LCV).  
 2. Data are calculated using available invoices as a source. It should be noted that for consumption by the Werra, Omega, THP plants, reference is made to the internal readings for December, as not all 2021 invoices are available.

### Sofidel supply chain energy consumption – 2021



3. The data were obtained using the most up-to-date questionnaires completed by suppliers (99% of the total, the remaining 1% was obtained using an average of the data possessed).  
 4. Consumption coefficients taken from GHG Protocol-Mobile Guide v.1.3 (21/03/2005). The percentage of renewable energy was obtained from 'Share of Energy from Renewable Source in Transport'. Source: Eurostat.



**SOFIDEL AND CLIMATE CHANGE**

In June 2019, the European Council pushed for greater efforts to combat climate change and called on the Commission to carry forward work to achieve a **climate-neutral European Union**. This effort would be in line with the EU's international commitments and the Paris Agreement's goals of keeping global temperature increases well below 2°C while limiting them to 1.5°C.

One year later, in December 2020, the European Council confirmed its commitment to the **EU's green transition**. European Union leaders endorsed a new binding target to reduce greenhouse gas emissions **by 55% by 2030**, compared to 1990 levels. This is a significant increase over the target agreed in 2014 to reduce emissions by 40% by 2030.

In July 2021, the Commission unveiled the 'Fit for 55' package, a set of proposals and initiatives aimed at revising and updating EU legislation to align with its 2030 and 2050 climate targets.

**SBTi commitments**

In such a context, large companies like Sofidel inevitably feel an **ethical and economic responsibility** to collaborate in this new direction. This responsibility has prompted Sofidel to join the international **Science Based Targets initiative (SBTi)**, a project arising from the cooperation between the international non-profit organization CDP, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). In 2020, the targets for reducing climate-altering emissions from Sofidel Group activities (scope 1, 2 and 3) were approved by the Science Based Targets initiative (SBTi) and recognized as consistent with the reductions needed to limit global warming to well below 2 °C, as required by the Paris Agreement.

Specifically, these objectives include:

- a reduction in scope 1, scope 2, and scope 3 CO<sub>2</sub> emissions relating to its suppliers' pulp operations, of **40% per metric ton of paper by 2030** compared to the base year 2018.
- a reduction in scope 3 CO<sub>2</sub> emissions of **24% per metric ton of paper by 2030** compared to the base year 2018.

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

**Increasing use of renewable energy**

Sofidel's commitment in 2021 focused on a **consistent use of renewable electricity**. The new strategy has enabled Sofidel to use a supply of electricity produced exclusively from renewable sources

for the Sofidel UK Hamilton, Sofidel UK Rothley Lodge, Sofidel Belgium, and Sofidel Spain plants.

**Partnership with RWE**

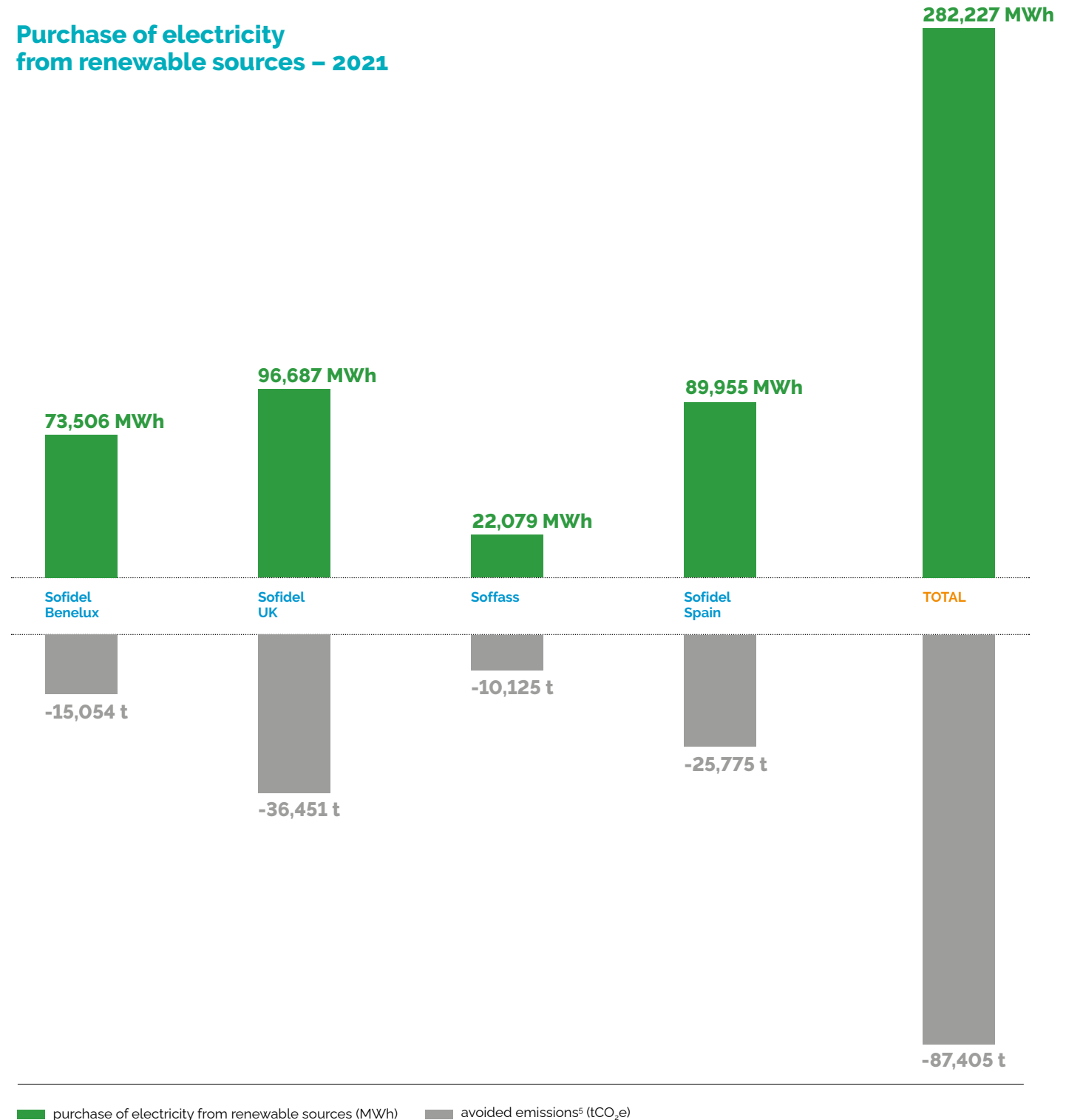
In addition, Sofidel signed a long-term supply contract in April with RWE for the supply of renewable energy. This is a Power Purchase Agreement (PPA) that will allow the Group to use the wind energy produced by the Alcamo II plant (13.6 MW of power) for Soffass' Italian plants. In all, **26 GWh per year** will be allocated to the Group, which will be used in Soffass' Italian plants. The agreement enabled RWE to build the new site without the need for government subsidies. It allows Sofidel to continue towards achieving its **ambitious climate protection objectives** while reinforcing its commitment to a sustainable future for people and for the planet.

**Partnership with Meva Energy**

Sofidel has signed a long-term agreement (10 years) with **Meva Energy** for the construction of a **bio-syngas** generation plant at the Kisa site in Sweden. The new plant will provide **renewable energy** for Sofidel to use directly at its Swedish site, and will replace fossil fuels within two years. The agreement will allow the Group to reduce **CO<sub>2</sub> emissions by 8,500 tons** compared to the current carbon footprint generated by LPG consumption. Meva Energy will operate the plant, which will have a generating capacity of at least 4.2 MW.

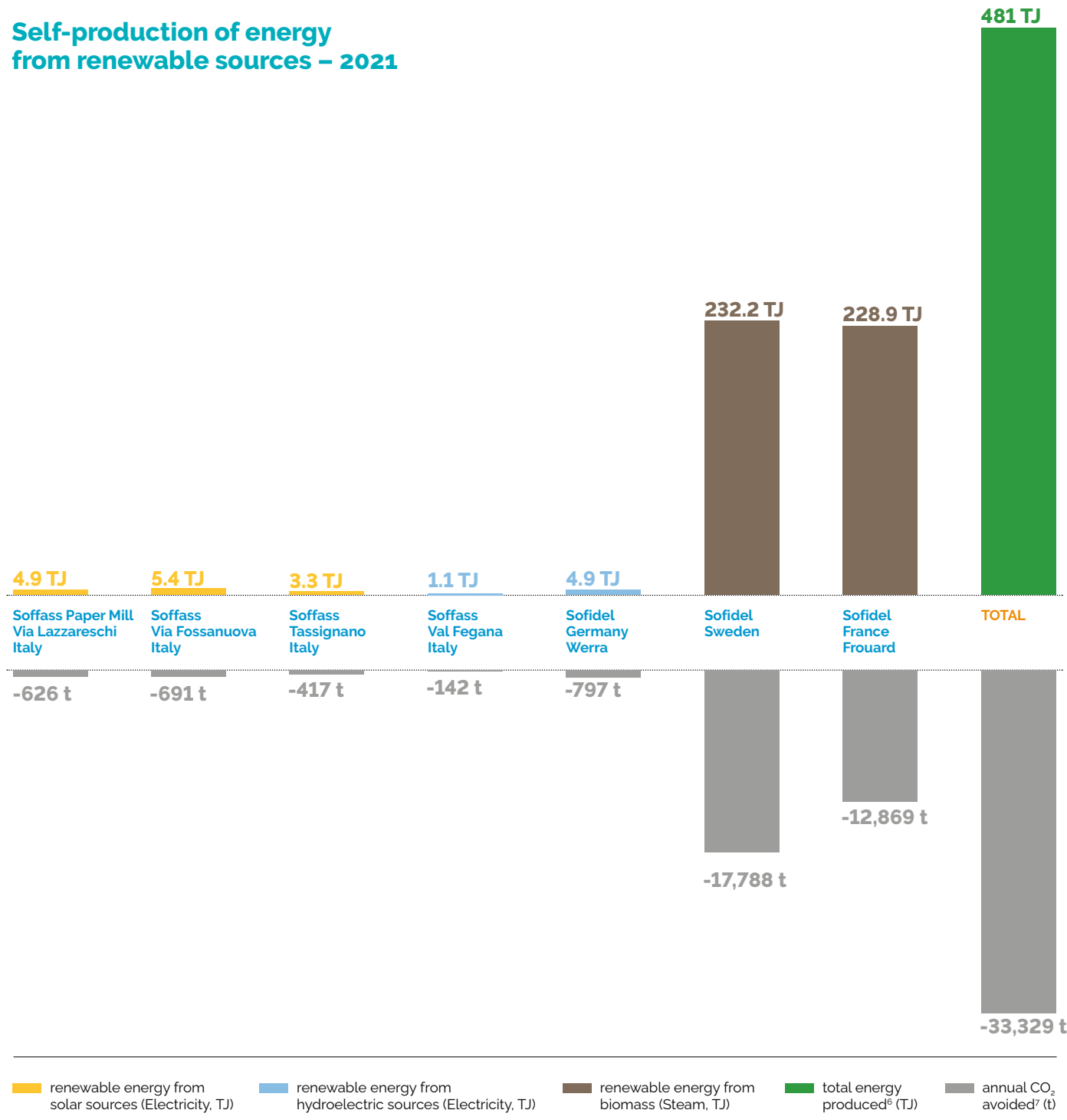
**'SOFIDEL FEELS AN ETHICAL, ENVIRONMENTAL, AND ECONOMIC RESPONSIBILITY TO CONTRIBUTE TO THE AMBITIOUS EUROPEAN PROJECT OF BECOMING THE FIRST CLIMATE-NEUTRAL CONTINENT BY 2050.'**

**Purchase of electricity from renewable sources – 2021**



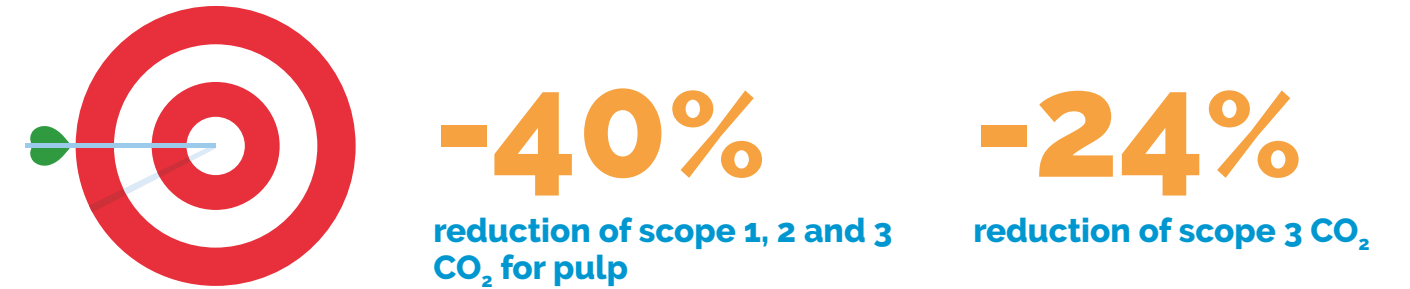
5. Avoided emissions related to self-production of electricity have been calculated using a Market-Based Approach, using the emission coefficients contained in the most up-to-date AIB European Residual Mix publication.

### Self-production of energy from renewable sources – 2021



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

### Sofidel's targets for 2030



### CDP Report

In 2021, Sofidel received the highest rating from CDP - an **A rating - for its commitment to combating climate change**. The Group has also been recognized for its leadership in **safeguarding forests and biodiversity, achieving an A- rating** (the average for European companies is B-), while for **involving the supply chain** in reducing climate-altering emissions, it earned an A rating. CDP is an international non-profit organization that provides businesses, local authorities, governments, and investors with a global sys-

tem of environmental measurement and reporting. CDP currently works on behalf of 590 institutional investors who manage \$110 trillion in assets. Its role is to create incentives for companies to make information available about the impact of their activities on the environment and to then mitigate their footprint. The CDP ranking considers a company's level of transparency and their environmental performance.

### Calculation methods for scope 2 emissions

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

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

**SOFIDEL'S EMISSIONS INVENTORY**

To monitor the reduction of climate-altering emissions, the first step is to draw up an **annual emissions inventory**. Sofidel applies a market-based approach to calculating scope 2 emissions. It is a choice made to better highlight the results obtained by the energy procurement strategy, which prioritizes suppliers on the basis of the available production mix. It favors renewable sources and any case with a lower environmental impact.

Compared to the emission data recorded in 2018, Sofidel has succeeded in obtaining a **13.1% reduction in CO<sub>2</sub> emissions per metric ton of product** in 2021. This result was achieved by selecting electricity suppliers based on their energy mix, favoring the use of electricity generated from renewable sources.

With regard to indirect CO<sub>2</sub> emissions (scope 3), that is those that are not under Sofidel's management control (for example, those relating to the production of raw materials,

accessories to production and transport), the company was able to include the most significant downstream components in the reporting for 2021.

The emissions arising from the distribution of both semi-finished and finished products were thus calculated as a total of 152,634 t CO<sub>2</sub>, corresponding to 133 kg CO<sub>2</sub>/t paper.<sup>8</sup> In addition, the **impact of the use of the packaging** (paper and plastic packaging) was assessed, and amounted to 148,824 t CO<sub>2</sub>, corresponding to 132 kg CO<sub>2</sub>/t paper.



8. The emission coefficients used were obtained from DEFRA ('2008 Guidelines to DEFRA's GHG Conversion Factors: Methodology Paper for Transport Emission Factors'). The configuration adopted for the calculation includes the simulated outward journey with a half load.

9. Direct emissions from combustion in the production plants (Scope 1) are calculated in accordance with the European Union Emissions Trading Scheme (EU ETS), which regulates CO<sub>2</sub> emissions in Europe for industrial sectors with higher emissions. Scope 1 emissions from non-ETS plants were estimated using the UNFCCC 2021 coefficient of the Italian national inventory. The same coefficient has been applied for the calculation of other less significant emissions not regulated by the ETS, such as those related to the use of forklifts and heating of work environments.

10. The Scope 2 emissions were calculated using the market-based GHG approach. The Sofidel UK plants, except Sofidel UK Baglan, and the plants of Werra, Sofidel Germany, Sofidel Belgium and Sofidel Spain have been attributed emission coefficients corresponding to the specific electricity supply declared by the suppliers. The remaining emissions are calculated using the residual mix coefficients. (Sources: Green-e Residual Mix for plants in the USA, AIB European Residual Mix for the plants in Europe).

Scope 2 emissions calculated using Location Based methodology amount to 315,928 tCO<sub>2</sub>e for the same perimeter.

11. The data have been updated from the 2020 environmental report following the publication of more up-to-date emission coefficients and the inclusion of additional sources linked to CH<sub>4</sub> and N<sub>2</sub>O emissions.

**CO<sub>2</sub> emissions  
Scope 1<sup>9</sup> and 2<sup>10</sup> / market-based**

**2021**

Scope 1  
**566,419 t**

Scope 2  
**322,741 t**

Total  
CO<sub>2</sub> emissions  
**889,159 t**

Carbon  
intensity  
**721.6 kg CO<sub>2</sub>/t paper**

Reduction  
**-13.1%**

**2020<sup>11</sup>**

Scope 1  
**586,530 t**

Scope 2  
**375,836 t**

Total  
CO<sub>2</sub> emissions  
**962,366 t**

Carbon  
intensity  
**765 kg CO<sub>2</sub>/t paper**

Reduction  
**-7.9%**

**2019**

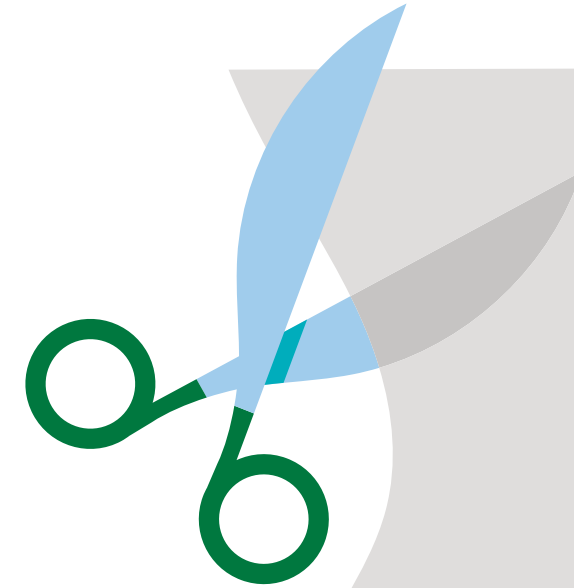
Scope 1  
**539,427 t**

Scope 2  
**334,641 t**

Total  
CO<sub>2</sub> emissions  
**874,068 t**

Carbon  
intensity  
**781 kg CO<sub>2</sub>/t paper**

Reduction  
**-5.9%**



**OTHER EMISSIONS INTO AIR**

In addition to CO<sub>2</sub>, the other significant emissions from manufacturing are **nitrogen oxides (NO<sub>x</sub>)**, which are produced by combustion plants, (for example, boilers and paper drying plants). Today, almost all combustion equipment in Sofidel's plants is **low NO<sub>x</sub>** and already meets the standards of future regulations controlling pollutant emissions from medium-sized combustion plants. The calculation of nitrogen oxide is normally based on measurements made from chimneys in accordance with the methods required by current legislation in individual countries.

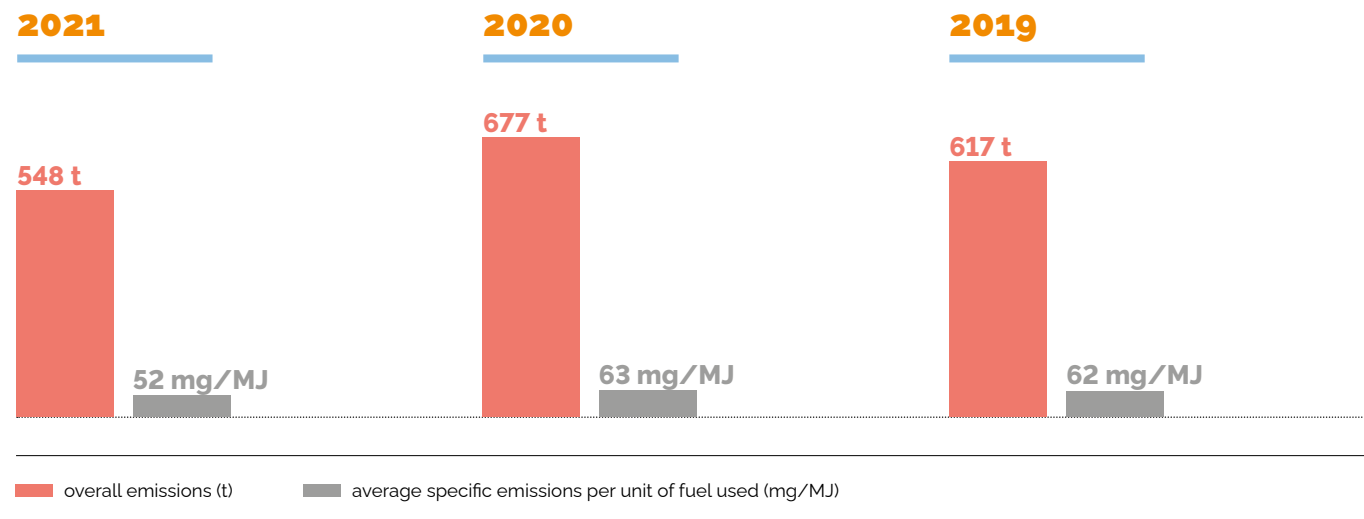
Where these measures are not required (Sofidel United States Haines City, Sofidel United States Circleville, Sofidel France

Roanne, Sofidel Germany, Sofidel Greece), emissions were estimated using the Group average.

Related to the use of biomass in boilers at the Sofidel France Frouard and Sofidel Sweden plants, **245 kg of sulfur oxides (SO<sub>x</sub>)**<sup>12</sup> were also emitted. Finally, emissions of other greenhouse gases, such as leaks of **fluorinated refrigerating gases** equivalent to the emissions of about 249 metric tons of CO<sub>2</sub> were negligible, since they are extraneous to the Group's typical business. No ozone-depleting gas leaks are reported.

12. Estimated value starting from analyses conducted during 2021.

**Total and specific nitrogen oxide (NO<sub>x</sub>) emissions of plants in the Sofidel Group**



Source: Sofidel.

**Responsible management of water resources**

**THE IMPORTANCE OF WATER FOR SUSTAINABLE DEVELOPMENT**

Global water use **has increased six-fold in the last 100 years** and continues to grow steadily at a rate of about 1% per year due to population growth, economic development, and changes in consumption patterns<sup>13</sup>. If we take into consideration Goal #6 of the United Nations 2030 Agenda - 'Clean water and sanitation' for all - we see that despite some improvement, as many as 107 nations continue to lag behind. Nearly **2.3 billion people live in water-stressed countries**, and of these, as many as 733 million are located in particularly critical countries<sup>14</sup>.

Between 1970 and 2019, **11,072 disasters were traced to climate change**. Excluding storms, the category that includes droughts and floods had the greatest impact, both in terms of loss of life and economic damage, causing about 31 percent of economic losses. Since 2000, **the number of flood events has increased 134%** over previous decades. Drought has caused more than 700,000 deaths, and is concentrated in Africa. Here, the number of fatalities and frequency of droughts have increased by 29% since 2000<sup>15</sup>.



**'ENSURING THE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FACILITIES FOR ALL.'**

13. UN World Water Development Report 2020.

14. Summary progress update 2021 - SDG 6 - Water and sanitation for all.

15. 2021 WMO (World Meteorological Organization) State of Climate Services: Water.



The water-related effects of climate change also generate **risks both for businesses and energy production**, as water stress can stop the production of goods or the emission of energy. Furthermore, low water availability can affect the supply of raw materials, leading to supply chain disruptions.

#### SOFIDEL AND WATER RESOURCE MANAGEMENT

In this context, for years Sofidel has pursued **policies and undertaken activities to reduce water consumption**, both to safeguard the environment and to protect production continuity, especially in countries with notable high water stress.

The water consumption reduction objective is pursued through management measures and specific investments in policies to **rationalize water consumption and re-use industrial waste water**. Although specific activities and investments aimed at reducing water consumption can be listed, including the collection and reuse of rainwater at the Sofidel UK Baglan plant and the **Waste Water Re-Use** plant at Soffass Paper Mill Via Lazzareschi, Sofidel's successful activities on this front are through **optimization of production cycles and the careful design of industrial plants**. These register well below industry averages.

Furthermore, all production staff have received thorough training on water saving and **each plant has its own water consumption target**. The levels of consumption achieved represent the culmination of years of work, beyond which it will not be easy to see further improvements without the use of very sophisticated technologies. Therefore, the data for 2021 confirms the performance of previous years.

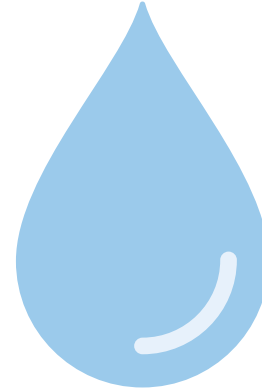
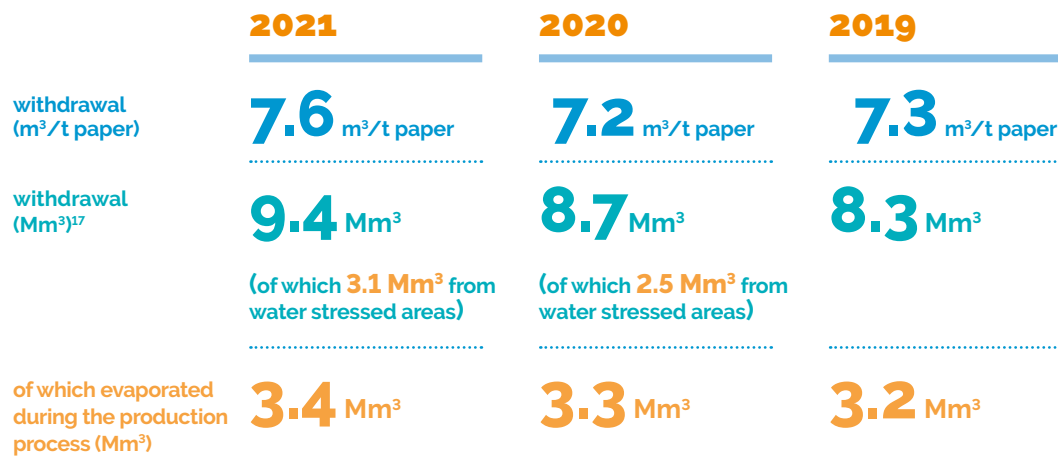
Regarding the **quality of water discharges**, improvements have been achieved compared to previous years. This is due to the four new production lines coming online, which were started in previous years. Optimizing the process has also had a positive impact on waste water treatment plant management. This includes a gradual reduction in all the main indicators, with particular reference to the measured value of BOD<sub>5</sub> and suspended solids in the outgoing water. The **percentage of water** recycled in Sofidel paper mills in 2021 can be estimated as **above 96.2%**.<sup>16</sup>

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

**'WATER IS A BASIC RIGHT FOR ALL HUMANS. WITHOUT IT, THERE IS NO FUTURE. ACCESS TO WATER UNITES US ALL AND IS CENTRAL TO THE SOCIAL, ECONOMIC AND POLITICAL FABRIC OF EVERY COUNTRY. IN SHORT, WATER IS DEMOCRACY.'**

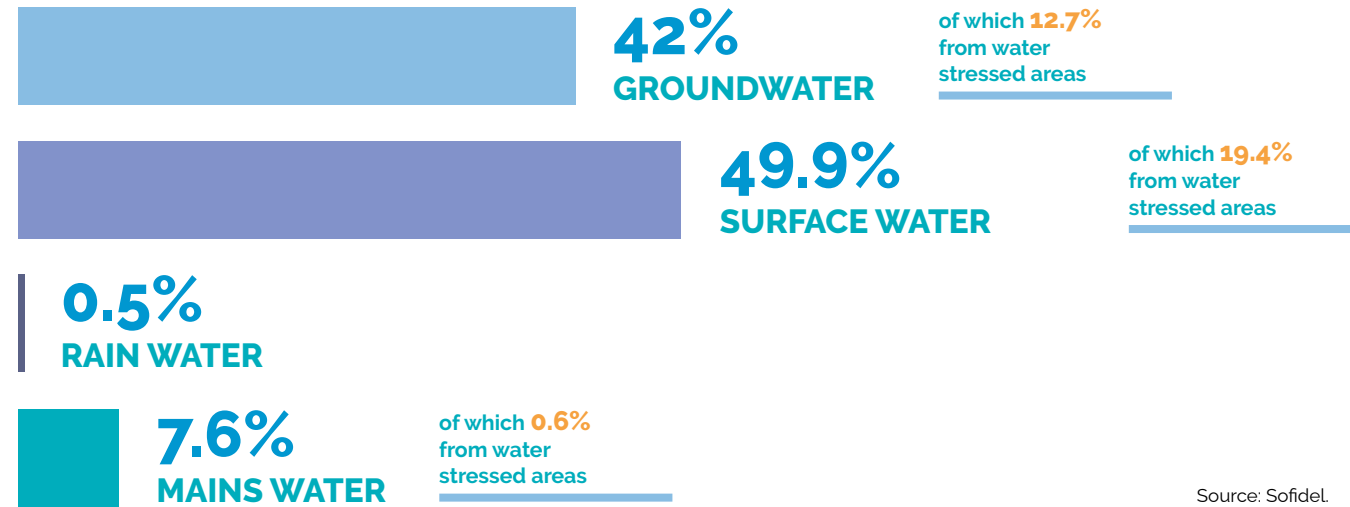


### Annual specific water withdrawal of Sofidel Group plants<sup>17</sup>



Source: Sofidel.

### Water supply sources – 2021<sup>18</sup>



Source: Sofidel.

17. The water withdrawn is freshwater, ≤ 1,000 mg/l total dissolved solids (GRI 303).

18. Water stressed areas are identified based on the WRI Aqueduct Water Risk Atlas.

19. The water discharged is freshwater, ≤ 1,000 mg/l total dissolved solids (GRI 303).

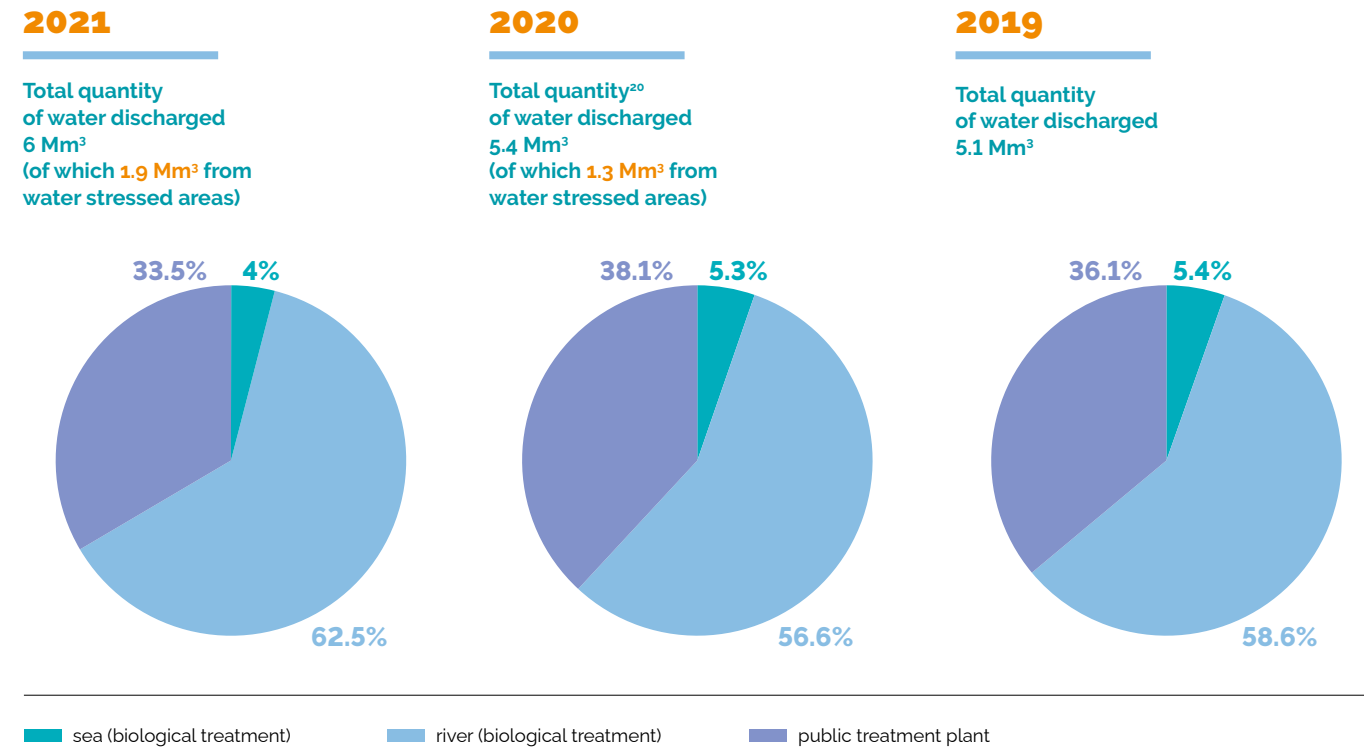
20. The data does not include Sofidel United States' plant in Inola.

21. For 2021 and 2020: the data does not include Sofidel United States's Haines City and Inola plants. For 2019: the data does not include Sofidel United States' plant in Haines City.

22. For 2021 and 2020: the data does not include Sofidel United States' plant in Inola. For 2019: the data does not include Sofidel United States' plant in Haines City.

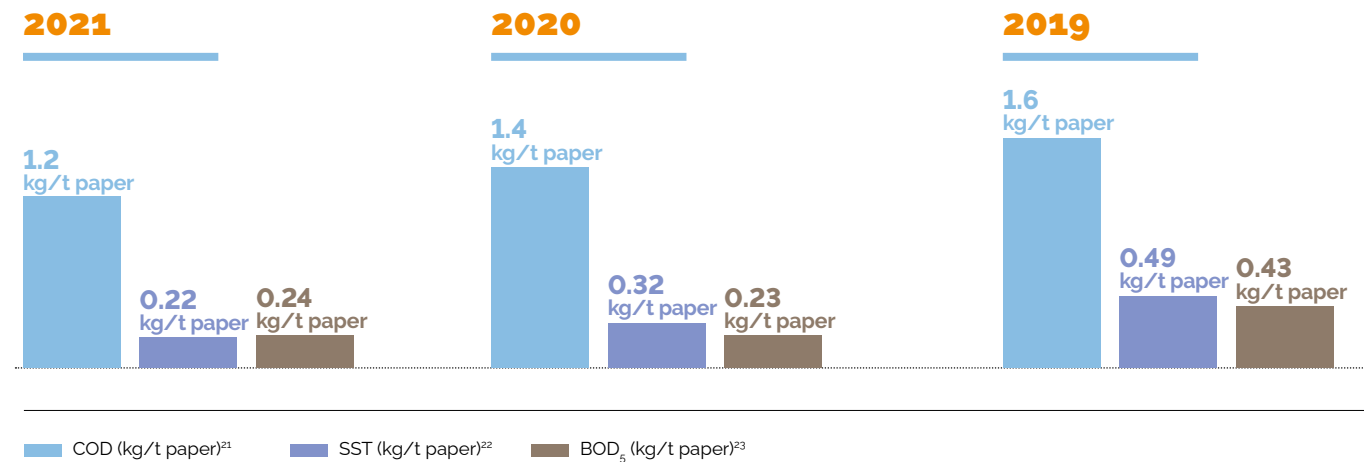
23. For 2021 and 2020: the data does not include the Sofidel Spain plant, the Soffass plants in Via Giuseppe Lazzareschi and Via Leccio, and Sofidel United States' plant in Inola. For 2019: the data does not include Sofidel United States' Haines City and the Soffass Via Giuseppe Lazzareschi plants.

### Total quantity of water discharged<sup>19</sup>, destination and treatment of waste water<sup>25</sup>



Source: internal water discharge analysis.

### Specific emissions of pollutants into water



Source: internal water discharge analysis.

# PLASTIC EMERGENCY

The 2020-2021 two-year period was supposed to mark the turning point in the fight against one of the most pressing problems of our century: plastic waste in nature. Then Covid-19 arrived, which reignited the challenge with plastics.

by Eva Alessi, WWF Italy

**Two billion tons** is the amount of waste that an increasingly populated world produces each year. That's a huge number, which could grow by 70% before 2050. The phenomenon's overarching symbol? Plastic.

In 2019, **368 million tons** of plastic were produced globally. The good news is that production in the EU is, year after year, declining slightly but steadily. The bad news is that there is still too much plastic and we struggle to dispose of it. In 2019, we produced a whopping 57.9 million tons, 40% of which is **packaging**. This has led the EU to enact the so-called Plastic Tax, in force since January 2021, and since July in Italy. Also as of January 1, 2021, it is more difficult for the EU to use developing countries as landfills for plastics under the Basel Convention. As well in 2021, plastic plates, cutlery and straws were banned following the adoption of Directive (EU) 2019/904 whose purpose is to eliminate disposable products and promote a circular approach to consumption.

However, this Directive has had to confront the current pandemic. The challenge was not easy in the days before Covid-19 and now it's even less so given the scale of this new problem. Disposable masks have become the emblem of this past year. **Made of plastic fibers** and used around the world in an effort to protect us and contain contagions, approximately seven billion masks are used every day globally, 900 hundred million a day in the EU alone. By weight, about 2700 tons end up as waste (or are dispersed into the natural environment). As they are made of composite plastic and are potentially infected, they are not recycled.

The mismanagement and dispersal of these disposable products are exacerbating the tragedy of plastic waste that already pollutes and chokes oceans and terrestrial ecosystems. In water, masks tend to float, but there are heavier ones that sink or float suspended at all depths. Fish, turtles, marine mammals and birds have already been observed ingesting them whole or falling victim to the elastic bands.

## 368

**million tons of plastic produced in 2019**

## 7

**billion disposable masks used every day around the world**

## 2,700

**tons of masks end up in waste or in nature in the EU alone**



Furthermore, the mask also breaks down into microfibers after a few weeks in the environment, which can accumulate and release toxic chemicals and pathogenic microorganisms. What has proven necessary to safeguard our health is coming at a high price, and it's the environment that pays for it.

The biggest loss may be the prolonged alteration of consumer behavior. The sharp increase in plastic is in fact also due to **changes in purchasing habits**. Consumption of packaged products pre-pandemic was estimated at 40-45% compared to bulk, but with the pandemic it has reached 60%. 46% of people who previously favored bulk have returned to buying packaged products. This is mainly explained by the so-called 'safe attitude', (for example, the belief that packaged products are safer from contamination). Consumers were faced with **the dilemma between safety and environment**, although to date no case of vi-

rus transmission through food consumption has been reported. Further, lockdowns have spurred **online purchases** and with them plastic product packaging and **food delivery** services, which have increased by an average of 56%. Disposable plastic has been adopted by all cafés and restaurants obliged to offer take away. Increased plastic production is also affected by the dramatic **drop in oil prices**, a victim of plunging global demand, which has made it less profitable to recycle plastic materials.

The production, consumption, and disposal of all this extra disposable plastic will exacerbate environmental and climate impacts. We are running the risk of a **plastic epidemic**. Covid-19 should not stand in the way of a national and global ambition to reduce disposable plastics and, consequently, the pollution they generate. It is a course reversal that can only start from our smallest gestures.

## 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 offered by 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'. Reducing and recycling packaging waste are two key pillars in the effort to achieve this target.



## 50% less plastic on the shelf by 2030!

To help protect the environment and combat plastic pollution, Sofidel started to reduce the use of virgin plastic for its product packaging in **2013**. Since then, **the company has decreased its use of plastics by nearly 30%** and plans to further reduce it by up to 50% by the end of 2030. This commitment **saved 9,000 metric tons of plastic** this year alone.

The first step was to reduce the consumption of plastic packaging by choosing **solutions with thin plastic film**. In addition to reducing consumption, an action considered a priority, over the years Sofidel has begun to introduce recycled plastics into primary and secondary packaging. In 2021, this activity helped us **avoid the introduction of about 2,000 tons of virgin plastic into the market** while promoting activities focused on the circular economy.

The most recent innovation, in addition to the incremental use of recycled plastics and bioplastics, has been the introduction of pa-

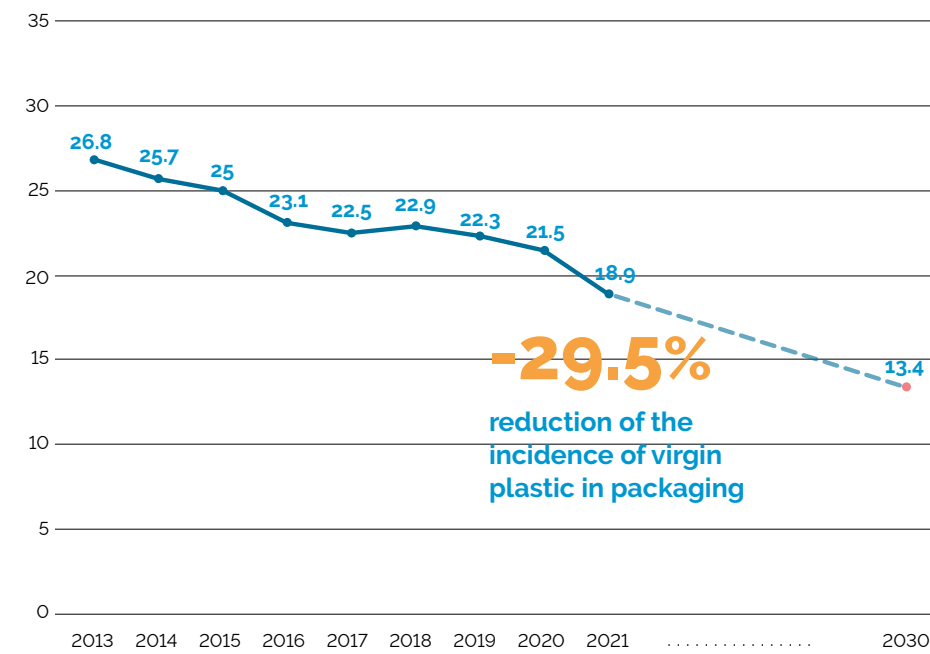
per **as an alternative material** for packaging many of our products. Paper is the most widely recycled material; it comes from a renewable resource and, if accidentally dispersed into the environment, is biodegradable within 2 to 3 months.

In 2021, the Group continued to replace virgin plastic by increasing the number of product lines with packaging made from renewable materials. The results of these choices are obvious. In 2021, consumption of conventional plastic packaging **fell by 29.5% 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.

Our commitment to reducing the use of virgin plastic is one of the many ways we are contributing to Europe's ambitious agenda of building a sustainable economy that respects the planet's limitations and cares for nature.

### Plastic reduction 2013-2021

Incidence of plastic packaging per metric ton of paper produced (kg/t paper)

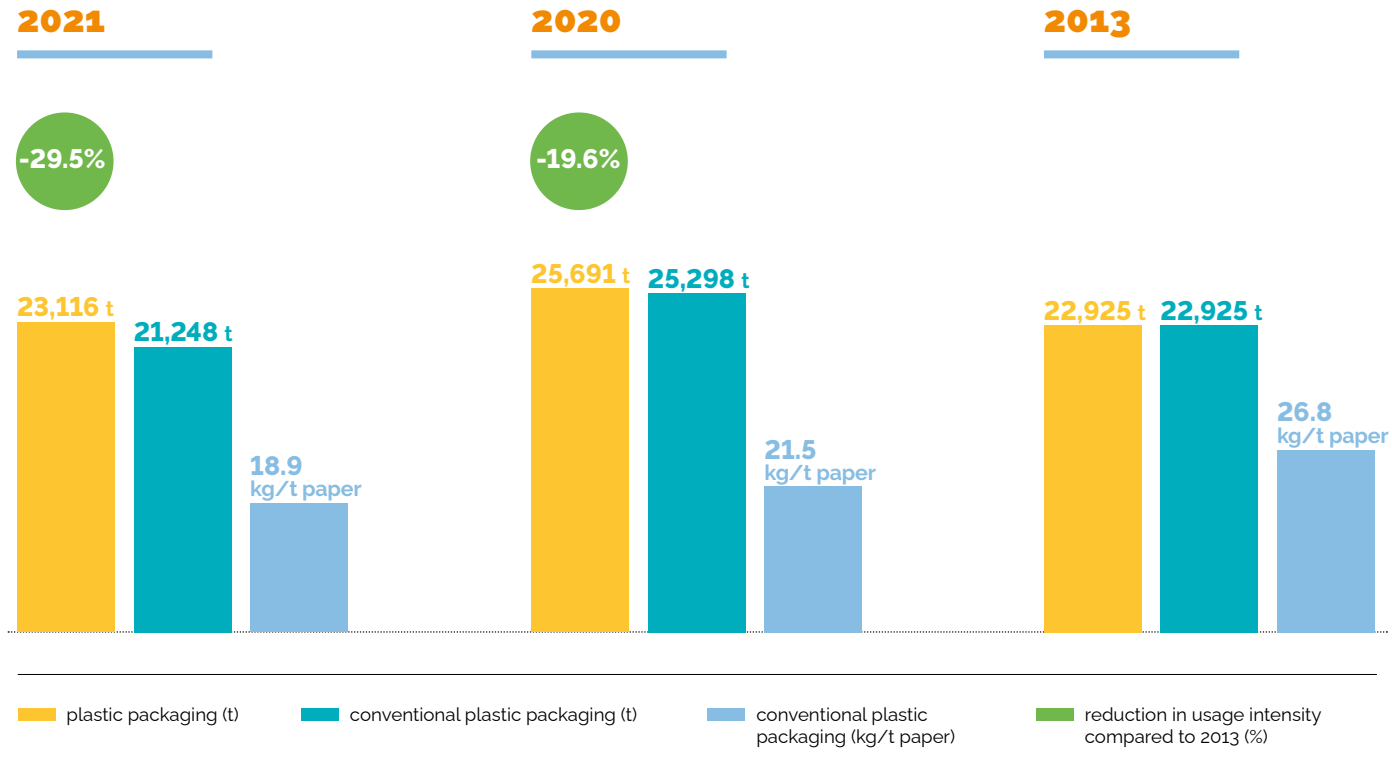


**-29.5%**  
reduction of the incidence of virgin plastic in packaging

**-50%**  
plastic reduction target for 2030 (base year 2013)

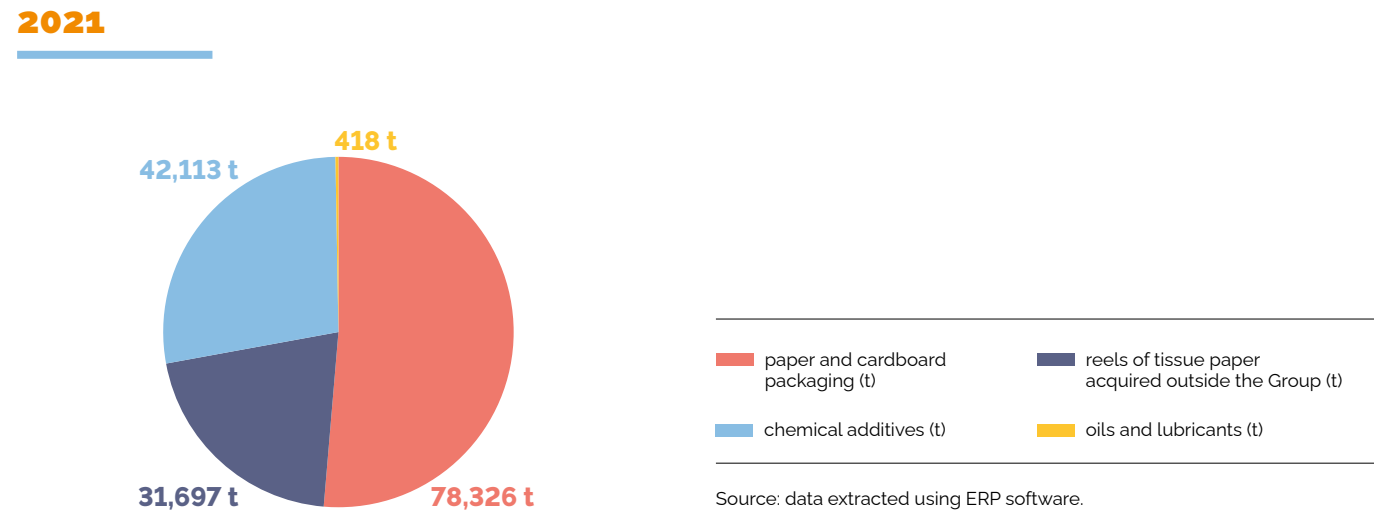


### Consumption of packaging



Source: data extracted using ERP software.

### Other raw materials



Source: data extracted using ERP software.

### Sofidel's commitment to sustainable consumption

**'ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION MODELS.'**

In 2021, the contribution of recycled raw materials (wastepaper, packaging paper, and cardboard) was 171,934 tons, or 12% of the total<sup>24</sup>. The total of raw materials obtained from renewable sources was 1,364,402 tons, corresponding to 95.4% of the total.

24. The total is calculated on the consumption of the listed materials added to the total of purchased fibrous raw material.



## Waste management

In line with European waste management policies, Sofidel is committed to reducing, reusing, and recycling the waste from its production. The company primarily produces paper from virgin pulp, so it generates a limited amount of waste that is mostly reused. In particular, pulp-based processing scraps are reused directly within production plants, which helps to reduce the waste produced.

In each Sofidel Group plant, **waste management follows detailed procedures** to divide materials into homogeneous categories and allow for their recycling. The main residue produced by the plants is sludge from the treatment of recycled fiber (wastepaper) and from the treatment plants located downstream from the production plants. This waste is mainly recycled in the production of products for the building industry, for agriculture, or it's treated in waste-to-energy plants, so only a small amount is sent to landfill. Another part of waste is materials that are reused in other production cycles such as paper, wood, metals, and polyethylene.

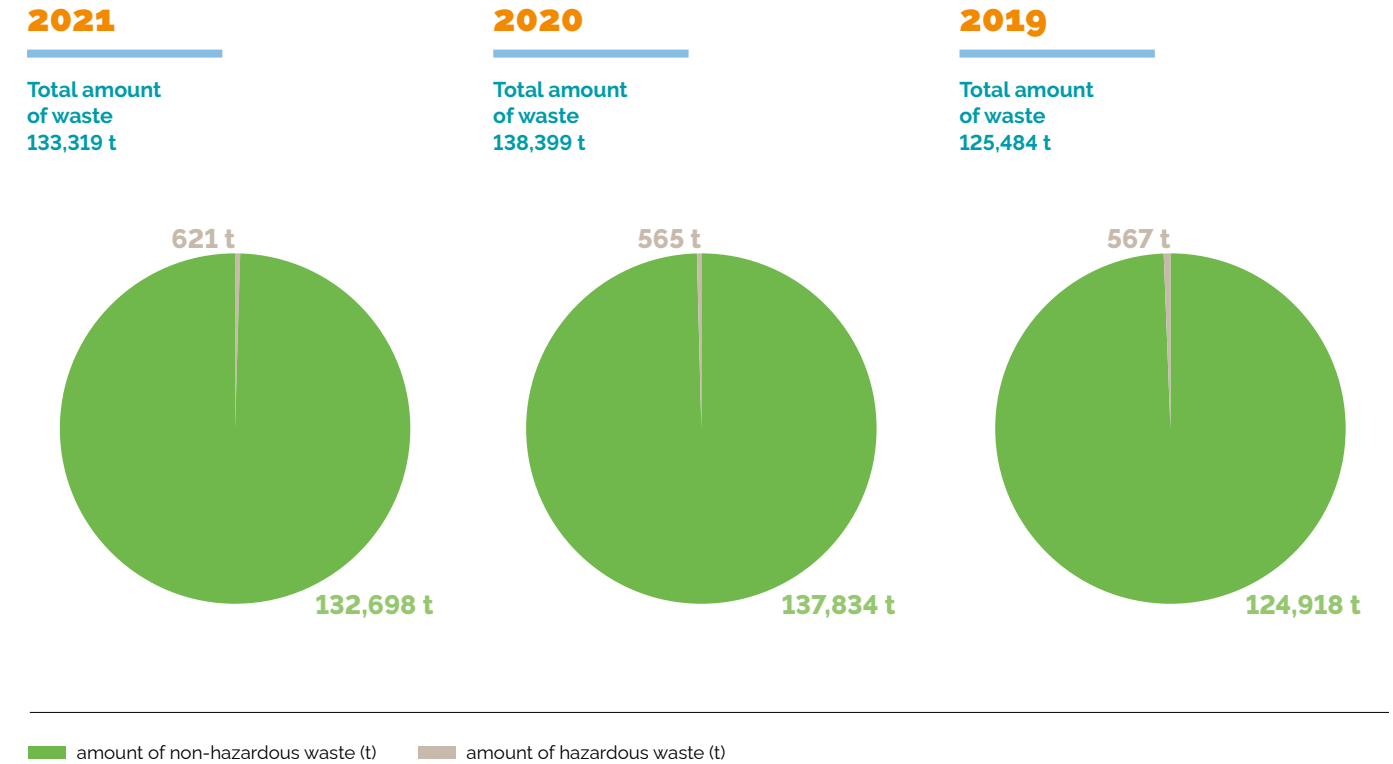
The papermaking process involves a negligible production of hazardous waste, which is not characteristic of papermaking, but is associated with the operation of industrial plants such as waste oil, neon lights, and batteries. Sofidel frequently inspects the operators who transport and broker hazardous waste to check their actions both on and off site.

Over the last two years, the Group has involved new suppliers specializing in the treatment of waste from the paper supply chain, **substantially reducing** the waste that cannot be recycled and is sent for disposal by almost 65%, which is about **20,000 tons per year**.

In addition to the waste produced directly by Sofidel's activities, if we adopt a life-cycle analysis approach, we can say that the reduction of plastic packaging has had a virtuous effect, allowing the end consumer to produce less waste. During 2021, the entire cost of waste management operations reached almost 6 million euros.



## Waste produced by Sofidel Group



### Amount of non-hazardous waste (t)

Amount of non-hazardous waste sent to recycling (t)<sup>25</sup>

2021  
**98,427 t**  
2020  
**110,301 t**  
2019  
**89,346 t**

Amount of non-hazardous waste sent to disposal (t)<sup>25</sup>

2021  
**7,673 t**  
2020  
**10,167 t**  
2019  
**27,951 t**

### Amount of hazardous waste (t)

Amount of non-hazardous waste sent to recycling (t)<sup>25</sup>

2021  
**265 t**  
2020  
**366 t**  
2019  
**355 t**

Amount of non-hazardous waste sent to disposal (t)<sup>25</sup>

2021  
**351 t**  
2020  
**152 t**  
2019  
**206 t**

Source: Sofidel.

25. The statistics on the final destination of waste refer to the treatments described in Annexes I and II of Directive 2008/98/EC. Data do not include Sofidel United States plants.

## 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. During 2021, maintaining the existing organization required a personnel management cost of over 1,400,000 euros.

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

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

### ECOLOGICAL PRODUCTS

In 2016, the year of its 50th anniversary, Sofidel took on an important commitment in the area of its own-brand products so that all the Group's Brand products now carry the FSC® label, a guarantee of sustainable forest management from an environmental and social perspective. This commitment is supported by the raw material procurement policy which has directed purchases towards certified pulp for years.

Furthermore, the partnership with FSC has been reinforced with the Sofidel Group becoming part of the Economic Chamber of FSC International and FSC Italia. The company has constantly increased the production of products with eco-labels (FSC®, PEFC™, Ecolabel, Swan Label, Blue Angel) **owing to its sense of responsibility** and to meet the demands of customers, who are increasingly more aware of environmental issues. **Today, over 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 targets for reducing emissions and conventional plastic. On the shelves there are more and more items packaged in kraft paper or material of vegetable origin and therefore renewable and easily recyclable, instead of virgin plastic. Add to that products that use only **electricity from renewable sources**. Goods that, from a carbon emissions perspective, have a smaller environmental footprint.



**'ENSURING HEALTH AND WELL-BEING FOR ALL PEOPLE OF ALL AGES.'**

## The figures on environmental management at Sofidel Group plants

	Water consumption [m <sup>3</sup> ]	Fossil fuel consumption [TJ]	Energy from biomass [TJ]	Consumption of electricity [TJ]	Consumption of electricity [TJ] purchased from national grid [TJ]	self-produced by cogeneration [TJ]	self-produced from renewable sources [TJ]	Electricity sold to the grid [TJ]	Heat purchased from third parties [TJ]	Heat sold to third parties [TJ]	COD emissions [t]	BOD <sub>5</sub> emissions [t]	Emissions of suspended solids [t]	Nitrogen emissions [t]	Phosphorus emissions [t]	NO <sub>x</sub> emissions [t]	SO <sub>x</sub> emissions [t]	CO <sub>2</sub> emissions - scope 1 [t]	Total waste disposed of [t]
Soffass Via Lazzareschi	498,635	1,076	-	347	128	214	5	0	0	0	69.3	n.a.	11.6	2.8	2.8	38	-	63,380	1,629
Soffass Monfalcone	181,125	363	-	104	13	90	0	0	0	0	6.0	1.9	1.8	0.4	0.0	65	-	20,178	585
Soffass Tassignano	5,68	0	-	25	21	0	3	1	0	0	-	-	-	-	-	-	-	0	1,063
Soffass Val Fegana	109,159	193	-	48	6	41	1	0	0	0	5.4	0.5	0.7	0.5	0.0	14	-	10,831	339
Soffass Valdottavo	196,517	151	-	95	95	0	0	0	0	0	10.7	1.0	1.7	1.0	0.2	2	-	8,249	390
Soffass Via Fossanuova	12,79	1	-	32	26	0	5	1	0	0	-	-	-	-	-	-	-	65	1,612
Soffass Via Leccio	214,939	570	-	172	70	102	0	0	0	0	25.5	n.a.	2.3	0.5	0.0	8	-	31,941	493
Sofidel Belgium	810,125	555	-	265	265	0	0	0	0	0	37.1	1.8	5.7	4.5	0.3	29	-	31,232	1,543
Sofidel France Frouard	489,84	589	-	439	439	0	0	0	0	0	21	1.7	2.7	1.0	0.3	69	0.08	33,572	1,787
Sofidel France Ingrandes	2,009	5	-	14	14	0	0	0	0	0	-	-	-	-	-	-	-	301	507
Sofidel France Roanne	208,111	196	-	114	114	0	0	0	0	0	88.8	19.3	38.7	0.6	0.1	10	-	11,163	543
Sofidel Germany Arneburg	300,957	383	-	226	226	0	0	0	0	0	33.7	2.7	2.9	0.9	0.1	14	-	20,74	1,264
Sofidel Germany Werra	288,269	114	-	68	64	0	5	0	0	0	-	-	-	-	-	6	-	6,390	22,756
Sofidel Germany Omega	611,150	215	-	174	174	0	0	0	0	0	130.6	21.2	38.2	4.1	1.7	11	-	12,067	42,537
Sofidel Germany THP	207,028	189	-	131	131	0	0	0	0	0	-	-	-	-	-	10	-	10,320	315
Sofidel Greece	143,419	165	-	75	75	0	0	0	0	0	41.2	15.3	5.4	1.3	0.1	9	-	9,194	144
Sofidel Hungary	1,044	2	-	8	8	0	0	0	0	0	-	-	-	-	-	-	-	210	866
Sofidel Poland	583,996	648	-	334	237	97	0	0	9	40	213.8	73.1	33.3	6.1	0.5	24	-	35,905	2,285
Sofidel Romania	301,254	240	-	125	125	0	0	0	0	0	22.3	2.6	3.0	2.9	0.3	12	-	13,25	17,068
Sofidel Spain	932,107	475	-	324	324	0	0	0	0	0	287.8	0.3	27.9	12.8	2.7	16	-	26,913	3,617
Sofidel Sweden	495,499	144	-	232	232	0	0	0	0	0	86.0	35.5	6.2	1.2	0.1	35	0.16	9,886	1,485
Sofidel UK Baglan	294,134	374	-	204	204	0	0	0	0	0	22.7	1.2	4.0	1.2	0.4	13	-	21,123	1,689
Sofidel UK Hamilton	426,25	478	-	231	222	0	0	0	0	0	88.9	15.0	52.1	1.2	0.6	16	-	26,98	1,187
Sofidel UK Lancaster	155,894	187	-	85	85	0	0	0	0	0	18.1	4.5	3.6	0.1	0.0	6	-	10,671	232
Sofidel UK Rothley Lodge	0	2	-	32	20	0	0	0	0	0	-	-	-	-	-	-	-	181	656
Sofidel USA Circleville	602,346	1,386	-	430	146	283	0	1	0	0	84.4	1.5	3.5	0.4	1.3	72	-	78,067	3,969
Sofidel USA Green Bay	3,942	3	-	26	26	0	0	0	0	0	-	-	-	-	-	-	-	209	4,042
Sofidel USA Haines City	302,104	722	-	222	85	137	0	0	0	0	n.a.	46	2.9	1.9	0.4	38	-	40,609	0
Sofidel USA Hattiesburg	13,808	0	-	24	24	0	0	0	0	0	-	-	-	-	-	-	-	3	6,671
Sofidel USA Inola	984,85	582	-	333	333	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	30	-	32,749	9,145
Sofidel USA Las Vegas	18,484	0	-	18	18	0	0	0	0	0	-	-	-	-	-	-	-	1	2,917

paper mill    converting plant    Integrated plant (paper mill + converting)



CHAPTER 7

—  
The value  
of people

# OUR PEOPLES' TALENTS SHINE

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

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

Our approach is based on integrity and mutual respect, and is fueled by the courage and moral strength to collectively imagine a positive future for people and the planet. And even more so, to start making that vision a reality today.

## Safeguarding human capital and corporate well-being

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

Our human resources management policy is based on the principles set out in the **Code of Ethics** and the Group's guidelines for Human Resources Management, which place human capital at the core of the value creation process. For Sofidel, people are a company's strategic asset. That's why we promote **respect for equal opportunities, diversity as an asset to be cultivated**, fair treatment of all the people who work with us, and the development of individual skills through teamwork and continuous learning.

### REMOTE WORKING AND THE IMPORTANCE OF COLLABORATION

During 2021, due to the ongoing Covid-19 pandemic wherever Sofidel operates, we continued to make profitable use of the **remote working** tool, which involved almost all Sofidel Group employees and managers.

In the difficult pandemic scenario, marked by continuous periods of lockdown, remote working allowed people to continue to carry out their responsibilities. This **eliminated the risk of contagion** and ensured that tasks could be managed remotely.

In this complex and sensitive time, remote working has allowed us to **protect the health** of our workers and continue to carry out daily activities. This evolution has been made possible thanks to digital innovation and to Sofidel's ability to focus on collaboration between people and integration between different offices. This has contributed to the continued growth and talent development of our staff. In the future, the company will continue to use remote working to safeguard worker health and to better manage any new difficulties related to the pandemic.

### WE4YOUTH AND THE FUTURE OF YOUNG PEOPLE

In collaboration with the Sodalitas Foundation, in 2021 we continued the 'We4Youth' project, an initiative for new generations to **bridge the gap between the worlds of school and work**.

The aim of the project is to think about the future of young peo-

ple, to help orient them and enter the work world, and develop the **transversal skills** that are in demand by companies. Sofidel has participated in a platform of dialog and interaction with numerous cutting-edge schools, and in 2022 it will continue this commitment by creating workshops to acquaint young people with its business reality. This will enhance their ability to work in teams, solve problems, communicate effectively, and organize work while respecting deadlines and rules.

### SOFIDEL PEOPLE

**Satisfaction drives people and reveals their commitment.** To ensure enduring development of our company, it is essential to invest in satisfied employees who share the company's strategy and are proud to participate in building its future. This is the basis of '**Sofidel People**', a project launched following the organizational well-being survey carried out in 2016. We focused on three core areas of action: improved internal communication, greater knowledge of company processes and procedures, and more efficient management of human resources.

During 2021, Sofidel also continued with its '**Welfare**' project, which allows employees to benefit from de-taxation of production bonuses and to access several goods and services on favorable terms.

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

## Sofidel People. Creating a shared culture

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

- an **intranet** where employees can find information about the company, an area dedicated to human resources and a series of tools to facilitate their daily work;
- our magazine **'People & Paper'**, which is published three times a

year to share the Group's strategy and development plans, and update all employees on the latest and most relevant news;

- the **Soft & Green blog** helps to develop the company's culture on sustainability issues;
- **Sofidel Channel**, the communication channel for the screens located in the Italian plants, which allows us to reach people who do not work in the offices.

## Sofidel People. Knowing the company processes and procedures

The company continues to invest in initiatives to improve the knowledge of company processes and procedures. The main project is the **e-learning platform** that allows us to spread the company pro-

cedures in a faster, more widespread, and trackable way. It is a simple and effective tool for getting the word out about the organizational structure, organizing training courses, and delivering tutorials.

## Sofidel People. Improving human resource management

A shared leadership style is very important to Sofidel. This is a challenging, long-term project aimed at fostering greater uniformity in human resource management and improving business organization. During 2021, the following projects were implemented:

- **'Recruitment' project**, to further standardize personnel search and selection processes within the Group. With the new recruitment portal available on **'SAP Success Factors'**, Sofidel improves candidates' experiences by involving them in the various stages of selection. To make it easier to apply from smartphones, the website is responsive and allows candidates to submit their resumes or register to expedite a future application. The open positions are based on the Group Organizational Manual and clearly define the purpose, key responsibilities, and requirements needed to fill the role. Furthermore, the recruitment portal makes it possible to create a digital archive to store all information and assessments relating to the various selection processes.

- **'Induction' project**, to standardize the induction and training process for new hires. Induction allows us to introduce the various business functions, explain the Group's regulations and procedures, and provide all the information related to recruitment and continued employment.

- **'Remote Management' project**, to define and share how to manage people who report hierarchically to a manager who is in a different country from the one where they carry out their activities (for example, foreign colleagues who have a Line Manager at corporate level). This project has also proven to be very useful in managing people working remotely.

- **'Compensation' project**, to achieve a codified salary review process based on objective and shared elements at the Group level. We use a special module of the management system 'SAP - Success Factors', which makes it possible to **standardize salary review processes** and to manage human resources correctly and strategically.

## Welfare. Supporting employees

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

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



## Personnel composition and distribution

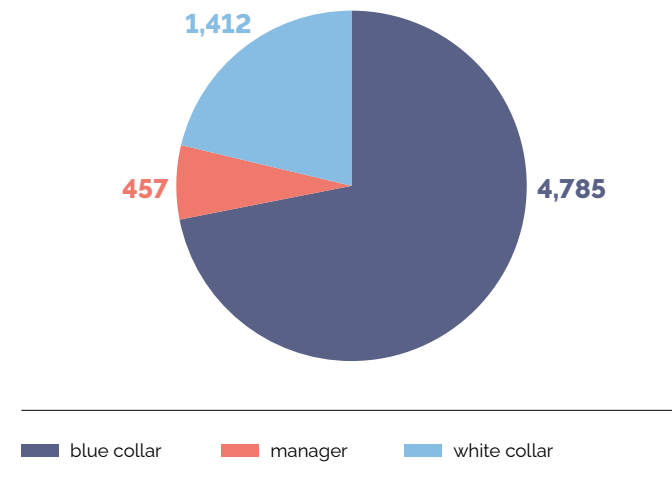
The Sofidel Group's results were achieved with the contribution of 6,654 staff, of which 71.91% were blue collar, 21.22% white collar, and 6.87% managers. Sofidel's staff work in 13 countries which allows the Group to have direct knowledge of its markets and to be able to count on a **multiplicity of different cultures and perspectives**.

The Sofidel Group is also committed to developing relationships with educational institutions in the territories in which it operates. In several countries, in addition to interns and young people in school/work alternation schemes, there are also employees with Apprenticeships or similar forms of contract. As of 12/31/2021, 53 employees worked under this type of contract and were not counted in the total number of Group employees. This includes 30 Blue Collar and 23 White Collar employees.

### Breakdown of Sofidel Group employees by level

2021

Employees worldwide  
6,654



Source: Sofidel.

### The number of employees over the years



Source: Sofidel.

**'OUR WORKFORCE INCLUDES A WIDE VARIETY OF TALENT, EXPERIENCE, AND SKILLS, WHICH REFLECTS A HEALTHY, AMBITIOUS GROUP THAT WELCOMES ANY OF THE CHALLENGES TO COME.'**

The United States has the highest number of employees (23.29%), followed by Italy (19.40%), the United Kingdom (11.97%), and Germany (11.15%).

The **close connection between the company and the areas in which it operates** was again confirmed in 2021. Sofidel prefers to hire workers who belong to the communities where it conducts

business in order to contribute to the growth of employment and income in those specific areas. This contributes to a higher level of sustainability through shorter commutes to work. The company has always focused on making the most of the people living near the plants and tries to find the best-qualified professionals. **Currently, more than 95% of senior managers come from the local communities.**

### Breakdown of Sofidel Group employees by category and geographical area – 2021<sup>1</sup>

	Belgium	France	Germany	Greece	Hungary	Ireland	Italy	Poland	Romania	Spain	Sweden	UK	USA	TOTAL
<b>Blue Collar</b>	97	521	565	46	121	-	781	273	184	250	131	634	1,182	<b>4,785</b>
<b>Manager</b>	25	60	28	7	11	1	107	16	6	29	8	57	102	<b>457</b>
<b>White Collar</b>	43	113	149	8	40	-	403	142	45	56	41	106	266	<b>1,412</b>
<b>TOTAL</b>	<b>165</b>	<b>694</b>	<b>742</b>	<b>61</b>	<b>172</b>	<b>1</b>	<b>1,291</b>	<b>431</b>	<b>235</b>	<b>335</b>	<b>180</b>	<b>797</b>	<b>1,550</b>	<b>6,654</b>

Source: Sofidel.

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

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

Source: Sofidel.

### Breakdown of Sofidel Group employees by category and geographical area – 2019

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

Source: Sofidel.

1. Apprentices are present in several countries: 28 in France (12 Blue Collar and 16 White Collar), 12 in Germany (6 Blue Collar and 6 White Collar), 9 in Poland (8 Blue Collar and 1 White Collar), and 4 in the UK (all Blue Collar).

**TYPES OF CONTRACT**

Most contracts are permanent (96.24%) and almost all employees (97.85%) have a full-time contract.

Part-time employment, as regulated by current work contracts, is recognized as a useful tool for providing a **flexible response to people's needs** and to the organization of work.

**Breakdown of employees of Sofidel Group Companies by category, gender and type of contract – 2021**

	FULL-TIME			PART-TIME		
	Women	Men	TOTAL	Women	Men	TOTAL
<b>Blue Collar</b>	450	4,269	4,719	10	56	66
<b>Manager</b>	90	362	452	5	0	5
<b>White Collar</b>	512	828	1,340	65	7	72
<b>TOTAL</b>	<b>1,052</b>	<b>5,459</b>	<b>6,511</b>	<b>80</b>	<b>63</b>	<b>143</b>

Source: Sofidel.

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

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

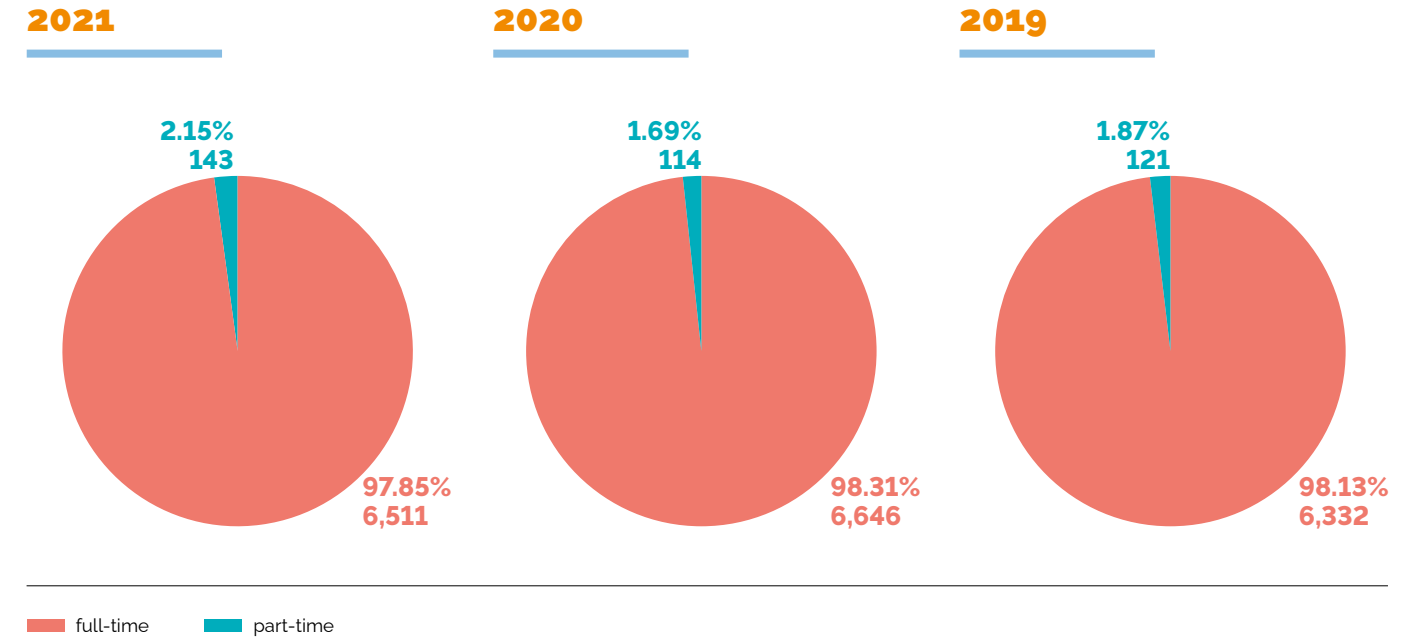
Source: Sofidel.

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

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

Source: Sofidel.

**Breakdown of Sofidel Group employees by type of contract**



Source: Sofidel.





Breakdown of Sofidel Group employees by gender and work contract – 2021

	PERMANENT			TEMPORARY		
	Women	Men	TOTAL	Women	Men	TOTAL
Blue Collar	441	4,136	4,577	19	189	208
Manager	94	359	453	1	3	4
White Collar	558	816	1,374	19	19	38
<b>TOTAL</b>	<b>1,093</b>	<b>5,311</b>	<b>6,404</b>	<b>39</b>	<b>211</b>	<b>250</b>

Source: Sofidel

Breakdown of Sofidel Group employees by work contract and geographical area – 2021<sup>2</sup>

COUNTRY	TEMPORARY	PERMANENT
Italy	34	1,257
Belgium	3	162
France	2	692
Germany	56	686
Greece	4	57
Hungary		172
Ireland		1
Poland	49	382
Romania	7	228
Spain	72	263
Sweden	19	161
UK	3	794
USA	1	1,549
<b>TOTAL</b>	<b>250</b>	<b>6,404</b>

Source: Sofidel

2. All 53 apprentices have full-time temporary contracts.



**PERSONNEL CHARACTERISTICS**

Young people are fundamental to bringing fresh energy and new ideas to the company, so the Group intends to increase their number and make room for the new generations. Currently, the majority (56.72%) of Sofidel's population is between 30 and 50 years of age. The number of workers over 50 is also significant and will require appropriate management tools in the future.

Thanks to the workshop 'Lifelong Employability & Company Welfare', promoted by the Sodalitas Foundation, Sofidel had the opportunity to compare itself with many best practices developed in Italy and abroad to help older workers maintain an **active role in the company**. We have participated in this initiative over the past few years. It has provided us with many insights and tools that we continue to use to promote a positive business environment and motivate staff to feel integrated and involved.

**Breakdown of employees of Sofidel Group companies by category, gender and age – 2021**

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

Source: Sofidel.

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

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

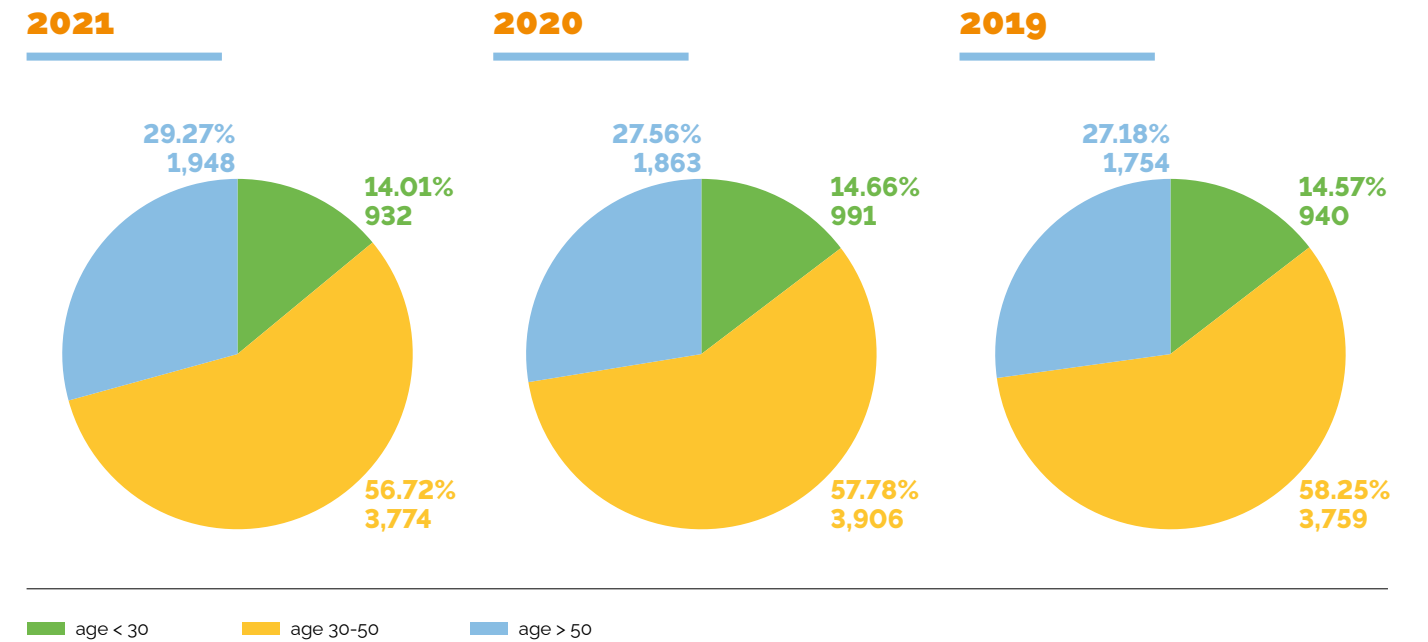
Source: Sofidel.

**Breakdown of employees of Sofidel Group companies by category gender and age – 2019**

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

Source: Sofidel.

**Breakdown of Sofidel Group employees by age<sup>3</sup>**



Source: Sofidel.

3. The age breakdown of the 53 apprentices is: 44 under the age of 30 and 9 in the 30-50 age group.

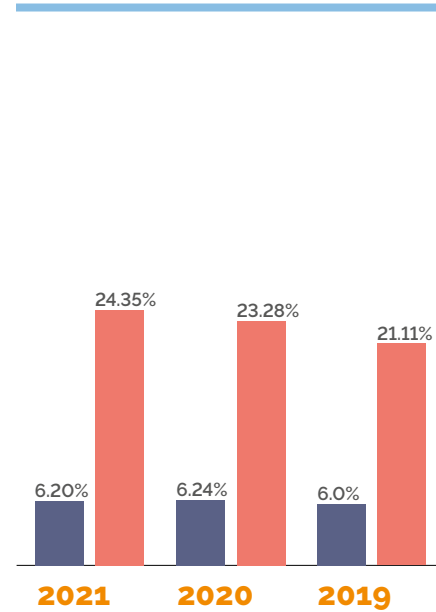


**TURNOVER**

The rate of turnover<sup>4</sup> for the Group is in line with the previous year, but a higher rate is found abroad. In this respect, the data on voluntary turnover for foreign companies have risen in recent years mainly due to the growth in the U.S. market, where frequent turnover of personnel is a common feature of the market.

### Sofidel Group turnover rate by geographical area, gender and age – 2021

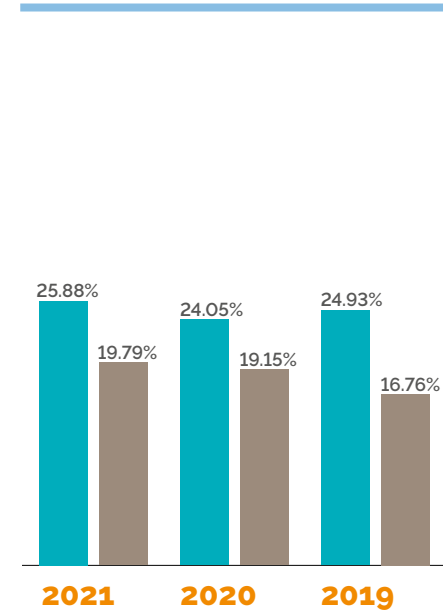
#### by geographical area



■ Italian companies ■ foreign companies

Source: Sofidel.

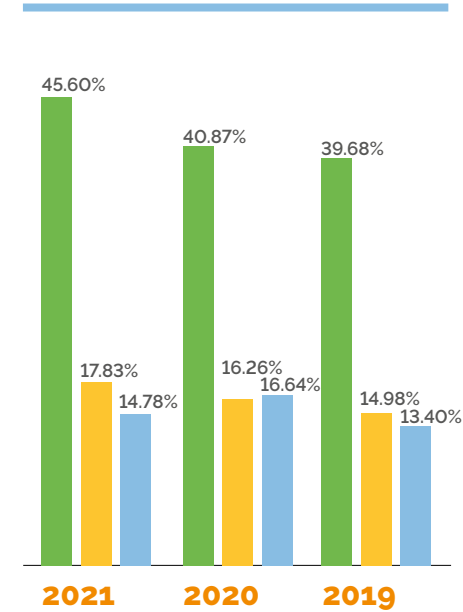
#### by gender



■ women ■ men

Source: Sofidel.

#### by age group



■ < 30 years ■ 30-50 years ■ > 50 years

Source: Sofidel.

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

### People who left the company by geographical area, gender and age: absolute values – 2021<sup>5</sup>

#### People who have left the company by geographical area

COUNTRY	Employees who have terminated their employment	Total employees
Italy	80	1,291
Foreign	1,306	5,363
<b>TOTAL</b>	<b>1,386</b> (which corresponds to 20.83%)	<b>6,654</b>

Source: Sofidel.

#### People who left the company by gender

GENDER	Employees who have terminated their employment	Total employees
Women	293	1,132
Men	1,093	5,522
<b>TOTAL</b>	<b>1,386</b> (which corresponds to 20.83%)	<b>6,654</b>

Source: Sofidel.

#### People who left the company by age

AGE GROUP	Employees who have terminated their employment	Total employees
< 30 years	425	932
30-50 years	673	3,774
> 50 years	288	1,948
<b>TOTAL</b>	<b>1,386</b> (which corresponds to 20.83%)	<b>6,654</b>

Source: Sofidel.

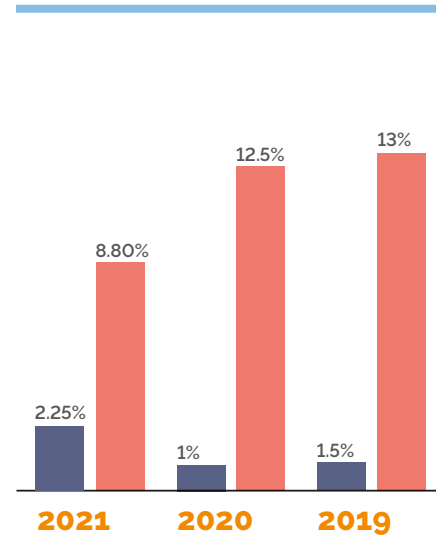
5. 15 apprentices completed their employment with Sofidel in 2021: 3 women and 12 men, all under the age of 30. If we also include apprentices among the people who left the company:

- the foreign turnover rate is 24.39%
- the turnover rate by gender is 25.83% for women and 19.87% for men
- the turnover rate by age is 45.08% for the under 30 age group, 17.79% for the 30-50 age group, and 14.78% for the over 50 age group.

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

### Sofidel Group turnover rate due to voluntary resignations by geographical area, gender and age – 2021

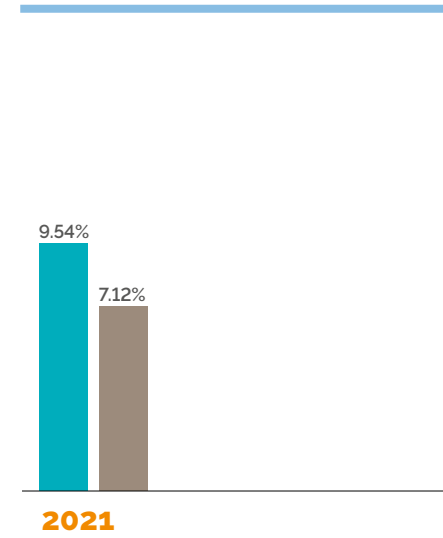
by geographical area



■ Italian companies ■ Foreign companies

Source: Sofidel.

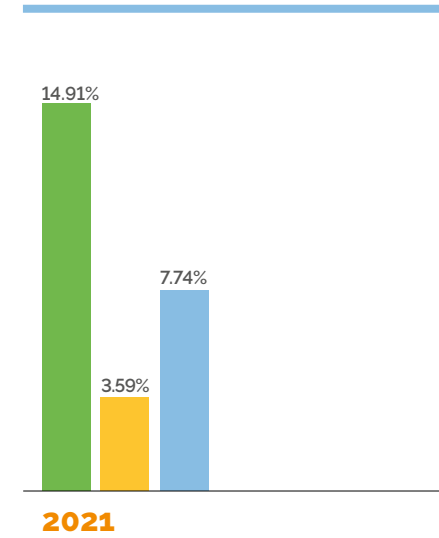
by gender



■ Women ■ Men

Source: Sofidel.

by age group



■ < 30 years ■ 30-50 years ■ > 50 years

Source: Sofidel.



### Number of voluntary resignations in the Sofidel Group by geographical area, by gender and by age: absolute values – 2021<sup>6</sup>

Number of voluntary resignations in the Sofidel Group by geographical area

COUNTRY	Employees who have terminated their employment	Total employees
Italy	29	1,291
Foreign	472	5,363

Source: Sofidel.

Number of voluntary resignations in the Sofidel Group by gender

GENDER	Employees who have terminated their employment	Total employees
Women	108	1,132
Men	393	5,522

Source: Sofidel.

Number of voluntary resignations in the Sofidel Group by age

AGE GROUP	Employees who have terminated their employment	Total employees
< 30 years	139	932
30-50 years	70	1,948
> 50 years	292	3,774
<b>TOTAL</b>	<b>501</b>	<b>6,654</b>

Source: Sofidel.

6. During 2021, no apprentice voluntarily resigned.

## Total number and rate of new hires of the Sofidel Group companies by age, gender and geographical area – 2021<sup>7</sup>

AGE GROUP	2021 hires	Total employees	Hiring rate
< 30 years	505	932	54%
30-50 years	646	3,774	17%
> 50 years	171	1,948	9%
<b>TOTAL</b>	<b>1,322</b>	<b>6,654</b>	<b>20%</b>

Source: Sofidel.

GENDER	2021 hires	Total employees	Hiring rate
Women	304	1,132	27%
Men	1,018	5,522	18%
<b>TOTAL</b>	<b>1,322</b>	<b>6,654</b>	<b>20%</b>

Source: Sofidel.

COUNTRY	2021 hires	Total employees	Hiring rate
Belgium	23	165	14%
France	41	694	6%
Germany	43	742	6%
Greece	5	61	8%
Hungary	51	172	30%
Ireland	0	1	0%
Italy	57	1,291	4%
Poland	48	431	11%
Romania	10	235	4%
Spain	49	335	15%
Sweden	49	180	27%
UK	151	797	19%
USA	795	1,550	51%
<b>TOTAL</b>	<b>1,322</b>	<b>6,654</b>	<b>20%</b>

Source: Sofidel.

7. The breakdown of the 31 apprentices hired during 2021 is: 6 women and 25 men, 24 under the age of 30 and 7 between the ages of 30 and 50. 16 in France, 6 in Germany and 9 in Poland.

If we consider apprentices among those hired, the hiring rate is 20.17%, broken down as follows:

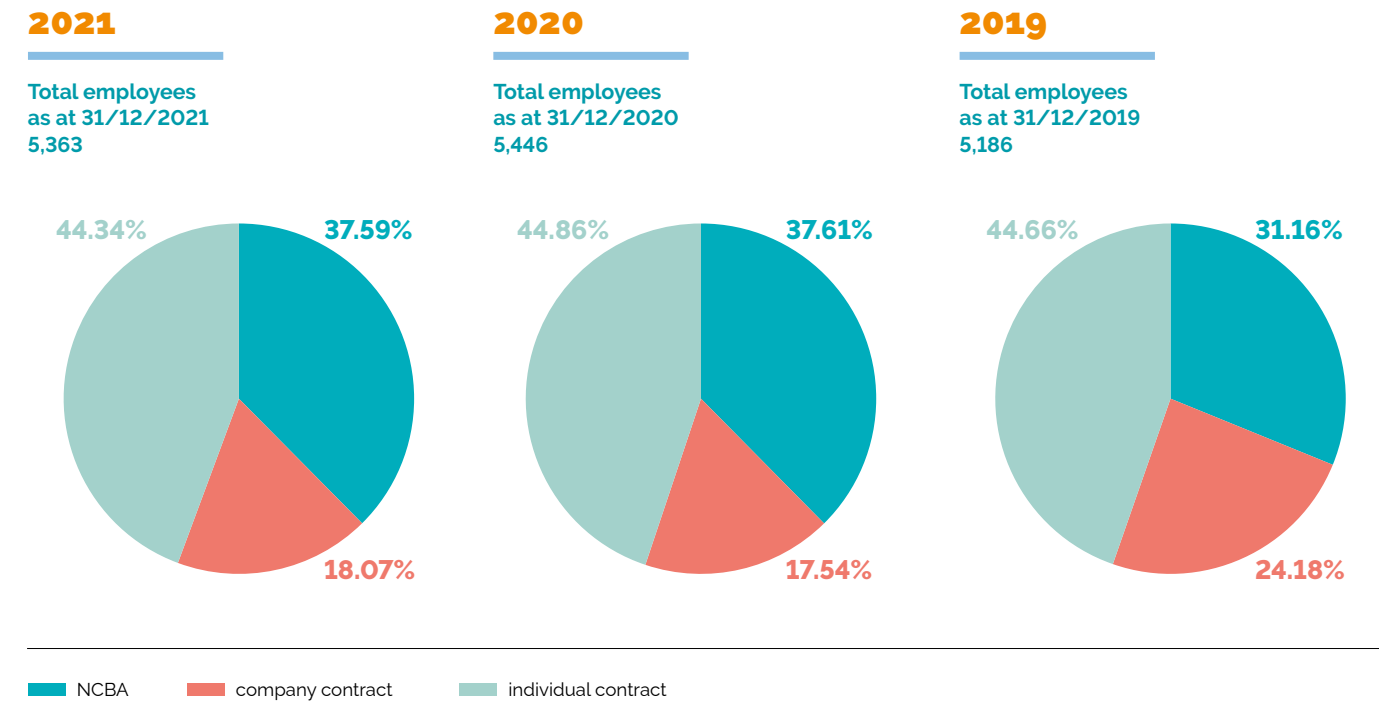
- Age group: < 30 years 54.20%, between 30 and 50 years 17.26% and >50 years 8.78%
- Gender: 27.05% for women and 18.76% for men
- Country: 7.89% in France, 6.50% in Germany, and 12.95% in Poland.

### INDUSTRIAL RELATIONS

Sofidel has a system of industrial relations based on an **open, constant, and constructive dialog** with the respective trade unions in the countries where it operates. For the Sofidel Group's Italian companies, the National Collective Bargaining Agreement (NCBA) is applied for all employees, in compliance with current law. In the other Group companies, employees' employment contracts are regulated by national collective bargaining agreements in 37.59% of cases while the remaining workers have individual and/or company contracts.

The EWC (European Works Council) is the body provided for by European Directive 94/45/EC in Community-scale undertakings and groups for the purpose of informing and consulting employees on a transnational basis. The parties, while sharing the aims of the Council and the mutual will to implement it, discuss how it should operate and, as yet, have not reached an agreement. Companies in the Group do not make any direct or indirect contributions to parties, movements, committees, or organizations of a political or trade union nature, or to their representatives, and they refrain from putting any direct or indirect pressure on political parties.

### Division of employees of the foreign companies in the Group based on type of contract (NCBA, company and individual contracts)



Source: Sofidel.

### Advance notice in the event of organizational changes

Wherever it operates, the Sofidel Group complies with the minimum notice periods provided for operational or organizational changes that could have a significant impact on the company and its employees.

Notice periods may differ from country to country, as they are governed by local laws, regulations and agreements, and range from a

minimum of one or two weeks to two or three months, depending on the subject matters and countries involved.

Even in countries where local legislation does not provide for a minimum formal notice period for these types of communications, the Company is committed to applying reasonable timeframes to manage change and any resulting impacts in a way that respects the stakeholders.

## Focus on people

### HUMAN RIGHTS, EQUAL OPPORTUNITIES AND PROTECTED CATEGORIES

Sofidel bases its operations on the U.N.'s **Universal Declaration of Human Rights**, the Principles of the Global Compact, and the ethical criteria set forth in the OECD Guidelines for Multinational Enterprises. For the company, recognizing the dignity of every human being and the equal and inalienable rights of every person is the **foundation of freedom, justice, and peace in the world**. This vision is integral to the company's culture and strategy, and confirms our commitment to promoting the well-being of employees and the communities in which we operate.

#### Code of Ethics

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

#### Human Rights Policy

Sofidel has developed a Human Rights Policy that is guided by the United Nations Guiding Principles and major international conventions including:

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

Sofidel is very attentive to respecting human rights in all situations involving its organization and with all stakeholders involved in its activities, including customers, suppliers, and the wider community. Furthermore, the company requires its suppliers to sign the **Supplier Code of Conduct** to ensure that they behave ethically and responsibly, based on major international human rights standards.

#### People at the center

According to the human rights policy, people are at the center of the company's activity, as employees and collaborators, but also as the community of the territory in which the company operates. Sofidel is committed to fostering a bias-free work environment and

respects the personality and dignity of workers, and ensures they are free from harassment. Personnel selection, recruitment, training, and career planning are carried out **without discrimination of any kind**. In this regard, Sofidel has adopted specific regulations against discrimination, sexual harassment in the workplace, and bullying. To prevent any type of discrimination, all Group companies are involved in training and awareness raising activities, and have specific **anonymous whistleblowing mechanisms**, which enable workers to disclose any breaches of human rights. No reports of discrimination were received during the year.

Where compatible with overall work efficiency, the company favors the type of flexibility in work organization that helps to maintain a **work-life balance**, such as flexible working hours and part-time work contracts.

Furthermore, Sofidel recognizes the **right of workers to form or join trade unions** or other organizations for collective bargaining, or to abstain from membership of such organizations.

#### Diversity and equal opportunities

The Sofidel Group promotes respect for equal opportunities and diversity as an **aspect to cultivate**, in line with the principles and values expressed in the Code of Ethics and human rights policy.

The goal is to overcome any cultural stereotypes and identify and address the factors that prevent people from full inclusion in work. It is essential for the Group to stimulate a **collaborative and supportive** work environment that's **open to the contributions of all employees** to help promote trust of people and society in general.

Diversity is a value that must be protected and encouraged with real, pervasive actions in all organizational and management processes, through understanding, inclusion, and appreciation of people's differences. Diversity enriches and opens us up to new ideas, thereby advancing the possibilities of generating innovative solutions. People from different cultures, social and generational backgrounds, skills, competencies, and experiences represent a distinctive value, which enables dialog from multiple perspectives and allows the needs of customers and stakeholders to be reflected and anticipated.

#### Protected categories

The Group fulfils the obligations set out by the relevant governing legislation wherever it operates.

In 2021, there were 72 employees in these groups: 13 women and 59 men. Most of the employees from protected categories are currently employed in Italy.

### Gender equality and parental leave

The overall percentage of female staff in the Sofidel Group is 17.01%, with relative percentages of 20.92% among managers, 40.77% among white collar staff and 9.61% among blue collar staff. The prevalence of men, especially among blue collar workers, is due to the characteristics of the tasks performed.

In 2021, all Sofidel employees were eligible for parental leave (6,654). The number of people who took leave was 45 in Italy, including 18 women and 27 men, while in foreign companies the number was 78,

including 43 women and 35 men. Three workers decided to leave the Group at the end of their maternity leave.

Wherever it operates, the company complies with the regulations on maternity leave, paternity leave and, more generally, any form of compulsory or optional leave from work granted to workers with children. Furthermore, it favors forms of flexibility in the use of leave to meet the needs of its employees, and is always in compliance with the local laws and regulations.

### Workers who have taken parental leave – 2021<sup>8</sup>

	Women	Men
<b>Sofidel Belgium</b>	0	0
<b>Sofidel France</b>	5	0
<b>Sofidel Germany</b>	7	23
<b>Sofidel Greece</b>	0	0
<b>Sofidel Hungary</b>	13	0
<b>Sofidel Ireland</b>	0	0
<b>Sofidel Italy</b>	18	27
<b>Sofidel Poland</b>	5	0
<b>Sofidel Romania</b>	1	0
<b>Sofidel Spain</b>	2	4
<b>Sofidel Sweden</b>	1	8
<b>Sofidel UK</b>	3	0
<b>Sofidel United States</b>	6	0
<b>Total leave</b>	<b>61</b>	<b>62</b>

Source: Sofidel

8. During 2021, no apprentice took parental leave.

Employees who have returned to work after taking parental leave and who are still with the company in the 12 months following their return – 2021

	Women	Men	TOTAL
<b>STILL ACTIVE 12 MONTHS AFTER RETURN</b>	23	24	47

Source: Sofidel.

Rate of return to work for employees who have taken parental leave – 2021

	Women	Men	TOTAL
<b>RATE OF RETURN TO WORK</b>	94.74%	100.00%	97.46%

Source: Sofidel.

Company retention rate of employees who have taken parental leave – 2021

	Women	Men	TOTAL
<b>RETENTION RATE</b>	79.31%	96.00%	87.04%

Source: Sofidel.

Employees who have returned to work during the reporting period, after taking parental leave – 2021

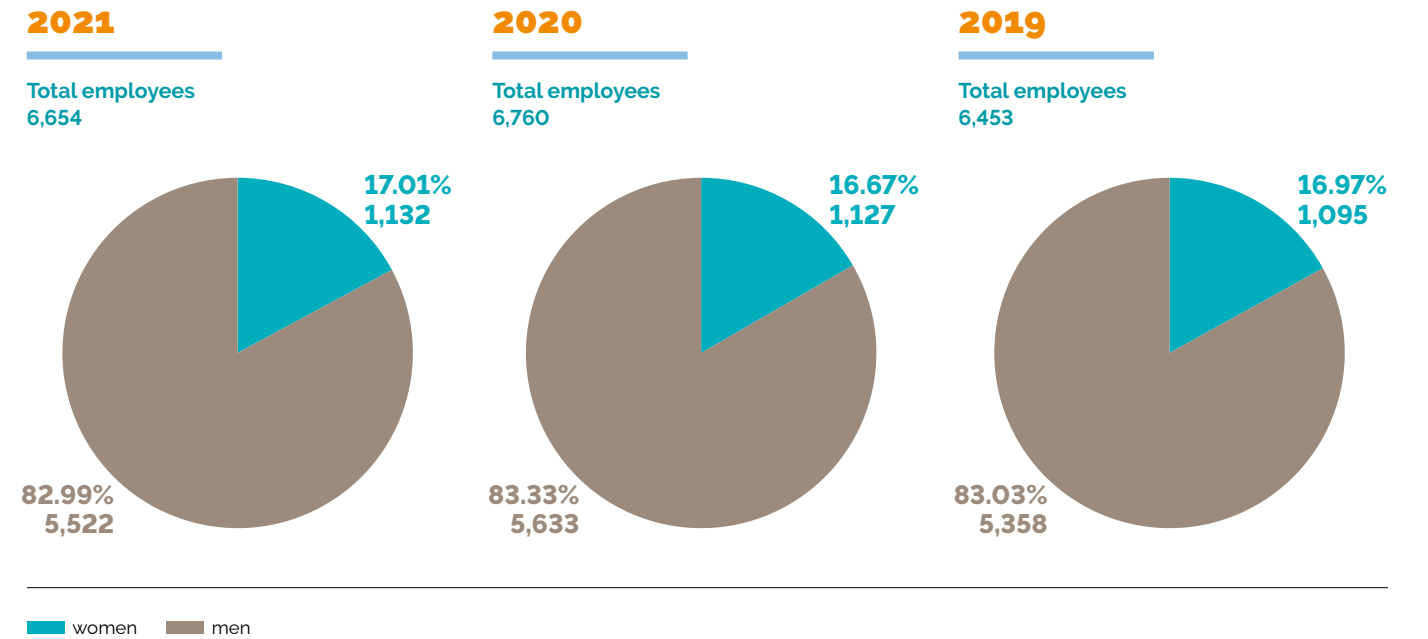
	Women	Men	TOTAL
<b>EMPLOYEES RETURNED TO THE COMPANY</b>	54	61	115

Source: Sofidel.



'SOFIDEL'S CORPORATE CULTURE SUPPORTS ETHICAL AND SOCIAL BEHAVIOURS THAT PROMOTE INFORMED, SAFE, EQUITABLE, AND INCLUSIVE PARTICIPATION THROUGHOUT THE ORGANIZATION.'

Breakdown of Sofidel Group employees by gender



Source: Sofidel.



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

	Women	Men	TOTAL
Blue Collar	460	4,325	4,785
Manager	95	362	457
White Collar	577	835	1,412
<b>TOTAL</b>	<b>1,132</b>	<b>5,522</b>	<b>6,654</b>

Source: Sofidel.

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

	Women	Men	TOTAL
Blue Collar	445	4,450	4,895
Manager	87	336	423
White Collar	595	847	1,442
<b>TOTAL</b>	<b>1,127</b>	<b>5,633</b>	<b>6,760</b>

Source: Sofidel.

### Breakdown of Sofidel Group employees by category and gender – 2019

	Women	Men	TOTAL
Blue Collar	445	4,257	4,702
Manager	64	287	351
White Collar	586	814	1,400
<b>TOTAL</b>	<b>1,095</b>	<b>5,358</b>	<b>6,453</b>

Source: Sofidel.

#### PAY AND INCENTIVES

The Sofidel Group determines employee' pay on the basis of **fairness and transparency**.

In almost all Group companies there are **'Performance Evaluation' programs** for every employee, including the rewarding system for European managers and Italian white collar workers. At the end of the year, these employees have an interview with their manager, based on a questionnaire that considers soft skills and different aspects of job performance. The goal is to create a **moment of open and collaborative discussion** to give clear feedback and define objectives for the future that are measurable, achievable, and shared. This assessment, which may encompass **sustainability performance** such as the reduction of CO<sub>2</sub> emissions and containment of energy and water consumption, is the responsibility of the managers of the different company areas.

In 2021, 91.85% of Group employees benefitted from pay increases and 90% received a reward or bonus. The benefits granted to employees are paid without any distinction between full-time and part-time employees. Employment in Sofidel is also marked by the number of provisions and initiatives in favor of workers. Employees in Italy, France, the UK, Germany, and the United States, for example, have forms of **supplementary pension** that operate through the activation of special pension funds that employees of the companies can contribute to with different participation percentages. The percentage varies according to individual company regulations. In addition, there is a special **Solidarity Fund** in Italy, promoted through CRAL Italia (Workers' Social Organization), intended to offer support to those who find themselves in situations of great need.

## Performance Evaluation Program

The qualitative assessment of performance is based on the ongoing assessment of several parameters that measure performance. This includes **individual commitment**, skills and professionalism, **problem-solving and collaborative** abilities (teamwork), communication and interpersonal skills, **spirit of initiative**, delegation, supervision, and **development of co-workers**. This behavioral approach has proven very effective because it links the business strategy to the conduct required to implement and develop it.

The evaluation also ensures periodic self-monitoring of performance, a check on progress, and the possibility of making changes and corrections to improve it.

The total percentage of employees involved in formalized performance evaluation and professional development processes is 32.58%. The formalized evaluation processes mainly concern the categories of white collar and managers and are carried out without distinction for men and women, on the basis of the programs envisaged in the individual countries (in the table below).

### Employees receiving periodic performance assessments by country - 2021

	Women	Men	Blue Collar	Manager	White Collar
Total employees with Performance Evaluation	519	1,649	946	330	892
Total employees with Performance	1,132	5,522	4,785	454	1,415
Percentage of employees involved (compared with total Sofidel Group employees 6,654)	45.85%	29.86%	19.77%	72.69%	63.04%

Source: Sofidel.

### RATIO OF A NEW-HIRE'S STANDARD WAGE BY GENDER TO THE LOCAL MINIMUM WAGE

The Sofidel Group guarantees compliance with local minimum wages in all countries where its employees work, whether they are new hires or more experienced professionals. Furthermore, no difference is applied between the minimum wages of men and women.

	Minimum wage in the country	Ratio of company minimum wage to legal minimum wage by country
Sofidel Belgium	100%	160%
Sofidel France	100%	100%
Sofidel Germany	100%	127%
Sofidel Greece	100%	117%
Sofidel Hungary	100%	127%
Sofidel Italy	100%	100%
Sofidel Poland	100%	100%
Sofidel Romania	100%	100%
Sofidel Spain	100%	140%
Sofidel Sweden	100%	127%
Sofidel UK	100%	112%
Sofidel United States	100%	205%

Source: Sofidel.



### SALARY AND REMUNERATION

The topic of fairness and equal treatment of men and women is very important to Sofidel. The company has developed compensation and skill development rules **based on fairness and equality criteria** to avoid and reduce differences in pay between men and women as much as possible.

The data presented in the tables on the opposite page, divided into occupational categories (blue collar, white collar and manager), do not provide a true and complete picture of the company because they are very broad categories that include roles that differ in **terms of scope of responsibility, experience and expertise**. The data show that, even with policies based on equity and equal treatment between men and women, women hold positions with less responsibility and therefore have lower pay than men. To improve this situation and support women in their career and professional development, the Sofidel Group has adopted rules for flexible hours (entering/exiting the company) and has adhered to the

**Charter of Equal Opportunities in the workplace** promoted by the Sodalitas Foundation.

The Group's commitment to equal pay is best seen in the two tables on page 192, which consider finer-grained data and allow for a **comparison of men's and women's pay for the same roles and duties**. On this point, in order to give an up-to-date picture of the company, we compared the salaries of men and women **hired in the last three years**, taking into account the specific features of the respective role. This allows us to represent the current situation and verify the fruits of our efforts on the issue of gender equality and pay equity between men and women in equal roles and experience.

In this case, the data show a more balanced situation and in some countries, such as Sweden and Poland, substantial parity of treatment has already been achieved.

For the future, the Sofidel Group intends to strive to fully close the gap between men's and women's salaries and ful-



ly implement its equal opportunity policy in the workplace. To promote this path in 2022, the company joined **Valore D**, the first association of companies that promotes **gender balance and an inclusive culture** for the growth of companies and the country.

Thanks to Valore D, Sofidel will have the opportunity to participate in talks and training courses open to all employees, share best practices, and compare notes with other companies that, like us, are committed to promoting and achieving full gender equality.

### Ratio of basic salary and remuneration of women to men - base salary<sup>9</sup>

	Gross average base wage (euros/month)	Percentage of women's base wage compared to men's	DEVIATION
<b>Blue Collar</b>	2,380.99 €		
Women	2,171.71 €	90.37%	<b>-9.63%</b>
Men	2,403.25 €		
<b>Manager</b>	6,868.09 €		
Women	5,344.59 €	73.54%	<b>-26.46%</b>
Men	7,267.91 €		
<b>White Collar</b>	3,160.83 €		
Women	2,747.70 €	79.73%	<b>-20.27%</b>
Men	3,446.31 €		
<b>TOTAL</b>	<b>2,854.65 €</b>		

Source: Sofidel.

### Ratio of remuneration of women to men - total pay<sup>9</sup>

	Average total gross pay (euros/month)	Percentage of women's total pay compared to men's	DEVIATION
<b>Blue Collar</b>	2,381.06 €		
Women	2,171.71 €	90.36%	<b>-9.64%</b>
Men	2,403.33 €		
<b>Manager</b>	6,965.32 €		
Women	5,436.44 €	73.80%	<b>-26.20%</b>
Men	7,366.54 €		
<b>White Collar</b>	3,221.31 €		
Women	2,777.80 €	78.74%	<b>-21.26%</b>
Men	3,527.79 €		
<b>TOTAL</b>	<b>2,874.21 €</b>		

Source: Sofidel.

9. The data presented in the table show that women hold positions with less responsibility and therefore have lower pay than men. The Blue Collar, White Collar and Manager occupational categories encompass very differ-

ent roles in terms of scope of responsibility, experience and expertise, and therefore envisage different pay depending on the roles.

**New hires in the last 3 years**

Ratio of basic salary and remuneration of women to men (same role)<sup>10</sup>

	Percentage of women's total pay compared to men's	DEVIATION
<b>Sofidel Italy</b>	101%	<b>0.77%</b>
<b>Soffass Italy</b>	115%	<b>14.56%</b>
<b>Sofidel Belgium<sup>11</sup></b>	-	-
<b>Sofidel France</b>	103%	<b>2.81%</b>
<b>Sofidel Germany</b>	98%	<b>-1.69%</b>
<b>Sofidel Greece<sup>11</sup></b>	-	-
<b>Sofidel Hungary</b>	102%	<b>1.83%</b>
<b>Sofidel Poland</b>	100%	<b>0.00%</b>
<b>Sofidel Romania</b>	105%	<b>5.42%</b>
<b>Sofidel Spain</b>	99%	<b>-1.36%</b>
<b>Sofidel Sweden</b>	100%	<b>0.29%</b>
<b>Sofidel UK</b>	97%	<b>-2.97%</b>
<b>Sofidel United States</b>	97%	<b>-3.46%</b>

Source: Sofidel.

**New hires in the last 3 years**

Ratio of men's/women's pay for the same role – total pay (including the variable portion)<sup>10</sup>

	Percentage of women's total pay compared to men's	DEVIATION
<b>Sofidel Italy</b>	101%	<b>0.77%</b>
<b>Soffass Italy</b>	113%	<b>12.68%</b>
<b>Sofidel Belgium<sup>11</sup></b>	-	-
<b>Sofidel France</b>	103%	<b>2.81%</b>
<b>Sofidel Germany</b>	98%	<b>-1.69%</b>
<b>Sofidel Greece<sup>11</sup></b>	-	-
<b>Sofidel Hungary</b>	102%	<b>1.83%</b>
<b>Sofidel Poland</b>	100%	<b>0.00%</b>
<b>Sofidel Romania</b>	105%	<b>5.42%</b>
<b>Sofidel Spain</b>	99%	<b>-1.36%</b>
<b>Sofidel Sweden</b>	100%	<b>-0.29%</b>
<b>Sofidel UK</b>	97%	<b>-2.93%</b>
<b>Sofidel United States</b>	97%	<b>-3.46%</b>

Source: Sofidel.

10. For each country, we looked at the roles for which both men and women were hired in the past three years. We then calculated the ratio of average women's/men's salaries for each position and then averaged those ratios across countries. Furthermore, we calculated deviations between average

women's and men's wages and averaged over these at the country level. The table shows only the average figure for each country, but data for individual roles is available upon request.

11. No men and women have been hired in the same role for the past 3 years.

**TRANSITION ASSISTANCE PROGRAMS**

The Sofidel Group runs transition programs to **facilitate work continuity for its employees and the end of their career paths**, whether for reasons of retirement or termination of employment.

When a resource retires, the company assesses the possible replacement of the position involved well in advance. Depending on the complexity of the role and the actual organizational needs, **coaching, training, and 'training on the job' programs** are implemented in order to facilitate prompt and correct replacement of the position. If a figure in a strategic position retires, the Group first assesses

whether it can find the resource to replace him or her from in the company. This presents career opportunities for the company's employees, for whom special development and **job rotation** plans are envisaged, which are structured on the basis of their actual abilities and expertise, and are aimed at personal and professional growth. Furthermore, in the event of particularly critical or strategic situations linked to the departure of certain employees, the company evaluates the possibility of offering **dedicated outplacement programs** to support the re-employment of the employees involved and to facilitate their relocation in a shorter time.



## Training and development of talent

Sofidel invests in training to assist employees in developing new skills, to motivate people, and to encourage dialog and individual initiative. The Group offers numerous opportunities to **develop an individual's talent and acquire new skills and knowledge** useful for professional growth, and to create value in the company.

In 2021, the company invested €949,867.93 and provided **71,137 hours of training**<sup>12</sup>, making use of Sofidel teachers who shared the know-how and experience gained over the years (55,53%), as well as experts, university lecturers, and other qualified bodies with whom Sofidel collaborates (44,47%).

The health emergency for Covid-19 continued to affect this aspect throughout the year. To avoid training and professional development delays, Sofidel has been forced to convert many courses, usually held in person, into remote learning sessions, or to adopt hybrid solutions. These combine in-person meetings, which encourage exchange and interaction with the teacher, and online lessons.

However, **health and safety** training courses, which include drills and practical tests, continued to be held in person, respecting the separation between individual plants.

Sofidel has also continued to use its **e-learning platform**, an innovative system developed a few years ago, which makes a wide variety of content available that can be used in a convenient and flexible way. It allows employees to disseminate company procedures that require training in a way that is fast, widely available and traceable. **Training courses dedicated to human rights and diversity** are nearing completion, in order to create an ethical, inclusive culture within the company that respects the value and uniqueness of each individual. In 2021, several courses dedicated to human rights policies and procedures were held, involving 13% of the company's employees for a total of 216.8 hours.

Furthermore, we have developed a training course on the **231 organizational model** and 92% of the Directors of various functions have already participated. Next year, the course will be extended to all employees and managers to train them on the 231 organizational, management and control model, to raise awareness about activities that present the greatest risk with respect to issues of fraud and corruption.

Despite the difficulties of the pandemic period, social distancing and remote working have been an opportunity to accelerate the company's digital transformation and increase the skills of many workers. Sofidel has created a dedicated path for the sales team to increase their expertise in e-commerce and digital marketing.

### THE B CORP MODEL

The company Corporate Social Responsibility (CSR) team had the opportunity to participate in the **'The B Corp. model: Leadership for a Regenerative Business'** master's degree program, organized by MIP Polytechnic University of Milan in collaboration with Nativa, the first Benefit Company in Europe and the first Certified B Corporation® in Italy. Nativa is a consulting firm that applies The Natural Step method to create a positive impact on society, the environment, and the economy. The course provided an in-depth look at the B Corp model and reflected upon the historical and cultural changes that we are experiencing. It offered an incentive to change perspective and use **business as a positive force** to create a more just, inclusive society and regenerate the biosphere.

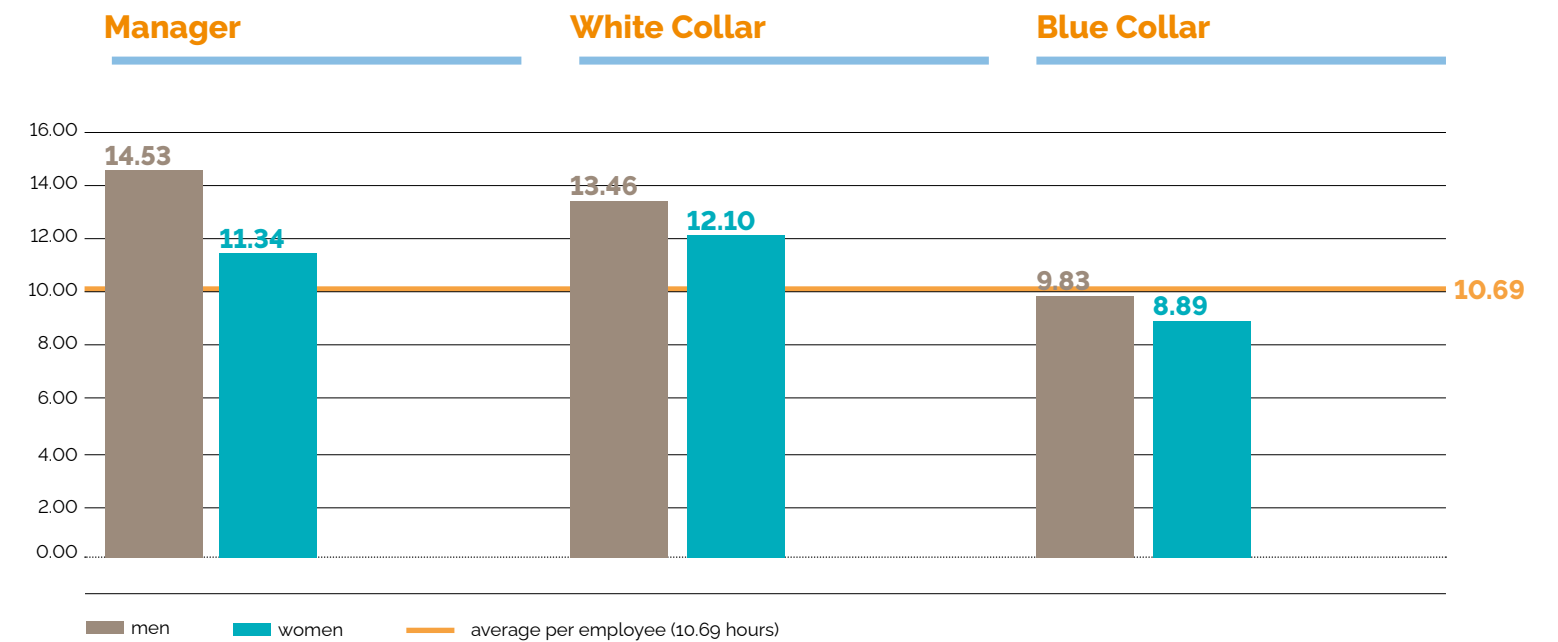
### SOFIDEL 2030

Sofidel 2030 is a project we have created in collaboration with MIP Polytechnic University of Milan to design the future of the Group and promote creativity and the capacity for innovation in the company. The project involved a total of 58 people, specifically Sofidel's top management and 44 people selected from across the functions, to become the ambassadors of a **new way of working together**, to innovate the company's organization, and to **accelerate the development of new products and services**. The project accompanied the team for an entire year and alternated between online lessons, individual work sessions and sharing workshops. After a standard initial training session, 20 people were selected to work in teams and will have the task of presenting to top management and the Chief Executive Officer the innovations that will propel Sofidel into 2030.

12. This number does not include the **1733.5 hours of environmental management training** that involved the environmental team (regulations, environmental management systems, forest chain of custody, emergencies). Apprenticeship training hours are not included in this total. The company dedicated 238.75 hours of training to apprentices.

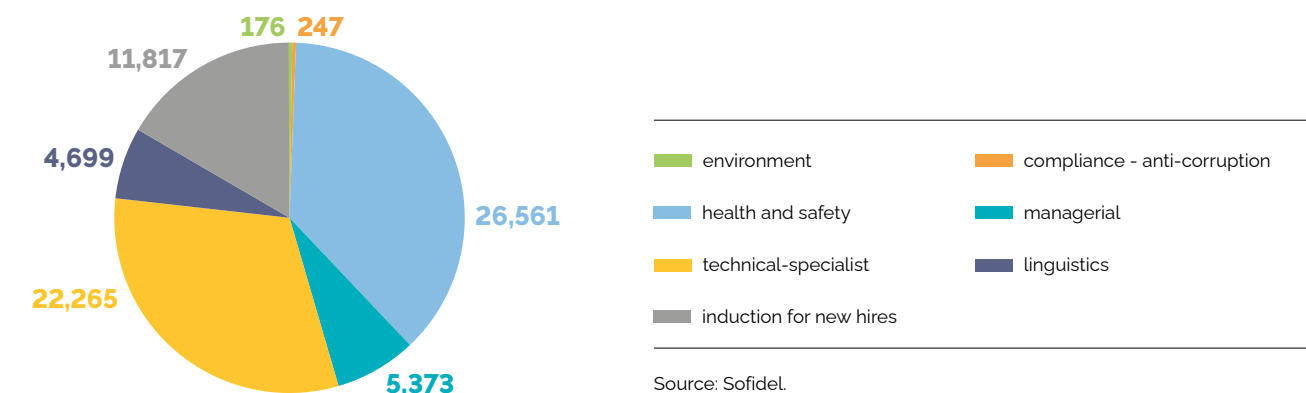
**'PEOPLE ARE THE HEART AND STRENGTH OF THE COMPANY. WE NURTURE THEIR TALENT AND DEVELOP THEIR TECHNICAL AND MANAGERIAL EXPERTISE SO WE CAN RELY ON CAPABLE AND MOTIVATED RESOURCES.'**

## Average hours of training for Sofidel Group employees by gender and occupational category – 2021



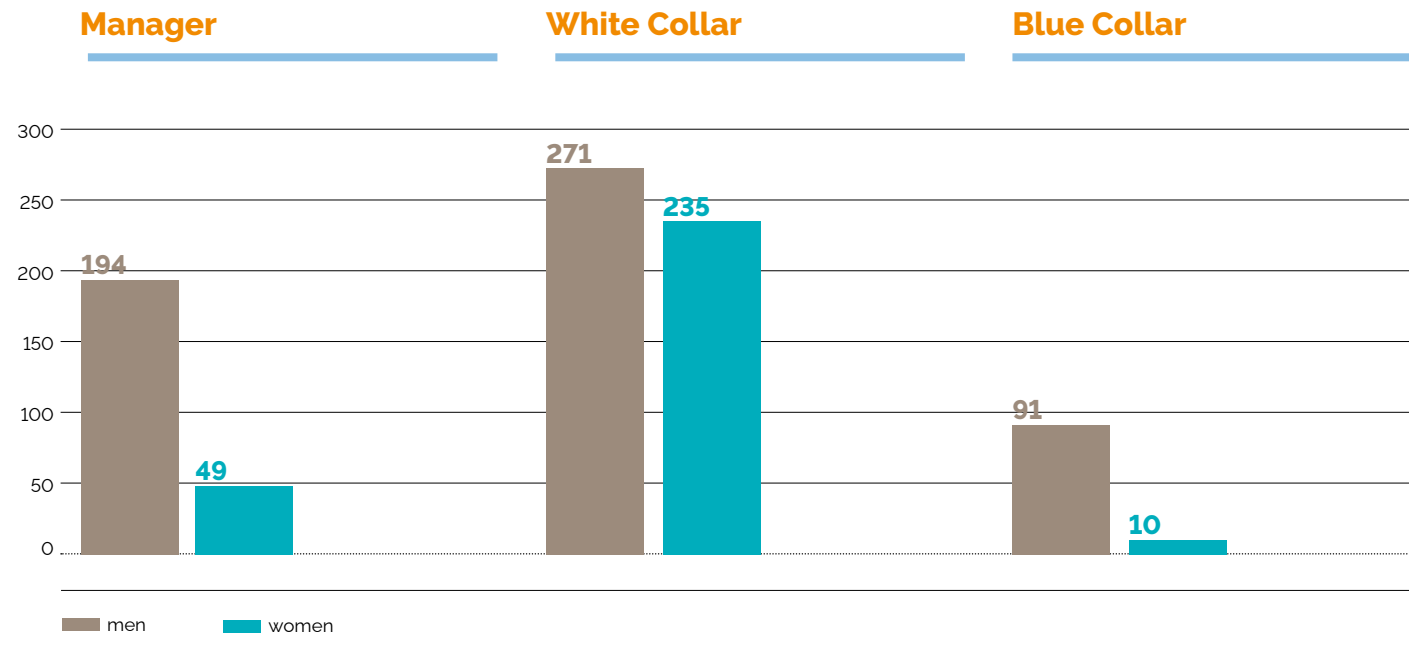
Source: Sofidel, data produced from management system.

## Hours of training by subject in Sofidel Group - 2021



Source: Sofidel.

### Number of Sofidel group employees trained in anti-corruption matters by occupational category and gender – 2021



Source: Sofidel.

## Workplace health and safety

For Sofidel, workplace health and safety are essential to creating a fair and lasting environment that respects people.

To achieve this objective, we have adopted a Health and Safety Management System in accordance with the **international ISO 45001 standard**, through which we are committed to guaranteeing the health and safety of our employees and all other stakeholders who interact with the company. All company activities are included in the Health and Safety Management System, including all those carried out by employees and contractors alike.

Our Health and Safety Management System is based on accurate risk mapping, which is outlined in the **Risk Assessment Document**. This document is prepared by the Employer and the Health & Safety Manager, with the support of the Company Doctor, and is shared with the workers' safety representatives. Risk assessment allows us to highlight the severity and likelihood of occurrence of risky events for each company role and for all activities performed by our employees.

The Group also has an internal procedure that describes the process of reporting, recording, and analyzing hazardous incidents. The purpose of this procedure is to detect possible areas for improvement in occupational health and safety and to identify the need for corrective action or the opportunity for preventive action with a view to **continuous improvement**.

The protection of workers and everyone working with Sofidel is ensured through constant monitoring of the work environment, the development of numerous training programs to promote a culture of safety, and the implementation of the best standards of protection for machines and plants. We pay careful attention to the choice of **personal protective equipment (PPE)** and we check its efficiency and continually improve its effectiveness to ensure **ever better levels of comfort and protection**.

Also, in the context of business relationships, the Sofidel Group ensures that health and safety impacts are prevented and mitigated through the application of Health and Safety Management Systems.

#### THE IMPORTANCE OF TRAINING

Annually, across all its companies, Sofidel develops a training plan dedicated to health and safety. In 2021, **26,561 hours of training** were delivered to employees and to new hires. The various modules covered the main aspects required by national regulations, including:

- the risks related to the tasks and the consequent prevention and protection measures
- the use of work equipment
- emergency and fire management
- first aid
- the rights and duties of various business functions.

At the plant level, for each category of workers, **on-the-job training** and safety awareness **programs** are delivered. Furthermore, our partnership with the European Agency for Safety and Health at Work (EU-OSHA) continued with our joining the two-year campaign (2020-2022) dedicated to the **prevention of musculoskeletal disorders**. On this issue it is important not to lower our guard because these issues involve three out of five workers and are among the most common and widespread concerns in Europe (Source: INAIL). 71.3% of the Group's workers are represented by **Health and Safety Committees**, made up of management representatives and workers' representatives at plant level, who aim to disseminate knowledge and correct conduct practices among workers.

#### MEASUREMENT INDICES FOR THE TREND IN ACCIDENTS

Sofidel monitors the trend in accidents in the different plants through a series of measurement tactics, the most important of which are the **Frequency Rate<sup>13</sup> (FR)** and the **Severity Rate<sup>14</sup> (SR)**.

During 2021, the Health and Safety office improved accident reporting by standardizing the collection of data from each country. This provided more detailed data which is reported in the tables on the following pages.

Furthermore, during the 2019-2021 period, the contractors we work with have reported that no accidents have occurred at Sofidel plants.

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

14. Severity Rate (SR): days off work due to accidents/hours worked x 1,000.

Total number of recordable work-related injuries of employees<sup>15</sup>

2021			
Employee work-related injuries		Employee injuries rate	
	TOTAL		TOTAL
<b>Total number of work-related injuries</b>	<b>160</b>	<b>Rate of recordable work related injuries</b>	<b>13.63</b>
In the workplace	158	<b>Rate of fatalities as a result of work-related injury</b>	<b>0</b>
While commuting	2	<b>Rate of high-consequence work-related injuries</b>	<b>0.09</b>
<b>Total number of fatalities as a result of work-related injuries</b>	<b>0</b>		
In the workplace	0		
While commuting	0		
<b>Number of high-consequence work-related injuries</b>	<b>1</b>		
In the workplace	1		
While commuting	0		
<b>NUMBER OF HOURS WORKED</b>	<b>11,594,956</b>		

Source: Sofidel.

2020 <sup>16</sup>			
Employee work-related injuries		Employee injuries rate	
	TOTAL		TOTAL
<b>Total number of work-related injuries</b>	<b>133</b>	<b>Rate of recordable work related injuries</b>	<b>11.35</b>
In the workplace	131	<b>Rate of fatalities as a result of work-related injury</b>	<b>0</b>
While commuting	2	<b>Rate of high-consequence work-related injuries</b>	<b>0.17</b>
<b>Total number of fatalities as a result of work-related injuries</b>	<b>0</b>		
In the workplace	0		
While commuting	0		
<b>Number of high-consequence work-related injuries</b>	<b>2</b>		
In the workplace	2		
While commuting	0		
<b>NUMBER OF HOURS WORKED</b>	<b>11,717,023</b>		

Source: Sofidel.

15. There were no workplace or commuting injuries, fatalities, or injuries with serious consequences involving the 53 apprentices.

16. In 2019 and 2020, injuries that resulted in 0 days off work were not included in the table.

2019 <sup>16</sup>			
Employee work-related injuries		Employee injuries rate	
	TOTAL		TOTAL
<b>Total number of work-related injuries</b>	<b>144</b>	<b>Rate of recordable work related injuries</b>	<b>12.99</b>
In the workplace	144	<b>Rate of fatalities as a result of work-related injury</b>	<b>0</b>
While commuting	0	<b>Rate of high-consequence work-related injuries</b>	<b>0.27</b>
<b>Total number of fatalities as a result of work-related injuries</b>	<b>0</b>		
In the workplace	0		
While commuting	0		
<b>Number of high-consequence work-related injuries</b>	<b>3</b>		
In the workplace	3		
While commuting	0		
<b>NUMBER OF HOURS WORKED</b>	<b>11,086,923</b>		

Source: Sofidel.

Frequency Rate (FR) and Severity Rate (SR) of Group companies  
by country (injuries with more than 3 days off work)<sup>17</sup>

	FR			SR		
	2021	2020	2019	2021	2020	2019
<b>Belgium</b>	16.77	0.00	8.42	0.50	0.00	0.63
<b>France</b>	8.42	11.90	24.07	0.10	0.31	1.17
<b>Germany</b>	26.70	17.14	30.24	0.76	0.21	0.65
<b>Greece</b>	18.07	0.00	0.00	0.19	0.00	0.00
<b>Hungary</b>	13.94	23.76	16.85	0.44	0.48	0.50
<b>Ireland</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Italy</b>	7.52	7.12	10.14	0.37	0.35	0.28
<b>Poland</b>	13.05	24.05	18.20	0.72	0.94	0.39
<b>Romania</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Spain</b>	30.54	21.29	25.12	1.15	0.35	0.60
<b>Sweden</b>	17.70	0.00	7.81	0.28	0.00	0.21
<b>United Kingdom</b>	6.43	10.22	8.96	0.43	0.43	0.34
<b>United States</b>	6.86	5.50	4.21	0.35	0.18	0.13
<b>TOTAL<sup>18</sup></b>	<b>10.80</b>	<b>10.07</b>	<b>12.36</b>	<b>0.43</b>	<b>0.31</b>	<b>0.38</b>

Source: Sofidel.

17. No fatalities occurred in the Sofidel Group's plants and offices during the three-year reporting period.

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

### Frequency Rate (FR) and Severity Rate (SR) for injuries with up to 3 days off work

	IF			IG		
	2021	2020	2019	2021	2020	2019
<b>TOTAL</b>	<b>7.00</b>	<b>2.07</b>	<b>2.26</b>	<b>0.030</b>	<b>0.001</b>	<b>0.005</b>

Source: Sofidel.

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

	IF			IG		
	2021	2020	2019	2021	2020	2019
<b>TOTAL</b>	<b>1.10</b>	<b>0.17</b>	<b>1.44</b>	<b>0.020</b>	<b>0.001</b>	<b>0.029</b>

Source: Sofidel.

#### RISKS OF INJURY AND MITIGATION ACTIONS

In the table below, we have highlighted the workplace hazards that pose a risk of injury with serious consequences and the actions taken by the company to eliminate and minimize these risks using the hierarchy of controls:

Type of injury	Actions
<b>Impact or accident in vertical motion, due to a fall</b>	Operating controls on production sites, training of supervisors, raising awareness of personnel on correct behavior.
<b>Physical stress on the musculoskeletal system</b>	Partnership with the European Agency for Safety and Health at Work and participation in the 2020-2022 Campaign: Musculoskeletal disorders.
<b>Struck by moving, falling, transported objects, including vehicles</b>	Modifications to the reel ejection system to prevent the occurrence of the fault found in the accident.
<b>Collision with an object, including vehicles</b>	Implementation of a pedestrian-forklift detection system.
<b>Trapped, crushed</b>	Checks of safety systems on converting lines: emergency stops, man-present systems.

### Types of injuries occurring to employees by type of injury

Recordable accidents by type	2021			2020			2019		
	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men	TOTAL
<b>Employees</b>	0	49	<b>49</b>	0	19	<b>19</b>	0	28	<b>28</b>
Struck by moving, falling, transported objects, including vehicles	0	9	<b>9</b>	0	3	<b>3</b>	0	1	<b>1</b>
Impact or accident in vertical motion, due to a fall	0	7	<b>7</b>	0	9	<b>9</b>	0	17	<b>17</b>
Physical stress on the musculoskeletal system	0	24	<b>24</b>	0	5	<b>5</b>	0	10	<b>10</b>
Impact, shock, or accident against a stationary object (victim is moving)	0	9	<b>9</b>	0	2	<b>2</b>	0	0	<b>0</b>

## The battle against Covid-19

#### SUPPORTING PEOPLE IN MANAGING THE PANDEMIC

During 2021, the Sofidel Group promoted an information campaign in support of the Covid-19 vaccination to counter the spread of the virus. In all countries, employees were invited to join vaccination campaigns organized by individual governments, and in countries with a larger number of employees, various benefits were promoted. Recognizing that only joint action could reduce vaccination times and enable collective health to be protected, the company actively collaborated with institutions by mobilizing support among its employees and organizing staff vaccinations. Working in collaboration with

the Tuscany region, for example, Sofidel organized a **vaccine hub** with the aim of facilitating and accelerating vaccine administration. During the year, the Group's plants maintained **strict anti-contamination measures** to protect the health of workers and their families. Where possible, remote working was facilitated during the most dramatic moments of the pandemic. Furthermore, anti-contamination safety rules have been continuously monitored by company management. Throughout the period, the company has been committed to providing useful information to prevent contagion and share guidance on correct behavior.

## Workplace Health Promotion (WHP) The program dedicated to health promotion

In adherence to the principles of the European Network for Workplace Health Promotion, the Group believes that a real and lasting improvement in worker health and well-being can only be achieved through a combination of the following elements: improvement of the work environment, promotion of active engagement, encouragement of personal development, and the adoption of **healthier lifestyles**. In Italy, over the years, Sofidel has always adhered to the 'Workplace

Health Promotion' program, the multi-year project promoted by the Region of Tuscany which supports the adoption of good practices in the areas of **nutrition, physical activity, the fight against addictions** (alcohol, smoking, gambling), and **road safety**. Unfortunately, due to the pandemic, the planned workshops have been suspended, but new solutions are being worked on to re-start the program as soon as possible.

#### SUPPLEMENTARY HEALTH INSURANCE

Sofidel Group employees have access to a variety of personal health and well-being benefits. One outstanding example is the **supplementary health insurance program** in Italy. This important tool allows employees to integrate the services of the national health service with additional services so that they can receive **complete, personalized, and high-quality care**.

Thanks to this program it is possible to:

- request reimbursement for hospital, outpatient, and clinic visits;
- receive prepayment directly at the facility;
- book visits and tests online and get medical advice.

Furthermore, by registering for Salute Sempre health insurance ([www.salutesempre.it](http://www.salutesempre.it)) employees can access the **Unisalute app**, which allows them to manage their policies, activate services, and request information directly online via any mobile device.



## Dialog with our stakeholders and commitment to society

### DIALOGUE WITH OUR STAKEHOLDERS

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

The company is committed to creating a **constructive and fruitful dialog** with its stakeholders. We believe in useful and proactive communication, capable of raising awareness and generating a positive change in people's habits and choices, especially in such a complex and transformative time as now.

### Covid-19 Emergency - Awareness raising activities within the Group

The internal task force communications for emergency management and the information activity via the magazine 'People & Paper' continued in 2021, with the aim of raising awareness and keeping the attention of all employees focused on the need to take **preventive measures** to limit Covid-19 contagion.

### The sustainability blog Soft & Green

Also in 2021, we addressed topics related to environmental and social sustainability on our blog every two months to help give voice to issues and projects relevant to our culture and business modus operandi. We do this in a clear, simple, and enjoyable way to help **create the value of shared knowledge**. It is a commitment intended to engage everyone.

### The magazine People & Paper

In 2021, we revamped the layout of our People & Paper magazine. This communication tool shares information and **develops connective tissue** within the company. It makes all colleagues aware of the values, choices, results, and significant moments in the life of the company. The magazine is translated into 10 languages and distributed in 12 countries.

### Sofidel Sustainable Procurement: the website for our supply chain

In 2021, we created a website devoted entirely to Sofidel suppliers, with the aim of sharing even more of our environmental and social sustainability principles. A hub of information and tools to make our **supply chain ever more responsible and sustainable**. Furthermore, in early 2022 we launched the online magazine 'FUTURE - Building a Better World Together' to report on sustainability stories and experiences from around the world and to highlight and share our suppliers' best practices.

### Strengthened commitment to the UN Global Compact

Sofidel participated in the drafting of the Position Paper 'Italian companies and decarbonization: a fair and inclusive transition', produced by the UN Global Compact Network Italy and presented in January 2022 at the Italian Pavilion of Expo 2020 Dubai.

Drawn up in 2021 with the technical support of Carbonsink and with the active contribution of large Italian companies participating in the UN Global Compact and committed to SDG 13 – **Climate Action**, the report enhances the experiences of our country and

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



Left: the cover of People & Paper, the Sofidel Group's magazine for all employees in order to create a shared culture, inform and involve people more in the life of the company.





identifies **the challenges and opportunities of decarbonization in the world of production**.

More than 30 Italian companies from the most representative sectors of the entrepreneurial fabric helped draft the document. Each company had the opportunity to present a business case that reflected their commitment to combating climate change.

#### A European statement signed for the launch of an EU law to protect forests and natural ecosystems

The Group was one of the signatories of the 'Statement signed by companies to support the development of an EU law to stop trade in products and services linked to deforestation or conversion of natural forests' (May 2021).

To address the problem of deforestation, more than 40 European companies have called for a clear legislative framework, with **mandatory due diligence, transparency, and traceability requirements**, to be implemented uniformly across the European Union to ensure more sustainable raw materials and products enter the EU market.

#### Partnership renewed with the European Agency for Safety and Health at Work

Sofidel has renewed its partnership with the European Agency for Safety and Health at Work (EU-OSHA) with membership in the two-year campaign (2020 - 2022) **'Healthy Workplaces. Let's lighten the load!'** The aim of the campaign is to draw attention to work-related musculoskeletal disorders (MSDs), with a program of actions and events designed to raise awareness of this issue that affects millions of workers across Europe.

#### The NextGen project in Italian universities

Activities related to the Next-Gen project (launched by the Group in 2019 and continued in 2020) continued to progress in 2021.

In particular, Sofidel and WWF Italia participated together in four meetings organized at a number of Italian universities: the University of Messina, the Parthenope University of Naples, the State University of Milan and the Alma Mater University of Bologna.

All meetings were introduced by Rossella Sobrero, founder of Koinètica, the first organization in Italy dedicated to CSR, and addressed the issue of the **value of partnerships between profit and non-profit entities**, starting with the sustainability projects developed jointly by Sofidel and WWF Italy.

Sofidel has also brought its own testimony by speaking in the 'Sustainability Management' master's degree program of the Challenge School Ca' Foscari of Venice and in the 'Communication of sustainability and corporate social responsibility' master's degree program of the 24 Ore Business School.

#### Sofidel and the 'CSR and Social Innovation Fair'

In 2020, Sofidel took part in the **'Return to life sustainable'** event, the eighth edition of the 'CSR and Social Innovation Fair', one of the most important meetings in Italy dedicated to the theme of sustainability and Corporate Social Responsibility (CSR).

During the event, which was held in hybrid form (on site in Milan and live on the web), Sofidel contributed with three speeches. The first was part of the debate, 'A green pact for environmental communication: journalists and companies in comparison', the second was part of the session, 'New skills for a new labor market' and the third took place in the meeting, 'Fight against plastic: choices that make the difference'.

#### #OurBestCard

Sofidel presented #OurBestCard, the program of actions implemented by the Group to **support young people and promote a sustainable future**. This is a way of giving opportunities to new generations - a precious resource for building the world to come. During the campaign, the report **'Sustainable Development: Youth, Life and Work'**, produced by Sofidel in collaboration with the Istituto Toniolo's Youth Observatory, was presented. A photography of young Italians between the ages of 18 and 34 to discover how they manage to combine work and sustainability.

As well, the **podcast series 'My future is green: the green professions'** was launched. In these eight episodes, Sofidel gave the floor to eight young women and men who have been able to transform their love for nature into a **green profession that is good for the planet**.

#### The survey: 'Educating children to respect the environment'

Sofidel, through the Regina brand, developed a survey to investigate the sensitivity of Italian families in educating their children to respect the environment. The survey was coordinated by Fattoremamma, a communication agency focused on the family target, and involved 1,112 Italian parents. The survey showed that **93% of families** consider it very important that their children develop **awareness and sensitivity to environmental issues**.

61% of children and teens were very curious and interested in nature-related topics and are involved by their parents in activities that contribute to developing this sensitivity. Furthermore, 96% of parents believe that it is **important for companies to take action with projects to raise awareness of environmental issues**, while the majority of families are willing to actively participate in educational projects organized by their children's school.



Above: In 2021, Sofidel, in partnership with its Regina brand, launched the podcast series 'My future is green: the green professions.'

## Sofidel and the world of schools

### 'I'LL TAKE CARE OF YOU': WORKING ALONGSIDE SCHOOLS FOR THE 2030 AGENDA

The environmental education project, 'I'll take care of you', promoted by WWF and Sofidel through its Regina brand, has been renewed and strengthened. Aimed at Italian primary and secondary schools, the program is free and designed to convey a **love of our planet** to children to help raise their awareness of the **UN 2030 Agenda's goals**. Established in 2014, over the six previous editions 'I'll take care of you' has involved over 655,000 children and young people through in-depth studies on the topics: **Forests, Water, and Climate**. The project integrates with the ministerial guidelines on the teaching of Civic Education (concerning sustainability) and is also suitable for distance learning, to facilitate the work of teachers during the Covid-19 emergency.

The 2021/2022 edition is dedicated to climate and to delving into the topic of the **ongoing climate change on Earth**.

### THE ONLINE ROUND TABLE 'SCHOOL FOR SUSTAINABLE DEVELOPMENT'

As part of the campaign '**All4Climate Italy 2021**', promoted by the Italian Ministry of Ecological Transition to encourage an active debate on the **challenges of the climate crisis**, Sofidel, together with WWF Italy, organized the round table '**School for Sustainable Development**.' Hosted in Milan, it was one of the Pre-COP events that aimed to bring the messages of young people to COP26 in Glasgow.

The event encouraged participants to contemplate the fundamental role of schools in raising awareness among new generations about the issues of sustainability, sustainable development, and ecological transition. In addition to Sofidel, the Undersecretary of State at the Ministry of Education, Senator Barbara Floridia, and the Director of WWF Italy's Conservation Program, Isabella Pratesi, also took part.



## Projects to promote the entry of young people into the world of work

**Sofidel believes young people** are an extraordinary resource for building a better future. For years the company has been involved with projects and collaborations in the world of education to support the training of new generations and **promote youth employment**.

In Tuscany, Sofidel collaborates with secondary schools, technical colleges, and universities to contextualize the theoretical notions of the school curricula in the paper industry. The objective is to **give substance to school training** and provide students with useful skills as they prepare to enter the work world.

Despite the pandemic, Sofidel continued numerous activities in 2021. Internships in preparation for dissertations were handled almost entirely remotely. The school-to-work alternation experience, now called '**Pathways for Transversal Skills and Orientation**' (PCTO), has been redesigned to offer distance learning pathways.

### RAISING THE LEVEL OF EXPERTISE

In 2021, Confindustria acknowledged Sofidel's commitment to providing high-quality training courses and **combating the mismatching of expertise** (for example, the misalignment between supply and demand in the world of work that slows down the country's economic and social development).

In particular, Confindustria enhanced our commitment to the training of new generations by awarding Sofidel two stamps: the **Bollino per l'Alternanza di Qualità** (BAQ) and the **Bollino Impresa in ITS** (BITS). The BAQ rewards companies that distinguish themselves for the quality of their **school/work alternation** courses by promoting productive collaborations with secondary schools and vocational train-

ing centers. BITS rewards companies committed to the **dissemination of technical culture and STEM disciplines**, thanks to the support and promotion of the ITS Foundations in the country.

### PAPER19 AND PAPER21 PROJECTS

In 2021, the first edition of the project PAPER19 – Advanced Technician for production in the paper industry was completed. This innovative course aims to **train highly specialized technicians in paper industry production**. Sofidel participated in the project as a partner of the ITS Prime Foundation, providing the expertise of its resources for the lessons and welcoming some students to internships. Moreover, in the latter part of the year, the second edition of the two-year course PAPER21 – Advanced Technician for production management in the paper sector began.

### PROMOTING TRAINING ABROAD

The company's commitment to training is not limited to Italy, but involves all the countries in which Sofidel operates. In 2021, Sofidel launched a **pilot project called Sofidel.EDU**, with the aim of creating strong relationships with the educational world abroad, as it has done in Italy. To this end, the company is working to **improve the education offered and its quality** by developing orientation projects and school/work alternation. It also offers internships and project work in collaboration with schools and universities. As in Italy, the hope is to open the doors of the world of work for young people and, at the same time, train them in the professional skills necessary for the paper industry to continue to grow and develop.



## Commitment to communities and territories

Sofidel is attentive to the needs of local communities and the territories in which it operates. In 2021, we pursued social work interventions for people in distress and struggling businesses with the aim of supporting the communities most affected by both the Covid-19 health emergency and extreme weather events. We also continued to develop collaborations with valued partners to support programs that protect nature and safeguard people's health and well-being.

### PRODUCT DONATIONS IN ITALY AND EUROPE

In Italy, **300 kilos** of paper were donated to the Lucca Prison and **150 kilos** to the Puccini Foundation.

In August, during the floods in Belgium and Germany, the Group donated **275 pallets of finished products** (worth 11 thousand euros) to the Belgian Red Cross and **9 tons of finished products** (worth 15 thousand euros) to the German Red Cross.

In Spain, in collaboration with our customer Mercadona, we donated over **53,000 kilos of kitchen paper**, corresponding to 381,000 rolls of paper, to the 'Fundación Banco de Alimentos de Navarra' (BAN), with the aim of providing practical help to people in need.

### COVID-19 EMERGENCY – TERRITORY INITIATIVES IN ITALY

At **Christmas**, the Group donated **600 food parcels** to families suffering social and economic hardship. Parcels were distributed by several volunteer organizations working in the area: Caritas of Lucca, Caritas of Pescia, Green Cross of Porcari, and Misericordia of Borgo a Mozzano. Furthermore, to support the restarting of the local economy, **only products from the local area** were chosen for the customary Christmas package handed out to employees.

At **Easter**, Sofidel donated to **AIL Lucca**, the local branch of the Italian Association against Leukemia, Lymphoma and Myeloma, and purchased 1,000 of AIL's traditional chocolate eggs. These eggs were delivered to families experiencing economic and social hardship. Finally, on **Mother's Day**, Sofidel made a gesture of attention to new mothers in the municipality of Porcari by giving an '**Azalea of Research**' to support the work of AIRC researchers in the fight against cancer.

### THE GIUSEPPE LAZZARESCHI FOUNDATION

Strongly supported by the Lazzareschi family, the Foundation was established in 2003 in memory of their father and founder, Giuseppe, together with Emi Stefani, of Sofidel.



The aim of the Foundation is to **promote the cultural, social, and entrepreneurial growth of the Lucca area**, the Group's historical headquarters, as well as that of the Tuscany region.

A key figure in the economic development of the city of Porcari and very attentive to environmental issues and safety in the workplace, Giuseppe Lazzareschi's life and his business were based on the **values of honesty, respect, and loyalty**. These principles also inspire the work the Foundation which, with the cooperation of the Municipality of Porcari, has become a reference point for all companies operating in the region. A driving force in the **growth and enhancement of the territory's cultural, social, and entrepreneurial capital**, the Foundation has, over the years, held exhibitions, events, conferences and fairs, and involved an ever broader public.

In 2021, in collaboration with the municipality of Porcari and the 'Porcari Attiva' Association, the Lazzareschi Foundation offered voucher **booklets** to 36 families in need. The vouchers could be used in local stores to purchase a variety of goods, from well-being and body care products to eye care products, from clothing to shoes, to grocery stores, restaurants, and pizzerias, offering 10% discounts.

The Lazzareschi Foundation – in collaboration with the 'Porcari Attiva' Association and the Municipality of Porcari – also made three vouchers worth €3, €5 and €10 available to families in Porcari (Lucca) and to Sofidel employees in the Lucca area. The vouchers could be spent in cafés, restaurants, ice cream parlors, pastry shops, and pizzerias in Porcari.

As director Cristina Lazzareschi explained, 'The Foundation wanted to renew the initiative to continue to give a small, but we believe significant, support to the local economy of Porcari, and the restaurant sector in particular, which has unfortunately never properly restarted. We hope that the vouchers will bring benefits to the entire commerce sector of Porcari, generating confidence and a positive virtuous circle.'

### 'OPERATION ON THE FRONT LINE':

#### SOFIDEL ALONGSIDE ITALIAN FAMILY PRACTITIONERS

Thanks to its collaboration with FIMMG (Federazione Italiana Medici di Medicina Generale), Sofidel, through its Papernet brand, has offered a **free supply of medical sheets to about 27,000 family practitioners throughout Italy**. The initiative aimed to provide support to a category that is strongly committed to the fight against the Covid-19 pandemic, and represents a fundamental support of territorial medicine.

In May 2021, when the Covid-19 vaccination campaign was in full swing, Papernet launched a second phase of the 'Operation on the Front Line' project, reserving a 35% discount (for six months) for Italian family physicians on the purchase of disposable paper products through a dedicated **Temporary Shop**.



### THE HISTORICAL COLLABORATION WITH WWF

The collaboration with WWF has been ongoing for 14 years during which Sofidel has developed, both in Italy and internationally, an organic and systemic approach to environmental sustainability issues. This has contributed to the creation of an **open, positive, and responsible vision of the future**.

Among 2021's activities, Sofidel has renewed its commitment alongside WWF Italy for the thirteenth edition of '**Earth Hour**', the global event that invites institutions, communities, and citizens to turn off the lights for an hour and **reflect on the importance of our choices in preserving nature**.

The Group was also one of the first companies in the world to join **Forests Forward**, a multi-stakeholder initiative launched internationally by WWF to safeguard forests and recognize their value in combating climate change, protecting biodiversity as well as life on Earth.

Within this project Sofidel has consolidated its forest procurement policy by introducing new commitments to help achieve the **Zero Deforestation** target.

### SOFIDEL UNITED STATES SUPPORTS OCEAN CONSERVANCY TO CLEAN UP OCEANS

Sofidel United States has partnered with the U.S. non-governmental association Ocean Conservancy because the health of the oceans impacts all our lives.

Sofidel stands alongside the association to help protect the oceans and the communities whose livelihood relies on them. Together with the Ocean Conservancy, the company is committed to fighting plastic and climate change, which causes sudden increases in temperature and acidification that can lead to the loss of marine habitats and species.

Furthermore, Sofidel United States is planning to participate in the 'International Coastal Cleanup' program, which involves thousands of volunteers in cleaning up plastic waste left behind in lakes and rivers, and on the coasts and beaches across the United States.

#### SOFIDEL SUPPORTS PLASTIC FREE IN ITALY

In 2021, Sofidel, with the Regina brand, supported the initiative 'Po before the sea' promoted by the Plastic Free association. This was the largest cleanup of the Po River banks ever, removing over 50,000 kilos of trash from the environment. Along with Plastic Free, Regina participated in over 50 simultaneous cleanup events in four regions: Piedmont, Lombardy, Emilia-Romagna, and Veneto. It also participated in **Plogging Day**. This event took place simultaneously throughout Italy, with the aim of looking after our territory, cleaning up a park, a beach or an area of our city. This is done simply by jogging or by walking solo or with friends and family.



#### SOFIDEL GERMANY AT THE 'WORLD CLEAN UP DAY 2021'

Sofidel Germany participated in the 'World Clean Up Day 2021', a large collective civic action to clean waste, especially plastic, that takes place every year around the world.

Thanks in part to the cooperation of local partners who provided the necessary equipment for waste collection and proper disposal, German employees at the Wernshausen plant participated in organized cleanup activities in Schmalkaden, Floh-Seligenthal, Wernshausen, Georgenzell, Oberalba, Bad Liebenstein, and other nearby locations.

#### SOFIDEL, WITH NICKY, ALONGSIDE TELETHON IN ITALY

Sofidel, through Nicky products, renewed its partnership in Italy with the Telethon Foundation, which is active in supporting research into **rare genetic diseases**. Sofidel has been supporting Fondazione Telethon since 2012 by making a direct contribution and by promoting the foundation's projects on product packaging, as well as on Nicky's website and social channels.

#### SOFIDEL, WITH NICKY, SUPPORTING WOODLAND TRUST IN THE UK

Through Nicky's partnership with Woodland Trust, the UK's woodland conservation organization, Sofidel ensures the annual planting of approximately **12,000 native trees**. The United Kingdom has one of the lowest percentages of woodland in Europe, only 13.2% compared to an average of 46% in the rest of Europe.

#### SOFIDEL TOGETHER WITH TALEA FOR AN URBAN FORESTATION PROJECT IN LUCCA

Also this year, Sofidel has confirmed its participation in the 'New Trees' project, an initiative carried out in collaboration with the Talea Association and the Municipality of Lucca to plant **3,000 native trees by 2023**, of which 750 are funded by Sofidel. Talea is an association created by some young people from Lucca to promote and organize events, projects, and initiatives inspired by environmental education and sustainability.

#### SOFIDEL AND THE 'FAIRY CHILDREN'

In 2021 Sofidel continued to support 'Fairy Children', a social enterprise that since 2005 has been supporting projects and social inclusion pathways dedicated to families with autism and other disabilities.

# METHODOLOGICAL NOTE

## STANDARDS APPLIED

The eleventh edition of Sofidel Group's Integrated Report has been prepared, on a voluntary basis, in accordance with **GRI Sustainability Reporting Standards** - Core option of the Global Reporting Initiative (GRI). The GRI Standards refer to the 2016 edition except for the following: 'GRI 403: Occupational Health and Safety' and 'GRI 303: Water and Effluents' of 2018, and 'GRI 306: Waste' of 2020. The GRI Standards represent the main global reference standards for an organization's or an enterprise's Sustainability Reporting. In particular, this Report has been prepared in accordance with GRI reporting principles for defining the content and quality of the report, such as stakeholder inclusiveness, sustainability context, materiality, completeness, as well as accuracy, balance, clarity, comparability, reliability, and timeliness.

The Integrated Report has been prepared taking into consideration the **International Integrated Reporting Council (IIRC) Framework**. The IR framework focuses on the organization's capacity to create value in the short, medium, and long term.

In this way it maximizes the attention given to:

- conciseness, strategic focus, forward-looking nature and links between information and capital, showing their mutual interdependence;
- the importance of integrated thinking within the organization, which consists of considering the relationships between the operating units and functions of an organization, as well as the capital that the latter uses or influences.

Aspects such as the description of the company's business model, the focus on leadership and the centrality of the sustainability context demonstrate the company's desire to move towards a more integrated and integral reporting model, within which sustainability is increasingly the lever used to rethink and redefine strategy and operating processes, to address change and to respond to the needs and expectations of the market and of society as a whole, with the ultimate objective of raising the level of innovation, competitiveness and profitability.

The document was prepared taking into consideration the sustainability issues deemed significant for the Group and the Group's stakeholders presented in the materiality matrix (see the section

'Stakeholder priorities and materiality analysis').

Indicators published by the **Sustainability Accounting Standards Board (SASB)** were also used as a reference. These indicators are clearly identified in the table in the section 'SASB performance indicators' and are to be considered as supplementary to the disclosures prepared in accordance with GRI Standards.

According to the American convention, in this Report commas are used to separate thousands and points to separate decimals.

The GRI disclosures in the Integrated Report were subjected to limited review by EY S.p.A., in accordance with the International Standard on Assurance Engagements ISAE 3000 (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).

## REPORT BOUNDARY

The reporting boundary for the Integrated Report includes all the subsidiaries of the parent company, Sofidel S.p.A., with registered office in Porcari (LU), in Via Giuseppe Lazzareschi 23.

The reference period is the 2021 financial year, which coincides with the calendar year running from 1 January to 31 December 2021, except where otherwise specified in each section. The frequency established for publication of the Integrated Report is annual. The last Report, covering the year 2020, was published in May 2021. The reporting methodology, in line with that used for the Integrated Report in previous financial years, provides full comparability of the data contained in this Report.

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

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

Elena Faccio (elena.faccio@sofidel.com)

Antonio Pereda (antonio.pereda@sofidel.com)

## GRI content index

GRI standards	Disclosures	Page   Notes	Omissions	
<b>GENERAL STANDARD DISCLOSURES</b>				
<b>GRI 102: General Disclosures 2016</b>	102-1	Name of the organization	p. 215	
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	102-3	Location of headquarters	p. 215	
	102-4	Location of operations	p. 15	
	102-5	Ownership and legal form	p. 43-46	
	102-6	Markets served	p. 15	
	102-7	Scale of the organization	p. 11-14	
	102-8	Information on employees and other workers	p. 170-174	
	102-9	Supply chain	p. 113-129	
	102-10	Significant changes to the organization and its supply chain		There were no significant changes to the organization and its supply chain during the reporting period
	102-11	Precautionary Principle or approach	p. 22	
	102-12	External initiatives	p. 30-32	
	102-13	Membership of associations	p. 54	
	102-14	Statement from senior decision-maker	p. 7-9	
	102-16	Values, principles, standards, and norms of behavior	p. 48-49	
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	102-29	Identifying and managing economic, environmental, and social impacts	p. 216-222	
	102-30	Effectiveness of risk management processes	p. 50-63	

GRI standards	Disclosures	Page   Notes	Omissions
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<b>PRODUCT SAFETY AND QUALITY</b>			
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	103-3	Evaluation of the management approach	p. 87-89
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GRI standards	Disclosures	Page   Notes	Omissions
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	103-3	Evaluation of the management approach	p. 94-95
<b>GRI 418: Customer Privacy 2016</b>	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 62
<b>CUSTOMER SATISFACTION</b>			
<b>GRI 103: Management approach 2016</b>	103-1	Explanation of the material topic and its Boundary	p. 33-35 Internal boundary; indirect impact
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<b>GRI 417: Marketing and labeling 2016</b>	417-2	Incidents of non-compliance concerning product and service information and labeling	During 2021, there were no incidents of non-compliance concerning product and service information and labeling
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GRI standards	Disclosures	Page   Notes	Omissions
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	403-3	Occupational health services	p. 197
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<b>GRI 202: Market presence 2016</b>	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p. 189
<b>GRI 103: Management approach 2016</b>	103-1	Explanation of the material topic and its Boundary	p. 33-35 Internal boundary; direct impact
	103-2	The management approach and its components	p. 166-169, 176, 183-185
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GRI standards	Disclosures	Page   Notes	Omissions
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	p. 178-182
	401-3	Parental leave	p. 185-186
<b>GRI 103: Management approach 2016</b>	103-1	Explanation of the material topic and its Boundary	p. 33-35 Internal boundary; direct impact
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<b>GRI 103: Management approach 2016</b>	103-1	Explanation of the material topic and its Boundary	p. 33-35 Internal boundary; direct impact
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<b>GRI 404: Training and Education 2016</b>	404-1	Average hours of training per year per employee	p. 195
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<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-2	Ratio of basic salary and remuneration of women to men	p. 190-192
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<b>GRI 103: Management approach 2016</b>	103-1	Explanation of the material topic and its Boundary	p. 33-35 Internal boundary; direct impact
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<b>CORRECT MANAGEMENT OF THE FOREST RESOURCE</b>			
<b>GRI 103: Management approach 2016</b>	103-1	Explanation of the material topic and its Boundary	p. 33-35 Internal and external boundary; direct impact
	103-2	The management approach and its components	p. 135-137
	103-3	Evaluation of the management approach	p. 135-137
<b>GRI 301: Materials 2016</b>	301-1	Materials used by weight or volume	p. 136-137
	301-2	Recycled input materials used	p. 136-137
<b>CIRCULAR ECONOMY AND WASTE MANAGEMENT</b>			
<b>GRI 103: Management approach 2016</b>	103-1	Explanation of the material topic and its Boundary	p. 33-35 Internal boundary; direct impact
	103-2	The management approach and its components	p. 160
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<b>GRI 306: Waste 2020</b>	306-1	Waste generation and significant waste-related impacts	p. 161
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GRI standards	Disclosures	Page   Notes	Omissions
<b>CLIMATE CHANGE AND CLIMATE-ALTERING EMISSIONS</b>			
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	103-2	The management approach and its components	p. 138
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	305-4	GHG emissions intensity	p. 147
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	103-2	The management approach and its components	p. 85-89
	103-3	Evaluation of the management approach	p. 85-89

## SASB Indicators

In reporting the Sofidel Group's environmental performance, reference was also made to the indicators published by the Sustainability Accounting Standards Board (SASB). The table below shows the correspondence between these indicators and their position in the text.

Material topics	SASB	Description	Page
<b>GENERAL STANDARD DISCLOSURES</b>			
<b>Correct management of water resources</b>	RR-PP-140a.1	(1) Total water withdrawn, (2) total water consumed, percent of each in regions of high or extremely high baseline water stress	p. 149-153
	RR-PP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	p. 149-153
<b>Correct management of the forest resource</b>	RR-PP-430a.1	Percentage of wood fiber coming from (1) third-party certified forests and (2) meeting other fiber procurement standards	p. 135-137
	RR-PP-430a.2	Quantity of recycled and recovered fiber purchased	p. 135-137
<b>Climate change and climate-altering emissions</b>	RR-PP-110a.1	Gross Scope 1 global emissions	p. 138-148
	RR-PP-110a.2	Discussion of the long-term and short-term strategy or plan to manage Scope 1 emissions, emission reduction targets, and an analysis of performance with respect to these targets	p. 138-148
	RR-PP-120a.1	Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>2</sub> , (3) volatile organic compounds (VOC), (4) particulate matter (PM), and (5) hazardous air pollutants (HAP)	p. 138-148
		(1) Total energy consumed, (2) percentage of grid electricity, (3) percentage from biomass, (4) percentage from other renewable energy, (5) total self-generated energy	p. 138-148

## Independent Auditors' Report



Independent auditors' report on data and information included in the Integrated Report 2021 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 2021 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, 2021 (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 2021.

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 S.p.A. 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

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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 Lazzareschi plant), that we have selected based on its activity, relevance to the consolidated performance indicators and location, we have carried out remote interviews 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 for the year ended on December 31, 2021 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 2021.

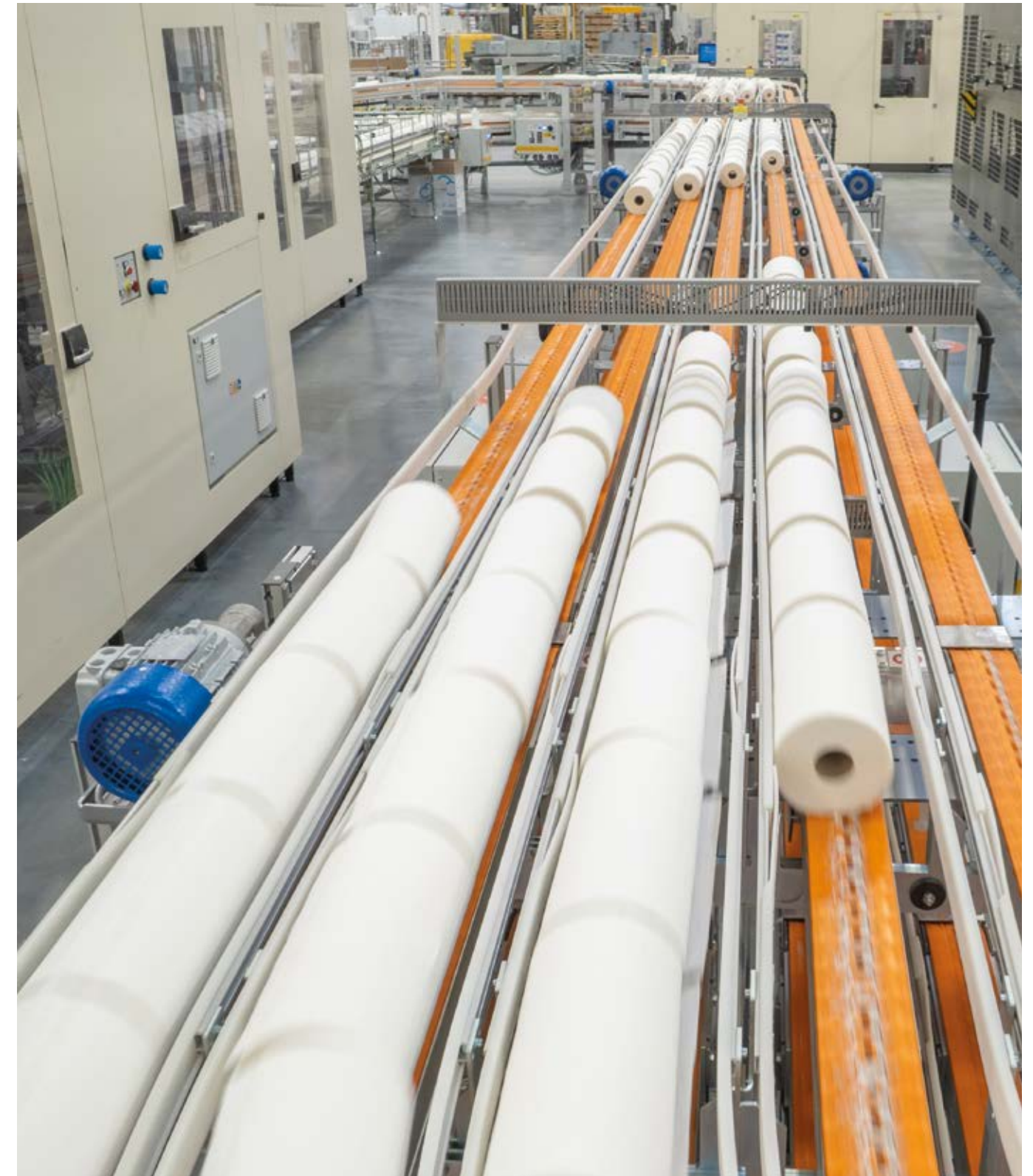
#### Other aspects

The Integrated Report for the year ended on December 31, 2020, whose data are presented for comparative purposes, has been subject to limited assurance procedures by another auditor, who expressed an unqualified conclusion on that Report on March 24, 2021.

Firenze, March 22, 2022

EY S.p.A.  
Andrea Eronidi  
(Auditor)

This report has been translated into the English language solely for the convenience of international readers



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