CLEAN LIVING

FOR EVERYDAY NEEDS.
FOR A HEALTHIER PLANET.
FOR INTEGRITY AND RESPECT.

SOFIDEL
ENDLESS CARE, INNOVATIVE LIFE

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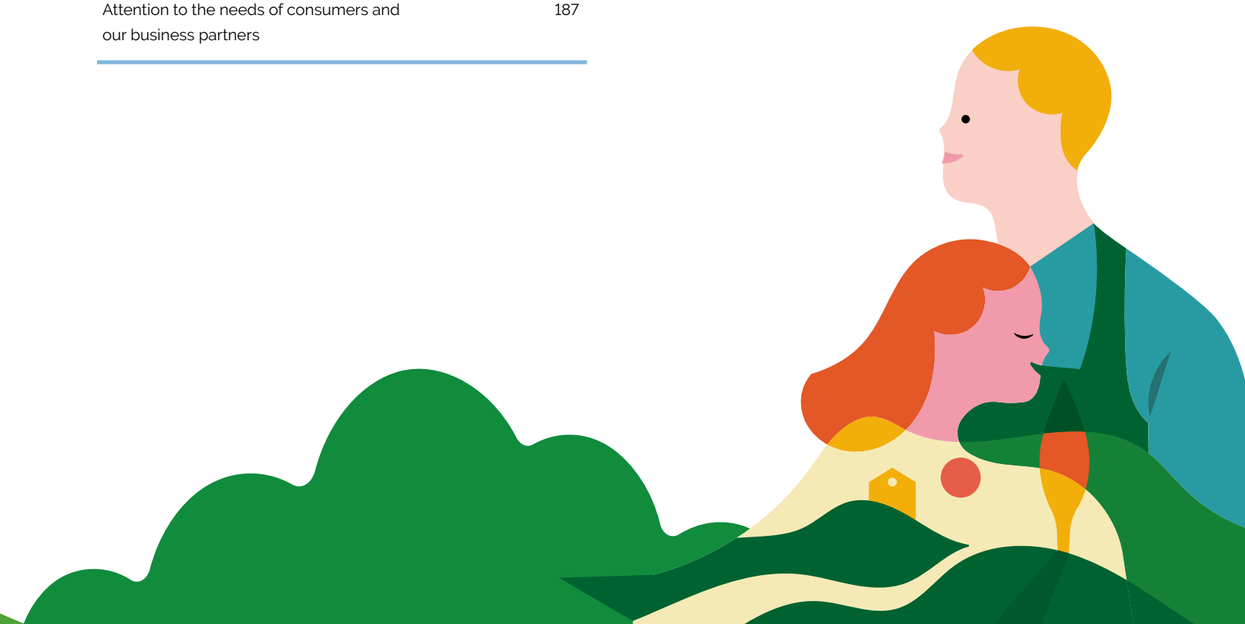


Edilio Stefani,
Sofidel Chairman.

Luigi Lazzareschi,
Sofidel CEO.

STRONGER AND BETTER PREPARED TO INVEST IN SUSTAINABLE GROWTH

GRI 2-22	Statement on sustainable development strategy

We have come through the year 2023 stronger than ever. A better structured scenario on the U.S. market, and closer ties to cyclical factors in Europe. A greater ability to invest in sustainable growth in a complex period of ecological and digital transition.

2023 closes with very positive results for the Sofidel Group in terms of sales and margins. This outcome has been aided by the impact of lower average raw fiber and energy prices than the previous year.
Consolidated sales exceeded three billion for the first time, and margins stood at an EBITDA of 21.11%.
Of particular note is the significant consolidation in the U.S. market, where we recorded an improvement in customer loyalty and a major increase in sales volumes.
The year saw constant adjustment of product selling prices in response to macroeconomic trends.

NEW INVESTMENTS IN THE UNITED STATES AND EUROPE

In the U.S., in order to meet growing market demand, the Circleville (OH) plant expansion project was initiated, which will see the factory increase its production capacity by more than 50% by 2025; in Europe, the position in the German market was strengthened with the purchase of the Hakle (toilet paper), Hakle Feucht (which marked Sofidel's entry into a new category, moist paper) and Dick&Durstig and Servus (household paper) brands.
Given the need to meet growing demand immediately, at the beginning of the new year Sofidel once again took action on the U.S. market, increasing its production capacity by 65,000 tons per year through the purchase from ST Paper of a paper mill in Duluth, Minnesota, in the Upper Midwest.

ADVERTISING AND E-COMMERCE

Also on the market front, advertising was boosted in all the core Brand markets, while e-commerce equaled, and in some cases in Europe exceeded, the results for 2021, until now the best year ever for the Group in this area.

SUSTAINABILITY, TOWARD THE NET ZERO TARGET

With regard to environmental sustainability, Sofidel took an important step toward Net Zero: it committed to setting a long-term science-based target to achieve zero greenhouse gas emissions from the entire value chain by 2050. The target must be submitted for validation by the SBTi (Science Based Targets initiative) organization within a maximum of 24 months.

ENERGY FROM RENEWABLE SOURCES

The multi-option strategy to increase use of electricity from renewable sources was implemented: in Spain, with a 10-year Power Purchasing Agreement (PPA) with ACCIONA Energia for the supply of electricity certified as 100% from renewable sources; in Greece, through a 10-year PPA with RWE Renewables Europe & Australia and PPC Renewables for the supply of electricity from a newly built photovoltaic park; in France, through a 10-year agreement with ENGIE for the supply of biomethane produced from organic waste to the Sofidel plant in Roanne. In Sweden, the test phase of the plant built by Meva Energy for the production of bio-syngas from woody biomass from the local supply chain was activated in Kisa. In the UK, the Group joined East Midlands Hydrogen, an industry partnership comprising 44 manufacturers, distributors and users, which works to accelerate development and drive investment in hydrogen.

ESG REPORTING

At the end of the year, Morningstar Sustainalytics confirmed the rating that once again places Sofidel in the "Low Risk" category.

STAKEHOLDER ENGAGEMENT AND LOCAL COMMUNITIES

At least two stakeholder engagement initiatives should be mentioned. In the first part of the year, the launch of "Together We Plant the Future," a three-year bioeconomy pilot project with pulp supplier Suzano to promote socioeconomic development and the conservation and ecological restoration of an area in the Brazil's Amazon rainforest, in the states of Maranhao and Pará. In the second half, our customer Sainsbury's became the UK's first retailer to make the transition from plastic to paper for the packaging of all products (toilet and kitchen rolls) sold under its house brand, saving 485 tons of plastic per year.

The fifth edition was held of the "3SAward" (Sofidel Suppliers Sustainability Award), a prize for the most virtuous suppliers as regards sustainability. Once again, the ceremony was organized in presence in Lucca in the fall.

Sofidel also intensified action to strengthen relations with local communities and institutions, school districts and universities, chambers of commerce, and trade and non-profit associations, in the areas where we operate.

2024

Although the effects of inflation are lessening, they continue to affect the purchasing power of broad consumer segments; the macroeconomic forecasts for 2024 see a slowdown in the economic growth of many countries.

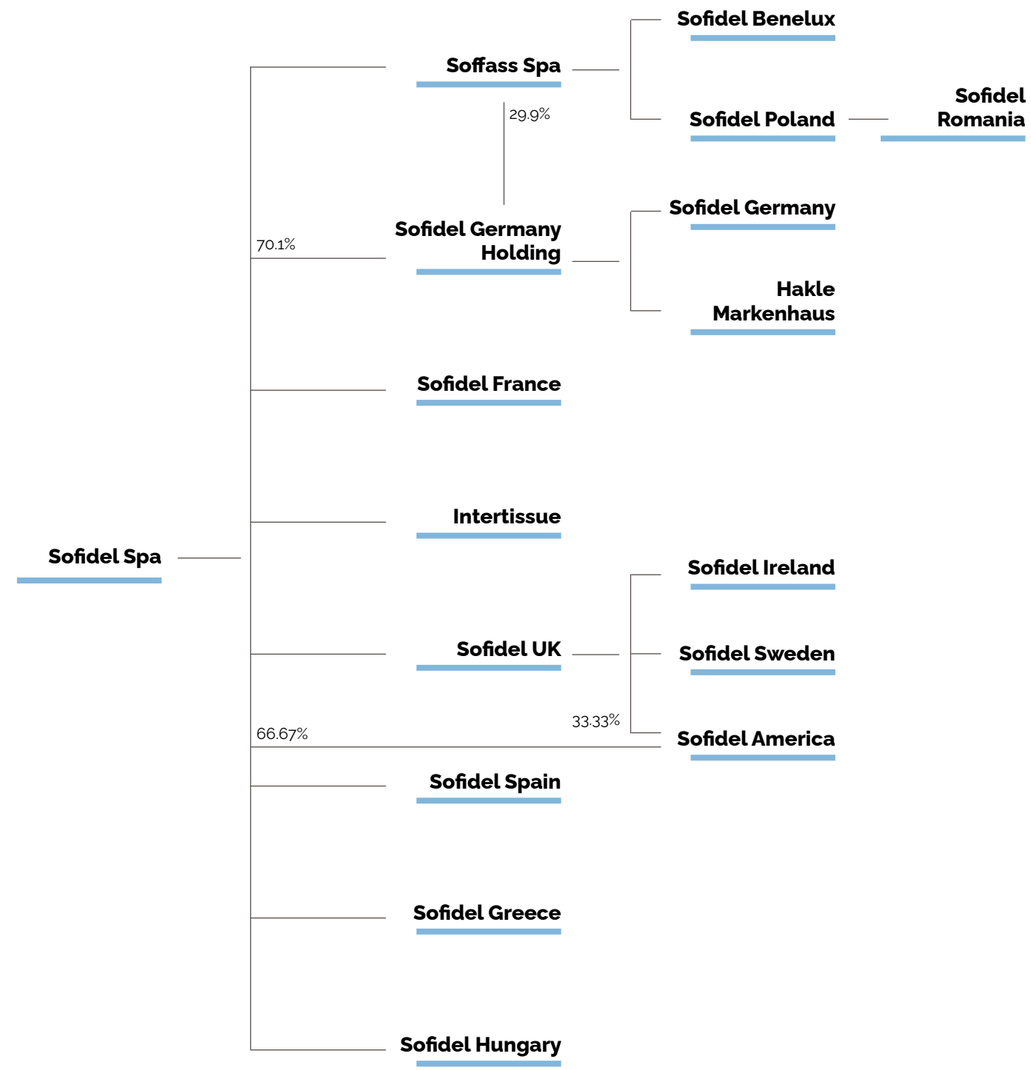
Also of concern is the risk of a further worsening of the geopolitical scenario – linked to the continuation of the Russian invasion of Ukraine, developments in the Israeli-Palestinian crisis and the possible repercussions on world trade of the ongoing crisis in the Red Sea – which could have an impact on commodity prices and on the cost structure more generally.

In this international context of continuing complexity and instability, which must be followed with great attention, Sofidel closes the year by confirming its sustainable growth strategy geared to the creation of shared value, and its intention of implementing an investment policy that, like its investment in Duluth, consolidates profitability, responds to the climate crisis, and promotes the ecological, digital and social transition.

Edilio Stefani, Sofidel Chairman.

Luigi Lazzareschi, Sofidel Chief Executive Officer.

Sofidel Group organization chart



AWARDS AND RECOGNITIONS

MORNINGSTAR SUSTAINALYTICS: SOFIDEL CONFIRMED IN THE "LOW RISK" CATEGORY

Sofidel received a 14.4 score from **Morningstar Sustainalytics**, which placed it in the **"Low Risk" category** for companies with a strong ability to manage environmental, social and governance risks, the three spheres of corporate responsibility. Sustainalytics, a Morningstar company, is a leading independent research institute which provides ESG analyses and ratings to institutional investors and corporations. Once again in 2023, Sofidel confirmed its number one ranking in its core industry, Household Products: 105 companies active not only in tissue paper, but also in home cleaning and personal hygiene products. It is also in the **top 10%** of the more than 15,000 companies assessed to date by Sustainalytics.

CDP: A- RATING FOR COMBATING CLIMATE CHANGE AND DEFORESTATION

Sofidel again received recognition from the **international CDP rating** – a leading independent global environmental performance measurement and reporting organization – for its commitment to combating climate change and deforestation. In 2023, the Group was once again placed in the Leadership range of the **Climate Change 2023** and the **Forests 2023** ratings. In both cases, it obtained an **A- rating**, ranking above the European average (B for climate change and C for forest management) and also above the industry average (B for both ratings).

CDP SUPPLIER ENGAGEMENT: A RATING FOR SUPPLIER ENGAGEMENT IN COMBATING CLIMATE CHANGE

Sofidel won recognition as a **global leader** – with an **A rating** – for its work in engaging suppliers in the fight against climate change, obtaining the maximum score in the CDP **"Supplier Engagement Leaderboard 2022"** (on 2021 data). With its A rating, Sofidel ranks above the Paper Products & Packaging industry average (C-) and the overall European (C) and global (C) averages. **CDP is a non-profit organization** which helps investors, companies, cities, States and regions manage their environmental impact worldwide.

SOFIDEL HONORED WITH THE 2023 *OSCAR DI BILANCIO*

Sofidel won the **2023 Oscar di Bilancio** award in the "Large Unlisted Companies" category for its 2022 Integrated Report. Established in 1954 and promoted by the **Italian Public Relations Federation** (FERPI), **Borsa Italiana** and the **Bocconi University**, the award is given to organizations that report on their operations in the economic, social and environmental spheres in a rigorous, clear and detailed manner.
The prestigious award was presented at a ceremony held on Friday, December 15, 2023 at **Palazzo Mezzanotte** in Piazza Affari, Milan. This is the second time Sofidel has been awarded the *Oscar di Bilancio*, the first being in 2010.
The **award was presented with the following citation**: "The Sofidel Group is one of the world's leading manufacturers of multipurpose household paper. It is a Member of the Global Compact and the international WWF Climate Savers program. **The Sofidel Group considers sustainability a strategic growth factor** and is committed to reducing impacts on natural capital and maximizing social benefits with the aim of creating shared value added for all its stakeholders, diversifying communication tools in innovative ways, including through the inclusion of stakeholder interviews on sustainability issues. **Its corporate communication is comprehensive and effective, with excellent graphics,** , above-average details **in information on the pay gender gap**, as well as very detailed analysis of ESG risks and related management policies. **The Integrated Report has already applied the concept of Double Materiality and the Smart Report mode.**"

SOPALIN IS FRANCE'S FAVORITE BRAND IN THE "KITCHEN TOWELS" CATEGORY

According to a study conducted by the French research and polling institute **OpinionWay** on a sample of 1,011 respondents, in 2023 **Sopalin** confirmed its position (already held in 2022) as **"France's Favorite Brand"** in the "Kitchen Towel" category. The brand was created in France in 1948 and is now the common name, or archetypal product, for the entire merchandise category, and has continued to innovate over the years. In 2011, it marketed the first pre-cut kitchen towel in half sheets for more responsible consumption; in 2017, the half-tear on **Sopalin Maxi Décoré** and **Sopalin Ultra'Absorb** products was replaced with a **hand-sized tear**; in 2018, maxi-rolls were introduced to **optimize consumption and generate less waste**; in 2023, the brand launched **Sopalin Power**, a multipurpose paper towel in a maxi-roll equivalent to five traditional rolls.

THE "WE, SOFIDEL" PROJECT WITH BCW ITALIA WINS AN IPRA GOLDEN WORLD AWARD

The **"We, Sofidel. Our Passions Fuel Our Future" project** triumphed at the **IPRA Golden World Awards**, winning first prize in the **"Internal Communication" category**. In 2022, the project recounted the talents and passions of the Group's people, to create photos for the **Sofidel 2023 calendar**. Thirteen 13 Sofidel employees gathered in Lucca, Italy, for a team-building experience and photo shoot with photographer **Pietro Paolini**. The **BCW Italia** public relations agency, which conceived and oversaw the creative direction of the project, received the award at the **IPRA Gala** in Barcelona in October 2023.

KEY EVENTS DURING THE YEAR

February 2023

IN SPAIN 100% OF RENEWABLE ENERGY TRACKED VIA BLOCKCHAIN UNDER THE PPA WITH ACCIONA ENERGÍA

The 10-year supply agreement signed with **ACCIONA Energía**, one of the leading renewable energy operators in Spain, covers the plant in Buñuel, in the autonomous community of Navarre, and will enable Sofidel to **save 12,870 tons of CO_2 a year**. The agreement is a **Power Purchase Agreement (PPA)** and guarantees **90 gigawatt hours per year of renewable electricity**. It provides for the supply of electricity certified as 100% from renewable sources by Spain's National Markets and Competition Authority (CNMC), as well as access to ACCIONA Energía's GREENCHAIN® application, a platform based on blockchain technology that enables **the renewable origin of energy to be tracked in real time**. Thanks to this tool, Sofidel is able to ascertain which ACCIONA Energía production plant and which renewable source each MW supplied to its own plant comes from.

March 2023

GROWTH IN EUROPE WITH THE ACQUISITION OF THE HAKLE BRAND

The Sofidel Group acquired the **Hakle brand**. An important purchase that significantly strengthens Sofidel's positioning on the **German** toilet paper and kitchen towels market, and marks its entry into a new category, **moist toilet tissue**. Besides Hakle – produced since 1928 and still one of the most popular toilet paper brands in Germany – the purchase agreement also included **Hakle Feucht** (moist toilet paper segment) along with **Dick&Durstig** and **Servus** (both in the household paper segment) with related intellectual property rights and Internet domains. Key milestones in Hakle's long history include the introduction of tissue paper in 1959; 3-ply tissue in 1972 (and 4-ply in 1982); and the invention of moist toilet paper in 1977. One of its most recent innovations is the use of a percentage of grass as a natural and renewable raw material in production.

May 2023

PPA IN GREECE WITH RWE AND PPC FOR 100% RENEWABLE ENERGY

Signature of a 10-year PPA to supply 21 gigawatt hours per year **of solar energy from a photovoltaic plant** in western Macedonia. The plant will be fully operational by the end of the first quarter of 2024. The agreement will enable Sofidel to **save 12,500 tons of CO_2 emissions per year** and contribute to its goal of sourcing renewable electricity for its plants. The agreement was signed with energy industry leaders RWE Renewables Europe & Australia and PPC Renewables through their joint venture Meton Energy S.A..

SUZANO AND SOFIDEL JOIN FORCES ON A PILOT PROJECT TO PROTECT BIODIVERSITY AND SUPPORT LOCAL COMMUNITIES IN THE AMAZON REGION

Suzano, the world's leading producer of cellulose pulp, and Sofidel announced "**Together we plant the future** – *Developing biodiversity corridors for a more sustainable future*", an important three-year pilot project promoting conservation and the ecological restoration of the area, while simultaneously supporting socio-economic development in Brazil's Amazon rainforest[2]. The project is being carried out with the support and field implementation of **IABS, the Brazilian Institute for Development and Sustainability**, and **Amazônia Onlus**, an Italian nonprofit association active in the defense of the forest and the Amazonian peoples. The launch event to present the project to the public together with the partners and all those involved in the initiative was held in Milan. The participants in the panel discussion were biologist and environmental activist **Emanuela Evangelista**, President of Amazonia Onlus, **Paul Jose de Souza Chaer Borges**, EMEA Managing Director, for Suzano, **Eric Sawyer**, President of IABS, and representatives of the Sofidel Group.

June 2023

SUSTAINABILITY UPDATE FOR SOFIDEL'S TOP-LEVEL MANAGERS

The Sofidel Group sustainability department organized a two-day work, discussion and update meeting on sustainability. The meeting was held at the Fattoria Artimino estate, a few kilometers from Florence, and was attended by the CEO, the Chairman and all Sofidel top-level managers. The meeting was enhanced by the presence of **external sustainability specialists** Filippo Bettini of Pirelli and Chiara Mio, a lecturer at the Cà Foscari University in Venice. The meeting exam-

[2] The region between the Brazilian states of Maranhão and Pará was selected because some of Suzano's activities are located in that area.

ined the evolution of sustainability, an increasingly strategic issue in corporate life. It also considered the entry into force of several new directives and regulations (particularly in Europe), which will make sustainability **management and reporting more complex and exacting**.

July 2023

NICKY AND WOODLAND TRUST: TEN YEARS TOGETHER IN THE UK

Since 2013, with the Nicky brand, Sofidel UK has supported the Woodland Trust's work in protecting England's woodlands. This has involved the planting **of more than 250,000 native trees** and the protection **of 1,200 wooded areas** across the country, one of the least forested in Europe, with only 13.2% of woodland (compared to a European average of 37%)[3], of which only 7% thought to be in good ecological condition[4]. To celebrate the ten-year milestone, a grove of oak trees in the Martinshaw Wood Reserve was dedicated to Sofidel and its Nicky brand. A plaque was placed in the grove commemorating the **partnership anniversary** and Sofidel's commitment to investing in nature-based solutions designed to combat climate change and the environmental crisis.

September 2023

SOFIDEL CONTINUES TO GROW IN THE USA: THE GROUP INVESTS 185 MILLION DOLLARS

To meet growing demand in the US market, Sofidel strengthened its production capacity with **a $185 million investment in its integrated plant in Circleville, Ohio**. The project envisages the **construction of a new building to house a new Valmet DCT 200 tissue machine with a production capacity of** 70,000 tons per year, scheduled to begin operations in the third quarter of 2025. The Circleville site is already equipped with two Valmet Advantage NTT machines; with the new installation it will reach an overall **production capacity of more than 200,000 tons per year (+50%), becoming Sofidel's most important production hub worldwide.**
The Ohio facility was **Sofidel's first greenfield investment in the United States**, and is to date the Group's most modern and sustainable plant. Situated on a 280-acre (110-hectare) site, it is located in an area rich in water, gas and electricity availability, close to a strategic logistics hub for distributors, with intermodal systems and major urban centers within a few hundred kilometers.

[3] The Woodland Trust 2022.
[4] The Woodland Trust 2023, Trees and Woods at the Heart of Nature Recovery.

NEW AUTOMATED WAREHOUSE IN POLAND WITH SELF-DRIVING TRUCKS

A new automated warehouse was inaugurated at the plant in Ciechanów, Poland. The building, which covers an area of 11,000 square meters and can handle 32,000 goods pallets, is designed to ensure the highest standards of **efficiency and safety**. The installation is the second for Sofidel **in Europe**, after the warehouse in Sweden, **and the third in the world**, after the facility in Circleville, Ohio, United States.

October 2023

BIOMETHANE: 10-YEAR SUPPLY AGREEMENT SIGNED WITH ENGIE FOR ROANNE PLANT IN CENTRAL FRANCE

In France, the Group signed a 10-year contract with ENGIE for the supply of biomethane for Sofidel France's production plant in Roanne. The contract is a **Biomethane Purchase Agreement**, one of the first of its kind in the tissue industry. Biomethane is a renewable gas obtained from the purification of biogas. Biogas is produced by the anaerobic fermentation of organic residues. The ENGIE plant is adjacent to the Roanne production facility and will use sewage sludge from the municipality of Roanne and residues from the local agribusiness sector. Under the contract, ENGIE will supply Sofidel with **25,000 MWh/year of biomethane, covering 40% of the Sofidel France plant's thermal energy requirement**. By switching to this renewable energy source, Sofidel will save about 4,600 tons of CO_2 emissions per year.

November 2023

NET-ZERO OBJECTIVE

Sofidel made an undertaking with the **SBTi (Science Based Target Initiative)** to set a long-term, science-based target to achieve **zero greenhouse gas emissions from its value chain by 2050**, in line with the "SBTi Net-Zero" standard and to submit the target for validation by the SBTi organization within 24 months.
The strategy to achieve an extremely challenging long-term objective is based on a multifaceted plan that not only considers the industrial operations managed directly by Sofidel, but also involves the players in the entire supply chain, and the gradual maturation of technological options that at present are unaffordable.

STRATEGY AND BUSINESS MODEL

Culture and values

In a global context of **multiple and simultaneous crises**, triggered by new geopolitical balances but also by the consequences of the rapid **ecological and social transition** that is essential to mitigate the effects of climate change, the Sofidel Group feels a responsibility to contribute to **making economic development compatible with the preservation of the planet**. For Sofidel, being sustainable means keeping pace with the transformations necessary to move away from an economic development model that demonstrably disregards the limits of available resources and the consequences of the alterations to natural balances that this development has introduced.

For this reason, Sofidel has for years pursued a **business strategy based on ethics and transparency**, adopting the best techniques to **assess its impacts and the risks** of its activities throughout the value chain, in accordance with the principles of **trust**, **cooperation** and **participation**.

The actions arising from these analyses are the result of strengthened and broader governance to ensure that our organization can meet the challenges of the future in a considered manner and in light of all possible strategic or technological options.

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

OUR COMMITMENT

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 response to the call to action for the future is based on 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 being, as it defines our role in society and the benefits we want to offer people and the planet. It is a wide concept and it is particularly meaningful to us. It involves at least 3 subjects, the pillars of our way of doing business.

THE PRODUCT

"Clean Living" is a mission that comes from our products, which are devised and developed to perform an essential task: contributing to people's daily hygiene and well-being and improving cleanliness at home and in public and corporate spaces. **Single-use tissue paper products consisting of cellulose fibers obtained from wood processing or from recycled paper at the end of its life, which are naturally renewable and recyclable.** Our products use raw materials and processes certified for compliance with the most important forest management, food hygiene and personal safety standards. Products that combine maximum performance to make our lives practical, safe and enjoyable without any compromise with the protection of the planet and society.

THE ENVIRONMENT

Respect for the environment is the focus of our approach to production, which is inspired by "ecological conversion" and aimed at f**acilitating the transition to a low-carbon economy with reduced consumption of natural capital.** This production model values the responsible sourcing of forest-based raw materials and the careful use of water resources, by paying attention to the energy sources used and the energy efficiency of our plants. It also promotes waste reduction and limits the use of conventional plastic for the packaging of our products. All this is applied to the entire value chain, so that our efforts are extended to the greatest possible number of economic players.

THE PEOPLE

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

These three pillars will play an essential role in creating the world of tomorrow. A world where innovation leaves no one behind, helping to create **a fairer and more inclusive society**. Where our determination to look ahead drives us to find new solutions that satisfy consumers and business partners, while prioritizing safety, hygiene, and well-being.

CLEAN LIVING

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

Our guiding principle: Less is More

Reduce environmental impact
Avoid waste
Promote responsible consumption

Every activity of the Sofidel Group is inspired by the 'Less is More' principle. This orientation translates into three fundamental rules: reducing environmental impact, avoiding waste, and promoting responsible consumption. Continuous efforts in this direction have enabled us to make products with reduced amounts of raw materials and to perform better in terms of comfort, hygiene and customer services.

Our mission

"Making everyday life tidier, cleaner, safer, more practical and pleasant by investing in people and innovation and promoting conduct based on sustainability, commercial transparency and respect for regulations, with the aim of creating value for customers, employees, partners, shareholders and the community."

Our vision

To improve comfort and hygiene for everyone, reducing the impact on the world around us.

Sofidel's development factors

Sofidel relies on four key levers to promote its responsible growth and sustainable development.

Sustainability

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

Asset quality

Thanks to production facilities that are newer and more efficient than the industry average, the Group operates with excellent production efficiency and high environmental performance.

As early as 2016, Sofidel embarked on an extensive renewal of its technological assets. In its paper mills, it installed **new-generation machines for the production of** conventional and textured tissue paper, which deliver the best performance in energy and water efficiency, as well as the highest health and safety standards. In the converting stage, it implemented more efficient lines with a technology that ensures better winding quality, maintains product softness and guarantees uniform sheets from the beginning to the end of the rolls. In 2023, the modernization of the production lines involved the replacement of some systems with even more efficient equipment, while important upgrades were implemented on strategic machinery for alignment with the best technology available on the market.

Geographical coverage and greenfield plants

Over the years, to reduce the incidence of transport costs and improve the service offered to customers, Sofidel has built and acquired its own plants **close to end markets**. In Europe, production sites are located within a 350/400 km radius of customers, while in the United States they are 700/800 km away, in proximity to densely populated areas and important communication routes.
Our new greenfield plants are spacious and were designed to accommodate expansion so as to increase production capacity over time quickly and easily, with a modular approach. This enables Sofidel to achieve new market share in a short time by introducing the solutions that consumers actually need.

In 2023, work continued in both Europe and the United States to optimize and consolidate the major investments made in previous years. In line with the expandability concept, Sofidel announced during the year that it intended to increase production capacity at the US facility in Circleville, Ohio, using the infrastructure already available for the existing plant.

Digitalization

Digital technologies have been pervasive in many areas of business and our lives for years. As an organization geared to **progress** and **technological innovation**, Sofidel has introduced digital solutions in many areas, starting with its production departments.

Today, the most significant digital innovations concern goods handling (internal logistics) and tracking, with the aim of **reducing operator-driven lifting equipment traffic** and ensuring better identification standards at each processing stage associated with individual product batches.

Examples include recent investments in automated storage of finished products at the plants in Kisa (Sweden), Circleville (USA) and Ciechanów (Poland). These investments are accompanied by **advanced automation of all handling** operations, with the adoption of **automated laser-guided vehicles** in the paper converting plants. At Sofidel Poland's new auto-

mated warehouse, a pallet transfer system was introduced between the production line and the warehouse, which uses two **self-driving electric trucks**. We wanted to ensure zero emissions during the physical movement of materials in the plant, maximum safety in the management of internal traffic, and perfect traceability and availability of all production, warehouse and shipment data in real time.

Automation in internal logistics offers many benefits: better working conditions and higher safety standards, reduced risk of fire and vehicle collision, reduced footprint of storage buildings and consequently lower land use.

Digitalization has also become a significant element in process data analysis. Sofidel exploits the growing capabilities of these tools to achieve precision control of all the process variables in the paper mill plants and increase flexibility in the converting lines.

In time, the database will support the development of **predictive analysis** systems to be applied both to process quality checks and to maintenance operations.
In recent years, we introduced **a Remote Assistance system**, which uses wearable devices (smart glasses and helmets) based on **Augmented Reality** technology to enable remote assistance, thus ensuring faster diagnostics, lower costs and greater productivity. These devices proved to be extremely useful during the Covid emergency and continue to be so, as they limit the need for internal engineers and suppliers to travel, reducing costs and travel-related CO_2 emissions.

Sofidel was also one of the first companies in the tissue industry to seize the opportunity offered by digital transformation and introduce online sales channels. The Group strategy is designed to identify new business opportunities, so that we can be present where the consumer is. To support sales, we constantly monitor the **digital shelf**, using **Search Engine Optimization (SEO)** to help customers find our products. We also engage consumers through competitions, promotions and gaming activities to build loyalty and increase service quality. Through our e-commerce activities, we convey the strengths of our product and our commitment to sustainability.

Steady and 'clean' growth

Sofidel's steady growth is the expression of a long-term strategy that has developed in four strategic phases. A management and operational approach based on a system of values – professionalism, practicality, honesty, sustainability, and transparency – that permeate the entire company.

The decision to invest in the Piana di Lucca (Plains of Lucca), a flat area rich in groundwater, has proved a winning choice. This territory encapsulates a wealth of relationships and know-how that are fundamental for the development of the Sofidel Group. The two factors that most contributed to our growth were the presence in the area of companies **with strong technical expertise**, specifically in the paper-making sector, **throughout the territory and the trusted relationships** developed with the **local manufacturing district**. Growth in Italy has continued thanks to the development of the Regina brand and collaboration with large-scale retailers. Once its presence was established, Sofidel began to explore new markets, first in Europe and then in the United States. The expansion was accompanied by **the gradual integration of sustainability in all corporate aspects**. This evolution has made it possible to strengthen competitiveness and generate shared value for all stakeholders.

The process that led Sofidel to become an international group was also very important for the corporate culture and motivation of its people, as it made it possible to **broaden the organization's horizons** and to acquire the experience and essential skills needed for future development.

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

Phase 1 1966-1990	Phase 2 1990-2007	Phase 3 2007-2015	Phase 4 2015-2023
Creation of a solid production base in Italy	Internationalization in Europe	Acquisitions in Europe	Increase in production capacity in Europe and in the USA

Sofidel and the UN Sustainable Development Goals (SDGs)

Since 2010, Sofidel has been a member of the **UN Global Compact** of businesses that have pledged to contribute to the development of sustainable business and the construction of a better world and future.

An organization's environmental, social, and economic responsibility starts with the system of principles and values that guide its approach to business. This is why we decided to embrace the ten principles of the United Nations Global Compact on **human rights, labor, environment, and anti-corruption**. By integrating these principles into our strategies, policies and procedures, we create a corporate culture based on integrity and 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.**

SOFIDEL AND THE UN 2030 AGENDA

The growth strategy of the Sofidel Group is fully in line with the UN 2030 Agenda and 17 Sustainable Development Goals (SDGs) to build an **inclusive, sustainable and resilient future for people and planet**.
This document is the point of reference for companies, institutions, organizations, and citizens who today wish to engage the challenge and work for the common good. Its values are also reflected in the European Green Deal, the grand plan with which the European Union aims to become the first continent with zero climate impact by 2050.
While we recognize the 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, as indicated by the results of our materiality analysis. We want to focus our efforts on these eight goals to generate value and have a tangible positive impact through our activities.

Sofidel was the first Italian manufacturer, and the first in the tissue sector worldwide, to join the international WWF Climate Savers program in 2008 (now renamed **WWF Climate Business Network**), with the aim of guiding the transition to a zero-emissions economy. In 2020, we received the approval of the **Science Based Targets initiative (SBTi)** for our targets to reduce greenhouse gas emissions by 2030. Specifically, we have committed to **reduce our Scope 1 and 2 emissions by 40%**; for our Scope 3 emissions, we have involved our supply chain to decrease the emissions of our pulp suppliers by 40% and those of all other suppliers by 24%. In 2023 Sofidel decided to make a formal commitment to the achievement of **carbon neutrality by 2050 (Net-Zero target)**, again following SBTi guidelines.

Sofidel's commitment to **safeguarding forests and biodiversity** translates into a rigorous procurement policy on cellulose, the raw material of our production process. We use only **pulp certified by independent third parties** under forest certification schemes. For many years, **100% of the virgin fibers** used in our production processes have had FSC® and **PEFC** chain-of-custody certification, and only minimal FSC® **Controlled Wood certification**. In 2017, we adhered to the **Vancouver Declaration,** an initiative launched at the FSC General Assembly to promote a sustainable supply chain for forest products. With the publication of our forest procurement policy, Sofidel joined the WWF **Forest Forward** project for corporations that want to make firm commitments to forest conservation and biodiversity. As a result of this membership, it formed a partnership with **Brazilian pulp supplier Suzano**, to help the communities in some locations in Brazil restore a number of degraded places and introduce agroforestry techniques.

The **promotion of personal health and well-being** is the core reason for the existence of Sofidel products. This vocation naturally involves not only consumers but also employees and all other corporate stakeholders. For Sofidel, the culture of health – from the production environment, to the health and hygiene characteristics of its products and their distribution – is fundamental to creating value for people. We share good practices, promote the adoption of a healthy lifestyle, and look to continually improve the work environment, the business organization, as well as the mental and physical well-being of our employees. This includes promoting active participation and encouraging personal development.

The Sofidel Group has always paid close attention to the **education of the new generations**, especially now that the digital revolution, Industry 4.0 and new sustainability requirements are profoundly changing the industrial world and society as a whole. Our commitment aims to promote a more **innovative, open, and skills-based education** that constitutes a real development factor for the communities where our facilities are located and for our employees. Sofidel has always collaborated with many schools and universities, to help create educational offerings in step with the needs of the industrial world and the challenges of the ecological and digital transition. In 2023, it also approved a sustainability goal to increase hours of training for internal staff. Mention should be made of the **"Mi Curo di Te" educational project with WWF Italia** for primary and secondary schools in Italy, to raise awareness about caring and respecting our planet among the younger generations. 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 addition to reducing its carbon and water footprints, Sofidel has set a challenging goal: **to achieve a 50% reduction in the conventional plastic used in its production by 2030, compared to the 2013 base year**, thereby eliminating over 11,000 tons of plastic per year. The goal has triggered the development of new packaging with cellulosic materials (paper) or recycled plastic-based materials. Solutions with increasingly recyclable and lightweight packaging will be studied in the future.

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 Business Network** program, Sofidel is committed to the reduction of climate-altering emissions. In moving toward progressive decarbonization, Sofidel has signed three contracts for the long-term procurement of **renewable electricity**, in Italy, Spain and Greece, with the intention of using its consumption to incentivize the construction of new photovoltaic and wind power installations. A long-term biogas supply contract for the French plant in Roanne was signed during 2023. Again, the purpose is to incentivize biogas production technology.

Aware of how precious water is for the planet's survival, we pay special attention to the **proper management of water** and our production processes are constantly monitored to optimize water use. Management measures, specific investments and policies for reusing wastewater all contribute to the overall goal. We aim to achieve a production process that is as efficient as possible, **reusing the water** sourced from the environment for several production cycles. At the end of the production process, wastewater is returned to the environment after a thorough purification process conducted in our plants with established technologies or managed through public sewers by external parties. In some plants, purified water is further reused by with innovative membrane processes. This technology may in the future be of importance in areas subject to greater water stress.

It takes everyone to make a difference. We cannot overcome the challenges that humanity faces in the coming years by relying solely on our own strengths. **Cooperation** with governments, non-profit organizations, academia, the scientific community, and civil society is essential. Our actions, like humans and nature, are closely interconnected and can enhance or frustrate each other. There is an increasing need to **develop inclusive forms of collaboration** – 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.

Business model

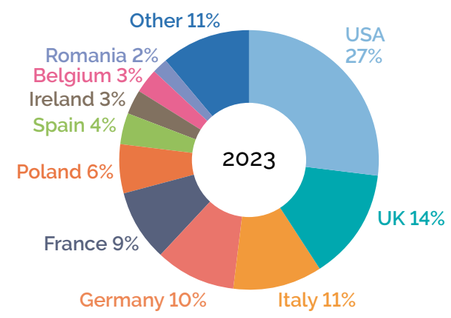
GRI 2-6	Activities, value chain and other business relationships
GRI 3-3	Brand Reputation Material Topic

The Sofidel Group is active in the production and marketing of tissue paper products, with a production capacity that ranks it second in Europe and among the world's top producers. Among the large companies in this sector, Sofidel is the only one to have focused specifically on this business alone, becoming a true specialist in the production of paper for hygienic and domestic use, with a strong vocation for developing innovative solutions for personal and environmental hygiene in and outside the home.
Sofidel 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**.

CONSUMER - BRAND

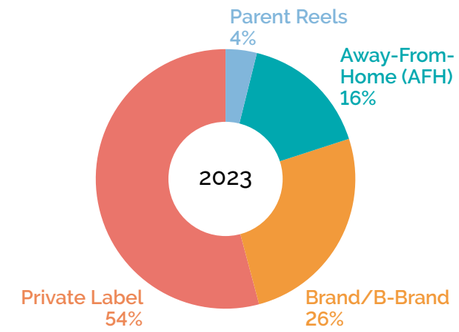
Toilet paper, kitchen towels, napkins and handkerchiefs, all the tissue products made by Sofidel for the consumer-brand market are highly innovative in terms of function and appearance and have an excellent price/quantity/quality ratio. They are supported by highly targeted communication activities. These characteristics generated the continued loyalty of the public, enabling Sofidel to establish itself on the main European markets. **Regina** is the main brand of the Sofidel Group, a leader in Italy and in Europe, particularly in the UK, Ireland and Poland. 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'. Regina is joined by ten other brands acquired or launched by the Group in various European countries: **Softis** in Germany and Austria, **Dick&Durstig**, **Hakle** and **Servus** in Germany, **Le Trèfle** and **Sopalin** in France, **Cosynel** and **Nalys** in the Benelux area, **KittenSoft** in Ireland, and **Lycke** in Sweden. In the USA, **Nicky** was the first Sofidel brand launched on the American market.

Turnover breakdown by country



Source: Sofidel.

Turnover breakdown by line of business



Source: Sofidel.

CONSUMER - PRIVATE LABEL

In the field of private-label products made for large-scale retailers, Sofidel has successfully established its range with references that pay particular attention to environmental and social responsibility issues. In the Private Label channel, the Group covers the high end of the market (Premium and Luxury), offering innovative products that often use patents registered by Sofidel or technologies such as Through Air Drying (TAD).

Also included in the Private Label line are the Group's B-Brands, that is, products whose goal is to offer large-scale retail buyers and the end consumer a complete picture of Sofidel's ability to innovate and meet the needs of different markets. The main brand is **Nicky**, distributed in more than twenty-five countries worldwide. The Nicky B-Brand 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 for retailers, such as **Valenty, Florex, Soft&Easy**, and **Dayly**.

AWAY-FROM-HOME (AFH)

Cafés, restaurants, hotels, spas, fitness centers, communities... To meet the specific needs of these types of consumers, Sofidel does more than offer products that simply meet the need to optimize value for money. Thanks to continuous R&D and high-quality service, the Group is able to offer an innovative line of paper products with high value added in terms of hygiene, comfort and environmental friendliness. In the Away-from-Home channel, Sofidel is present in both Europe and the USA with the **Papernet - Sustainable Hygiene brand**.

PARENT REELS

This channel consists of the sale of large reels to converting companies that do not have paper production factories and purchase semi-finished products, who find the answer to their needs in the Sofidel Group.

E-COMMERCE

Sofidel was one of the first companies in the tissue industry to seize the opportunity for digital transformation and focus on online commerce. The Group strategy is designed to identify new business opportunities, so that we can be present where the consumer is. To support sales, we constantly monitor the digital shelf, using Search Engine Optimization (SEO) to help customers find our products. We also engage consumers through competitions, promotions and gaming activities to build loyalty and increase service quality. Through our e-commerce activities, we convey the strengths of our product and our commitment to sustainability.

GOVERNANCE

The corporate asset

GRI 2-9	Governance structure and composition
GRI 2-10	Nomination and selection of the highest governance body
GRI 2-11	Chair of the highest governance body
GRI 2-15	Conflicts of interest
GRI 2-16	Communication of critical concerns
GRI 2-17	Collective knowledge of the highest governance body
GRI 2-18	Performance assessment of the highest governance body
GRI 2-19	Remuneration policies
GRI 2-20	Process to determine remuneration
GRI 2-21	Annual total compensation ratio
GRI 405-1-a	Diversity of governance bodies and employees

The Sofidel **Corporate Governance model** consists of:

- the **Board of Directors** (BoD) appointed by the Shareholders' Meeting, which includes members of the Lazzareschi and Stefani families who established the company in 1966 and own 100% of the capital[5].
- the **Board of Statutory Auditors** appointed by the Shareholders' Meeting;
- the **Risk Control and Sustainability Committee** appointed by the BoD;
- the **Supervisory Board** appointed by the BoD;
- the **Internal Audit function**, the head of which is appointed by the BoD on the recommendation of the Risk Control and Sustainability Committee;
- the company in charge of the legal audit of the accounts, appointed at the Shareholders' Meeting.

Since 2021, Sofidel's Board of Directors has been joined by directors from outside the two founding families: university professors Silvio Bianchi Martini, an expert in business management and strategy, and Chiara Mio[6], who has extensive in-depth knowledge of sustainability issues; manager Andrea Munari (CEO of Amco, formerly CEO of BNL and with extensive experience in international banking); and accountant Alessandro Solidoro.

The decision to open the BoD to independent directors, who offer **extensive experience and expertise in the economic and banking fields and in sustainability**, is to promote the organization's growth and further strengthen its credibility and ability to manage environmental, social and economic impacts so as to ensure long-term sustainable development.

The entry into the Board of Directors of high-profile figures from sectors outside the tissue market allows Sofidel to be open to new ideas and to acquire useful knowledge for future challenges. The introduction of external points of view, with a strong critical spirit and a broad, long-term vision, is a stimulus for the BoD to constantly improve its operations and to create value for all stakeholders in an increasingly fluid external macro-economic scenario subject to rapid and sudden change.

Having exceeded the turnover threshold of three billion euro, and with operations on two continents, it was important to strengthen Sofidel's governance in order to give new impetus to growth and continue **to act with the utmost transparency** to guarantee the group's medium/long-term economic and financial equilibrium.

The percentage of outside directors to the total number of board members is 37.5%.

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

[5] Sofidel's Board of Directors consists of 8 members, 6 men and 2 women, all with extensive experience and an average age of over 50.

[6] Since March 2023, Ms Mio has been an advisor on these issues to the BoD and the RCSC and is no longer a Director.

BOARD OF DIRECTORS

The Board of Directors (BoD) is elected by the Shareholders' Meeting and is composed of five members of the two founding families and of three external directors. It is the highest governance body, with **full responsibility for the Group's economic, social and environmental performance**, which is approved each year by the Shareholders' Meeting during the presentation of the results for the financial year.

THE ROLE OF THE BOD

The Board of Directors is the executive body of a company that is responsible for implementing the decisions taken by the shareholders' meeting and managing business activities on the basis of long-term strategies. It plays a key role in **corporate governance** as it is responsible for approving organizational strategies, the development of management policy, the hiring, supervision and remuneration of senior managers, and ensuring the legal accountability of the organization.

In addition to guiding management, the BoD ensures that the company's organizational, administrative and accounting structure is fit for purpose, supervises its business performance and decides on issues for which it is responsible under the Articles of Association. In carrying out these activities, the Board of Directors pays special attention to the **internal control** and **risk management system**, an activity conducted in part through the **Risk Control and Sustainability Committee**.

Specifically, it:

- assigns and revokes the powers of the Executive Directors, setting their limits and manner of exercise;
- examines, and approves in general lines, the Group's strategic industrial and financial plans, checking their implementation and subsequent deviation, if any;
- examines and approves the company's corporate governance system and Group structure;
- defines the guidelines of the internal control and risk management system with the assistance and on the basis of the indications of the specific Committee, determining the degree of compatibility of risks with management consistent with the identified strategic objectives, including in its evaluations risks that may become relevant with a view to sustainability over the medium/long-term;
- approves, at least annually, the work plan prepared by the Head of the Internal Audit function, after consulting the Risk Control and Sustainability Committee;
- appoints and removes the Head of the Internal Audit function, upon the recommendation of the Risk Control and Sustainability Committee, and after consultation with the Board of Statutory Auditors. With the support of the Risk Control and Sustainability Committee, the BoD also ensures that the Internal Audit function is adequately resourced to carry out its responsibilities;
- in consultation with the Board of Statutory Auditors, assesses the findings of the independent auditor in the letter of suggestions, if any, and in the report on key issues arising from the legal audit;
- with the preparatory support of the Risk Control and Sustainability Committee, assesses the fitness for purpose of the administrative and accounting organizational structure of the company and its subsidiaries;
- on the basis of information received from the Chief Executive Officer at least quarterly, evaluations general business performance, comparing the results achieved with the targets;
- approves in advance the operations of Group Companies of significant economic and financial importance.

The remuneration of the Board of Directors is decided at the Shareholders' Meeting, on the basis of the commitment and expertise required to define the strategic lines needed for the company's development and future.

Sofidel has not yet developed a formal process for assessing the performance of the BoD. Currently, the economic, environmental and social performance of the highest governance body is assessed in a collegial manner, duly considering the owners' point of view. All BoD members participate in discussions and assume responsibility for pursuing or modifying strategy on the basis of the results and feedback

received from the shareholders and stakeholders.

The ratio between the total annual remuneration of the highest office in the Sofidel Group (the highest paid individual) and the median employee salary (i.e., the average salary between the highest and the lowest) is 38.96. The ratio between the percentage increase in the total annual remuneration of the highest office and the median percentage increase in the annual total remuneration of all employees is 0.

RISK CONTROL AND SUSTAINABILITY COMMITTEE

To further strengthen Governance and manage risks and opportunities, as well as the **environmental, social and economic impacts** generated by Sofidel more efficiently, in March 2022 the BoD formed a **Risk Control and Sustainability Committee (RCSC)**. The role of the Committee is to ensure the utmost attention and expertise on two crucial topics for the future of the organization: **mitigation and management of risks and the sustainability strategy**. All the members of the Risk Control and Sustainability Committee are non-executive directors, and the majority are independent.

The RCSC is responsible for assisting the Board of Directors with preparatory, recommendatory and advisory functions in evaluations and decisions relating to the internal control and risk management system, as well as those relating to the approval of the periodic financial, non-financial, and sustainability reports.

The RCSC assists the Board of Directors in carrying out tasks concerning:

- the definition of the guidelines of the internal control and risk management system, so that the main risks pertaining to the parent company and its subsidiaries are correctly identified, adequately measured, managed and monitored, determining the compatibility criteria between the identified risks and the sound and proper management of the company consistently with its strategic objectives;
- the at least annual review of the fitness for purpose and effectiveness of the internal control and risk management system in relation to the characteristics of the company and its risk profile;
- the approval at least annually of the work plan prepared by the head of the internal audit function;
- the evaluation, in consultation with the board of statutory auditors, of the findings set forth in the reports of the independent auditor and in the letter of suggestions, if any, and in the report on key issues arising from the legal audit;
- the appointment and removal of the head of the internal audit function.

In assisting the Board of Directors, the RCSC:

- after consultation with the independent auditor and the board of statutory auditors, assesses the proper use of accounting standards and their uniformity for the purpose of preparing the consolidated financial statements;
- expresses opinions on specific issues related to the identification of the main business risks;
- examines the periodic reports assessing the internal control and risk management system, and key reports prepared by the internal audit function;
- monitors the autonomy, fitness for purpose, effectiveness and efficiency of the internal audit function;
- reports to the Board of Directors, at least semi-annually, when the annual and half-year financial reports are approved, on its activities as well as on the fitness for purpose of the internal control and risk management system;
- is responsible, in a preparatory and advisory capacity, for assessing sustainability and non-financial information in accordance with current regulations.

BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting, the Board of Statutory Auditors is the control body that oversees compliance with the law and the Articles of Association, the organizational principles and proper administration.

SUPERVISORY BOARD

The Supervisory Board is responsible for overseeing Sofidel's liability in connection with crimes committed to benefit the company. Its role is therefore to **oversee and verify the compliance and effectiveness of the 231 Organizational Model** (a corporate management system designed to identify all operational procedures developed by the organization to reduce the risk of crime in the interest or to the advantage of the organization), to report any deficiencies, anomalies and violations, or to update the Model where necessary.
The Supervisory Body is therefore central to both the Model itself and to the requirements compliance programs. It is also charged with the following tasks:

- the proposal of amendments to the Model, for example, as a result of changes in the company's structure or operations, rather than in the regulatory framework;
- the supervision and control of compliance with and effective implementation of the 231 OM by the recipients;
- the management and monitoring of information and training initiatives to spread knowledge and understanding of the OM among its recipients;
- the management and control of information received regarding the operation of the Model;
- the identification of activities at the risk of crime and the planning of controls to prevent crime;
- the identification of the methods of management of the financial resources necessary to prevent crimes from being committed, as well as the introduction of appropriate disciplinary systems for non-compliance with the measures set forth in the OM.

INTERNAL AUDIT

The Internal Audit Function supports the organization in pursuing its goals by assessing and improving the internal control, risk management and corporate governance processes.

Specifically, it conducts independent and objective assurance activities to improve the efficiency and effectiveness of the organization and assess the fitness for purpose and effective operation of the Internal Control and Risk Management System. In this way it also contributes to the development and dissemination of the control and risk management culture within the organization.

LEGAL AUDIT

The company currently engaged to perform the Legal Audit of the Group's consolidated financial statements and the separate financial statements of Sofidel S.p.A. is EY.

Corporate structure of the Sofidel Group

Board of Directors[7]
IN CHARGE FOR THE FINANCIAL YEARS 2022 - 2024

Members of the shareholder families

EDILIO STEFANI
Chairman and Board Member

LUIGI LAZZARESCHI
Chief Executive Officer

CRISTINA LAZZARESCHI
Non-executive Director

PAOLA STEFANI
Non-executive Director

NICOLÒ STEFANI
Non-executive Director

External Directors

ANDREA MUNARI
Non-executive Director, Chief Executive Officer Amco S.p.A.

SILVIO BIANCHI MARTINI
Non-executive Director, Full Professor of Business Economics at the University of Pisa

ALESSANDRO SOLIDORO
Non-executive Director, Accountant and Adjunct Professor at the Bocconi University of Milan

GUIDO CORBETTA
Secretary of the Board of Directors, Full Professor of Corporate Strategy at Bocconi University of Milan

[7] The other positions held by the external members of the Board of Directors are set out below.

Andrea Munari
· CEO and DG of AMCO S.p.A.
· Member of the Board of Directors of Koinos sgr
· Member of the Assonime Steering Committee since May 18, 2021;
· Member of the Board of Directors of the Fondazione Cortile dei Gentili since May 10, 2022.

Alessandro Solidoro
· Galbusera S.p.A., Chairman of the Board of Statutory Auditors
· Opera Diocesana per la Preservazione e Diffusione della Fede in Milano, Member of the Board of Directors
· Pirola Corporate Finance S.p.A., Chairman of the Board of Statutory Auditors
· Rome Biomedical Campus University Foundation, Chairman of the Audit Committee
· Collegio San Carlo, Chairman of the Board of Directors
· Collegio San Carlo Foundation, Chairman of the Board of Directors
· Ambrosian Foundation for Catholic Culture and Education (FACEC), Chairman of the Board of Directors
· Promozioni e Sviluppo S.p.A., Director
· Biancamano Group, Supervisory Committee
· Immobiliare Clemg Srl, Sole Director

Risk Control and Sustainability Committee

SILVIO BIANCHI MARTINI
Non-executive Director, Full Professor of Business Economics at the University of Pisa

ALESSANDRO SOLIDORO
Non-executive Director, Accountant and Adjunct Professor at the Bocconi University of Milan

ANTONIO MARIA HERNANDEZ de PEREDA
Secretary of the Risk Control and Sustainability Committee, Corporate Governance Director

Board of Statutory Auditors
IN OFFICE FOR THE FINANCIAL YEARS 2022 - 2024

UGO FAVA
Chairman

GABRIELE NENCINI
FRANCESCA BITOZZI
Acting Auditors

Supervisory Board 231/01

GIANFRANCO DEL GRANDE
Chairman

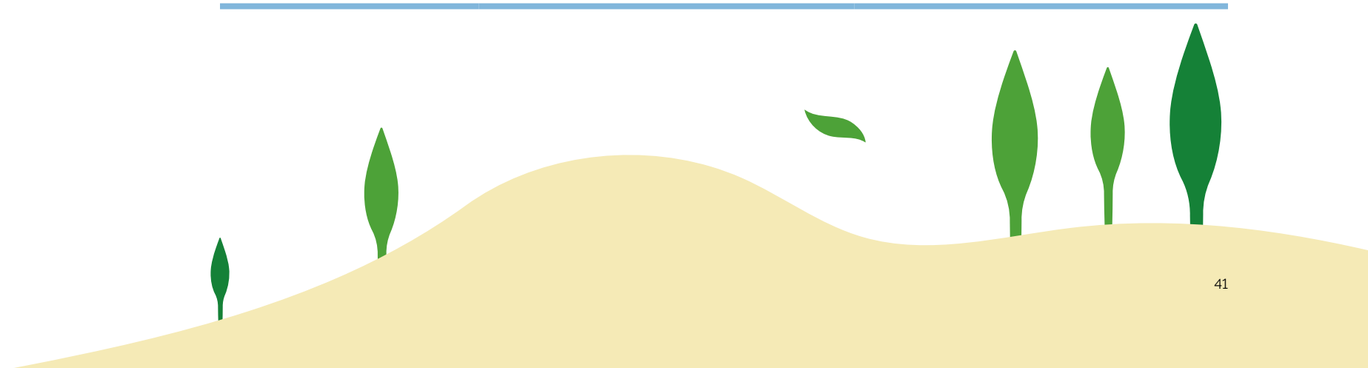
GIACOMO CARDANI
SIMONE FERRETTI
Acting members

Internal Audit

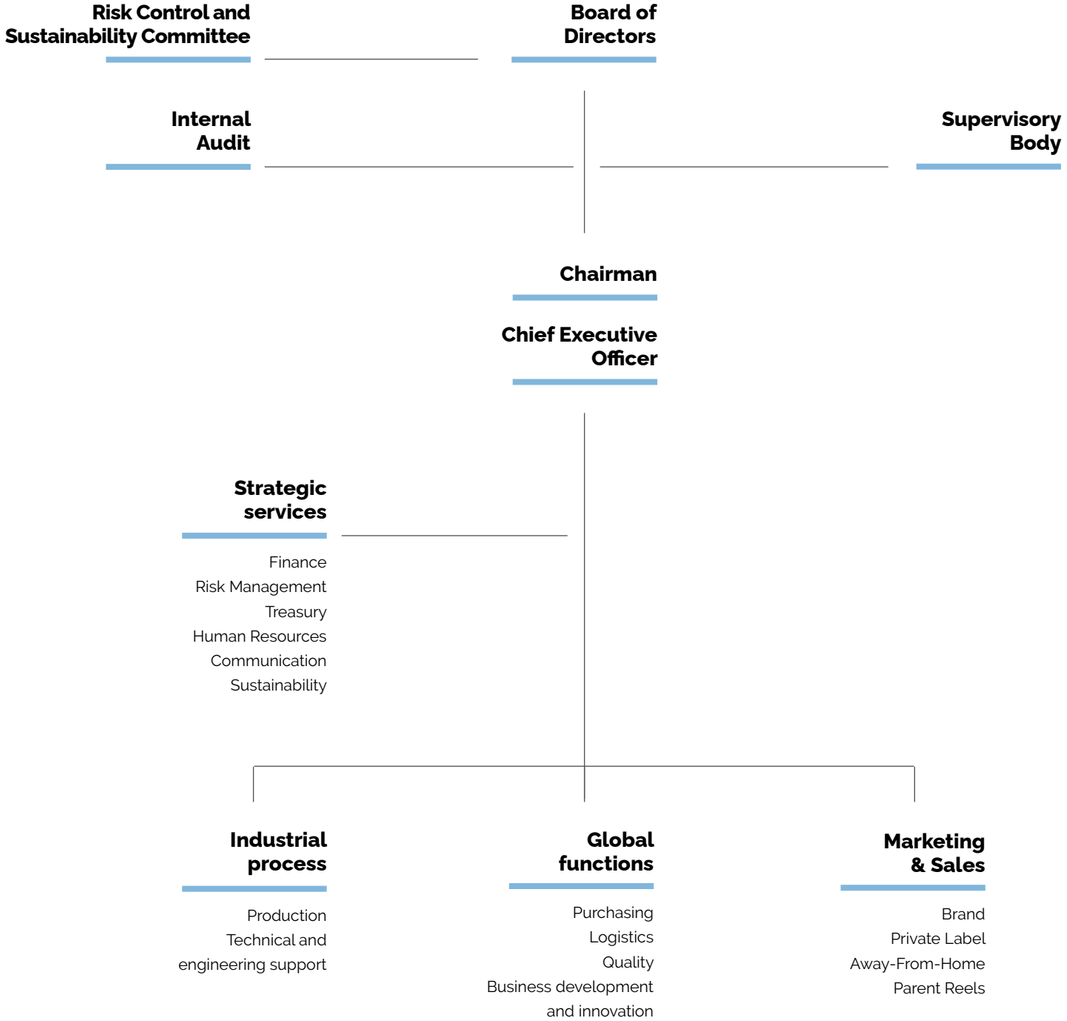
SIMONE FERRETTI
Manager

Auditing Firm
IN CHARGE FOR THE FINANCIAL YEARS 2022 – 2024

EY S.p.A.



Sofidel Group organization chart



The internal control and risk management system

GRI 2-25	Processes to remediate negative impacts
GRI 2-26	Mechanisms for seeking advice and raising concerns
GRI 205-1	Operations assessed for risks related to corruption
GRI 3-3	Management of material topics
GRI 406-1	Incidents of discrimination and corrective actions taken

The objective of the internal control and risk management system is to ensure solid sustainable development, which **creates long-term value** not only for shareholders but for all stakeholders. Our control and risk management system is inspired by the CoSO Report (Internal Control Integrated Framework) and consists of three levels of control:

First level

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

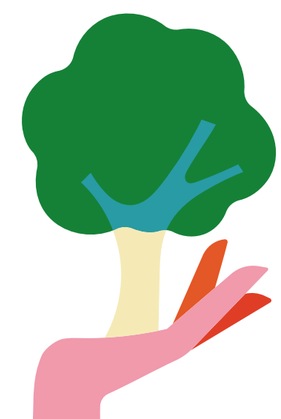
Second level

Concerns the **Control and Risk Management**functions. It anticipates and monitors the main risks for the achievement of the corporate goals and ensures an effective treatment and adequate control measures.

Third level

Concerns **Internal Audit**, which conducts independent assurance activities to improve the efficiency of the organization and assess the fitness for purpose and operation of the Internal Control and Risk Management System. The Board of Directors approved the formation and responsibilities of the Internal Audit function in 2022.
In addition, the **Supervisory Board** is responsible for supervising the implementation and proper functioning of the company's Organizational, Management and Control Model in accordance with **Legislative Decree 231/01**[8]. The updating of the Model is the responsibility of the Risk Management & Compliance department. This organization reflects the Group's desire to continue improving its control system.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IS THE SET OF TOOLS, PROCEDURES, RULES AND ORGANIZATIONAL STRUCTURES THAT ENABLE THE COMPANY TO BE MANAGED IN A HEALTHY AND PROPER WAY CONSISTENTLY WITH ITS SUSTAINABLE GROWTH OBJECTIVES.



[8] Legislative Decree 231/01 is applied in Italy.

THE VALUES OF THE INTERNAL CONTROL SYSTEM

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

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

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

Furthermore, all our companies have a **job rotation program**, which, in addition to raising people's skills, reduces the risks of fraud and corruption by encouraging the creation of relationships based on the highest ethical values with all our stakeholders.

ANTI-CORRUPTION MANAGEMENT SYSTEM (ISO 37001)

In 2023, responsibility for the Anti-Corruption Management System, previously held by the Business Control department, passed to the Risk Management & Compliance department. 2023 was therefore devoted to training the members of the department tasked with the management of the System and to consolidating the work done in previous years with regard to risk assessment[9] and training. The training course was also attended by the Focal Point of the foreign companies where the system has been adopted.

The Group companies that adopt the model are, in addition to the Italian Sofidel and Soffass companies, the subsidiaries Sofidel Spain, Sofidel Benelux, Sofidel France and Sofidel Germany. The system for the time being is not certified. The goal for 2024 is to extend the model to a new company and in the longer term to introduce it throughout the Group.

The anti-corruption model is adopted with a resolution of the Board of Directors' approval, or upon the decision of the Legal Representative. Simultaneously with the adoption of the model, the Ethics & Compliance Program, an integral part of the model, is approved, and the Focal Point, the function representing the Group on anti-corruption issues, is appointed.

WHISTLEBLOWING

In 2023, the Group began a review of the existing whistleblowing procedure in order to further facilitate its use and introduce more advanced tools to ensure the confidentiality of information received through whistleblowing.

On October 27, 2023, the Board of Directors approved the new Group Whistleblowing Policy, which provides for the creation of an internal reporting channel through the use of an IT platform and confirms the possibility of receiving anonymous reports. The platform will be accessible from the website www.sofidel.com. The early months of 2024 will be devoted to implementing the platform, preparing corporate procedures, and training staff.

Sofidel protects and encourages anyone who wishes to report potential inappropriate conduct, misconduct or alleged breaches of laws, regulations and the principles expressed in Group policies and procedures. The Whistleblowing system is adopted to ensure the confidentiality of whistleblowers and other protected parties. It also recognizes the whistleblower's right to make anonymous reports and guarantees in all cases the confidentiality of the information presented. The Group believes that this tool strengthens the internal control system and considers that reporting reflects a **sense of civic duty**, which helps to bring to light and prevent situations that undermine good administration and, more generally, the collective public interest. No reports of discrimination were made in 2023.

THE FUNCTIONS OF THE INTERNAL CONTROL SYSTEM

During the year, the Supervisory Board, Internal Audit and the Risk Management & Compliance function helped the various corporate functions establish controls and assess their effectiveness.

A training and information campaign was implemented to ensure employees understand **the importance of and responsibility for the monitoring and control activities**. Meanwhile, the training program to inform people about Legislative Decree 231/01 and its contents continued, and a training course was organized for Process Risk Specialists covering techniques for identifying process failures and evaluating controls to mitigate process risks.

The **Quarterly Report**, 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.

[9] The risk assessment involved 14 out of 37 offices and plants, equivalent to 38% of the Sofidel Group.

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

Risk management and monitoring

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

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

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

During 2023, the function updated risk assessment by introducing risk scenario analysis to optimize representation of both the causes and effects of risk across the organization, and further strengthening the quantitative economic assessment of impacts in each identified scenario. This made it possible to increase the objectivity of risk assessment, the immediate comparability of the investment value of treatment measures versus the risk reduction benefits, and thus give greater support for more informed choices. The risk assessment was shared with the Risk Control and Sustainability Committee and ratified by the Board of Directors to identify investment priorities in terms of risk mitigation.

In addition, the monitoring of action plans continued, and periodic monitoring meetings attended by the CEO were conducted, during which certain indicators were analyzed and goals and action plans for the future were defined.

To assess risks, Sofidel considered both **the probability of occurrence** and the **severity of the impacts** that would arise in a given time frame (1 year). 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 is considered. The activity allowed to measure the impacts of the risk with respect to the achievement of the corporate goals and led to the drafting of the **Sofidel Risk Catalog**.

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

Risk management: the Sofidel model

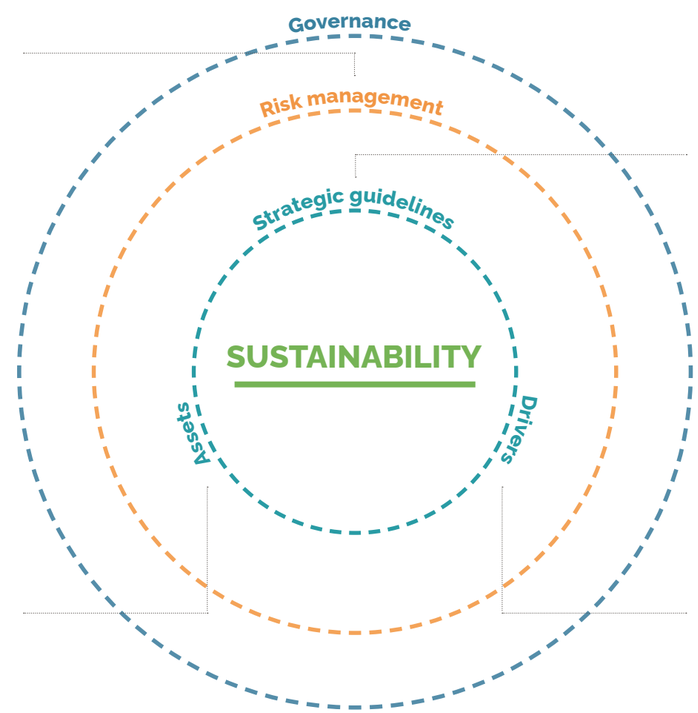
Sustainability at the heart of the organizational model

Governance

· Rules on governance
· Organization
· Management systems

Risk management

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



Strategic guidelines

· Sustainable growth, within the planet's limits
· 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

Assets

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

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

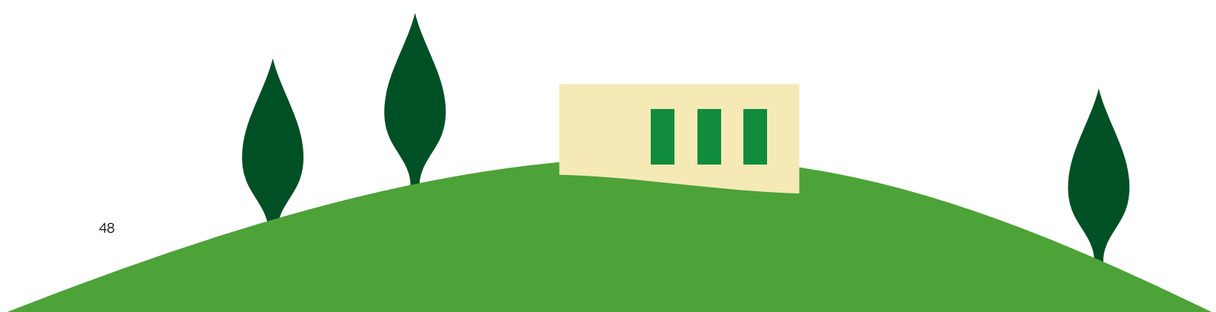
GRI 3-3 Management of material topics

On the basis of the materiality matrix, the Sofidel Group has identified the main ESG risks relating to primary environmental, social and governance issues for our stakeholders.

These risks are integrated into the ERM (Enterprise Risk Management) model, which takes into account ESG factors and their possible impact on the organization 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 of competitive advantage over time. We present the **main ESG risks** below, but the management policy for all risks identified by the ERM model is available upon request.

Proper management of forest resources

Type of risk	Management policy
Risk of reputational damage for the company and its brands due to a supply chain that is not in line with Sofidel's principles.	Sofidel Group's goal is to minimize the risks related to its supply chain. In order to achieve this result and to mitigate the risk of reputational damage, we have two lines of intervention: • adopting the ISO 20400 standard as a sustainability model for purchasing; • assessing suppliers' sustainability strategies and performance. The tool we use to assess suppliers on sustainability issues is the **TenP Paper** platform. Developed together with Global Compact Network Italy, TenP Paper measures the performance of suppliers in four different contexts: **work conditions, respect for human rights, safeguarding of the environment and fight against corruption**. Depending on the score achieved with this assessment system, Sofidel subdivides suppliers into three categories: green, or those who achieved excellent results in all four contexts, yellow, or those who are sustainable although they still have certain weaknesses on some fronts, and red, or those who are not yet in line with the Group's sustainability principles. Sofidel carries out numerous support and training interventions to help suppliers who are not yet sustainable improve. If the suppliers do not make progress despite the support, the company assesses the likeliness to interrupt their partnership. In 2023, **97% of critical Group purchases were with suppliers valued on the TenP platform**. TenP Paper's data is reported on the Ariba platform, which allows Sofidel to request further documentary information from suppliers to confirm their replies. In 2023, Sofidel began conducting **audits on the premises of cellulose suppliers** to mitigate the legality risk.



Type of risk	Management policy
Risk of loss or restrictions on the user license for the PEFC, FSC® and Ecolabel brands as a result of serious non-compliances.	To reduce the risk of losing the user license for the PEFC, FSC® and Ecolabel brands, Sofidel undertakes to: • carefully select its suppliers, choosing only those capable of ensuring not only the amount of cellulose required and delivery times, but also the quality of the fibers and **eco-sustainable management of forest resources**; • establish long-term relationships, by only selecting suppliers able to **guarantee the user license** and respect for certifications, in accordance with specific contractual clauses; • plan annual verification of certifications through our supplier pre-qualification system (TenP Paper); • request detailed information on how the supplier produces the cellulose; • insert the Ecolabel management procedure in the ISO 14001 management system. Sofidel has also instituted a monthly monitoring system for FSC®, PEFC and Ecolabel credits to verify compliance with the conditions required by these certifications.
Risk of non-compliance with the traceability requirements relating to raw materials and the finished product	Sofidel has adopted an **identification system** that allows raw materials and the finished product to be traced. The traceability system is described in a specific procedure and is periodically monitored through internal and external audits. In addition, starting in 2023, the Product Safety Corporate department conducts product recall simulations to check the time required to find all the necessary upstream and downstream information to identify the material and eventually withdraw it from the market.
Risks associated with the availability of cellulose.	In order to reduce the risk of cellulose shortage, the Sofidel Group protects itself through: • careful selection of suppliers who can guarantee not only the amount of cellulose required and delivery times, but also the quality of the fibers and **eco-sustainable management of forest resources**; • **stipulation of** long-term contracts to ensure supplies and obtain better economic conditions; • research into and assessment of **alternative fibers** that do not come from trees, but from agriculture, herbaceous plants or textile waste.

Climate change and reduction of emissions into the atmosphere

Type of risk	Management policy
Risk of not meeting sustainability objectives (carbon, plastic, forests)	In 2023, Sofidel formed a Sustainability Department with responsibility for drafting and monitoring the three-year sustainability plan. The 2024-2026 plan was drawn up and shared with all corporate functions and the Risk Control and Sustainability Committee, and approved on December 1, 2023, by the Board of Directors. The department also developed indicators to assess the achievement of plan goals and will implement processes to monitor these indicators during 2024. The **Governance system** allows the company to minimize the risk of not achieving its sustainability goals. Key mitigation measures include: • the entry of high-profile figures on the Board of Directors/Risk Control and Sustainability Committee, including Chiara Mio, **one of the leading sustainability experts in Italy,** and Silvio Bianchi Martini, an expert in corporate strategy and risk management; • the audit carried out each year by a leading auditing firm to **certify the integrated report** on Sofidel's sustainability goals; • the **quarterly report** drafted to update the BoD on financial performance and the main sustainability goals; • **annual participation in the CDP** (Carbon Disclosure Project) and **Sustainalytics rating**; • the **approval by Science-Based Targets initiative (SBTi)** of our 2030 greenhouse gas emission reduction targets; • **certification** by SGS, the world's leading provider of inspection, verification, analysis and certification services, of our GHG emission inventory; • the development of a strict and detailed **Policy** in partnership with WWF, to regulate the **procurement of forest resources**.
Risk of a skills gap on decarbonization and energy transition	Sofidel moved well in advance on decarbonization and, in 2009, was the first paper-making company in Italy and worldwide to join the **WWF Climate Savers** program, a voluntary project to reduce CO_2 emissions. Its long and fruitful partnership with WWF has allowed it to benefit from constant exchanges with experts and to stay updated on decarbonization and energy transition topics. In Europe and America, Sofidel has a function dedicated to decarbonization and energy transition, whose staff work in close contact with the Finance office on the tax and accounting aspects associated with the purchase of energy. All the Group's European plants are **ISO 14001** certified and our 2030 and 2050 emission reduction goals have been approved by **SBTi (Science Based Target initiative)** and deemed in line with keeping the planet's temperature increase well below 2°C. The Group also has an open and continuous dialog with the main **associations of the paper-making sector in Italy and Europe**, 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. Sofidel also has an internal training program dedicated to sustainability and a blog that periodically addresses the most current issues. In 2021, Chiara Mio, professor of business economics and sustainability at Ca' Foscari University in Venice and one of Italy's leading experts on sustainability and ESG issues, joined Sofidel's Risk Control and Sustainability Committee.

Type of risk	Management policy
Risk of extreme atmospheric events due to climate changes (floods, drought, hydrogeological instability...)	Sofidel has been working in multiple directions to be more resilient and mitigate the risk of extreme atmospheric events which can affect its plants: • it has **invested to protect** the plants most exposed to the risk of flooding; • it has **reduced water consumption to a minimum** to better address drought and water stress issues; • it uses **several water sources** to manage any critical situation more efficiently. Sofidel also uses one of the most renowned insurance services to identify the most effective damage mitigation measures. Furthermore, an analysis is underway to verify the possibility of extending the **water re-use system** to more Sofidel plants, so as to further reduce the water procurement needs of our production plants. During 2024, a "Climate Change Risk Assessment" (for both physical and transactional risks) will be carried out, based on the TCFD standard, to identify the main critical issues facing the Group. The most at-risk plants will then be identified, on which a specific climate change analysis will be carried out from 2025.
Risk of an increase in the cost of energy, gas and CO_2	To mitigate the risk of rises in the costs of energy, gas and carbon emission bonds, Sofidel adopts several toolsincluding: • **supply contracts that combine fixed price and variable price** to reduce exposure to market volatility; • **long-term agreements for the** procurement of renewable electricity; • **differentiation of energy sources**, providing for the use of fuels of natural origin (e.g., biomass) that are not subject to the variations that affect the gas and electricity markets; • **programs for reducing energy consumption** in the ISO 50001-certified energy management systems; • an energy commodity **price risk management policy,** which provides for the possibility of flanking physical covers with financial covers, following the guidelines set by an internal committee that periodically monitors energy commodity price trends.

Health and safety of workers

Type of risk	Management policy
Risk of workplace injuries	To limit the risk of injuries and protect the health of workers, contractors and visitors, Sofidel constantly monitors workplaces: • by carrying out internal audits and inspections; • by implementing the best safety standards in the plants and on the machinery; • by implementing training and information programs. A risk assessment report has been developed based on European directives, which identifies the risks and prevention measures for occupational health and safety. In this regard, in 2023 Sofidel launched a pilot project in a key country (Italy) for the complete review and implementation of the Risk Assessment Document, which will be gradually extended to other countries where possible and useful. Sofidel has also adopted the international **ISO 45001** standard, an international tool to improve prevention policies and counter injuries and professional diseases ever more effectively. To strengthen its **strategy to lower injury rates**, Sofidel has extended its Health & Safety training plan to the European and American plants, setting specific KPIs and defining a quarterly monitoring system. The Health and Safety managers in the various countries periodically meet to share best practices and promote continuous improvement. In 2023, implementation continued of the **"Safe Behavior Observatory"**, a field analysis where the work teams take turns observing each other carrying out their activities to reinforce positive behavior, report behavior that could put safety at risk, and identify protection and prevention measures. The Safe Behavior Observatory's goal is to create a robust and mindful safety culture in all the Group's plants. In addition, the **"Leadership in Safety" project was launched** to support plant middle managers (production, maintenance, warehousing) in managing their crucial role as prevention managers, motivating and helping people achieve greater awareness for virtuous behavior at work.
Occupational disease risk	Sofidel pays careful attention to the selection of **personal protection equipment** (PPEs) and continuously works to improve its efficiency and ensure ever greater levels of protection and comfort. The staff is constantly trained and instructed on the proper use of the personal protection equipment and its maintenance. The safety managers have the task of making sure the use of PPEs occurs on the basis of the risk assessment document (RAD). The RAD is updated periodically and concerns different types of risk, among which the risk of professional diseases due to noise, chemical substances, vibrations and manual handling of loads. An improvement plan is provided for each of these risks. For example, Sofidel works to reduce noise and increased its investments in automation to solve risks associated to the manual handling of loads at the source. A pilot project is underway in Italy on the proper use of PPE with a terminal-based self-declaration system on PPE use.

Type of risk	Management policy
Risk of purchasing machinery that is not appropriate for Sofidel production and plants, which could compromise overall efficiency and safety	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. In terms of risk reduction **from a technical point of view**, the CTO (Chief Technical Officer) and Production functions: • make a preliminary analysis of the characteristics of the machine to be introduced into the plant and the processing cycle, with the aim of optimizing the workflow; • check the operation of the machinery at the supplier's premises or at other companies where it is used; • draw up a **technical specification** to improve the machinery based on the experience acquired by Sofidel over the years, covering several areas, such as ergonomics, efficiency, ease of maintenance; • perform a **factory acceptance test** to verify that the machinery is devoid of defects and working properly; • check that the machinery is **CE marked** and has an operating and maintenance manual in the local language; • monitor the performance of the machinery and the technical characteristics of the products. With regard to worker Health and Safety, following installation of a new machine in the production cycle, the plant's **Health & Safety Manager** updates the RAD. The various aspects assessed include protective measures against chemicals, electrical or mechanical risks, noise, vibrations and musculoskeletal damage.
Fire risk	The fire prevention systems adopted by Sofidel comply with existing regulations and are subject to **periodic checks**. These systems include: fire hydrants, fire extinguishers, fire doors, fire detectors and automatic extinguishing systems. The staff of the fire prevention teams participate in periodic training courses. The Health and Safety department regularly **records the best practices** developed by the fire prevention teams of the various plants to mitigate the risk of fire, for use in specific training. Finally, a Basic Cleaning & Inspection system (BCI) was recently introduced, which is the standard for cleaning and inspection of production lines to maintain safety, product quality, fire prevention, workplace decorum, and efficiency. The accumulation of potentially flammable material due to poor cleaning after each shift or maintenance activity is the cause of many micro-fires or explosions. The BCI system meets the need to prevent such incidents. The residual risk has been transferred to a leading insurance company.
Global health risk	Sofidel developed a process for managing the health crisis. In the event of a health emergency, for example, outbreaks of new diseases that can put worker's health at risk, **a committee is set up to make timely decisions aimed at protecting the health** of the people working within the company and at analyzing the impacts on business. Moreover, the location of several production sites in the same country, together with the possibility of organizing production in another country, enables Sofidel to reduce the damage caused by production stoppages in one country. During 2023, the information and training program on health, prevention and wellness based on modules designed to raise employee awareness of healthy lifestyles was resumed in Italy. The program will be rolled out in some European countries in 2024.

Product Quality and Safety

Type of risk	Management policy
Product quality risk	Sofidel devotes the utmost attention to guaranteeing **constant product quality** and compliance with **the highest safety standards** to protect the health of consumers. To reduce the product quality risk, Sofidel has implemented the **ISO 9001 Quality Management System** in all its European plants. Product quality is constantly monitored at every production stage, in both the paper mills and the converting sites, using various **Product Compliance Indexes**. These management systems allow us to meet the needs of consumers and all the requirements of our large-scale retail customers, thus significantly reducing the quality risk for the entire life cycle of the products. At each production step, the company verifies that all procedures and checks provided by the Quality Management System are properly applied.
Risks connected to an inadequate product design	To reduce the risk of an inadequate product design, the Group has adopted a **New Products Development procedure** which ensures that the new product is analyzed by the different corporate functions to check for compliance with regulations, the effective possibility of making a product and its ability to meet the needs of customers and consumers. All Sofidel's European plants **are ISO 9001 certified** with the aim of pursuing customer satisfaction and continuing to improve corporate performance, so as to be able to maintain and further develop the quality of its goods and services Sofidel is also working on a product portfolio rationalization and optimization project to reduce costs, improve efficiency and increasingly focus on innovation projects. To promote innovation, the Group has developed Sofidel 2030, a project in partnership with the Polytechnic of Milan, to form a **Task Force of young innovators** capable of applying the design thinking method to the development of new products and business processes.
Product contamination risk	To limit and control the product contamination and safety risk, Sofidel's production processes are certified according to the standard principles used for products dedicated to hygiene, the home and personal care: **BRC** (Global Standard Consumer Products, Personal Care and Household) e **IFS** (International Food Standard, Household and Personal Care Products). All production sites have also adopted the **Health-Hygiene Self-Control System**, which ensures compliance with the regulations governing the tissue sector. These management systems allow us to ensure consumer safety and significantly reduce the risk of contamination for the entire production cycle, up to the release of the product on the market. All functions, from production to warehouse transfer, work to minimize the risk of contamination. The Sofidel Health-Hygiene Self-Control system also involves **photographic inspections in the factories** to monitor the level of compliance with health-hygiene requirements. Work is underway to standardize the photographic inspection evaluation system and establish a Group benchmark to which all plants will be required to observe.
Risk of losing customers following the loss of the ISO 9001, BRC and IFS certifications	To reduce the risk of losing customers following the loss of the main certifications on product safety and quality, Sofidel implements the following actions: • it implements all procedures; • it organizes training sessions; • it implements monitoring and control systems. The Quality Manager is responsible for monitoring the actions developed to reduce the risk to a minimum. This figure has the task of disseminating the culture of quality within the company and is responsible for ensuring that all ISO 9001 procedures are followed and regularly applied. Moreover, the company organizes periodic training courses on the quality topic.

Ecological products and sustainable packaging

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

Circular economy and waste management

Type of risk	Management policy
Risk of fraudulent disposal of production waste	The plants of the Sofidel Group follow **rigorous procedures** to reduce the risk of illicit and fraudulent disposal of waste and subdivide waste materials into uniform categories to allow their recovery. These procedures are integrated in the **ISO 14001** management systems and subject to frequent audits. Certification involves third-party audits, with the purpose of verifying the legality of waste management. Waste includes metals, plastics, wood and cardboard and is disposed of by specialized collection and recycling companies. The main **waste generated by paper-making activity** is the sludge from waste paper production. This type of waste is recovered in activities such as the manufacture of bricks or the environmental remediation of mining areas. **Hazardous waste** is generated by the maintenance of industrial plants and includes fluorescent tubes, waste oils and accumulators. Sofidel carries out frequent checks to make sure the operators who handle the transport and management of this waste operate properly, both in and outside of the Group's factories.

Proper management of water resources

Type of risk	Management policy
Risks associated with the availability of water resources	The world's water consumption has increased 6-fold in the last 100 years and continues to rise due to population growth, economic development and evolving lifestyles. Climate change will make rainfall increasingly irregular and uncertain, thus causing **droughts**, not only in regions subject to water stress, but also in countries where water resources are still abundant. To prevent the risks associated with the availability of water, the Group has made important investments to reduce the amount of water required for the production process. Today, thanks to the **optimization of production cycles and careful design of industrial plants**, its consumption is the lowest in the sector. The recently-built sites are designed to reduce water consumption to a minimum. The installations purchased from other companies were instead improved over time, with numerous interventions to ensure an optimal level of performance. A "Climate Change Risk Assessment" will be carried out in 2024 to identify the main critical issues for the organization associated with climate change including drought. The analysis will enable the organization to identify medium/long-term risks and take the necessary mitigation measures in good time.
Risk of soil, subsoil, groundwater and surface water pollution	For Sofidel, respect for the environment and health of people is an essential guiding principle of all production activities. In this regard, the company is very attentive to the management of its environmental impacts and has adopted the **ISO 14001** management system. The Group also takes specific measures to **manage wastewater treatment plants** more efficiently and prevent the risk of soil and groundwater pollution. To ensure optimal control of corporate procedures and practices, **frequent audits are carried out** both by internal personnel and by third parties to minimize the risk of environmental accidents involving water, air, soil and subsoil. In 2023, a new insurance policy was taken out to cover remediation costs, environmental damage and third-party damages.

Respect for Human Rights and management of Diversity and Equal Opportunities

Type of risk	Management policy
Risk of an improper management of rights, equity and inclusion.	Sofidel addresses these topics in the **Code of Ethics** which is distributed to all employees upon hiring. In addition, it has developed a **Human Rights Compliance Policy** on which a new round of specific training will be conducted during 2024. The supply chain evaluation system includes the issues of human rights, workers' rights and the environment. A precise procurement policy and code of conduct has been developed for pulp suppliers which includes the issue of workers' rights and local communities. As described earlier, the Group has introduced a **whistleblowing system** to enable all employees to report critical issues, abuse and improper behavior. The system is currently being updated to facilitate its use and activate more advanced tools to guarantee the confidentiality of information received through the whistleblowing channel.

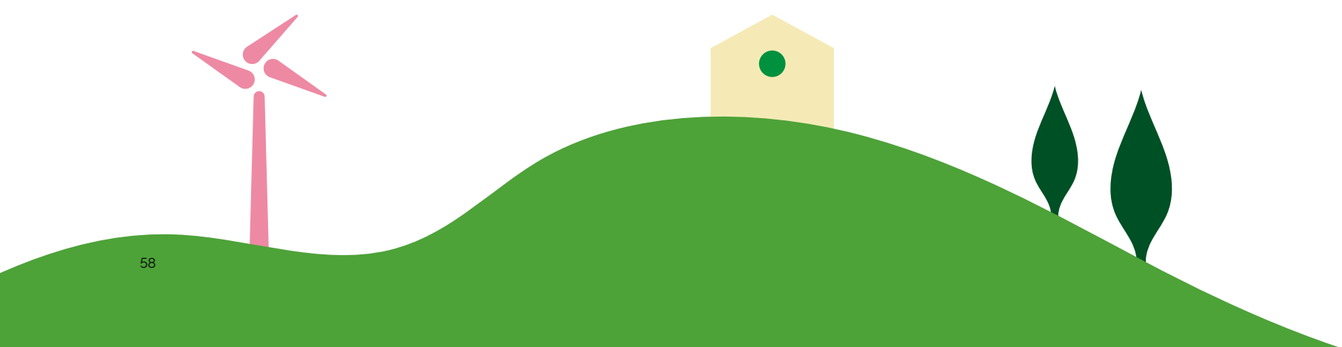
Transparent management of the supply chain

Type of risk	Management policy
Risk of supply continuity and dependence on suppliers	In order to ensure the continuity of the supplies required for its activities, Sofidel analyzed the supply chain under different points of view: • **it periodically monitors the solvency** of all suppliers operating in complex markets and who would be difficult to replace for the product they supply; • **it checks where most expenses go**. Sofidel periodically carries out spend analyses to check the distribution of expenditure within the same product category and take decisions accordingly, assessing Sofidel's dependency on a single supplier or geographical areas at risk; • **it mitigates the risk of unplanned interruptions** in the energy supply by: - continuously monitoring the financial health status of its energy suppliers; – maintaining and **continuously updating** its plants according to the new standards of the energy sector. Moreover, all critical suppliers, or those belonging to the thirteen expense categories identified as critical, **must make a self-assessment on the Ariba platform**, by filling out the TenP Paper questionnaire. In this way, the Group has an updated picture of the level of sustainability of its suppliers. For aggregate monitoring of the different supplier risk parameters (level of solvency, TenP Paper rating, turnover and spending concentration), the purchasing department has created a specific dashboard based on which it: • sets **annual goals for people working in the office** on each of the three monitored indicators; • defines **strategies for handling** situations not aligned with Sofidel standards. In addition, semi-annual monitoring with the Risk Managament Department and the CEO began in 2023.

Ethics and transparency

Type of risk	Management policy
Governance risk	In recent years, Sofidel significantly changed its governance model by: • introducing **independent members within the Board of Directors**; • creating the **Risk Control and Sustainability Committee**; • forming the **Risk Management & Compliance** function for second-level control; • forming the **Internal Audit function**; • setting up the **Sustainability department**. The purpose of these changes is to ensure strong and transparent governance with a clear vision of the future, that is capable of anticipating and managing the risks which could compromise the implementation of strategies and sustainability goals. In addition, Sofidel finalized the analysis of the current system of delegated powers, from which an action plan was drawn up to review and harmonize the system in the following areas: HR, H&S, M&S and Purchasing.

Type of risk	Management policy
Risk of corruption and conflicts of interest	To prevent and reduce the risk of corruption and conflicts of interest, Sofidel has implemented an **anti-bribery model based on the ISO 37001 standard**. As previously described, this model has already been adopted in some Group companies (Italy, France, Belgium, Germany and Spain) and we are working to extend it to other companies. Thanks to the anti-bribery model, **specific controls have been introduced for all Group sales or purchasing activities**, with the aim of dividing tasks and creating a management system that mitigates the risk of corruption and promotes an **ethical and transparent corporate culture**. For example, it is always necessary to assess and compare several offers (with very few and well-identified exceptions). In this regard, to make the negotiation process and contractual conditions applied to the supplier transparent, we developed the Sourcing and Contract modules on the Ariba platform. As far as transportation is concerned, the **Supply Chain department has implemented Trasporeon**, a platform that provides transparent management of transportation and routes assignment. Moreover, frequent job rotation is implemented for the people in the purchasing department who are in direct contact with suppliers.
Compliance risk in connection with environmental, tax and antitrust regulations	To mitigate the risk relating to compliance with environmental regulations, Sofidel has implemented the **ISO 14001** system in all its paper factories (except for the US sites) and developed a system of guidelines and procedures in relation to the **Emission Trading** and Timber Regulations. Furthermore, it carries out external and internal audits on a regular basis. The Group is currently bringing its processes into line with the new regulation against deforestation and environmental degradation (EUDR), which will repeal the Timber Regulation as from January 1, 2025. As far as tax compliance is concerned, and Transfer Pricing in particular, the Group has: • provided for a centralized management of transfer pricing **(Global Transfer Pricing Project)**; • stipulated a series of **Advance Pricing Agreements (APA)** with the Italian Internal Revenue Agency to determine the transfer pricing regime; • initiated a procedure to reach a **Bilateral Advance Pricing Agreement (BAPA)** between Italy and the USA. The goal is to ensure **uniform application** of the policies and provide **preventive certainty** with respect to the criteria and methods adopted to determine transfer pricing. Finally, for international transactions, Sofidel has adopted a system for managing and controlling the tax risk **(Tax Control Framework)**.
Risk of unfair competition	Sofidel implemented an **Antitrust Code of Conduct** containing ancillary procedures and regulations aimed at preventing the risk of unfair competition. A **training course** has been organized to explain how to operate in compliance with the Antitrust Code of Conduct to the Marketing & Sales function **and periodic audits are carried out** by external consultants to ensure enforcement. Furthermore, the company performs a series of checks on products before putting them on the market, during both the development and the production steps. These checks are carried out by the legal department, with the support of external consultants, and Quality and Safety department of Sofidel.



Type of risk	Management policy
Failure to provide a true representation of the figures in the financial statements and in the periodic reports on company performance	Sofidel developed a **system of procedures at administrative, financial and management level** which helps reduce the reporting risk to a minimum. The Group's Finance organization ensures a double check at both national and central level, when the data from all companies is consolidated. Sofidel has developed a range of control mechanisms to ensure data veracity. Each month, it verifies and confirms the financial data by applying the same principles as those used for the annual financial statement. It also issues a **quarterly report, which is sent to the main financial stakeholders, and a half-year report**, which is subject to limited assurance by the auditing firm that certifies the annual financial statements. The audit of Sofidel's 2023 financial statements was conducted by EY. All the Group companies use **the same management system** and this leads to considerable benefits in terms of the quality, uniformity and standardization of the data. Transition to S4, a new, more advanced and up-to-date version of SAP, is planned in 2024, which will: • facilitate the work and further reduce the risk of errors; • use automatic control dashboards with indicators designed to facilitate and accelerate the control at a central and local level; • manage the **"parallel accounting"**,or allow to record data both on the basis of local accounting principles and IFRS (International Financial Reporting Standards), the international standard used for consolidated financial statements.

Brand reputation

Type of risk	Management policy
Risk of failure to manage a crisis situation	For Sofidel, reputation is an important driver for assessing the relevance of risks, because many risks can affect the company's reputation and brands, thus generating a crisis situation. To this end, Sofidel has adopted a **Crisis Management** manual and procedure to ensure prompt and competent management of unexpected crisis situations that could compromise its reputation and brands. It also implemented a **Media Training** program to prepare the senior functions to manage communications and press interviews in a strategic, safe and informed manner. The program simulated various crisis situations that could arise and shared **key messages** designed to manage information and media requests. The program was also an opportunity to: • make the directors of the various functions aware of information procedures and production times; • ensure everyone has the **sensitivity and awareness** needed to address a crisis. Sofidel collaborates with a PR agency with an international network, to be ready to manage the onset of a crisis in all countries in which it operates.
Risk of not providing reliable and updated information to internal and external stakeholders	Sofidel undertakes to promote the **sustainability culture** both internally and externally and to provide precise reports on its financial and sustainability performance. This report is one of the most important tools for communication and engagement with its stakeholders. **To ensure data traceability and reliability**, Sofidel requires all members of the sustainability department to check and keep track of the information received from the other corporate functions. It has also developed various information channels and tools, each with specific goals and contents depending on the audience and communication times deemed most appropriate (newsletters, magazines, online news, social channels, blogs, institutional website, etc.). To inform and engage its workers, and make them feel part of the business, Sofidel continues to update programming on the large screens installed in all the Italian and American plants to communicate the organization's successes, most important projects and current initiatives through videos and infographics.

Digitalization and cybersecurity

GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data

Type of risk	Management policy
Risk of failure to observe the Privacy regulations	Sofidel is very careful about protecting the personal data of its stakeholders. To this end, it has developed a management model in compliance with the European privacy regulation (GDPR - General Data Protection Regulation) and which was shared with all the European companies. It also conducted a risk assessment to identify and assess the main risks related to the respect and management of privacy. On the basis of the assessment data, whenever required by the type of processing, a **Data Protection Officer** was appointed, as required by the European regulation. This figure is the point of reference for all matters related to privacy. The Privacy management model used is constantly updated with the support of external consultants and periodic audits are carried out to ensure its application. For example, in 2022 an audit was conducted in the UK, France, Belgium, and Germany, and in 2023 a gap analysis was carried out on the other European companies. The audit on the Italian companies is scheduled for 2024. With reference to the USA, given the recent publication of the new Europe-USA agreement regarding the transfer of personal data, once the essential aspects of the new measure have been clarified, the company will consider whether or not to adapt the European Privacy model. There were no breaches of customers' privacy and loss of their data in 2023.
Cybersecurity risk	Sofidel considers cybersecurity of primary importance and the topic is addressed using various risk mitigation measures. To monitor and mitigate the risk, the Risk Management & Compliance function, the IT function and the OT function meet periodically with the CEO to discuss strategies and investments. The Sofidel parent company, which is responsible for the main IT services, has adopted the **ISO 27001 management system** (certified by SGS), an international regulation that sets out the requirements for an effective information security management system. ISO 27001 is not only a **cybersecurity standard**; in addition to logical data security, it also includes physical, environmental and organizational security. From an organizational point of view, in 2021 Sofidel created the **Cybersecurity department**: a second-level control office that assesses IT threats, formulates security policies and controls to reduce risks, and carries out auditing and compliance activities with regard to both IT (Information Technology) and OT (Operational Technology). Following the results of the risk assessment, in 2022, in consultation with the other functions, the Cybersecurity department drew up the **new cybersecurity governance system.** Implemented during 2023, the system provides for two departments, one under IT and one under the COO, with responsibility for implementing the activities defined by the Cybersecurity department for, respectively, IT and OT. The main cybersecurity projects carried out in 2023 were as follows: • the installation of new firewalls in the production plants to segregate the network between the offices and the industrial facilities. The roll-out was completed on 11 plants, and installation on the remaining plants is scheduled to take place in 2024; • black box penetration testing; • the start-up of the project for the new Privilege Access Management system for secure administrative user connections to servers using Multi Factor Authentication (MFA) and password rotation; • the drafting of new policies, notably the confidential information management policy. During 2024, the Privilege Access Management project will also be extended to external users who are not employees of Sofidel. In addition, through one of the data line providers, a traffic cleanup service will be activated on DDOS attacks. To increase employee awareness about cybersecurity, the Group runs a continuous training program on the Knowbe4 platform, which also allows simulation of **phishing** attacks. Lastly, the Group has taken out an insurance policy that covers financial damage from cyber events.

Type of risk	Management policy
IT business continuity risk	To **ensure business continuity** in the event of IT issues and cyber attacks, the Sofidel Group set up: • a main Data Center with controlled access; • a disaster recovery Data Center; • UPS and air conditioning power supply systems; • non-rewritable backup systems. In 2023, the IT department replaced the current disaster recovery system, "On Premise", with a **Cloud solution**. In 2023, the IT department completed the replication of the main Data Center infrastructure in a purchased Cloud space located in a European state. It also launched a project due for completion in 2024 to give the the Group a redundant and replicated network infrastructure. During 2024, SAP Enterprise Resource Planning (ERP) will be migrated to SAP 4 via the SAP Rise service.

Employee training, professional development and well-being

Type of risk	Management policy
Risk of losing people with a high potential and know-how	For Sofidel, people are an essential asset, which is why the Group is committed to setting up **growth strategies** which allow to maintain and develop the resources with the most potential and know-how. To mitigate the risk of losing talented and highly experienced people, **Sofidel focuses on training and recognition of merit**, as well as on clear and motivating career paths that may include periods abroad to get to know new markets. The goal is to strengthen the expertise and soft skills on which to focus to ensure a prosperous, sustainable and resilient development for the company. To stay updated, Sofidel also adopted a tool which provides reliable information on the work market trends and employee benefits: salary benchmarks, benefits, MBO plan (Management by Objectives). Moreover, throughout the year, the Human Resources team participates in numerous meetings in which it can share the best practices and discuss of the working world's evolution and of workers' expectations with other companies. Keeping up with the labor market's evolution is essential for keeping resources with a high potential and know-how. In addition, during 2023 Sofidel planned a Group-wide employee engagement assessment process to be launched in the first quarter of 2024. The results will help the organization in establishing action plans to improve the work environment. For current employee training projects, reference should be made to the People chapter.
Risk of impact of union action on production.	The Sofidel Group has an industrial relationship system based on respect and **constant, open and constructive exchanges**, which allow to limit as much as possible the risk of union actions with a negative impact on production. Belief in dialogue and the desire to prevent risks and negative consequences on production and the supply of products to customers led the Group to establish a **process for managing negotiations with unions**, coordinated by Human Resources. The company also meets periodically with union representatives and worker safety representatives **to foster cooperation and exchange views** frankly and freely.

Research and innovation

Type of risk	Management policy
Risk of infringing intellectual property	To protect the intellectual property of its innovation projects, Sofidel defined a process which provides for the signing of **confidentiality agreements** with the members of the research team. It also relies on three successive levels of analysis: • a preliminary patent investigation; • an in-depth study carried out by the team working on the project; • an analysis carried out by the body issuing the patent.

The role of the governance bodies in sustainability management

GRI 2-12	Role of the highest governance body in overseeing the management of impacts
GRI 2-13	Delegation of responsibility for managing impacts
GRI 2-14	Role of the highest governance body in sustainability reporting
GRI 2-17	Collective knowledge of the highest governance body
GRI 2-24	Embedding policy commitments

In Sofidel, the issues of environmental and social sustainability management have been considered integral parts of business strategy for many years.

The agenda of the Group's highest governance body, the **Board of Directors (BoD)**, therefore regularly includes discussions on the main tools for sustainability management: it views and approves the results of the**materiality analysis**; discusses and approves **policies pertaining to ethical, environmental and social topics**; receives, discusses and approves the **sustainability plan,** including key objectives; takes note of the outcome of the risk analysis and new sustainability regulations, reserving the right to decide on related actions; views and approves **annual sustainability reporting**; analyzes any organizational changes that should become necessary in light of the analysis of the above elements.

To carry out these tasks more efficiently, as described in the Governance chapter the BoD has formed a committee responsible for the analysis of sustainability risks and activities, the **Risk Control and Sustainability Committee** (RCSC). The RCSC has been formally delegated to assist the Board of Directors with preparatory, recommendatory and advisory functions, in evaluations and decisions relating to the internal control and risk management system and to approval of the periodic financial, non-financial, and sustainability reports.

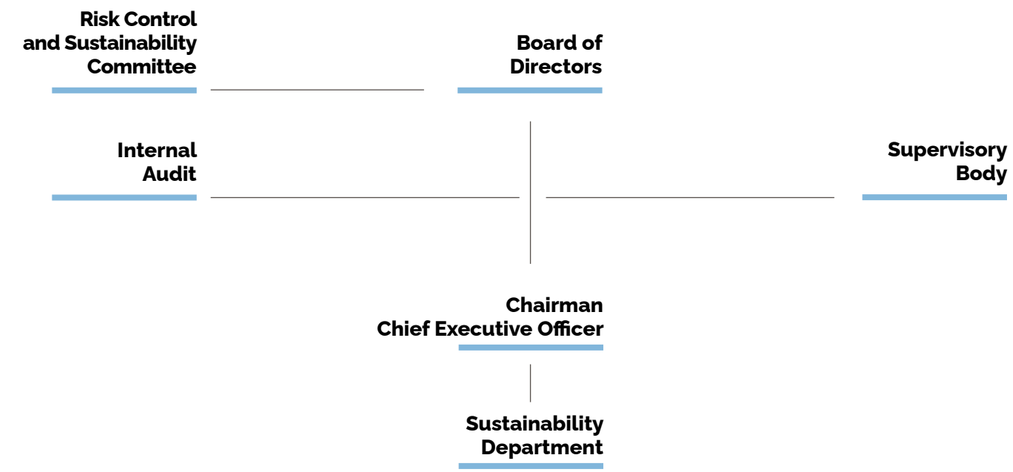
In addition to the RCSC, in March 2023, Sofidel's Board of Directors decided to create a new organizational unit, the **Group Sustainability Department**, with operational tasks for execution of the company's sustainability strategy. Together with the Risk Management and Compliance department, the new department office has been tasked chiefly with identifying sustainability opportunities, impacts and material risks, preparing a strategic plan of action with clear improvement targets and performance measurement indicators, and maintaining active rating and reporting tools.

The new organizational structure ensures continuous exchanges of information between management with operational responsibilities and the members of the Board of Directors and the RCSC, so as to ensure full knowledge about business dynamics and all the external elements that could have an influence on Sofidel's performance and reputation with regard to environmental and social sustainability topics.

During 2023, to facilitate the process, two days of dedicated training were held for some members of the BoD and all managers who report directly to the CEO.

THE GROUP SUSTAINABILITY DEPARTMENT HAS OPERATIONAL RESPONSIBILITY FOR THE EXECUTION OF THE CORPORATE SUSTAINABILITY STRATEGY.

Sofidel sustainability governance



Sustainability governance tools

ESG ratings

MORNINSGTAR SUSTAINALYTICS

Sofidel received a **14.4 score** from **Morningstar Sustainalytics**, which placed it in the **"Low Risk" category** for companies with a strong ability to manage environmental, social and governance risks, the three spheres of corporate responsibility. Sustainalytics, a Morningstar company, is a leading independent research institute which provides ESG analyses and ratings to institutional investors and corporations. Once again in 2023, Sofidel confirmed its number one ranking in its core industry, Household Products: 105 companies active not only in tissue paper, but also in home cleaning and personal hygiene products. It is also in the **top 10%** of the more than 15,000 companies assessed to date by Sustainalytics.

CDP (CARBON DISCLOSURE PROJECT)

Sofidel again received recognition from the **international CDP rating** – a leading independent global environmental performance measurement and reporting organization – for its commitment to combating climate change and deforestation. In 2023, the Group was once again placed in the Leadership range of the **Climate Change 2023** and **Forests 2023** ratings. In both cases, it obtained an **A- rating**, ranking above the European average (B for climate change and C for forest management) and also above the industry average (B for both ratings).

CDP SUPPLIER ENGAGEMENT: A RATING FOR SUPPLIER ENGAGEMENT IN COMBATING CLIMATE CHANGE

Sofidel won recognition as a **global leader** – with an **A rating** – for its work in engaging suppliers in the fight against climate change, obtaining the maximum score in the CDP **2022 Supplier Engagement Leaderboard (on 2021 data)**. With its A rating, Sofidel ranks above the Paper Products & Packaging industry average (C-) and the overall European (C) and global (C) averages. **CDP is a non-profit organization** which helps investors, companies, cities, States and regions manage their environmental impact worldwide.

SOFIDEL INTENDS TO CREATE SHARED VALUE THROUGH A STRATEGIC, GLOBAL, MULTI-STAKEHOLDER APPROACH.

Integrated Report

The main objective of the Integrated Report is to **rationalize all of the sustainability information** in the Group and create a homogeneous narrative that engages and informs internal and external stakeholders. Sofidel's Integrated Report is the richest and most comprehensive document of data and information on the Group's performance. It is a public document and widely distributed in both print and digital formats.

The 2023 edition is the 13th edition, but the roots of the Group's **voluntary disclosure** go back many years. The first Group Environmental Report dates back to 2003-2004.

The historical nature of Sofidel's commitment to sustainability is attested by its willingness to publish documents aligned with international standards and rich in non-financial information. These documents – which are all voluntary – certify that the Group is a forerunner in committing to sustainability.

SOFIDEL'S INTEGRATED REPORT IS THE RICHEST AND MOST COMPREHENSIVE DOCUMENT OF DATA AND INFORMATION ON THE GROUP'S PERFORMANCE.

Partnerships

GRI 2-28 Membership associations

Sofidel believes in dialogue and the creation of **virtuous forms of** multi-stakeholder cooperation, in which businesses, institutions, non-governmental organizations, civil society and private individuals unite in the pursuit of sustainable development. Consequently, it promotes and builds collaboration at multiple levels and in multiple fields with **partners of recognized value and credibility**. The following are Sofidel partners:

- **WWF:** for more than fifteen years, Sofidel has been collaborating at the Italian and international level with the WWF, which has supported the Group in developing an organic approach and in system-building, contributing to the creation of an open, positive and responsible vision of the future.
- **United Nations Global Compact:** one of the world's most important sustainability initiatives, which the Sofidel Group **has joined as a "Participating Member"**. Companies, institutions, labor representatives and civil society organizations, working in various capacities to build a more sustainable and inclusive economy, are members of the Global Compact. Sofidel is also a **"Promoting Founder" of the Global Compact Network Italy (GCNI)** and participates, at the Foundation, in several "sustainability pathways" together with other member companies.
- **EU-OSHA:** Sofidel is an official partner of the **European Agency for Safety and Health at Work** (EU - OSHA), which is engaged in awareness, information and prevention campaigns and in research activities. The agency works to **make European workplaces safer, healthier and more productive**, for the benefit of companies, workers and governments, and promotes a culture of risk prevention to improve working conditions in Europe.
- **Sodalitas Foundation:** one of the leading Italian organizations engaged in promoting corporate social responsibility. The Foundation promotes the development of initiatives in co-design and collaboration between businesses and key stakeholders.
- The Group is also a member of the **trade associations in its industry sector** in most of the countries where it is present.

COMMITMENTS AND POLICIES

GRI 2-23	Policy commitments

Sofidel has formulated public commitments on key topics for our business.

The following are available on the www.sofidel.com website:

- **Code of Ethics:** enshrines the Group's values, principles of behavior and standards of conduct in stakeholder relations. It is inspired by the UN's 17 Sustainable Development Goals and the European Union's strategy. In addition, it recognizes the principles of the Fundamental Conventions of the International Labor Organization, the principles of the UN-sponsored Global Compact, and the OECD Global Legal Standards. Everyone who works and collaborates with Sofidel Group companies is expected to abide by these principles and rules of conduct.
- **Sustainability Decalogue:** Sofidel expects to achieve ten main benefits from its commitment to sustainability, which are set out in this decalogue, which why it pays to be sustainable.
- **Sustainability Charter:** this document sets the Group commitments to sustainability, a key lever in the process to create shared value.
- **Code of conduct for suppliers:** Sofidel requires behaviors and practices from its suppliers that ensure the economic, environmental and social sustainability of the entire supply chain.
- **Human Rights Policy:** the Group recognizes the equal dignity of every human being and feels a responsibility to contribute to the well-being of individuals and the communities in which it operates, as stated in the United Nations Guiding Principles on Human Rights.
- **Forest Procurement Policy:** Sofidel has adopted a clear policy for responsible purchasing of forestry-derived raw materials in order to protect forests, essential organisms in the protection of the global environment and biodiversity.
- **Occupational Health and Safety Policy:** the Group believes that occupational health and safety is a primary value in the absence of which it is not possible to plan sustainable, effective and lasting developments.
- **Whistleblowing Policy:** Sofidel protects and encourages anyone who wishes to report potential inappropriate conduct, misconduct or alleged breaches of laws, regulations and the principles expressed in Group policies and procedures. The Group believes that this tool strengthens the internal control system and considers that reporting reflects a sense of civic duty, which helps to bring to light and prevent situations that undermine good administration and, more generally, the collective public interest.
- **Management System Security Policy:** the Group ensures an adequate level of data and information security in the design, development and delivery of ICT services. Its Management System ensures data security through confidentiality, integrity and availability.
- **Quality Policy:** enshrines the continuous improvement of the Group Quality Management System.
- **Sofidel Group Regulation on Anti-bribery:** this regulation commits the organization to ensuring responsible behavior by promoting high standards of integrity, honesty and transparency, in full compliance with all laws and regulations in force in the countries in which it operates, its Code of Ethics and corporate procedures. Countering corruption by rejecting it in any form in any situation is a concrete commitment to ensure the development and maintenance of a socially and economically sustainable business environment. The Regulation sets out the values and principles to which the Group adheres in the fight against corruption, in order to prevent any episode of corruption.

Materiality analysis

GRI 3-1	Process to determine material topics
GRI 3-2	List of material topics

The materiality analysis process identifies the priority topics of relevance for the organization and its stakeholders. In 2022, in line with the requirements of the GRI Universal Standards, Sofidel conducted a materiality analysis of the impacts it generates. In addition, it conducted and reported an assessment of risks and opportunities relating to financial materiality, with a view to taking a proactive role in connection with the future implementation of the new European **Corporate Sustainability Reporting Directive (CSRD)**, which introduces the concept of "double materiality" – impact materiality and financial materiality.

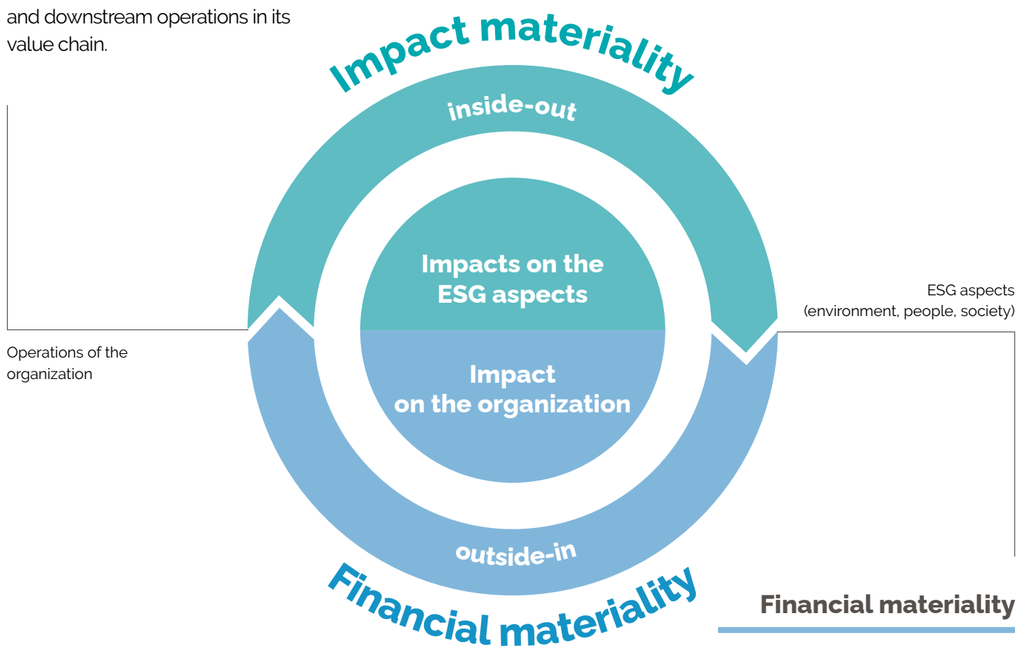
As no significant organizational changes or external events occurred in 2023, it was decided to maintain continuity with 2022 as regards the impact materiality analysis. Consequently, this year's Integrated Report has no changes in material topics compared to 2022. During 2023, Sofidel took steps to prepare a **Sustainability Plan** aligned with the Group's material topics.

The double materiality concept combines ***impact materiality*** and ***financial materiality***. Double materiality reporting requires organizations to assess not only the impacts they generate on the environment, economy and society (***inside-out*** perspective), but also how sustainability issues impact their business or may generate a risk/opportunity for them (***outside-in*** perspective). The new European directive intends to put sustainability information on a par with financial information, with the aim of improving its quality and consistency and directing the flow of capital towards sustainable activities, so contributing to the transition towards an ethical and inclusive economic-financial system. The Sofidel Group will be required to comply with the new directive starting in fiscal year 2025. Until then, its sustainability reporting has been and will be on a totally voluntary basis.

DURING 2023, SOFIDEL TOOK STEPS TO PREPARE A SUSTAINABILITY PLAN ALIGNED WITH THE GROUP'S MATERIAL TOPICS.

Impact materiality

Inside-out impacts, that is, **actual and potential material impacts** on **people and the environment directly stemming from an organization's operations, products and services** , including upstream and downstream operations in its value chain.



Financial materiality

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

THE ANALYSIS PROCESS

In 2022, the Sofidel risk map, drawn up by the Group's Risk Management & Compliance function and described in the Governance chapter in the section "The main ESG risks and related management policy", was used to analyze financial materiality. From this basis, the sustainability risks and opportunities that can affect the organization's cash flows and value were identified, in line with the European Sustainability Reporting Standards (ESRS).

Impact materiality was analyzed on the basis of the GRI Universal Standards 2021, and Sofidel set out the material current or potential impacts on people, the environment and economy in its Integrated Report. To update the material topics, we used a methodological approach based on the GRI 3 – Material Topics standard and adapted to integrate the ESRS guidelines for building double materiality.

The process was divided into four separate steps:

1. Understanding of the context of reference

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

2. Identification

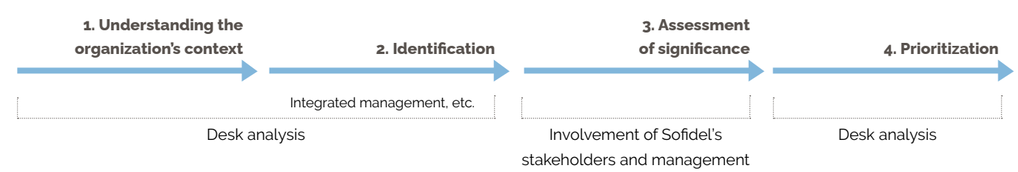
- The current and potential positive and negative impacts were then identified (inside-out perspective), based on the analysis carried out in the previous step.
- The sustainability risks and opportunities that can affect the creation of corporate value were also identified with respect to each material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

3. Assessment of significance

- One-to-one interviews were conducted with all Sofidel stakeholders and with management to assess the impacts, risks and opportunities identified and approved in the previous step.
- The assessment considered the so-called inherent risk, i.e., the current or potential risk to which the organization is exposed independently of mitigation actions put in place to minimize the impact of its operations.

4. Prioritization

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



ONE-TO-ONE INTERVIEWS WERE CONDUCTED WITH ALL STAKEHOLDERS AND WITH SOFIDEL MANAGEMENT.

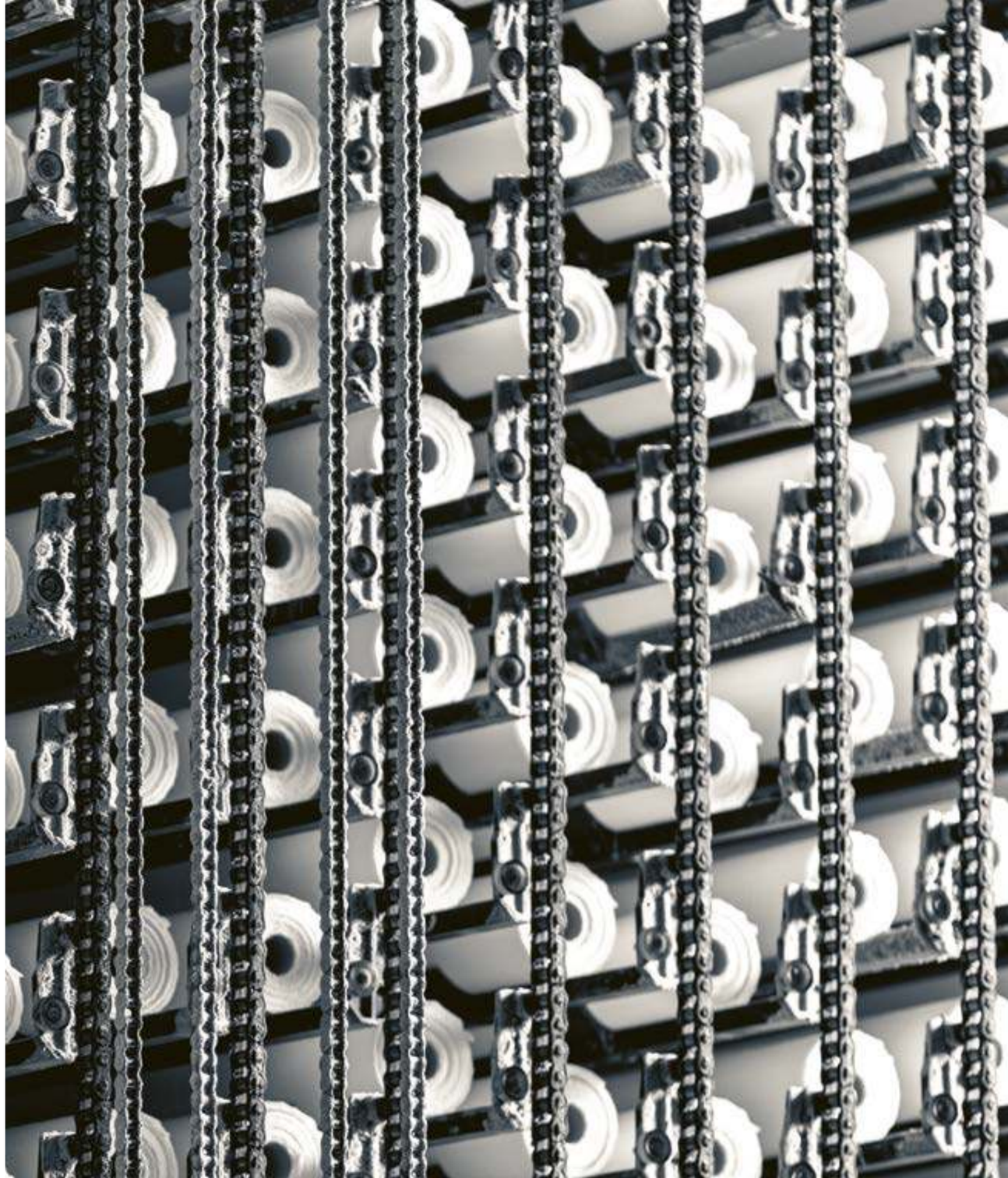
STAKEHOLDER INVOLVEMENT IN THE ASSESSMENT

The assessment of the impacts identified for each material topic was based on one-to-one interviews with the senior executives, who assessed the impacts with respect to their own area of competence, and with key external stakeholders, who assessed each material topic on the basis of the impacts they could have on the economy, the environment and people.

Corporate management: eight members of Sofidel's management team were asked to assess the **magnitude** and probability of the suggested impacts on the economy, people and the environment for the inside-out perspective. With regard to magnitude, the assessment drivers included **the scope**, **significance** and **remediability** of the impacts; for probability, the driver was the time frame within which the impact occurred or would be likely to occur (e.g., more than 10 years, between 3 and 5 years). Managers were then asked to evaluate **the probability and severity of the sustainability risks and opportunities** identified for the outside-in assessment. For the assessment of magnitude, the drivers were s**trategic, reputational, compliance and financial**; the driver for probability was again the **time frame** within which the impact occurred or would be likely to occur.

External stakeholders: each party involved (including suppliers, customers, voluntary-sector bodies, local community representatives, investors) was asked to assess the **magnitude** of each material topic by considering the impacts it could have on the economy, environment and people. The assessment drivers were the **scope**, **significance** and **remediability** of the impacts. An assessment of risks and opportunities (outside-in perspective) was not carried out as it was deemed more appropriate to consider management's point of view.

Corporate management		External stakeholders	
INSIDE-OUT ASSESSMENT		**INSIDE-OUT ASSESSMENT**	
Amplitude	**Likeliness**	**Amplitude**	**Likeliness** Not applicable
OUTSIDE-IN ASSESSMENT		The assessment of the risks and opportunities **(outside-in perspective)** was only carried out by the corporate Management.	
Amplitude	**Likeliness**		



SOFIDEL'S IMPACTS

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

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

commitment of the organization | people | product | planet

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

For the description of the mapped risks and opportunities, please refer to the Governance chapter, in the section *The main ESG risks and related management policy*, p. 48.

THE RESULTS OF THE IMPACT MATERIALITY ANALYSIS

The final assessment of each material topic was based on the impact of greatest significance. Significance was determined as the product of magnitude and probability. Management's assessment was given a 60% weighting, while the external stakeholders' assessment was given a 40% weighting. The topics were classified into four categories: environment, commitment of the organization, people and product. A dash shown instead of the result of the assessment means that no negative or positive impacts were identified for that material topic.
For the purpose of compliance with the GRI 2021 standards, on the basis of the analysis and considering the constantly evolving scenario, **Sofidel considers all topics with a negative impact shown below to be material**. A description is provided above, in the section *Sofidel's Impacts*. As far as the positive impacts are concerned, again with reference to the GRI, the following are considered to be material: Commitment to Society, the new generations and local communities; Employee training, professional development and well-being; Research and Innovation. The remaining topics with positive impacts were also analyzed. In order to make the most of the **important mitigation actions implemented** by the Group, it was decided to carry out the assessments and stakeholder engagement activities.

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

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

commitment of the organization | people | product | planet

Very significant and probable impact (overall assessment from 10 to 16) | Significant and possible impact (overall assessment from 6 to 10) | Moderate and improbable impact (overall assessment from 3 to 6) | Minor and rare impact (overall assessment from 1 to 3)

THE RESULTS OF THE FINANCIAL MATERIALITY ANALYSIS

The most relevant risk or opportunity was considered for the final assessment of each material topic. Significance was determined as the product of magnitude and probability. The assessment of the risks and opportunities was only carried out by the corporate management. The topics were classified into four categories: environment, commitment of the organization, people and product. A dash shown instead of the result of the assessment means that no negative or positive impacts were identified for that material topic.

Topics with risks	Outside-in
Proper management of forest resources	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Health and safety of workers	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Digitalization and Cybersecurity	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Training, professional development and employee well-being	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Brand reputation	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Product quality and safety	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Transparent management of the supply chain	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Ethics and transparency	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Management of diversity and equal opportunities	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Respect for human rights	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Climate change and reduction of emissions into the atmosphere	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Ecological products and sustainable packaging	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Research and innovation	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Proper management of water resources	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Circular economy and waste management	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Commitment towards Society, new generations and Local Communities	-

Topics with opportunities	Outside-in
Health and safety of workers	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Climate change and reduction of emissions into the atmosphere	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Commitment towards Society, new generations and Local Communities	Very significant and probable risk or opportunity (overall assessment from 10 to 16)
Ethics and transparency	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Training, professional development and employee well-being	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Transparent management of the supply chain	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Research and innovation	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Circular economy and waste management	Significant and possible risk or opportunity (overall assessment from 6 to 10)
Brand reputation	-
Proper management of water resources	-
Proper management of forest resources	-
Management of diversity and equal opportunities	-
Respect for human rights	-
Product quality and safety	-
Ecological products and sustainable packaging	-
Digitalization and Cybersecurity	-

commitment of the organization | people | product | planet

Very significant and probable risk or opportunity (overall assessment from 10 to 16) | Significant and possible risk or opportunity (overall assessment from 6 to 10) | Moderate and improbable risk or opportunity (overall assessment from 3 to 6) | Minor and rare risk or opportunity (overall assessment from 1 to 3)

STAKEHOLDER ENGAGEMENT

GRI 2-29 Approach to stakeholder engagement

Dialog with stakeholders is continuous. We discuss the most significant topics and organize numerous engagment initiatives. The organization selects the most appropriate methods and tools, depending on the topics covered, the frequency and intensity of the relationship and the level of knowledge of the issues.

Category	Informing	Listening	Consulting	Involving	Working together
Environment	• Voluntary Disclosure initiatives • Product environmental information • Participation of the stakeholders in information gathering initiatives • Website, social media channels, corporate newsletters • Intranet • Certification bodies • Sofidel internal committees	• Specific meetings with customers • Events/initiatives organized by NGOs • Specific meetings with authorities of the environmental field • Specific meetings with trade associations • Certification bodies • Sofidel internal committees	• Specific meetings with customers • Events/initiatives organized by NGOs • Specific meetings with authorities of the environmental field • Specific meetings with trade associations • Certification bodies • Sofidel internal committees	• Specific meetings with customers • Events/initiatives organized by NGOs • Specific meetings with authorities of the environmental field • Specific meetings with trade associations • Certification bodies • Sofidel internal committees	• Specific meetings with customers • Events/initiatives organized by NGOs • Specific meetings with authorities of the environmental field • Specific meetings with trade associations • Certification bodies • Sofidel internal committees
Shareholders	• Consolidated Financial Statement and Management Report • Integrated Report • Corporate website • Financial solidity and sustainability	• Shareholders' meeting • Sessions of Collegiate Bodies • Quarterly/ biannually • Specific meetings			
Collectivities	• Corporate website • Integrated Report • Giuseppe Lazzareschi Foundation website • PR and social media • Soft & Green Blog • "Mi curo di te" project	• Specific meetings	• Specific meetings with Local Bodies	• Relationships with territorial Institutions • Projects and initiatives for the collectivities • Initiatives with ONGs	• Partnerships with Universities and world of research • Partnerships with ONGs • Partnership with schools and Universities
Financial community	• Consolidated Financial Statement and Management Report • Integrated Report • Corporate website • Bank Report • Information on request • PR	• Conference calls • One-to-one meetings • National and international events		• CSR events	
Consumers and customers	• Newsletters • Corporate website • Commercial and service sites • Social media • SofidelShop • Commercial documentation • Communication campaigns • Integrated Report	• Customer satisfaction surveys • Complaint management (toll-free numbers) • Activity monitoring on all communication channels • SofidelShop e-commerce	• European Marketing & Sales Meeting	• Periodic interviews • International meetings • Specific training	• Multi-thematic work tables • Specific interviews
Suppliers and commercial partners	• Corporate website • Suppliers' guidelines • Integrated Report • Website for suppliers • Future Magazine	• Specific meetings	• Specific meetings • Desktop Audit	• Sustainable Supply Chain Self-Assessment Platform TenP • Sofidel Suppliers Sustainability Award	• Support programs
Institutions	• Corporate website • Integrated Report • Social media, PR and events • Soft & Green blog	• Specific meetings • Public conferences • Sofidel conferences	• Meetings with Local Bodies • Relationships with Regulatory Bodies	• Technical tables with Institutions	• Conferences
People of Sofidel Group	• Intranet Portal • Communications from top management • Integrated Report • Organizational Group communications • House Organ "People & Paper" • Sofidel Informs/ News • Distribution of guidelines, policies and HR procedures • Sofidel Channel • Soft & Green Blog	• Specific meetings	• Focus groups • Workshops	• Corporate events • International Human Resources Meeting • Meetings with Trade Union Organizations • Meetings with the Health & Safety Representatives • Sofidel People • Welfare project	• Workers' Recreational Assistance Club

Overview of certified management systems and product certifications present in Group companies

For several years, the Sofidel Group has been implementing and monitoring management systems for multiple material questions, at both company and individual installation levels, with the aim of **achieving specific objectives** and continuously improving the overall picture of its activities and products in accordance with the most advanced international standards. An overview of certified management systems and product certifications in Group companies is set out below:

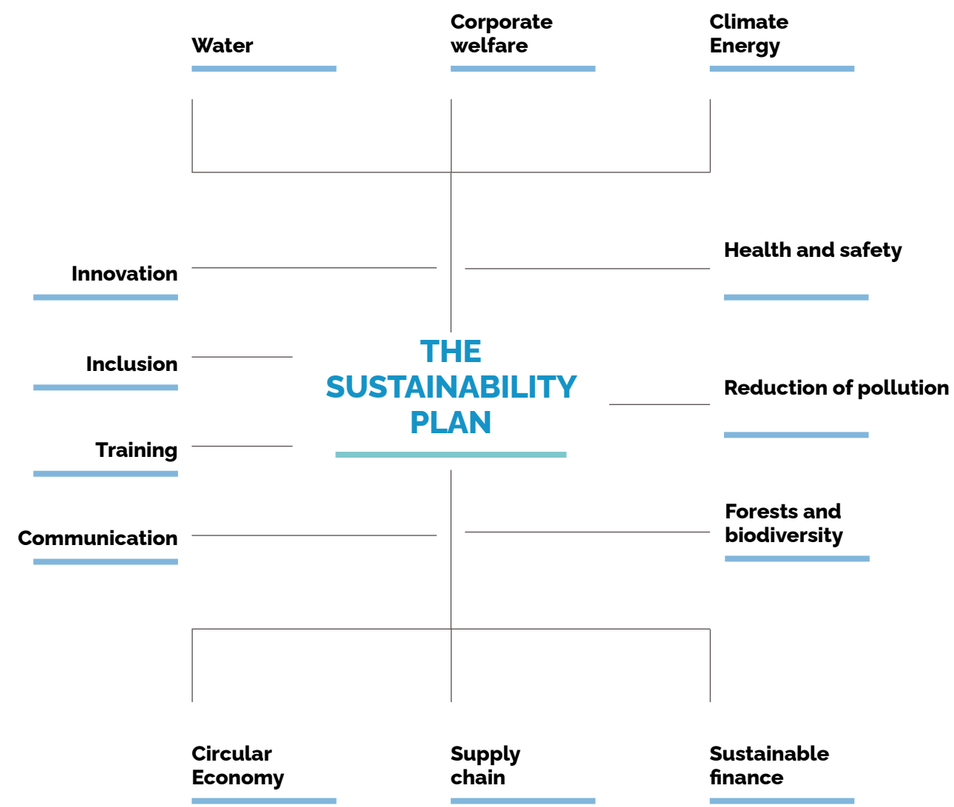
	Product safety		Quality	Health-Hygiene Self-Control System	Health and safety	Environment							Energy	Sustainable procurement*	Information security
	BRC	IFS	ISO 9001		ISO 45001	ISO 14001	EMAS	Ecolabel	Der Blaue Engel	Swan Label	FSC®	PEFC	ISO 50001	ISO 20400	ISO 27001
Soffass Cartiera Via Lazzareschi			•	•	•	•	•	•			•	•	•		
Soffass Converting Via Lazzareschi		•	•	•	•			•			•	•			
Soffass Monfalcone		•	•	•	•	•		◊		◊	•	•	•		
Soffass Tassignano		•	•	•	•			•			•	•			
Soffass Valdottavo			•	•	•	•		•			•	•	•		
Soffass Val Fegana			•	•	•	•		•			•		•		
Soffass Via di Leccio			•	•	•	•		•			•		•		
Soffass Via Fossanuova		•	•	•	•			•			•	•			
Sofidel			•	n.a.	•						Δ	Δ		•	•
Sofidel America Circleville	•			•							•	•			
Sofidel America Green Bay	•			•							•				
Sofidel America Haines City	•			•							•				
Sofidel America Hattiesburg				•							•				
Sofidel America Inola	•			•							•				
Sofidel America Las Vegas	•			•							•				
Sofidel Benelux	•		•	•	•	•		◊			•	•	•		
Sofidel France Frouard		•	•	•	•	•		•			•	•	•		
Sofidel France Ingrandes		•	•	•	•			•			•	•			
Sofidel France Roanne		•	•	•	•	•		•			•	•			
Sofidel Germany Arneburg		•	•	•	•	•		•		x	•	•	•		
Sofidel Germany Wernshausen (Plant O)		•	•	•	•	•		•	•		•	Δ	•		
Sofidel Germany Wernshausen (Plant T)		•	•	•	•	•		•			•	•	•		
Sofidel Germany Wernshausen (Plant W)			•	•	•	•		•	•		•	Δ	•		
Sofidel Greece		+	•	•	•	•					•	•			
Sofidel Hungary		•	•	•							•	•			
Sofidel Poland		+	•	•	•	•				x	•	•			
Sofidel Romania		•	•	•	•	•		•			•	•	•		
Sofidel Spain		•	•	•	•	•		•			•		•		
Sofidel Sweden		•	•	•	•	•		•		•	•	•	•		
Sofidel UK Baglan	•		•	•	•	•					•		•		
Sofidel UK Hamilton, Leicester	•		•	•	•	•					•		•		
Sofidel UK Lancaster			•		•	•				x	•		•		
Sofidel UK Rothley Lodge, Leicester	•		•	•	•	•					•				

◊ Only for reels Δ Only trading x Under license from Sofidel Sweden
+ The certification renewal audit was not carried out in 2022 due to problems at the certification body

* The ISO 20400 guideline allows sustainability to be integrated in the organization's procurement policies and is applied by the entire Sofidel Group.

The Sustainability Plan

Sofidel's Sustainability Plan is based on its business strategy, in line with the results of the 2022 materiality analysis, the risk catalog, and input received from all key management levels, the members of the Risk Control and Sustainability Committee, the CEO, and the Chairman.
The identified objectives are developed into actions covering a time frame of at least three years, from 2024 to 2026.
However, the plan contains some goals with a significantly longer time frame, as well as others that are expected to be achieved earlier.
Sofidel has ranked the improvement actions by placing them in one of the three sustainability dimensions (Environment, Social, Governance) and assigning them to one of the following 13 categories:



The following is a summary of the most significant goals classified by category:

Goals	
Climate and energy	• Long-term goal: Sofidel is committed to setting a long-term science-based target to achieve zero greenhouse gas emissions from the entire value chain by 2050, in line with the "SBTi Net-Zero" standard, and intends to submit it for validation by the SBTi organization within a maximum of 24 months. • Medium-term goal: Sofidel is committed to reducing Scope 1, Scope 2 and Scope 3 emissions (for suppliers' pulp production process only) by 40% per ton of paper by 2030 compared to base year 2018. Sofidel is also committed to reducing Scope 3 greenhouse gas emissions by 24% per ton of paper by 2030 compared to base year 2018. The goal has been validated by the SBTI organization.
Forests and biodiversity	• Sofidel is committed to having a fibrous raw material supply chain that does not induce deforestation at any stage (Zero Deforestation). • The sourcing of forestry-derived raw material must include no less than 95% of forestry chain-of-custody certified goods purchased in a calendar year. Specifically, the total purchased quantity of raw material shall not include less than 80% of FSC® chain-of-custody certified material (Forest Stewardship Council®).
Protection of water resources	• Sofidel is committed to pursuing a reduction in the water consumption of the industrial facilities most at risk of water scarcity or operating in areas subject to increased water stress. A risk analysis on the question will be carried out no later than the end of 2025.
Circular economy and reduction of plastic packaging	• Reduction of specific consumption of traditional plastic packaging (made of fossil-derived and non-recycled polymers) by 50% by 2030 compared to the 2013 consumption figure. • Sofidel is also committed to bringing to market 100% of primary packaging designed to be recyclable or compostable by 2030. • Sofidel also intends to reduce to zero direct landfilling of solid production waste by the end of 2027, giving priority to any material recovery process as an alternative treatment.
Supply chain	• Qualification on the "TenP Paper" platform of the ESG credentials of 100% of suppliers in Sofidel reputational risk purchasing categories by 2026.

Goals	
Health and safety	• 10% annual reduction in the Group average injury frequency rate starting from the 2022 base year figure, throughout the three-year period 2024-2026. • Replacement of all internal lifting equipment (forklifts) equipped with internal combustion engines with electric vehicles by the end of 2029 for all Sofidel operations. • Installation of automatic anti-collision systems on all lifting equipment (forklifts) operating in the Group's paper mills by the end of 2026.
Training	• Organization of personnel training and development plans for achievement of business objectives and individual growth objectives.. Sofidel plans to increase the number of per capita hours of training in any subject by 50% with respect to 2022 by the end of 2030.

Sustainable development actions are classified according to the type of benefit the organization intends to provide: environmental, social or aimed at strengthening the organization's governance processes. Materiality analysis is an exercise that helps an organization identify material topics, i.e., those of significance which its sustainability efforts should prioritize. For Sofidel, the analysis identified five topics relating to the improvement of its environmental performance, out of the first seven that the analysis ranked as priorities. This indicates that the expectations of Sofidel's key internal and external stakeholders are primarily focused on achieving environmental goals.

ONE OF THE PILLARS OF SOFIDEL'S STRATEGY ARE SUSTAINABILITY-RELATED ISSUES, A STRATEGIC LEVER FOR GROWTH AND DEVELOPMENT, BUT ALSO A FUNDAMENTAL AND DISTINCTIVE COMPONENT OF THE GROUP'S VALUES, TO THE POINT WHERE THEY HAVE BECOME A DISTINGUISHING CHARACTERISTIC OF SOFIDEL.

Protection of forest resources

GRI 3-3 Management of material topics

Goals:
- Sofidel is committed to having a fibrous raw material supply chain that does not induce deforestation at any stage (Zero Deforestation).
- The sourcing of forestry-derived raw material must include no less than 95% of forestry chain-of-custody certified goods purchased in a calendar year. Specifically, the total purchased quantity of raw material shall not include less than 80% of FSC® chain-of-custody certified material (Forest Stewardship Council®).

Sofidel's paper products are made from tree-derived plant fibers, that is, fibers that originate from tree trunks. Sofidel uses these fibers in the form of cellulose pulp or from recovered paper destined for recycling.

Awareness of the role that forests play in protecting the global environment and in maintaining and enriching biodiversity has prompted the Sofidel Group to adopt a policy for the responsible purchase of raw materials of forest origin: the document was drafted in collaboration with the staff of WWF Italy and WWF International and was inspired by the guidelines drawn up as part of the Accountability Framework initiative (AFi). The full text is available on the Sofidel website and includes a number of important targets:
- Having a supply chain that does not induce deforestation at any stage (Zero Deforestation).
- Developing a supply chain that does not cause or contribute to the conversion or environmental degradation of natural ecosystems at any stage.
- Ensuring that procurement activities comply with the Supplier Code of Conduct and do not violate the human rights of the stakeholders involved in the supply chain, from the workers to the indigenous communities directly or indirectly affected by the procurement activities in the areas where the raw material is sourced.
- Developing mitigation and prevention actions in cooperation with suppliers in the event of serious human rights violations or evidence of environmental degradation in raw material procurement areas, not only in the Sofidel Group supply chain, but also in other areas where our suppliers operate.
- Carrying out active checks in high-risk countries to ensure the legality of forestry operations, logging, processing and timber trading and of the resulting raw material that forms part of the supply chain.
- Checking that no Genetically Modified Organisms (GMOs) are present in the species from which the raw material originates, to ensure a GMO-free supply chain.
- Favoring supplies and producers able to show valid forest management and chain of custody certificates, obtained by applying credible and internationally recognized good forestry management standards, issued by independent third parties following periodic audits.

RESPONSIBLE FORESTRY PROCUREMENT

During 2023 Sofidel purchased a total of 1,270,327 tons of virgin fiber and 69,980 tons of paper for recycling. Of the total virgin pulp, as much as 83.76% had FSC®chain-of-custody certification. 15.08% had PEFC (Program for Endorsement of Forest Certification) chain-of-custody certification and 1.15% had FSC® Controlled Wood certification. In 2023, therefore, all virgin fiber had received at least one good forest management certificate.

Forest certifications are not the only tool for good management. Sofidel has for many years selected the countries of origin of its fiber material to minimize the risks associated with illegal or otherwise environmentally and ethically unacceptable forestry practices.

To date, 53.3% of pulp comes from South America, 42.6% from Europe, and 4.1% from North America. Supplies have been excluded from countries where conflicts are ongoing or that have legality or corruption risk ratings that are too low.
In 2023, an independent third party qualified as a Monitoring Body under the EU Timber Regulation (EU Regulation 995/2010) was engage to conduct auditing activities to ascertain the legality risk of non-EU companies from which Sofidel procures supplies. The repeal of the Timber Regulation by the EU Regulation on Deforestation-free Products (EUDR, EU 1115/2023) will find Sofidel prepared, thanks to more than a decade of implementation of the Timber Regulation and numerous activities to prevent illegal logging and deforestation.

FOREST RATINGS AND INITIATIVES

Forest Forward: Together with the new policy, Sofidel has decided to participate in a forest protection initiative organized by WWF International known as Forest Forward. The project involves companies, communities and organizations in all sectors (especially those involving the use of raw materials from forests) and aims to accelerate commitments to zero-deforestation and zero-conversion of natural ecosystems, combat degradation and promote forest restoration. The initiative also has a special focus on local forest management in tropical and subtropical countries, also protecting the role of local communities in forest conservation.

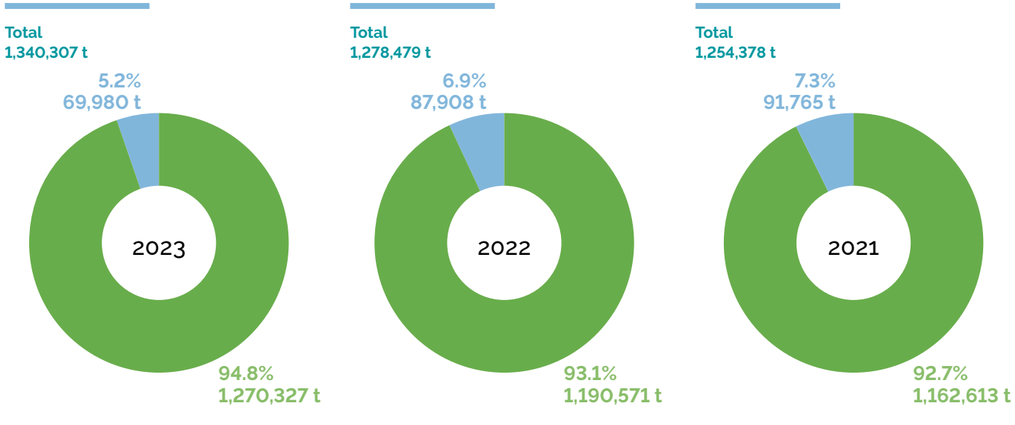
CDP Forests: Sofidel again received recognition from the **international CDP rating** – a leading independent global environmental performance measurement and reporting organization – for its commitment to combating deforestation. In 2023, the Group was once again placed in the Leadership range of the Forests 2023 rating. Sofidel received an A- rating, ranking above both the European average (C) and the industry average (B).

Together we plant the future: on the occasion of World Forest Day, Suzano, the world's leading producer of cellulose pulp, and Sofidel announced "**Together we plant the future** – *Developing biodiversity corridors for a more sustainable future*", an important three-year pilot project **promoting conservation and the ecological restoration** of the area, while simultaneously supporting **socio-economic development in Brazil's Amazon rainforest.** More details about the project can be found in the *Value Chain* chapter on p. 168.

GRI 301-1 Materials used by weight or volume

GRI 301-2 Recycled input materials used

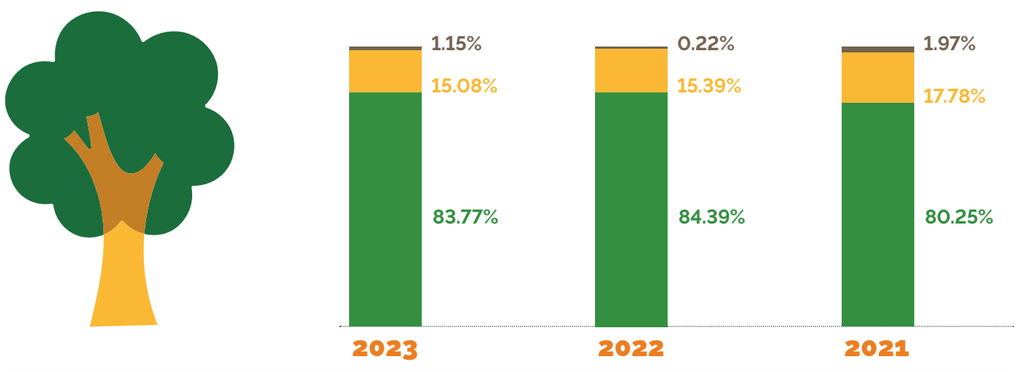
Purchases of virgin and recycled fiber raw material



pulp (t) recycled (t)

Source: Sofidel.

Purchases of virgin fiber raw material by forest certification scheme



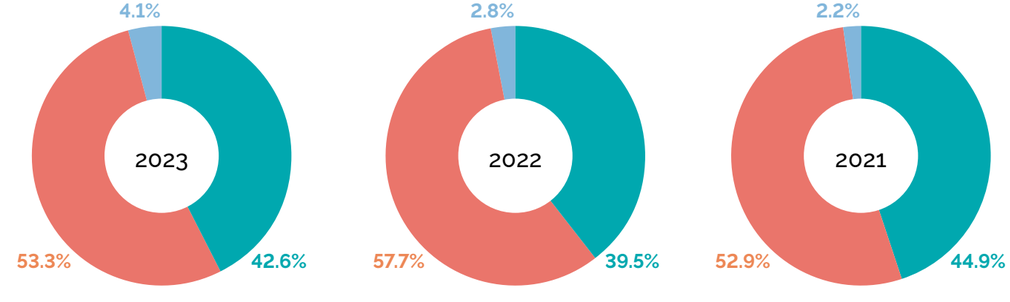
FSC® certified raw material

PEFC certified raw material

FSC® Controlled Wood raw material

Source: Sofidel.

Countries of origin of purchased virgin pulp



Europe South America North America

Source: Sofidel.

Climate and energy

GRI 3-3 Management of material topics

Goals:

- Long-term goal: Sofidel is committed to setting a long-term science-based target to achieve zero greenhouse gas emissions from the entire value chain by 2050, in line with the "SBTi Net-Zero" standard, and intends to submit it for validation by the SBTi organization within a maximum of 24 months.
- Medium-term goal: Sofidel is committed to reducing scope 1, scope 2 and scope 3 emissions (for suppliers' pulp production process only) by 40% per ton of paper by 2030 compared to base year 2018. Sofidel is also committed to reducing Scope 3 greenhouse gas emissions by 24% per ton of paper by 2030 compared to base year 2018. The goal has been validated by the SBTI organization.

Industrial manufacturing for paper production is characterized by the massive use of energy resources, in the form of both fuels and electricity. Sofidel is no exception, as its business is completely centered on the production and processing of paper goods.

Sofidel's decarbonization activities go back a long way, to 2007 when its partnership with WWF International was formed as part of the Climate Savers program, now renamed the Climate Business Network.

In 2020 Sofidel set the first decarbonization targets approved by the international Science Based Targets initiative (SBTi), a body resulting from the collaboration between the international non- profit organization CDP, the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). These medium-term goals envisage:

- A reduction in scope 1, 2, and scope 3 emissions from suppliers' pulping process of 40% per ton of paper by 2030 from a 2018 base year.
- A reduction in Scope 3 of 24% per ton of paper by 2030 from a 2018 base year. The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

The strategy to achieve such a challenging long-term objective is based on a multifaceted plan that not only considers the industrial operations managed directly by Sofidel, but also involves the players in the entire supply chain, and the gradual maturation of technological options that at present are unaffordable.

The most significant activities carried out in 2023 under the decarbonization plan to achieve climate neutrality by 2050 are described below.

IN 2023, SOFIDEL TOOK ANOTHER IMPORTANT STEP FORWARD BY UNDERTAKING TO SET A LONG-TERM, SCIENCE-BASED TARGET TO ACHIEVE ZERO GREENHOUSE GAS EMISSIONS ACROSS THE ENTIRE VALUE CHAIN BY 2050, IN LINE WITH THE "SBTI NET-ZERO" STANDARD AND TO SUBMIT THE TARGET FOR VALIDATION BY THE SBTI ORGANIZATION WITHIN 24 MONTHS.

Starting in 2021, Sofidel began purchasing certified renewable energy with long-term supply contracts known as Power Purchase Agreements (PPAs), appropriate instruments for a long-term policy that can trigger the introduction of additional renewable energy generation capacity on the market.

The first PPA, signed in April 2021, refers to electricity produced by RWE's Alcamo II wind farm (13.6 MW capacity) in Sicily, worth at least 26 GWh of energy per year. This was followed in 2022 by a 10-year contract with the Spanish company Acciona for an annual supply covering Sofidel Spain's entire renewable electricity requirement (about 90 GWh per year).
Under a 10-year PPA signed in 2023, the Greek company Meton Energy S.A. will supply Sofidel Greece with about 21 GWh of **green electricity** per year. Meton Energy is a joint venture between RWE and PPC, Public Power Corporation S.A., the leading producer and supplier of electricity in Greece. Construction work on the plant is already underway, along with four other similar projects set up by the joint venture. The five plants, with a total capacity of about 210 MW, are expected to be fully operational by the end of the first quarter of 2024.

During 2023, the commissioning was completed of the Meva Energy AB 4.2 MW **bio-syngas** generation plant at the Sofidel Sweden facility: the plant will produce bio-syngas from wood pellets. Sofidel will use the gas directly at its Swedish site, replacing almost all current fossil sources, once the plant goes into service. Besides providing additional green energy, the agreement will enable the Group to achieve a further reduction of 8,500 tons in CO_2 emissions compared to its previous carbon footprint linked to LPG consumption, allowing the Sofidel Sweden installation to reach almost complete decarbonization.

In France, Sofidel has signed a 10-year contract with ENGIE for the supply of **biomethane** for Sofidel France's production plant in Roanne. The biomethane is produced at an agribusiness waste and sewage sludge fermentation plant in the municipality of Roanne. The supply contract, which takes the form of a Biomethane Purchase Agreement (BPA), provides for the sale of 25,000 MWh/year of biomethane to Sofidel, enabling savings of about 4,600 tons of CO_2 emissions per year.

At Sofidel UK, large-scale conversion of methane gas into **green hydrogen**, a fuel produced by a water electrolysis process using renewable electricity, is underway. The operation is possible thanks to massive investment by the UK government in the form of subsidies to companies that produce, distribute and use this new fuel. Sofidel UK is part of the "East Midlands Hydrogen" project, the UK's largest inland hydrogen production cluster. East Midlands Hydrogen will support and accelerate the plans for regional hydrogen production, distribution, and industrial use, contributing to the decarbonization of industry, mobility, and power generation. It is expected that by 2028 Sofidel UK's Leicester plant will receive a stable supply of hydrogen to cover more than half of its current fuel requirement, via a distribution line. To this end, Sofidel UK will invest in a steam generator capable of accepting hydrogen or a mixture of methane and hydrogen in any proportion.

At its plant in Baglan, South Wales, Sofidel UK intends to participate in a project to convert an industrial oil refining installation into a **green hydrogen** production plant. Its participation envisages the withdrawal of a significant amount of hydrogen to replace methane gas. The project will be led by H2 Energy Europe, which has been awarded a major grant by the U.K. government.

RATINGS AND INCENTIVES RECEIVED FOR CLIMATE COMMITMENT

For the year 2023, the international non-profit organization **CDP** has awarded Sofidel, for its commitment to fighting climate change, the **A rating** which once again places the company among the leaders in this field. CDP evaluates risks and opportunities related to environmental data to support businesses, cities and states in pursuing their goals of transparency and improvement for more sustainable development. In 2023, over 746 investors with assets exceeding 130 trillion dollars contributed to CDP. The 2023 CDP rating involved over 15,000 companies worldwide. The criteria according to which CDP issues the ranking are based on the level of transparency and performance of the companies evaluated.

Sofidel's commitment has also been recognized by some public authorities, in the form of grants given to two Sofidel Group companies that submitted climate change investment projects.

The first grant referred to an investment project at a Sofidel UK company plant to replace a methane gas-fired steam generator with a new plant able to burn hydrogen or methane/hydrogen mixtures in any composition ratio. With this facility, the Leicester installation will be ready to accommodate the supply of green hydrogen planned by the "East Midlands Hydrogen" project of which Sofidel UK is a member. Industrial Energy Transformation Fund (IETF) has allocated a maximum economic contribution of GBP 427,028 for this project.
The second project is the installation of a new solid biomass-fueled boiler to be installed at the Frouard plant of Sofidel France. The project was submitted for the Biomasse Chaleur Industrie Agriculture et Tertiaire public call for proposals and obtained a maximum subsidy of € 4,600,000, conditional on the success of the project, disbursed by Agence de la Transition Ecologique.

These grants were given as part of incentive programs clearly aimed at **combating climate change**, and will involve a complex technical investigation and strict monitoring of the results declared in the project. Sofidel successfully obtained the funds through its capacity for innovation, aligning its industrial strategy with government expectations on issues of real public interest.

-50,945 tCO_2e

Power Purchase Agreement and GO certificate

-8,500 tCO_2e

Bio-Syngas

-4,600 tCO_2e

Biomethane Purchase Agreement

Carbon emissions energy balance

GRI 3-3	Management of material topics
GRI 302-3	Energy intensity
GRI 302-4	Reduction of energy consumption

European energy commodity prices declined significantly in 2023. Natural gas at the Amsterdam exchange fell from € 70/MWh at the beginning of the year to € 30/MWh in December, returning to pre-Covid levels. A similar trend characterized the electricity markets. After the Russian supply crisis in 2022, the European nations reorganized themselves on the international markets, installing LNG regasification plants and sourcing from various countries around the world; this allowed them to be fully stocked by the beginning of winter. The downward trend is also associated with low demand, both in Europe, but also in the East and particularly in China. However, the overall context has changed, from a protected system with supplies guaranteed by Russian pipelines to a global market that is much more nervous and volatile.

In addition, the **geopolitical context remains very complex**. The continuing Russia-Ukraine war has been compounded by the Israeli-Palestinian conflict, with the risk of extension to regional powers like Iran.

According to the International Energy Agency (IEA) 2023 Outlook, the climate crisis, with the 1.2°C increase over pre-industrial levels, is intensifying the search for **renewable energy sources** as alternatives to fossil fuels; investment in these sectors has increased by 40% since 2020, and 2023 saw an overall increase of more than 500 GW in global capacity.

The current situation thus continues to expose manufacturing activities, especially energy-intensive industries like paper, to great risks.

For this reason, Sofidel continues to invest in energy efficiency. The action taken in previous years secured an additional decrease in the Group's energy requirement to 11.3 GJ/ton paper, improving the 2022 result by 0.2 GJ/ton: a particularly significant intervention was the roll-out at Sofidel UK's Baglan plant of the **ViscoNip** and **ReDry** technologies, in collaboration with the Valmet company.

These two innovations have made it possible to optimize the paper drying process, with significant savings in natural gas, and the consequent reduction in carbon dioxide emissions, without affecting production quality: in fact, ViscoNip guarantees production of paper with greater volume and absorption capacity as well as more uniform characteristics.

SOFIDEL EMISSIONS INVENTORY

In order to monitor the reduction in climate-changing emissions, the first step is to draw up an annual emissions inventory: Sofidel applies a market-based approach to compute its Scope 2 emissions, a choice that best highlights the results of its energy procurement strategy, which assigns preference to suppliers on the basis of the available production mixes, favoring renewable or, in any case, lower-impact sources.

Compared to 2018, Sofidel managed to reduce CO_2 emissions per ton of product by 11.5% in 2023. This was achieved by selecting electricity suppliers on the basis of their energy mix, favoring the use of electricity produced from renewable sources.

According to the GHG Protocol accounting rules, Scope 2 emissions are those attributable to the purchase of electricity, steam or other energy flows for heating or cooling. They can be computed with two different approaches.

Location-based: this method uses average emission factors related to specific national power generation energy mixes.

Market-based: this approach uses emission factors defined on a contractual basis with the electricity supplier. In the absence of specific contractual instruments, the emission factor related to the electricity supplier's residual mix is used, after removal of the component linked to energy traceability systems, such as Guarantees of Origin (GO) or other renewable energy certification systems (RECS). The national

average emission factors used by the location-based approach are usually lower than the corresponding factors computed on the basis of the residual mixes required by the market-based methodology.

As regards indirect CO_2 emissions (Scope 3), i.e., those that are not under the control of Sofidel (e.g., emissions related to raw material production, production aids and transportation), it was possible to include the most significant downstream components in the reporting process in 2023.

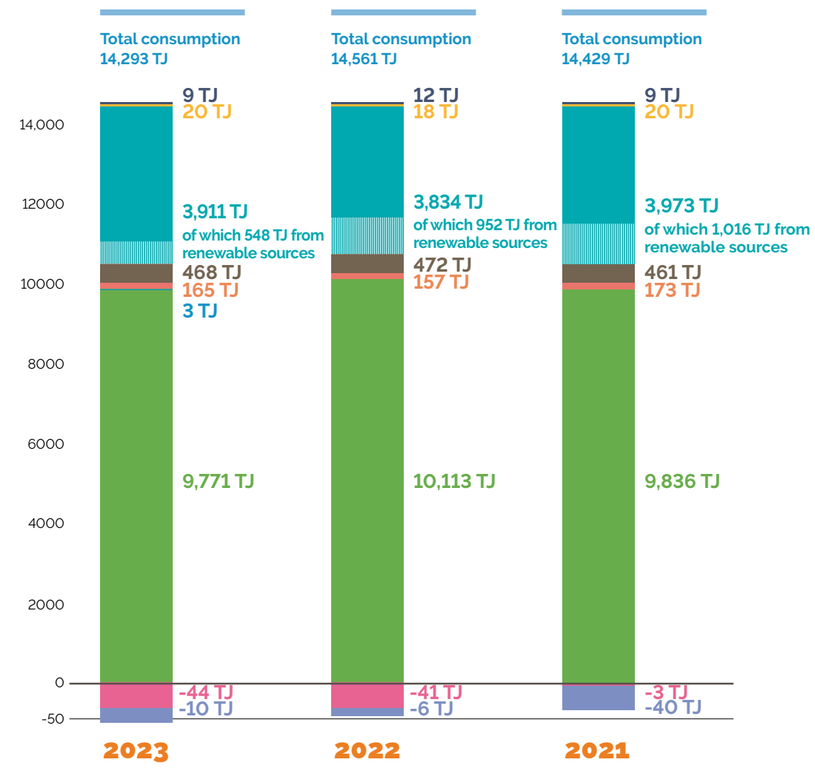
Emissions from the distribution of both semi-finished and finished products were computed in this way, for a total of 155,879 t CO_2, corresponding to 128 kg CO_2/t paper[1]. In addition, the impact of the use of consumed packaging (paper and plastic) was evaluated at 202,745 t CO_2, corresponding to 168 kg CO_2/t paper.

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

[1] The emission factors used were obtained through DEFRA (DEFRA 2023 conversion factors). The configuration adopted for the calculation includes the simulated outward journey at half load

Energy balance of the Sofidel Group

GRI 302-1 Energy consumption within the organization



Fossil fuels
- natural gas (TJ)[10 11]
- other fossil fuels (TJ)

Fuels from renewable sources
- woody biomass (TJ)
- biomethane (TJ)

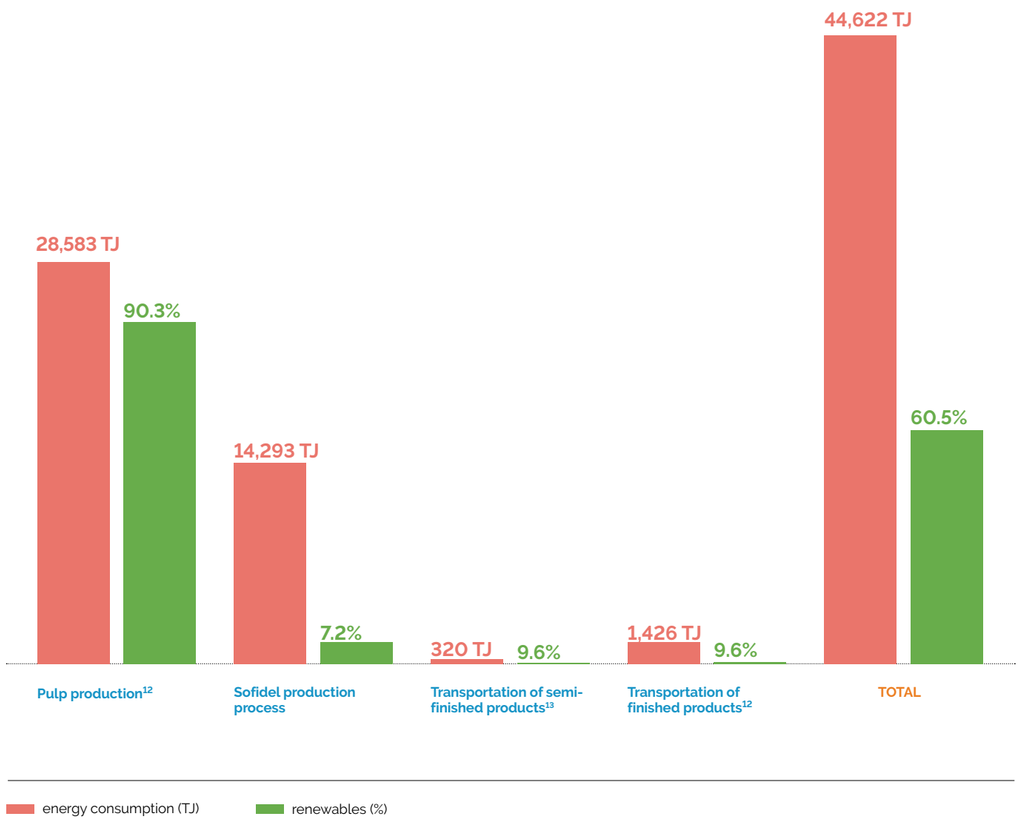
Electricity
- purchase of electricity from the national grid (TJ)
- self-generation from photovoltaic and hydroelectric systems (TJ)
- electricity transferred to the grid (TJ)

Thermal energy
- purchase of thermal energy (TJ)
- thermal energy transferred to the grid (TJ)

[10] Energy computed through Net Calorific Value (Net CV).
[11] The data are computed using the available invoices as a source. For the consumption of the Werra, Omega, and THP plants of Sofidel Germany, reference is made to the internal readings for December, as not all the 2021 invoices are available.

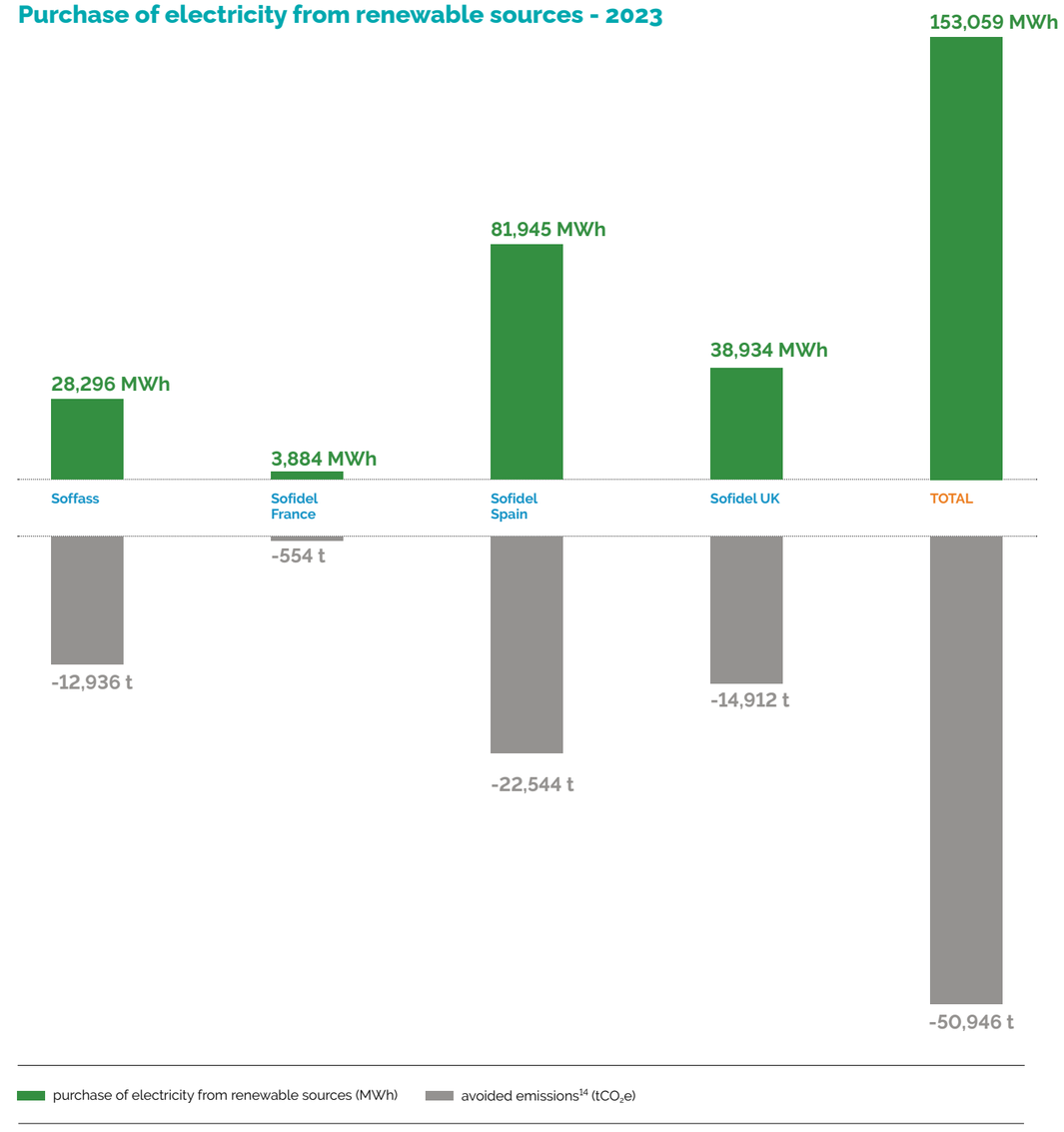
Sofidel supply chain energy consumption - 2023

GRI 302-2 Energy consumption outside the organization



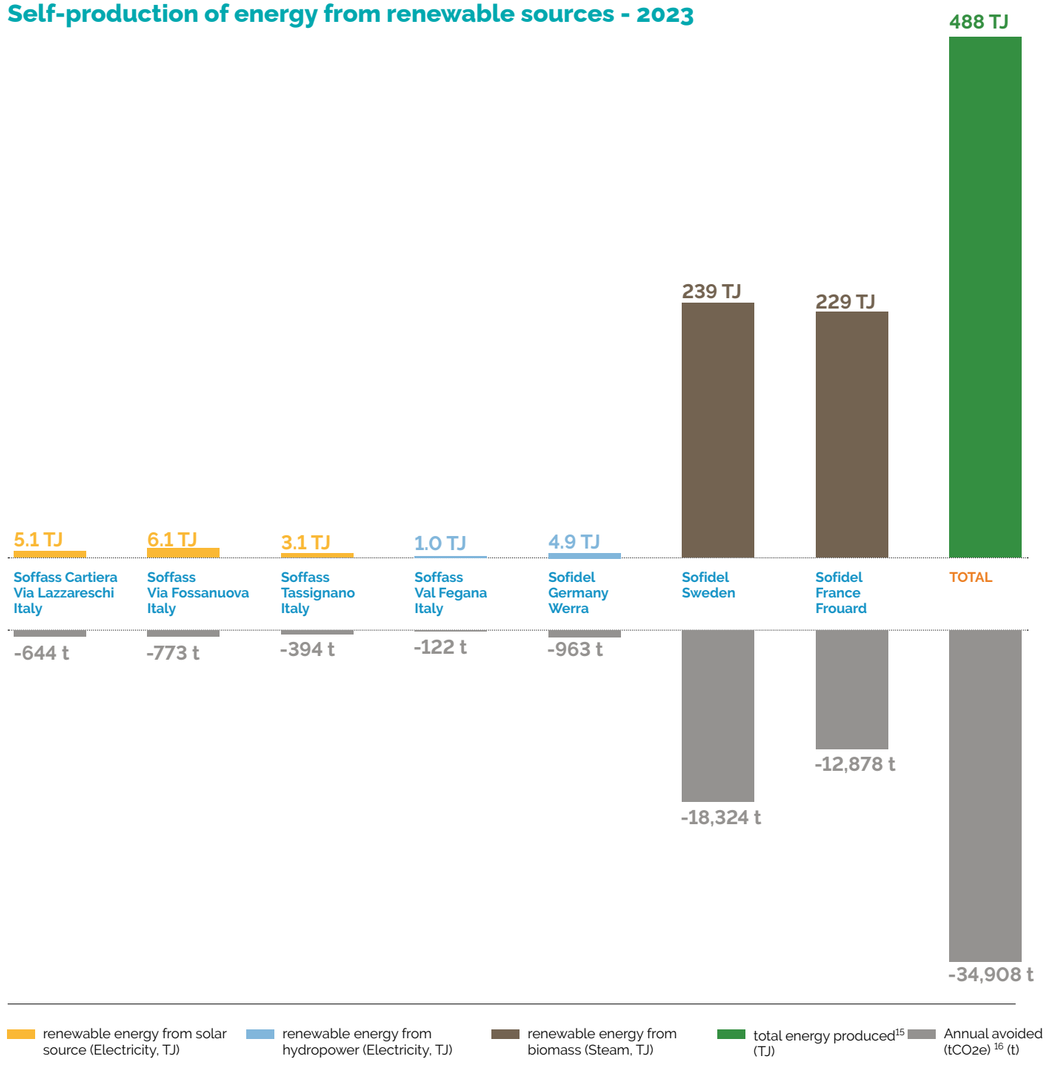
[12] The data were obtained using the most up-to-date questionnaires completed by our suppliers (99% of the total, the remaining 1% was obtained as an average of the data held).
[13] Consumption coefficients taken from GHG Protocol-Mobile Guide v.1.3 (21/03/2005). The percentage of renewable energy is obtained from the "Share of Energy from Renewable Sources in Transport". Source: Eurostat.

Purchase of electricity from renewable sources - 2023



[14] Avoided emissions related to the self-generation of electricity were computed using a market-based approach, with the emission coefficients in the latest AIB European Residual Mix publication.

Self-production of energy from renewable sources - 2023



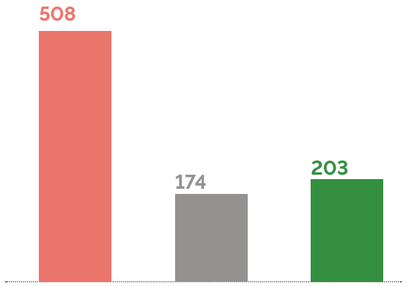
[15] The electricity produced is computed using internal readings and fiscal meters. The energy contribution of biomass is computed based on the available invoices
[16] Avoided emissions related to the self-generation of electricity were computed using a market-based approach, with the emission coefficients in the latest AIB European Residual Mix publication. The emissions avoided by using biomass, biogas and bio-syngas were computed using the coefficients described in the UNFCCC 2023 national inventory for natural gas substituted in Sofidel France Frouard and Sofidel France Roanne, for fuel oil substituted with biomass and for LPG substituted with bio-syngas in Sofidel Sweden.

GRI 305-1	Direct (Scope 1) GHG emissions
GRI 305-2	Energy indirect (Scope 2) GHG emissions
GRI 305-3	Other indirect (Scope 3) GHG emissions
GRI 305-4	GHG emissions intensity
GRI 305-5	Reduction of GHG emissions
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions

CO_2 emissions

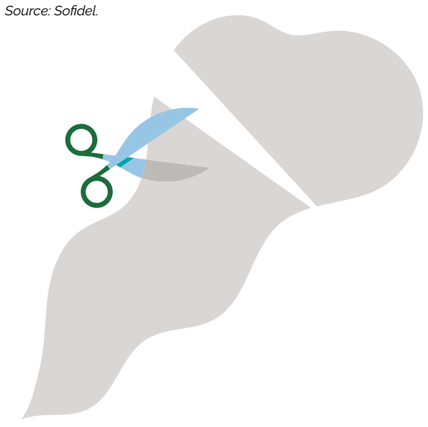
2023	2022	2021
Scope 1[17] 562,146 t	Scope 1 585,811 t	Scope 1 564,615 t
Scope 2[18] 364,945 t	Scope 2 294,662 t	Scope 2 308,622 t
Total CO_2 emissions 927,091 t	Total CO_2 emissions 880,473 t	Total CO_2 emissions 873,237 t
Carbon intensity 734.8 kg CO_2/t paper	Carbon intensity 700 kg CO_2/t paper	Carbon intensity 708.5 kg CO_2/t paper
Reduction -11.5%	Reduction -15.7%	Reduction -14.6%

Other air emissions



nitrogen oxides (NOx)[17]
sulfur oxides (SOx)[18]
fluorinated refrigerant gases

Source: Sofidel.



[17] Direct emissions from combustion at production sites (Scope 1) are computed in accordance with the European Union Emissions Trading Scheme (EU ETS), which regulates CO_2 emissions in Europe for the highest emitting industrial sectors. Scope 1 emissions from sites not covered by the ETS were estimated using the UNFCCC 2022 coefficient from the Italian national inventory. The same coefficient was applied for the calculation of other less significant emissions not covered by the ETS, such as those related to the use of forklifts and workplace heating.

[18] Scope 2 emissions were computed using a market-based GHG approach. The plants of Sofidel UK, Sofidel Germany and Sofidel Spain were assigned the emission coefficients corresponding to the specific electricity supply as declared by the suppliers. The remaining emissions were computed with the coefficients of the residual mixes. Sources: Green-e Residual Mix for plants in the USA, AIB European Residual Mix for plants in Europe). Scope 2 emissions computed with the location-based method amounted to 300,229 tCO_2e.

[17] Figure computed from NAEI UK emission coefficients.

[18] Estimated value based on analyses carried out during 2021-2022.

Water stewardship

GRI 3-3	Management of material topics
GRI 303-1	Interactions with water as a shared resource
GRI 303-2	Management of water discharge-related impacts

Goal:

- Sofidel is committed to pursuing a reduction in the specific water consumption of the industrial facilities most at risk of water scarcity or operating in areas subject to increased water stress. A risk analysis on the question will be carried out no later than the end of 2025.

Sofidel has been pursuing policies and activities to reduce water consumption for years, both to safeguard the environment and to protect production continuity, especially in countries that already present high levels of water stress. The overall water consumption reduction goal is pursued through management measures and specific investments in policies to rationalize water consumption and reuse 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, which was upgraded in 2022, and the Soffass Waste Water ReUse plant at the paper mill in Via Lazzareschi, the activities that have enabled Sofidel to achieve water consumption levels well below industry averages to date are the optimization of production cycles and the careful design of industrial plants.

The need to reach minimum levels of water consumption are dictated not only by Sofidel's propensity to achieve the best possible environmental performance, but also by the need to cope with the physical consequences of climate change. In fact, in some areas where Sofidel operates, a worrying trend of reduced rainfall has been observed in recent years, with long periods of drought. This situation of risk to our industrial operations has led Sofidel to set a target that includes a **greater reduction of specific water consumption at the facilities most at risk of water scarcity or operating in areas subject to greater water stress**.

Specific risk analyses will be conducted during 2024 to identify priority intervention areas.

Regarding the quality of water discharges, the tissue paper production process is strictly regulated: paper mills are required to monitor a range of parameters depending on national laws to ensure the proper operation of their plants, and to follow internal procedures that ensure regulatory compliance. The parameters monitored in almost all production facilities are oxygen demand (chemical, COD, or Biological, BOD) and total suspended solids (SST). In 2023, an improvement over the previous years' results for these parameters was observed. The estimated water recycling rate at Sofidel paper mills in 2023 was more than 96.2%[21].

SOFIDEL GIVES ITS OWN CONTRIBUTION TO GUARANTEE THE AVAILABILITY OF WATER AND APPROPRIATE HEALTH-HYGIENE FACILITIES FOR EVERYONE.

[21] The recycling rate is computed using the method reported in the publication "Methods for measuring water recycling in paper mills" (Assocarta - Confindustria - Aticelca), February 2017.

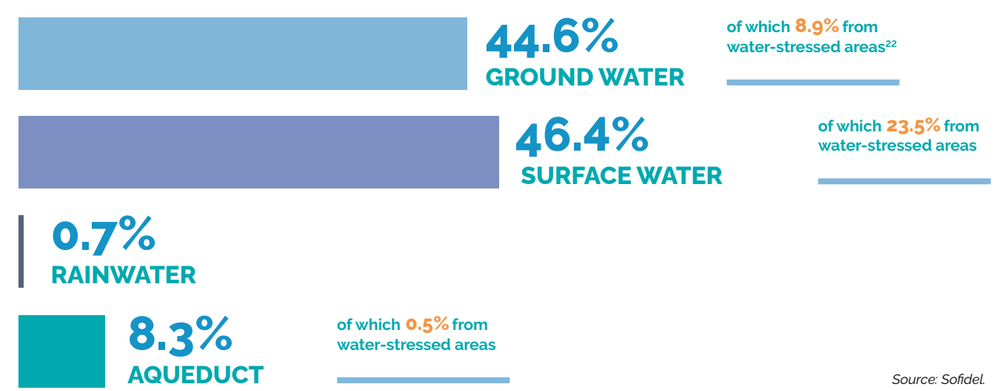
GRI 303-3	Water withdrawal
GRI 303-4	Water drainage
GRI 303-5	Water consumption

Specific annual water withdrawal for the Sofidel Group plants

	2023	2022	2021
withdrawal (m^3/t paper)	7.6 m^3/t paper	7.3 m^3/t paper	7.6 m^3/t paper
withdrawal (Mm^3)	9.6 Mm^3 (of which 3.1 Mm^3 from water-stressed areas)	9.3 Mm^3 (of which 3.3 Mm^3 from water-stressed areas)	9.4 Mm^3 (of which 3.1 Mm^3 from water-stressed areas)
of which evaporated during the production process (Mm^3)	3.4 Mm^3	3.4 Mm^3	3.4 Mm^3

Source: Sofidel.

Water supply sources – 2023



Source: Sofidel.

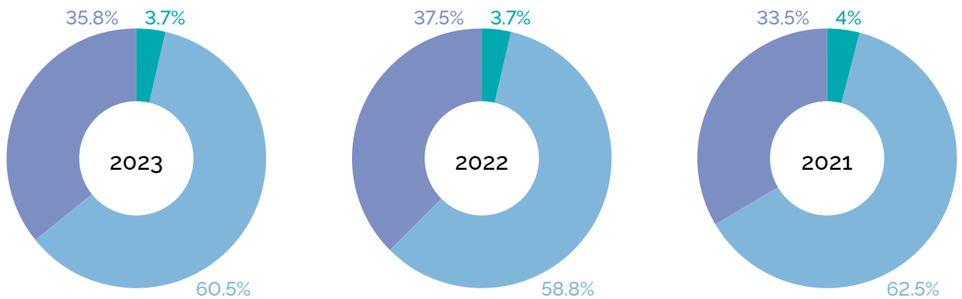
[22] High water stress areas were identified through the World Resources Institute's Water Risk Atlas platform.

Total amount of water discharged[21], destination and treatment of discharged water

Total amount of water discharged 6.1 Mm³ (of which 2.1 Mm³ from water-stressed areas)

Total amount of water discharged 5.9 Mm³ (of which 2.8 Mm³ from water-stressed areas)

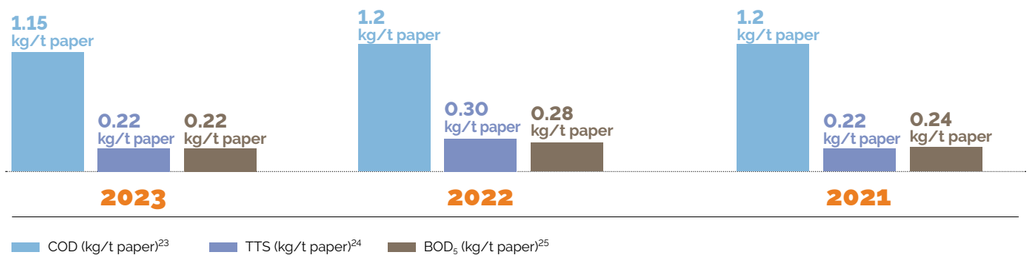
Total amount of water discharged 6 Mm³ (of which 1.9 Mm³ from water-stressed areas)



sea (biological treatment) | river (biological treatment) | public treatment plant

Source: internal water discharge analysis.

Specific emissions of pollutants into water[22]



Source: internal water discharge analysis.

[21] The water discharged is fresh water, ≤ 1,000 mg/l total dissolved solids (GRI 303).
[22] Source: Internal water discharge analyses.
[23] Data do not include Sofidel America's Haines City and Inola plants (analysis not conducted in 2023).
[24] Data do not include Sofidel America's Haines City and Inola plants (analysis not conducted in 2023).
[25] Data do not include the Sofidel Spain, Soffass via Giuseppe Lazzareschi, and Sofidel America plants in Inola and Haines City (analysis not conducted in 2023).

Responsible consumption and production

Goals:

- Reduction of the specific consumption of traditional plastic packaging (made of fossil-derived and non-recycled polymers) by 50% by 2030 compared to the 2013 figure.
- Sofidel is also committed to bringing 100% of primary packaging to market that is designed to be recyclable or compostable by 2030.

Sofidel's activities to improve its environmental performance include correct product design and management, in line with the requirements of a new regulation that the current European Commission wants to introduce, entitled "Ecodesign for Sustainable Product Regulation".

An area in which Sofidel has worked intensely since 2013 is reduction of the use of virgin plastic in the packaging of its products.

Its goal is to reduce the specific consumption of traditional plastic packaging by 50% by 2030 compared with 2013.

In 2023, compared to the 2013 figure, the reduction in use of conventional plastic was nearly 40% with an estimated annual savings of more than 12,500 tons of plastic.

In addition to reducing consumption, considered a priority, over the years Sofidel has started to introduce recycled plastics into primary and secondary packaging. In 2023, with this activity alone, we avoided the introduction of more than 5,000 tons of virgin plastic on to the market, while promoting activities geared to the circular economy.

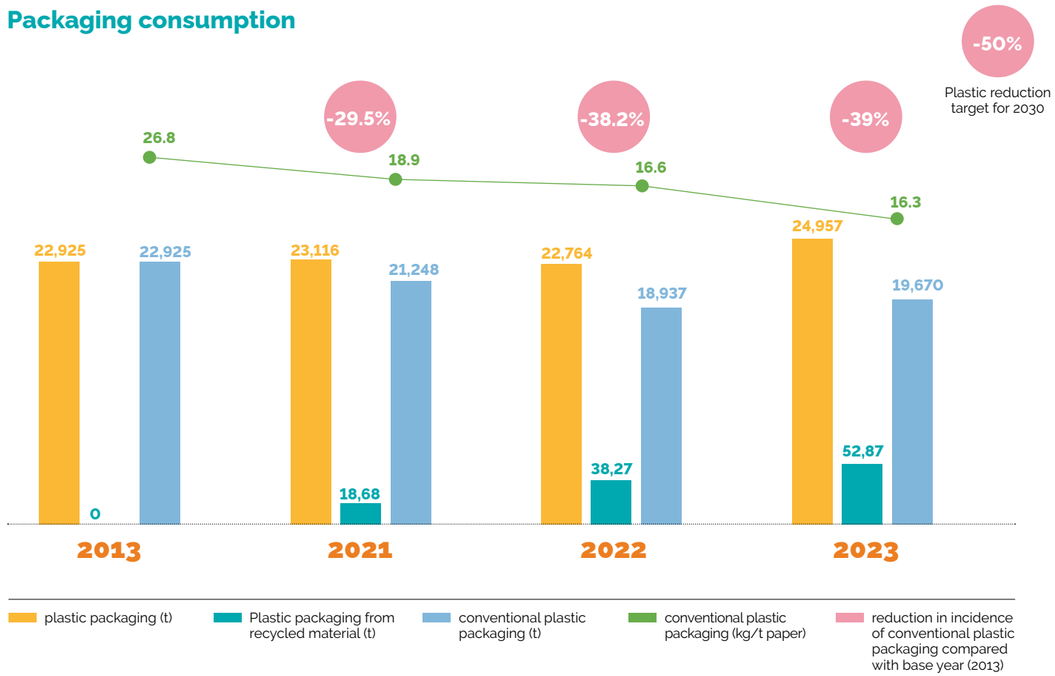
The most recent innovation, besides the progressive use of recycled plastics, has been the introduction of paper as an alternative packaging material for many of our products. Paper is the most widely recycled packaging material, sourced from renewable resources and readily biodegradable.

In 2023, the Group continued to replace virgin plastic, increasing the number of product lines with paper packaging. The results of these choices are obvious. In 2023, the consumption of conventional plastic packaging was reduced by 38.2% compared to the base year, 2013.

The commitment to reduce the use of virgin plastic is one of the many ways in which we contribute to the ambitious European agenda to build a sustainable economy that respects the limits of the planet and cares for nature.

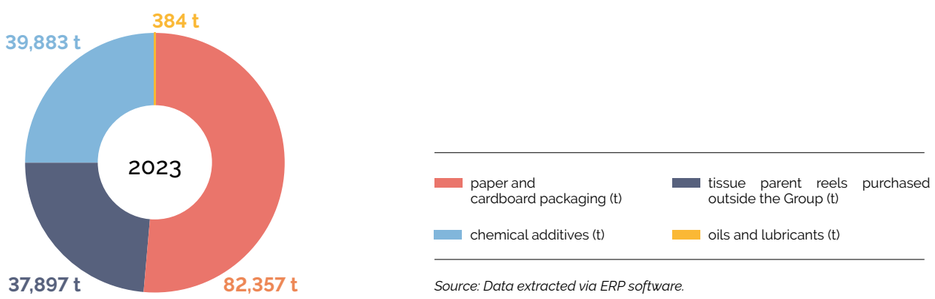
GUARANTEEING SUSTAINABLE CONSUMPTION AND PRODUCTION MODELS IS A COMMON OBJECTIVE.

Packaging consumption



Source: Data extracted via ERP software.

Other materials



Source: Data extracted via ERP software.

Sofidel has also worked on other aspects of ecological product design. Today, more than 90% of our finished products have at least one eco-label issued by an external body following an independent third-party audit.

These include FSC® and PEFC forestry chain-of-custody certifications. Sofidel has also obtained numerous licenses for the use of the European "Ecolabel" quality label, the Northern European "Swan Label" quality label and the German "Blaue Engel" label.

For many years, Sofidel has made an important commitment for its own Brand products: to have them all display the FSC® label, a guarantee of environmentally and socially sustainable forest management. This commitment is supported by the raw material procurement policy, which for years has steered purchases towards certified cellulose.

MAIN ENVIRONMENTAL CLAIMS

FSC®, PEFC: identify products containing wood derivatives from responsibly managed forests in accordance with strict environmental, social and economic standards.

EU Ecolabel, Nordic Swan Label, Blaue Engel: European product labels. They are obtained only after demonstrating compliance with strict environmental parameters over the entire supply chain associated with the manufacture of the product.

Waste management

GRI 3-3	Management of material topics
GRI 306-1	Waste generation and significant waste-related impacts
GRI 306-2	Management of significant waste-related impacts

Goal:

- Sofidel intends to reduce to zero direct landfilling of solid production waste by the end of 2027, giving priority to any material recovery process as an alternative treatment.

In line with major international waste management policies, Sofidel is committed in the first instance to reducing the amount of waste by combining the efficiency of its production process with the ecodesign of its products. The organization specializes in products made from virgin cellulose, a raw material whose processing generates a limited amount of waste, which is largely reused directly within the production facilities. Another example of waste reduction, whose effects are distributed throughout the supply chain, is in plastic packaging, which enables both Sofidel and the end consumer to produce less waste.

When reduction cannot bring improvement, Sofidel has established detailed management procedures to sort materials into homogeneous categories so, where technically possible, they can be effectively **recovered or reused**. The main residue produced by the plants is sludge from the treatment of recycled fiber (waste paper) and from the treatment facilities downstream of the production plants.

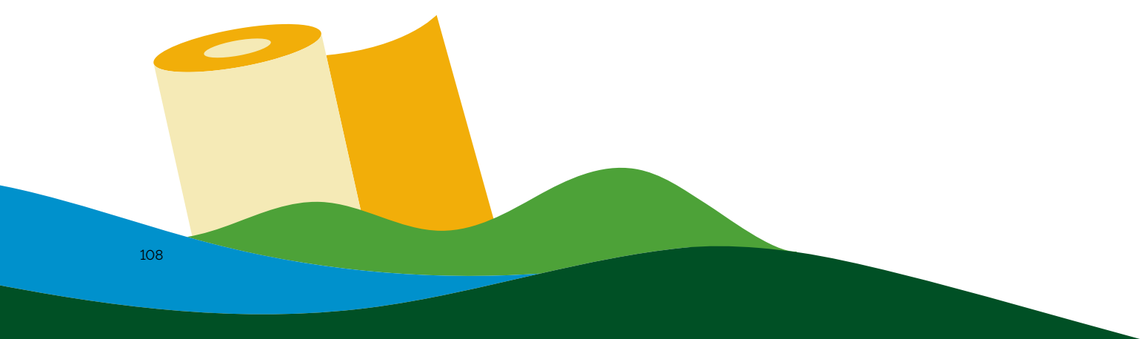
This waste is mainly recovered in the production of materials for the construction industry and agriculture, or treated in waste-to-energy plants. Only a small portion goes to landfill.

Another portion of waste consists of materials that are reused in other production cycles such as paper, wood, metals and polyethylene.

The papermaking process involves a negligible production of hazardous waste, which is not characteristic of paper production, but associated with the maintenance of industrial plants, such as waste oil, neon lights and batteries.

Sofidel conducts frequent audits on the operators who carry out hazardous waste transportation and intermediation activities, to verify their performance both on and off site.

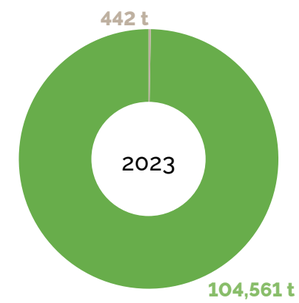
IN ORDER TO FURTHER IMPROVE THE WASTE CYCLE AT ITS PRODUCTION PLANTS, SOFIDEL HAS DECIDED TO SET AN IMPROVEMENT GOAL OF REDUCING TO ZERO RELIANCE ON DIRECT DELIVERY OF SOLID PRODUCTION WASTE TO LANDFILL BY THE END OF 2027.



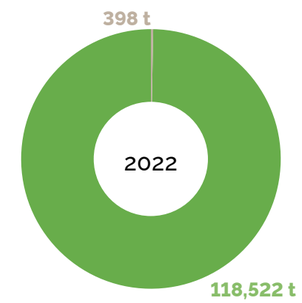
GRI 306-3	Waste generated

Waste generated by the Sofidel Group[27]

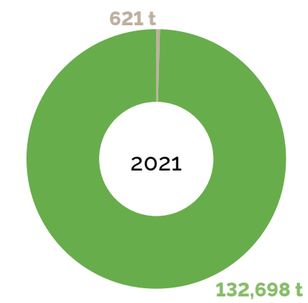
Quantity of total waste 105,003 t



Quantity of total waste 118,920 t



Quantity of total waste 133,319 t



quantity of non-hazardous waste (t) quantity of-hazardous waste (t)

Quantity of non-hazardous waste (t)

Quantity of non-hazardous waste destined for recovery (t) [28]	Quantity of non-hazardous waste destined for disposal (t) [28]
2023	2023
77,620 t	1,109 t (landfilled) 7,701 t (other operations)
2022	2022
88,377 t	9,081 t
2021	2021
98,427 t	7,673 t

Quantity of hazardous waste (t)

Quantity of non-hazardous waste destined for recovery (t) [28]	Quantity of hazardous waste destined for disposal (t) [28]
2023	2023
271 t	11 t (landfilled) 158 t (other operations)
2022	2022
228 t	159 t
2021	2021
265 t	351 t

Source: Sofidel.

[27] Source: Sofidel.

[28] Statistics on the final destination of waste refer to the treatments described in Annexes I and II of Directive 2008/98/EC, they do not include Sofidel America

PEOPLE

Human capital

Human capital is the set of skills, competences, professional abilities and relationships that are established among the people who work in a company. It is from this kind of capital that the Group's culture, the foundation of every organization, stems.

The hallmarks of Sofidel human capital are passion, professional competence, reliability, and a spirit of belonging. The personnel management policy is based on a practical approach, the enhancement of skills and the promotion of internal growth, in accordance with the principles expressed in the **Code of Ethics** and the Group Guidelines for Human Resources Management, which place human capital at the center of the value creation process.

The Sofidel Group has always stood out for **the attention it pays to its personnel**, which is reflected in the investments and initiatives it deploys to safeguard the development and the **mental and physical well-being of its employees**. Sofidel constantly guarantees specific training courses for different needs, to reinforce its culture and create the necessary foundation for improving the health and safety of its employees.

In the last few years in particular, Sofidel has been implementing targeted personnel attraction and retention actions to respond to the **significant changes on the labor market** since the Covid-19 pandemic and the "Great Resignation" phenomenon. These phenomena have completely changed people's approach to the world of work globally, making companies' ability to hire the best candidates and retain employees much weaker, both in the short- and medium/long-term.

In response, Sofidel has decided to invest in a stronger **Employer Branding** policy and to promote the constant development of its people. In 2023, it implemented new strategic HR and H&S projects at Group level.

THE SOFIDEL GROUP HAS ALWAYS STOOD OUT FOR THE ATTENTION IT PAYS TO ITS PERSONNEL, WHICH IS REFLECTED IN THE INVESTMENTS AND INITIATIVES IT DEPLOYS TO SAFEGUARD THE DEVELOPMENT AND MENTAL AND PHYSICAL WELL-BEING OF ITS EMPLOYEES.

The "Boosting the recruitment process" project

During 2023, Sofidel implemented a project aimed at making the recruitment process more efficient, involving the HR functions of all Group countries.

Specifically, the project involved 14 representatives from the HR functions of the Group companies, who participated in a 24-hour "Boosting Recruitment" course, for a total of 336 hours of training. The purpose of the project was to highlight the importance of the recruitment process at strategic level for the achievement of the organization's objectives, with the aim of providing a reference standard for the activation and management of all processes, and raising the appeal of the vacancies and job ads published by Sofidel on the various channels, first and foremost the social networks dedicated to the world of work. The project, which consisted of a series of meetings and teamwork, generated many interesting ideas and insights in order to attract and retain the best candidates.

In addition to analysis of the recruitment phase, the project also examined the development of new processes to improve the relationship with the employee and strengthen **employee retention** at all levels. For this reason, a structured induction period has been developed to accompany new hires from the beginning and facilitate their integration in the Sofidel Group. Finally, the project assessed the introduction of a feedback process, through meetings with employees aimed at detecting any critical issues that need to be addressed promptly, in order to foster a strong and long-lasting working relationship.

In light of the above, in the coming years Sofidel intends to implement the initiatives that were developed in 2023 and work on new strategic projects to strengthen staff induction and retention.

The experimental project "Sofidel Simplify"

During 2023, the experimental project "Sofidel Simplify" was launched in collaboration with Circles, a Sodexo Group company. The project focuses on the introduction of a **concierge service** in a Sofidel America plant and the Sofidel UK plants, two countries where – partly because of the particular nature of the Anglo-Saxon world and work culture – the staff turnover rate is generally higher than in the other Group countries. Specifically, the project was introduced for Sofidel America at the Green Bay - Wisconsin site and for all Sofidel UK plants, involving a total of 1,033 employees.

In terms of employee retention and loyalty, the concierge service offers ongoing assistance in managing numerous activities, such as booking events, personal purchases, gym memberships, arranging medical appointments and many others, as well as providing discounts on numerous goods and services. The project aims to **improve the daily lives of employees**, enabling them to optimize time management, reduce stress and prevent possible external sources of distraction during working hours. In addition, through partnerships with leading business services both nationally and locally, employees enjoy numerous discounts, allowing them to save money and boost their loyalty to the organization. Despite the investments put in place by the organization during the first roll-out phase, the results in terms of employee commitment are not yet in line with expectations. To date the percentage of employees using the service has reached about 30% in Sofidel UK and about 38% in the USA, with positive feedback from users who have tried the various activities.

The "Sofidel Language Learning Program" project

Another project launched during 2023 is the "Sofidel Language Learning Program", a new **international project** offering all employees the chance to learn one or more foreign languages. With this benefit, Sofidel wanted to provide a powerful tool to **improve language skills** through a digital platform including theory, exercises and videos, conversation classes and group lessons. During the first year, more than 6,300 hours of language training were used through the digital portal and 1,160 licenses were activated to study English, German, Spanish, French and Italian. The language program was also extended to employees' families and friends, who, if interested, can register freely on the portal and access daily exercises, study grammar, and delve into videos and articles on numerous topics.

Focus on people

HUMAN RIGHTS, EQUAL OPPORTUNITY, NON-DISCRIMINATORY PRACTICES

Sofidel bases its human resources management policy on the principles expressed in its Code of Ethics.

The Code of Ethics is based on full respect for human rights, health and safety, and the well-being of the local communities in which the Group operates. It condemns child or forced labor and any gender, religious, cultural, ethnic or sexual discrimination, or physical, psychological, verbal or sexual harassment.

Sofidel is very attentive to respect for human rights in its organization and in all situations concerning people involved in its activities: customers, suppliers and the community. In line with these principles, a Human Rights Policy has been developed, inspired by the United Nations guidelines and the main international agreements.

Sofidel is committed to providing a work environment free from prejudice, free from harassment and respectful of the personality and dignity of workers. Its personnel selection, hiring, training and growth plans are carried out without discrimination of any kind. The Group has adopted specific regulations against discrimination, sexual harassment in the workplace and mobbing. No reports of discrimination were received during the year.

Compatibly with general efficiency, Sofidel encourages flexibility in the organization of work to facilitate the work-life balance, with flexible working hours and part-time employment contracts.

It also recognizes workers' right to form and join unions, or other collective bargaining organizations, and to refrain from joining such organizations.

ATTENTION TO THE YOUNGER GENERATIONS IN THE WORKPLACE

Sofidel pays special attention to the future of the younger generations and is developing initiatives and partnerships with educational world. The purpose of these initiatives is to **support young people** when they enter the world of work, helping them to orient themselves and become more aware of their abilities and soft skills, with particular reference to the professions in greatest demand in business today. No less important is the goal of reducing the mismatch between skills coming out of education and skills required by companies.

The Group companies have set up many initiatives. For example, in Italy, Sofidel collaborates with numerous educational institutions – secondary schools, vocational training institutes, and universities––and with its trade association to coordinate partnerships with the educational world.

Initiatives with educational institutions take various forms and have multiple objectives, for example:

- participation in **orientation meetings** for junior high school students to raise awareness about paper-industry specializations in senior high schools;
- **lectures and seminars** in which Sofidel technical experts help students supplement their theoretical knowledge;
- **school/work alternation courses** with the "Pathways for Soft Skills and Orientation" (PCTO) project for secondary school students to learn basic notions and participate in field activities. An example is collaboration with the Paper Technologies course at the Marchi-Forti State Technical Institute in Pescia: every year, the PCTO is organized for third-year classes with a focus on the papermaking process, fourth-year classes with a focus on the converting process, and fifth-year classes where students concentrate on a topic for a term paper;
- creating **project work** for the development of technical and above all soft skills, which are valuable for future job placement;
- organizing **curricular internships** for undergraduates preparing their degree theses and **practical internships** for the courses of vocational institutes during which students experience practical and skill-building activities. An example are the practical internships organized for the PaperGear22 course of the vocational institute in Lucca, where students acquire an advanced technician diploma

for the development of paper production machinery and equipment, which trains figures with a vital role in the maintenance departments of paper manufacturers, or the ITS Paper21 course, the institute's other two-year syllabus, where students specialize as advanced technicians for paper production management.

In Germany, Sofidel has numerous partnerships for the orientation of students and their integration into the world of work, for example through the **Ausbildung**, a three-year **apprenticeship** program for young people coming out of secondary school, which offers two options depending on their field of study. In both cases, the program alternates study in school with practical workplace experience. For business-related subjects, the **Industrial Clerk** program gives students the opportunity to experience working in different offices and administrative functions over the three-year course, rotating between different Sofidel departments, while students studying electrical or mechanical maintenance stay in the same department in learn specialized subjects and improve their technical skills.

The German subsidiary is also experimenting with the **dual studies system**, a professional training that alternates work experience and classroom lessons, to enable students to complete their university studies with a very practical orientation directly in the workplace. At the end of the course, the students can focus on a project developed in the company as the basis for their thesis and present it during the final exam. The most positive aspects of this program are the opportunity to host young students from the area and strengthen their ties with the company over the years. The pilot for the project was successfully completed with the first process engineer hired by the subsidiary in 2023, and will continue in the coming years.

In the UK, as a member of the **Confederation of Paper Industries**, Sofidel is part of a working group formed with other major paper companies in the country to create an industry-recognized approach and develop a more established career path in papermaking. During 2022, work began to revitalize apprenticeships in papermaking (a level-three vocational qualification in the European Qualifications Framework), and create a standardized apprenticeship as a recognized qualification in the United Kingdom.

The course is intended for 16- to 17-year-olds who are not planning to pursue a traditional academic path, as well as people who want to pursue a career in papermaking or people who already work in the industry and want to develop their skills. For example, in Sofidel UK, in 2023 the first employee of the company registered to take the course as a professional development opportunity. In the future, the aim is to increase involvement of production staff and set up new apprenticeships for students, mainly graduates, who want to start a career in the company.

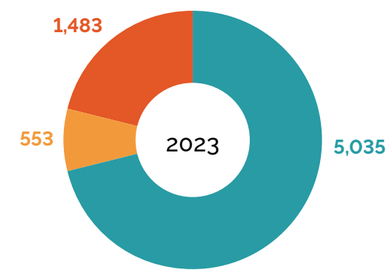
Personnel composition and distribution

GRI 2-7 Employees

The Sofidel Group's results reflected the contributions of **7,071 people**, specifically 71.20% blue collars, 20.98% white collars and 7.82% managers. Sofidel employees work in **13 countries** and this allows the Group to have direct knowledge of the markets in which it operates and access to many different cultures and points of view.

The Sofidel Group is also committed to developing relationships with the schools in the areas in which it operates. For this reason, in several countries, besides interns and students on school-work programs, the Group has employees on apprentice or similar contracts. At December 31, 2023, it had 40 employees on this type of contract, which were not counted in the total number of Group employees, of whom 21 blue collars and 19 white collars.

Breakdown of Sofidel Group personnel by qualification

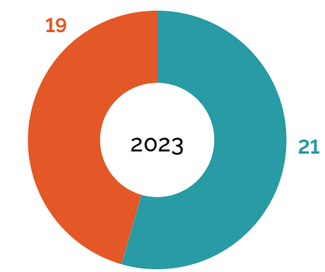


Employees worldwide: 7071

blue collars | managers | white collars

Source: Sofidel.

Breakdown of Sofidel Group personnel by apprentice qualification



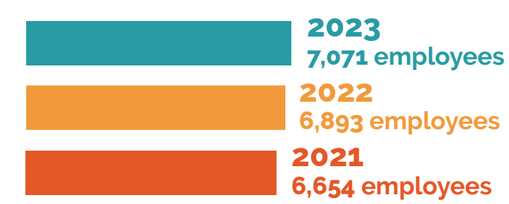
Total: 40

blue collars | white collars

Source: Sofidel.

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

The number of employees over the years



Source: Sofidel.

The data show that the USA is the country with the highest number of employees (24.56%), followed by numerically significant communities in Italy (19.33%), the UK (11.82%) and Germany (11.16%).

Breakdown of Sofidel Group employees by qualification and geographical area – 2023

	Belgium	France	Germany	Greece	Ireland	Italy	Poland	Romania	Spain	Sweden	UK	Hungary	US	Total
Blue Collars	95	518	602	47	-	812	292	187	255	132	652	151	1,292	5,035
White Collars	41	115	160	9	-	437	162	45	59	42	126	39	248	1,483
Managers	25	60	27	6	1	118	12	4	30	7	58	8	197	553
Total	161	693	789	62	1	1,367	466	236	344	181	836	198	1,737	7,071

Source: Sofidel.

Breakdown of Sofidel Group employees by qualification and geographical area – 2022

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

Source: Sofidel.

Breakdown of Sofidel Group employees by qualification and geographical area – 2021

	Belgium	France	Germany	Greece	Ireland	Italy	Poland	Romania	Spain	Sweden	UK	Hungary	US	Total
Blue Collars	97	521	565	46	-	781	273	184	250	131	634	121	1,182	4,785
White Collars	43	113	149	8	-	403	142	45	56	41	106	40	266	1412
Managers	25	60	28	7	1	107	16	6	29	8	57	11	102	457
Total	165	694	742	61	1	1,291	431	235	335	180	797	172	1,550	6,654

Source: Sofidel.

Breakdown of employees of the Sofidel Group by qualification and geographic area – Apprentice 2023

	Germany	France	UK	Total
Blue Collars	7	9	5	21
White Collars	8	11		19
Total	15	20	5	40

Source: Sofidel.

TYPE OF CONTRACTS

GRI 2-7	Employees
GRI 2-8	Workers who are not employees

The large majority of contracts are permanent (96.86%) and almost all employees (97.94%) have full-time contracts.

The Group companies also have workers who are not employees. At December 31, 2023, the total number of this kind of workers was 208. Most of them in the Group are Blue Collars assigned to production tasks in the paper-making and converting plants and to warehouse management.

Breakdown of Sofidel Group employees by qualification, gender and type of contract – 2023

	FULL-TIME			PART-TIME			TOTAL INTERNAL EMPLOYEES		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Blue Collars	548	4,415	4,963	9	63	72	557	4,478	5,035
White Collars	552	862	1,414	62	7	69	614	869	1,483
Managers	117	431	548	4	1	5	121	432	553
Total	1,217	5,708	6,925	75	71	146	1,292	5,779	7,071

Source: Sofidel.

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

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

Source: Sofidel.

Breakdown of Sofidel Group employees by qualification, gender and type of contract – 2021

	FULL-TIME			PART-TIME		
	Women	Men	Total	Women	Men	Total
Blue Collars	450	4,269	4,719	10	56	66
White Collars	512	828	1,340	65	7	72
Managers	90	362	452	5	0	5
Total	1,052	5,459	6,511	80	63	143

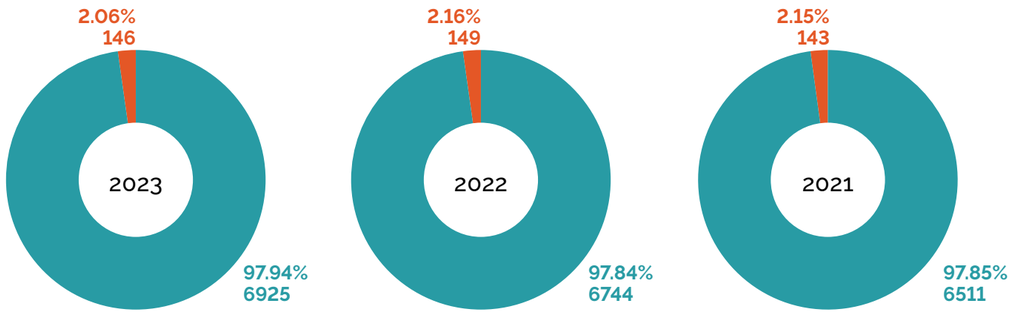
Source: Sofidel.

Breakdown of employees of the Sofidel Group by qualification, gender and type of contract – Apprentice 2023

	FULL-TIME			PART-TIME			TOTAL INTERNAL EMPLOYEES		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Blue Collars	1	20	**21**	-	-	-	1	20	**21**
White Collars	15	4	**19**	-	-	-	15	4	**19**
Total	16	24	40	-	-	-	16	24	40

Source: Sofidel.

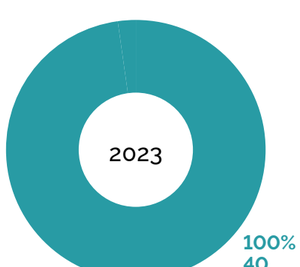
Breakdown of employees of the Sofidel Group by type of contract



full-Time part-time

Source: Sofidel.

Breakdown of employees of the Sofidel Group by type of contract – Apprentice 2023



full-Time part-time

Source: Sofidel.

Breakdown of Sofidel Group employees by gender and work contract – 2023

	PERMANENT			TEMPORARY		
	Women	Men	Total	Women	Men	Total
Blue Collars	542	4,318	4,860	15	160	175
White Collars	592	849	1,441	22	20	42
Managers	119	429	548	2	3	5
Total	1,253	5,596	6,849	39	183	222

Source: Sofidel.

Breakdown of employees of the Sofidel Group by gender and work contract – Apprentice 2023

	PERMANENT			TEMPORARY		
	Women	Men	Total	Women	Men	Total
Blue Collars	-	-	-	1	20	21
White Collars	-	-	-	15	4	19
Total	-	-	-	16	24	40

Source: Sofidel.

Breakdown of employees of the Sofidel Group by type of contract and geographic area – 2023

COUNTRY	PERMANENT	TEMPORARY
Belgium	161	-
France	686	7
Germany	728	61
Greece	60	2
Ireland	1	-
Italy	1,328	39
Poland	410	56
Romania	216	20
Spain	333	11
Sweden	168	13
UK	826	10
Hungary	195	3
US	1,737	-
Total	6,849	222

Breakdown of employees of the Sofidel Group by type of contract and geographic area – Apprentice 2023

COUNTRY	PERMANENT	TEMPORARY
France	-	20
Germany	-	15
UK	-	5
Total	-	40

PERSONNEL CHARACTERISTICS

GRI 3-3	Management of material topics
GRI 405-1-b	Diversity of governance bodies and employees

Young people are an essential resource to bring fresh energy and new ideas, which is why the Group plans on increasing their presence and **making space for the new generations**. Currently, most of the Sofidel population (53.60%) is aged between 30 and 50. The number of people over 50, for whom adequate management tools will be required in the future, is also significant.

Breakdown of Sofidel Group employees by qualification, gender and age group – 2023

	AGE < 30			AGE 30-50			AGE > 50		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Blue Collars	103	731	834	263	2,354	2,617	191	1,393	1,584
White Collars	75	111	186	394	483	877	145	275	420
Managers	5	14	19	71	225	296	45	193	238
Total	183	856	1,039	728	3,062	3,790	381	1,861	2,242

Source: Sofidel.

Breakdown of Sofidel Group employees by qualification, gender and age group – 2022

	AGE < 30			AGE 30-50			AGE > 50		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Blue Collars	91	695	786	237	2,365	2,602	182	1341	1,523
White Collars	87	102	189	389	478	867	140	248	388
Managers	6	13	19	66	234	300	38	181	219
Total	184	810	994	692	3,077	3,769	360	1,770	2,130

Source: Sofidel.

Breakdown of Sofidel Group employees by qualification, gender and age group – 2021

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

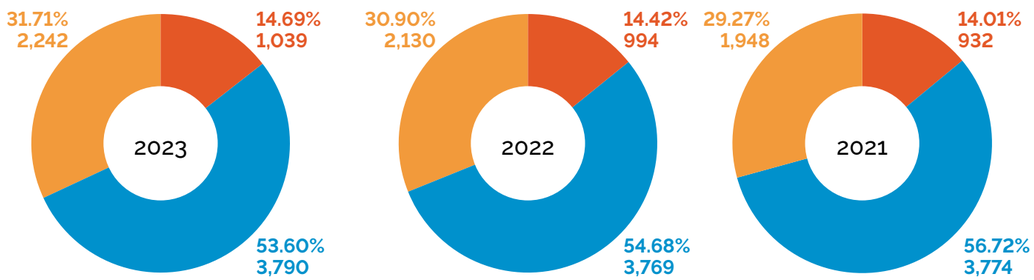
Source: Sofidel.

Breakdown of employees of the Sofidel Group by qualification, gender and type of contract – Apprentice 2023

	AGE < 30			AGE 30-50			AGE > 50		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Blue Collars	1	20	21	-	-	-	-	-	-
White Collars	15	4	19	-	-	-	-	-	-
Total	16	24	40	-	-	-	-	-	-

Source: Sofidel.

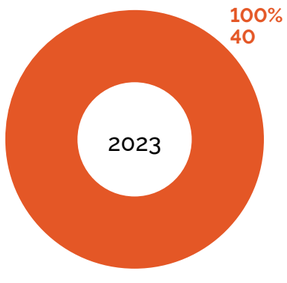
Breakdown of employees of the Sofidel Group by age



age < 30 | age 30-50 | age > 50

Source: Sofidel.

Breakdown of employees of the Sofidel Group by age - Apprentice



age < 30 | age 30-50 | age > 50

Source: Sofidel.

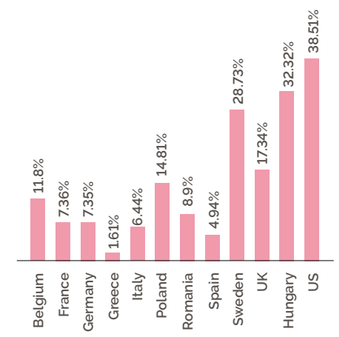
TURNOVER

GRI 3-3	Management of material topics
GRI 401-1	New employee hires and employee turnover

The Group turnover rate[29] is in line with the previous year, but with a higher percentage value abroad. The data on voluntary turnover in the non-Italian companies show a decrease in 2023.

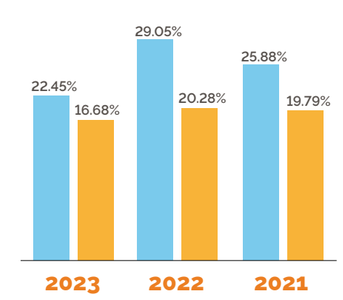
Sofidel Group turnover rate by geographical area, gender and age group – 2023

by geographical area



Source: Sofidel.

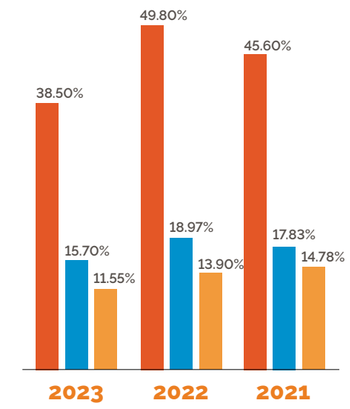
by gender



women | men

Source: Sofidel.

by age



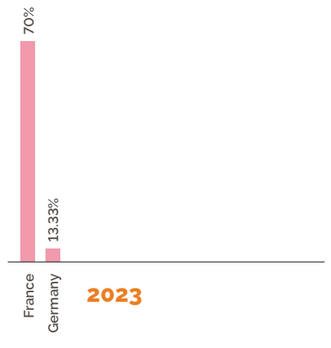
age < 30 | age 30-50 | age > 50

Source: Sofidel.

[29] The personnel turnover rate was determined considering the total number of employees who left the organization voluntarily, for retirement or termination of employment.

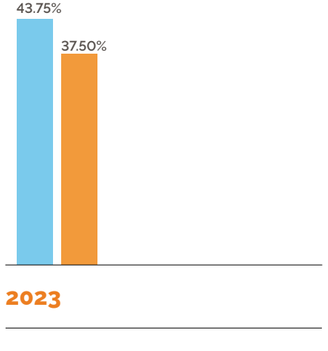
Sofidel Group turnover rate by geographical area, gender and age group – Apprentices 2023

by geographical area



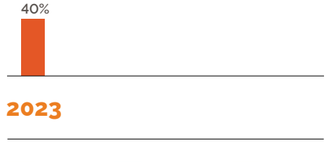
Source: Sofidel.

by gender



Source: Sofidel.

by age



Source: Sofidel.

People who left the organization by geographical area, gender and age group: absolute figures – 2023

People who left the organization by geographical area

Country	Employees who left the organization	Total employees
Italy	88	1,367
Abroad	1,166	5,704
Total	1,254	7,071

Source: Sofidel.

People who left the company by gender

Gender	Employees who left the organization	Total employees
Women	290	1,292
Men	964	5,779
Total	1,254	7,071

Source: Sofidel.

People who left the company by age group

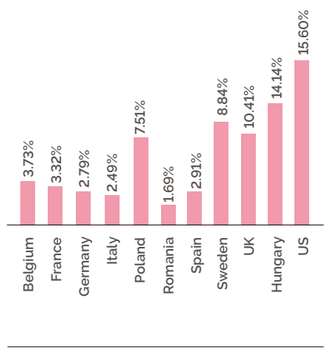
Age group	Employees who left the organization	Total employees
age < 30	400	1,039
age 30-50	595	3,790
> 50	259	2,242
Total	1,254	7,071

Source: Sofidel.

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

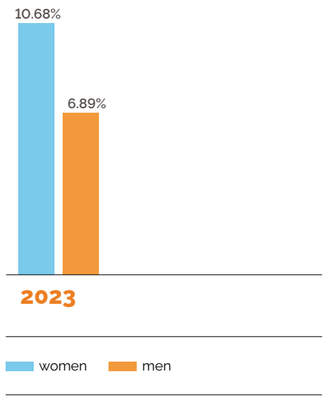
Sofidel Group turnover rate for voluntary resignations by geographical area, gender and age group – 2023

by geographical area



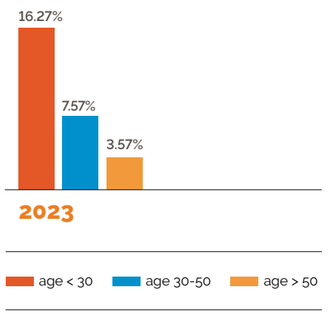
Source: Sofidel.

by gender



Source: Sofidel.

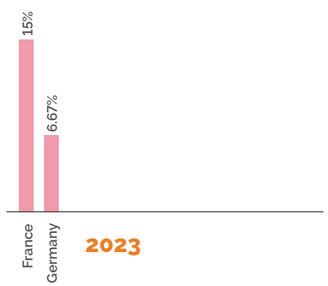
by age



Source: Sofidel.

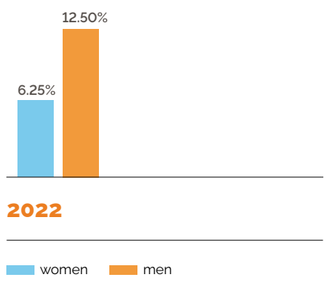
Sofidel Group turnover rate for voluntary resignations by geographical area, gender and age group- Apprentices 2023

by geographical area



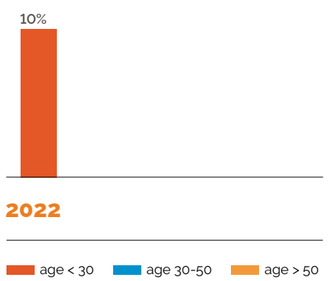
Source: Sofidel.

by gender



Source: Sofidel.

by age



Source: Sofidel.

Number of voluntary resignations in the Sofidel Group by geographical area, gender and age group: absolute figures – 2023

Number of voluntary resignations in the Sofidel Group by geographical area

Country	Employees who left the organization	Total employees
Italy	34	1,367
Abroad	502	5,704
Total	**536**	**7,071**

Source: Sofidel.

Number of voluntary resignations in the Sofidel Group by gender

Gender	Employees who left the organization	Total employees
Women	138	1,292
Men	398	5,779
Total	**536**	**7,071**

Source: Sofidel.

Number of voluntary resignations in the Sofidel Group by age group

Age group	Employees who left the organization	Total employees
age < 30	169	1,039
age 30-50	287	3,790
> 50	80	2,242
Total	**536**	**7,071**

Source: Sofidel.

Total number and rate of new hirings of the Sofidel Group by age group, gender and geographic area - 2023

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

Age group	Hires	Internal employees	Hiring rate
age < 30	597	1,039	57.46%
age 30-50	725	3,790	19.13%
age > 50	144	2,242	6.42%
Total	**1,466**	**7,071**	**20.73%**

Source: Sofidel.

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

Gender	Hires	Internal employees	Hiring rate
Women	353	1,292	27.32%
Men	1,113	5,779	19.26%
Total	**1,466**	**7,071**	**20.73%**

Source: Sofidel.

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

Country	Hires	Internal employees	Hiring rate
Belgium	18	161	11.18%
France	64	693	9.24%
Germany	88	789	11.15%
Greece	3	62	4.84%
Ireland	-	1	-
Italy	140	1,367	10.24%
Poland	78	466	16.74%
Romania	38	236	16.10%
Spain	20	344	5.81%
Sweden	53	181	29.28%
UK	181	836	21.65%
Hungary	75	198	37.88%
US	708	1,737	40.76%
Total	**14,66**	**7,071**	**20.73%**

Source: Sofidel.

Total number and rate of newly hired employees of the Sofidel Group by age group, gender and geographic area: - Apprentice 2023

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

Age group	Hires	Internal employees	Hiring rate
age < 30	15	40	37.50%
age 30-50	-	-	-
age > 50	-	-	-
Total	**15**	**40**	**37.50%**

Source: Sofidel.

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

Gender	Hires	Internal employees	Hiring rate
Women	8	16	50.00%
Men	7	24	29.17%
Total	**15**	**40**	**37.50%**

Source: Sofidel.

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

Country	Hires	Internal employees	Hiring rate
Germany	3	15	20.00%
France	11	20	55.00%
UK	1	5	20.00%
Total	**15**	**40**	**37.50%**

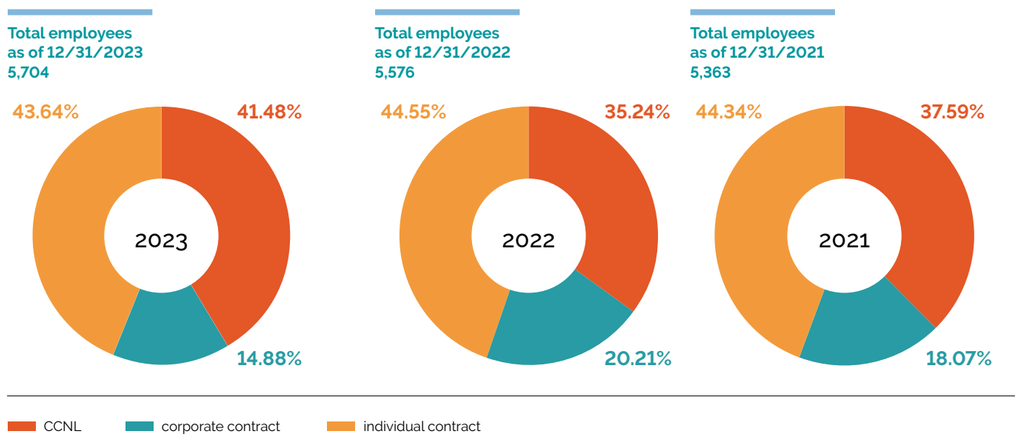
Source: Sofidel.

Industrial relations

GRI 2-30	Collective bargaining agreements

The Sofidel industrial relations system is based on **open, continuous and constructive exchanges** with the trade unions in the countries in which it operates. In the Sofidel Group companies, employee contracts are always regulated by forms of national, company or individual collective bargaining, thus guaranteeing clear and perfectly enforceable conditions and promoting a system of relations that protects the core value of labor, both for the companies and the workers. The European Works Council (EWC) is the body created under European Directive 94/45/EC for the purposes of informing and consulting employees in community-scale companies and groups. Although the parties agree on the objectives of the EWC and share a mutual desire to implement it, they are discussing its method of operation without so far having reached an agreement. The Group companies do not make direct or indirect contributions to parties, movements, committees and organizations of a political or union nature, or to their representatives, and they refrain from any form of direct or indirect pressure on political parties.

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



Source: Sofidel.

NOTICE IN CASE OF ORGANIZATIONAL CHANGES

GRI 3-3	Management of material topics
GRI 402-1	Minimum notice periods regarding operational changes

In all countries in which it operates, the Sofidel Group observes the minimum notice periods required for operational and organizational changes which could have a significant impact on the company and its employees. The notice periods can differ from country to country, since governed by local legislations, regulations and agreements, thus varying from a minimum of one to two weeks up to two to three months depending on the issue and country involved from time to time.
Even in countries where local legislation does not provide for a minimum formal notice period, Sofidel undertakes to apply reasonable terms in order to manage changes and any consequent impact **on the parties concerned**.

Safeguarding human capital

GRI 3-3	Management of material topics
GRI 401-3	Parental leave

In the Sofidel Group, **women** represent 18.27% of employees, 21.88% among managers, 41.40% among white collars and 11.06% among blue collars. The prevalence of men, especially among blue collar workers, is due to the characteristics of the manufacturing industry and the tasks performed, which in many cases involve working in alternating shifts and on a continuous cycle, especially as regards production, maintenance, warehouse or loading and unloading operations.

In 2023, all Sofidel employees were entitled to request parental leave (7,071). The number of people who took parental leave was 127, of whom 67 women and 60 men. . At the end of their parental leave, 4 Group employees decided to leave their jobs.

In all the countries in which it operates, the organization complies with regulations governing maternity and paternity leave and, more generally, any form of compulsory or optional leave granted to workers with children. It also favors forms of **flexibility in the use of leave** in order to accommodate the needs of its employees, in compliance with local laws and regulations.

Employees who took parental leave – 2023

Country	Women	Men	Total
France	1	-	1
Germany	9	16	25
Italy	24	34	58
Poland	7	-	7
Spain	1	2	3
Sweden	7	8	15
UK	2	-	2
Hungary	8	-	8
US	8	-	8
Total	67	60	127

Source: Sofidel.

Employees who returned to work after taking parental leave and continued to work in the organization in the 12 months following their return – 2023

	Women	Men	TOTAL
Still active 12 months following their return	29	60	89

Source: Sofidel.

Return rate of employees who benefited from a parental leave – 2023

	Women	Men	TOTAL
Return rate	90.70%	100.00%	96.00%

Source: Sofidel.

Retention rate for employees who took parental leave- 2023

	Women	Men	TOTAL
Retention rate	82.86%	96.77%	91.75%

Source: Sofidel.

Total number of employees who should have returned to work after taking parental leave - 2023

	Women	Men	TOTAL
Employees who returned in the company	43	57	100

Source: Sofidel.

PROTECTED CATEGORIES

GRI 3-3	Management of material topics
GRI 405-1-b	Diversity of governance bodies and employees

As far as **protected categories** are concerned, the Group fulfills its obligations under local laws in the countries in which it operates. In 2023, 63 employees belonged to protected categories, of which 11 women and 52 men. Most of the protected categories are currently hired in Italy.

PERFORMANCE EVALUATION PROGRAM

GRI 404-3	Percentage of employees receiving regular performance and career development reviews

The qualitative evaluation of performance is based on constant analysis of a series of parameters that measure employee performance in terms of: **individual commitment**, skills, **problem-solving ability, collaboration** (teamwork), communication and interpersonal skills, spirit of initiative, delegation, control and development of colleagues.

During 2023, Sofidel carried out performance evaluation in the countries where the process is in place by virtue of local regulatory requirements, while the Group-wide assessment process is currently being updated.

Employees who receive regular performance reviews - 2023

	Women	Men	Blue Collars	Managers	White Collars
Total employees with reviews	445	1,537	1,333	146	503
Total employees	1,292	5,779	5,035	553	1,483
Percentage of employees involved	34.44%	26.60%	26.47%	26.40%	33.92%

Source: Sofidel.

RATIO BETWEEN THE STANDARD ENTRY-LEVEL WAGE BY GENDER AND LOCAL MINIMUM WAGE

GRI 3-3	Management of material topics
GRI 202-1	Ratios of standard entry-level wage by gender compared to local minimum wage

The Sofidel Group ensures respect for the minimum local wages in all the countries where its employees work, whether they are new hires or people with greater professional experience. No difference is applied between the minimum wages of men and women.

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

	Minimum wage in the country	Ratio of corporate minimum wage to legal minimum wage by country
Belgium	100	159
France	100	104
Germany	100	120
Greece	100	100
Italy	100	100
Poland	100	100
Romania	100	100
Spain	100	143
Sweden	100	100
UK	100	127
Hungary	100	100
US	100	214

TRANSITION SUPPORT PROGRAMS

GRI 404-2	Programs for upgrading employee skills and transition assistance programs

The Sofidel Group implements transition programs to **facilitate job continuity and the end of the professional career**, for both reasons of retirement and termination of employment. In particularly critical or strategic situations linked to the departure of employees, the organization assesses the possibility of offering **outplacement programs** to support their re-employment and accelerate their new job placement.

Remuneration of men and women

GRI 3-3	Management of material topics
GRI 405-1-b	Diversity of governance bodies and employees
GRI 405-2	Ratio of basic salary and remuneration of women to men

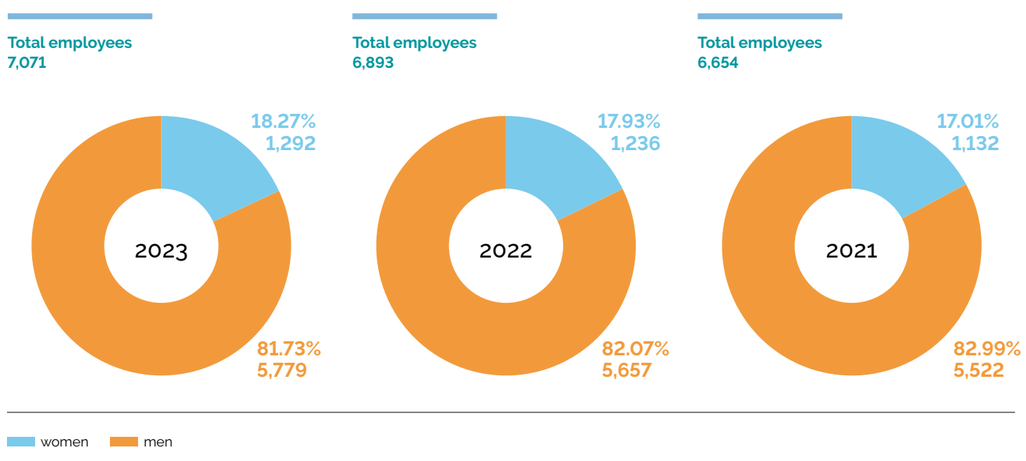
The issue of fairness and equal treatment between men and women is very important for Sofidel. In this regard, the organization has developed compensation and skills upgrading rules based on criteria of equality and fairness to avoid and minimize as much as possible wage differences between men and women.

The data presented in the tables below, subdivided by Blue Collar, White Collar and Manager, show that even with policies based on equity and equal treatment of men and women, a certain gap persists for women in the White Collar and Manager categories, while in the Blue Collar category wages are essentially equal.

A positive observation is that the 2023 data show an **improvement** compared with the previous years.

For the future, the Sofidel Group intends to take action to **fully bridge the gap** between men's and women's wages and implement its equal **opportunities** policy in the workplace.

Breakdown of Sofidel Group employees by gender



Source: Sofidel.

Ratio between men's/women's wages for the same qualification - basic salary - 2023

	Gross average basic salary (euros/month)	Basic salary for women as a percentage of the basic salary for men	Difference
Blue Collars	2,794.04 €		
Women	2,782.05 €	99.52	-0.48
Men	2,795.54 €		
Managers	7,580.33 €		
Women	6,262.08 €	78.77	-21.23
Men	7,949.56 €		
White Collars	3,562.56 €		
Women	3,230.91 €	85.09	-14.91
Men	3,796.89 €		
Grand total	3,329.54 €		
Women	3,321.28 €	99.70	-0.30
Men	3,331.39 €		

Source: Sofidel.

Ratio between men's/women's wages for the same qualification - total remuneration (including variable pay) - 2023

	Monthly average	women's salary as % of men's salary	% difference
Blue Collars	2,868.62 €		
Women	2,858.66 €	99.61	-0.39
Men	2,869.85 €		
Managers	9,545.83 €		
Women	7,776.97 €	77.45	-22.55
Men	10,041.28 €		
White Collars	3,808.78 €		
Women	3,414.18 €	83.53	-16.47
Men	4,087.59 €		
Grand total	3,588.00 €		
Women	3,583.28 €	99.84	-0.16
Men	3,589.06 €		

Source: Sofidel.

Training and development of talent

GRI 3-3	Management of material topics
GRI 404-1	Average hours of training per year per employee

Goal:
Organization of personnel training and development plans for achievement of business objectives and individual growth objectives. Sofidel plans to increase the number of per capita hours of training in any subject by 50% with respect to 2022 by the end of 2030.

The Sofidel Group is constantly committed to and invests in employee training with the aim of **creating value for people and the organization** and fostering an environment that encourages innovation, skills flexibility and continuous growth, key elements for sustainable development in a constantly changing world.

In 2023, the organization invested 1,325,484.46 euro and delivered **82,007 hours of training**, using both Sofidel trainers, who shared the know-how and experience acquired over the years, (41%), and experts, university professors and other qualified bodies with which Sofidel works (59%) .

Training in Sofidel is managed as an essential process for **organizational growth**, whose starting point is a needs analysis: at this stage, employee training gaps are identified with the aim of assessing areas for improvement and raising personnel skills. The needs analysis is repeated annually and leads to the planning of training programs to improve soft, professional, language and managerial skills.

In 2023, a major soft skills development initiative involved the corporate Supply Chain function, which continued the change management training project launched in 2022. After initial classroom training, the project focused on practical training activities through the application of Agile Project Management methodologies on processes, for a total of 93 hours of face-to-face training. The training involved coordinators from the Logistics, Planning&Procurement, Internal Logistics Process, and Supply Chain Development areas, and taught new ways of working to master and lead change in a flexible and collaborative manner. Given the importance of the issues addressed, it was decided to continue the training project in 2024 by involving local figures with logistics and planning responsibilities, on topics such as change management, Agile PM, teamwork and leadership.

An increasingly important soft skill in the world of work is enabling innovation, which Sofidel cultivates through the **Sofidel 2030 project** set up in 2021 in collaboration with the MIP Politecnico di Milano to guide the Group's future and foster creativity and innovation capacity. In 2023, the project involved a total of 21 people from various corporate functions, including many participants from previous editions as well as new colleagues after initial onboarding training. Throughout the year, the project focused on enhancing ambassadors' skills and tools by exploring the adoption of the Innovation of Meaning paradigm in projects stimulated by market transformations. The meetings led by facilitators from the **MIP Politecnico di Milano** were developed through in-person and online workshops; these sessions with closer supervision by MIP faculty alternated with work in subgroups to enhance teamwork and encourage increasingly autonomous management of innovation projects. See the chapter *Innovation and Product Safety* on page 176 for more details.

During the year, many upskilling paths were activated to strengthen professional skills. For example, in order to improve and consolidate the sales and negotiation capabilities of Marketing&Sales personnel, an ad hoc program was organized involving 35 colleagues from European subsidiaries. The training course included online and classroom sessions, during which multiple training tools were used, such as kick-offs, workshops, role play and team coaching.

PEOPLE ARE THE HEART AND STRENGTH OF THE ORGANIZATION. WE CULTIVATE THEIR TALENT AND DEVELOP THEIR TECHNICAL AND MANAGERIAL SKILLS TO BE ABLE TO COUNT ON EXPERT AND MOTIVATED RESOURCES.

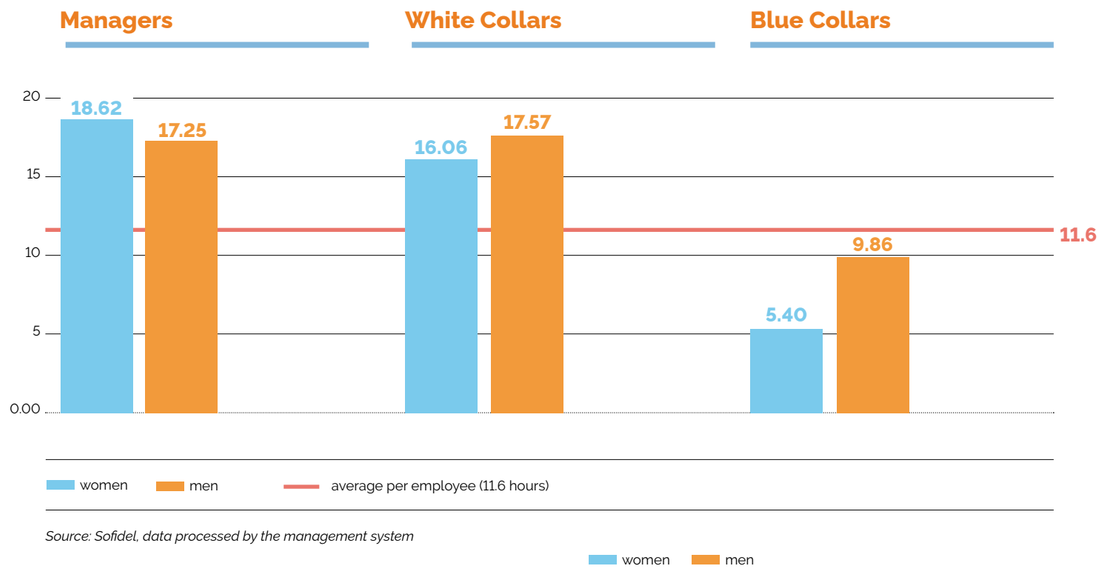
In 2023, the Group launched the first edition of the international language project, **Sofidel Language Learning Program,** based on a digital platform including theory, interactive exercises, videos, articles and conversation classes with users from all over the world. The project was created to provide all employees – Managers, White Collars and Blue Collars – with a tool to acquire proficiency in one or more foreign languages, giving valuable support to the improvement of language skills, which are indispensable in the professional life of an international group like Sofidel, where contacts with colleagues from different countries, foreign customers and suppliers are a daily occurrence. In 2023, a total of **1,160 licenses** were activated.

During the year, **the language program was extended to employees' families and friends,** with access to the portal for daily exercises, grammar, videos and articles on numerous topics. In addition to the use of this digital tool, the program was enhanced with specific online lessons organized for classes of colleagues from all the Group subsidiaries.

Among management skills, people management is a key pillar in which Sofidel continued to invest in 2023, for example, with the Sofidel America **Leadership Foundations Program**, a leadership development tool designed to improve core leadership skills at all levels of the organization. The course was completed by 110 leaders from Sofidel America, who studied topics such as valuing differences, building and sustaining trust, active listening and high-impact feedback, talent engagement and retention. The program was further extended to over 250 leaders who attended quarterly in-person courses led by facilitators on each topic. In 2023, the Leadership Foundations Program introduced a top-down approach to meet the needs of leaders, encouraging the participation of senior executives. The executives trained the participants by setting expectations and promoting lasting change throughout the organization.

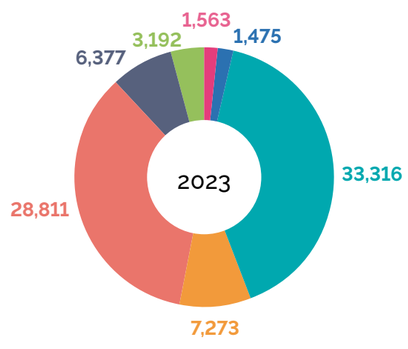
Another important training project, which grew out of the need to raise employee awareness about the importance and potential impact of cyber threats, is the **Cyber Security Awareness Program**. Launched during 2022, the project continued throughout 2023 with an interactive learning journey designed to transform people's behavior and protect the organization and colleagues from risks on the web. Developed in collaboration with Knowbe4, the program is structured as ongoing training for all Group employees with a corporate email account; every month, they are sent video modules, tests, interactive modules and thematic mini-series, in the languages of the countries where Sofidel is present. A total of 2,425 people were trained during the year on multiple topics, for example, phishing and social engineering, correct management of passwords, internet networks and external devices, together with periodic phishing simulation campaigns.

Average hours of training for Sofidel Group employees by gender and qualification – 2023



Source: Sofidel, data processed by the management system

Hours of training by topic



Total training hours: 82007

- environment
- technical-specialized
- compliance - antibribery
- linguistic
- health and safety
- other (Cybersecurity Awareness)
- managerial

Source: Sofidel.

Health and safety

GRI 403-1	Occupational health and safety management system
GRI 403-2	Hazard identification, risk assessment and incident investigation
GRI 403-3	Occupational health services
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety
GRI 403-6	Promotion of worker health
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
GRI 403-8	Workers covered by an occupational health and safety management system

Goals:

- Reduction of 10% per year in the Group average injury frequency rate starting from the baseline year 2022, throughout the three-year period 2024-2026.
- Installation of automatic anti-collision systems on all lifting equipment (forklifts) operating in the Group's paper mills by the end of 2026.
- Replacement of all internal lifting equipment (forklifts) equipped with internal combustion engines with electric-powered vehicles by the end of 2029 for all Sofidel operations.

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

In order to involve all workers in the daily task of contributing to a more widespread and ingrained safety culture, **Sofidel has decided to make a public commitment to reduce the frequency of injuries in its operations by at least 10% each year from the figure recorded in 2022**. The commitment is limited to the three-year period 2024-2026 solely because it is customary to include these activities in three-year sustainability planning; in no way does it preclude that continuous improvement will go on until the maximum technically feasible reduction of any occupational health and safety risk has been reached.

To achieve this goal, Sofidel has developed an intervention plan based on specific Safety Pillars.

One of the Pillars is for the adoption by Group plants **of the Health and Safety Management System certified in accordance with the ISO 45001 standard**. Continuous improvement of the risk assessment document is the central element of this system. To this end, Sofidel has launched a pilot project in a key country (Italy) for the complete review and implementation of the Risk Assessment Document, which will be gradually extended to other countries where possible and useful.

This document involves the Employer, the Prevention and Protection Service Manager, the Medical Officer, and the Workers' Safety Representative.

Although ISO 45001 certification coverage is almost complete, the process of including the few plants that are yet to be certified and strengthening the system in plants that are already certified will continue. **In 2023, 72.6% of workers were covered by an occupational health and safety management system**.

Sofidel is committed to providing a safe and healthy workplace by encouraging employees to be aware and take immediate action to report situations, actions and behavior that might increase the risk of injuries. To this end, active outreach continued in 2023 to increase reports of **near-miss incidents** (events without consequences that could have caused an injury), with the goal of achieving a **5% annual increase** compared to the previous year over the next three years.

Also in the area of oversight, **the network of internal audits** that the members of the corporate safety department are required to perform will be strengthened; this will also involve, on a rotating basis, a Health & Safety Manager from another plant, at all Group plants, in order to obtain an independent but highly qualified opinion on the health and safety status of workplaces.

The findings of these audits become part of the internal IT platform (Team), thus allowing for greater automation and speed in data sharing and reporting.

After an initial pilot phase involving a Group paper mill and a converting plant, the **"Safe Behavior Observatory"** project developed in collaboration with Confindustria Toscana Nord, the INAIL territorial department in Lucca and CO.CO.PRO INAIL Lucca, is proceeding in other plants. The goal is to increase the attention and awareness of workers through observation of behaviors and related feedback, in order to encourage positive and safe attitudes and help build a generalized safety culture with the direct involvement of all workers. The project was recognized by the Tuscany Regional Authority, which assigned the "Safest Enterprise 2023" award to Soffass.

On the safety technology front, Sofidel continued to invest in the **"Safe Forklift"** project, which aims to reduce the probability of collisions between lifting equipment and reduce the risk of workers passing through loading and unloading areas being knocked down. In the implementation of this project, the corporate security department provides the Group technical area with technical support.

The **"Reel Pusher" project** involves the installation of safety devices in one of the continuous paper machine areas where interference with operators is most likely, namely the reel pusher area. The safety device ensures jam-free reel extraction, minimizing operator intervention. In this case too, the corporate security department provides the Group technical area with technical support.

On the topic of fire risk prevention, mention should be made of the **Basic Cleaning & Inspection (BCI) project**. BCI is the production line cleaning and inspection standard to maintain safety, product quality, fire prevention, workplace decorum, and efficiency. In this case too, the corporate security department provides the Group technical area with technical support.
Production operators are the key players in both restoring the basic conditions of the production lines and maintaining the established standard of cleanliness, while supervisors and coordinators provide support and training for operators and ensure that the standard is correctly enforced.

The accumulation of potentially flammable material due to poor cleaning after each shift or maintenance activity is the cause of many micro-fires or explosions. The BCI system meets the need to prevent such incidents.

THE IMPORTANCE OF TRAINING

GRI 403-5 Worker training on occupational health and safety

Each year, Sofidel draws up a health and safety training plan in all its companies. In 2023, in the entire Group, a total of **33,316 hours of training were provided (equal to an average 4.71 hours of training per employee)**, for both employees and new hires. The various modules covered the main aspects required by national regulations:
- task-related risks and associated prevention and protection measures,
- the use of work equipment and PPE,
- management of emergencies and fires,
- first aid,
- the rights and duties of the various corporate functions.

In each plant, for each category of workers, Sofidel carries out training programs and "on the job" training to raise safety awareness. Our partnership with the European Agency for Safety and Health at Work (EU-OSHA) continued, through involvement in a two-year campaign (2023-2025) on occupational health and safety in the digital age.

Training also includes the **"Leadership in Safety"** project to support plant middle managers (production, maintenance, warehousing) in their crucial role as prevention managers, in order to build greater awareness and consequent virtuous behavior at work.

HEALTH AND SAFETY AT WORK ARE A PRIORITY FOR THE GROUP.

INJURY TREND INDEXES

GRI 403-9 Work-related injuries

Sofidel monitors injury trends in its plants through a series of indexes. The most significant data is shown below. With a view to continuous improvement, the availability of statistics is one of the pillars for planning future interventions and making all stakeholders aware of the real progress achieved in occupational safety.

Total number of work-related injuries among employees - 2023

Employee accidents at work	Total
Total number of work-related injuries lasting 180 days or less	187[30]
At work	187
Total number of deaths due to occupational accidents	0
At work	0
Total number of occupational accidents with serious consequences (excluding deaths)	4
At work	4
Total number of employee injuries in 2023 > 0 days[31]	191
NUMBER OF HOURS WORKED	**12,174,025**

Employee injury indexes	Total
Rate of recordable work-related injuries lasting 180 days or less[32]	15.36
Death rate due to occupational accidents	0
Rate of occupational accidents with serious consequences (excluding deaths)[33]	0.33
Total rate of recordable work-related injuries[34]	15.69

Source: Sofidel.

Total accidents at work of temporary workers - 2023

Accidents at work of temporary workers	Total
Total number of work-related injuries lasting 180 days or less	15
At work	15
Total number of deaths due to occupational accidents	0
At work	0
Total number of work-related injuries with serious consequences with days of absence exceeding 180 days (excluding deaths)	0
At work	0
Total number of employee injuries in 2023 > 0 days	15
NUMBER OF HOURS WORKED	**362,554**

Trainee accident indexes	Total
Rate of recordable work-related injuries lasting 180 days or less[35]	41.37
Death rate due to occupational accidents	0
Rate of work-related injuries with serious consequences with days of absence exceeding 180 days (excluding deaths[36]	0
Total rate of recordable work-related injuries	41.37

Source: Sofidel.

[30] 30 of the 187 injuries related to "Recordable" events in the Group's US plants and refer to situations that did not involve any absence from work, but rather medication and a subsequent medical prescription (including simple over-the-counter medicines: painkillers, antibiotics). Excluding these events, the Sofidel Group's total work-related injury rate would be 12.90.

[31] In 2022, the figure was 203

[32] Number of injuries/hours worked x 1,000,000

[33] Number of injuries/hours worked x 1,000,000

[34] In 2022, the figure was 17.56

[35] Number of injuries/hours worked x 1,000,000

[36] Number of injuries/hours worked x 1,000,000

Total number of work-related injuries among employees - 2022

Employee accidents at work	Total
Total number of occupational accidents	201
At work	201
Total number of deaths due to occupational accidents	0
At work	0
Total number of occupational accidents with serious consequences (excluding deaths)	2
At work	2
NUMBER OF HOURS WORKED	**11,561,321**

Employee injury indexes	Total
Rate of traceable occupational injuries	17.39
Death rate due to occupational accidents	0
Rate of occupational accidents with serious consequences (excluding deaths)	0.17

Source: Sofidel.

Total accidents at work of temporary workers - 2022

Accidents at work of temporary workers	Total
Total number of occupational accidents	4
At work	4
Total number of deaths due to occupational accidents	0
At work	0
Total number of occupational accidents with serious consequences (excluding deaths)	0
At work	2
NUMBER OF HOURS WORKED	**495,268**

Trainee accident indexes	Total
Rate of traceable occupational injuries	8.08
Death rate due to occupational accidents	0
Rate of occupational accidents with serious consequences (excluding deaths)	0

Source: Sofidel.

Total number of work-related injuries among employees - 2021

Employee accidents at work	Total
Total number of occupational accidents	160
At work	158
Ongoing	2
Total number of deaths due to occupational accidents	0
At work	0
Ongoing	0
Total number of occupational accidents with serious consequences (excluding deaths)	1
At work	1
Ongoing	0
NUMBER OF HOURS WORKED	**11,594,956**

Employee injury indexes	Total
Rate of traceable occupational injuries	13.63
Death rate due to occupational accidents	0
Rate of occupational accidents with serious consequences (excluding deaths)	0.09

Source: Sofidel.

Injury rate with absences of more than 3 days - 2021, 2022, 2023

	No. of events	Injury rate with absences > 3 days
2023 - Injuries > 3 days	129	10.59
2022 - Injuries > 3 days	127	10.98
2021 - Injuries > 3 days	134	11.56

INJURY RISK AND MITIGATION ACTIONS

In the following table, we highlighted the occupational hazards that constitute a risk of accident with severe consequences and the actions taken by the company to eliminate and reduce these risks to a minimum using the hierarchy of controls.

Types of accidents	Actions
Flat falls and slips	Drafting of H&R standards, operational controls on production sites, specific information and training for workers.
Crushing and entrapment	Drafting of H&S standards on checks to be performed on machine and equipment safety devices. Information and training of operators and supervisors on compliance with safety procedures. Issue-focused audits.
Physical stress on the musculoskeletal system	Investments aimed at reducing the manual handling of loads, specific information and training of workers.
Contact with sharp, pointed and rough objects	Awareness-raising on the use of cut-protection PPE; training on the proper use of work equipment.

The photos in the We, Sofidel calendar

LUCIANO & CRISTINA, Italy - Spain

ENYA & KILIAN, Belgium - France

SILVIU, Romania

ELISABET, Sweden

JASON, United Kingdom

ADENIKE, United States

MARIO, Italy

CRISTINA & LUCIANO, Italy - Spain

KEVIN, Germany

VIKTORIA & ADENIKE, Hungary - United States

KILIAN, France

MONIKA & VASSILIKI, Poland - Greece

Communities and territories

WE ARE COMMITTED TO PROMOTING THE WELL-BEING OF PEOPLE AND THE PRESERVATION OF THE PLANET

Sofidel is aware of its responsibility to combine growth and profit goals with close **attention to people, social impact and territorial development**. We want to have a positive impact in the communities in which we operate and pledge to **promote the well-being of people and safeguard the Planet**.

First, by building strong **relationships with our stakeholders** and nurturing constant dialog based on the principles of honesty, transparency and cooperation. Sofidel also works to strengthen a common culture in the organization that engages and motivates its resources. It is committed to supporting young people entering the workforce and collaborates with various non-profit organizations to create awareness about the **most pressing environmental and social challenges**.

It is close to the areas in which it operates and works to promote their **economic, social and environmental development**.

MAINTAINING OUR COMMITMENT WITH THE UNITED NATIONS GLOBAL COMPACT

In 2023 Sofidel participated in the **"Sustainable Procurement" working group**, an initiative that provides a small group of Italian companies who are members of the Global Compact with a space for in-depth discussion and exchange of experiences on the topic of **sustainable management of supply chains**. Supply chains are a cross-thematic element linking the three sustainability dimensions – social, environmental, and economic – through which the private sector can have a concrete and positive impact in advancing the UN 2030 Agenda. The working group held three meetings focusing on the three **ESG dimensions (Environmental, Social, Governance)**, during which the participants heard testimony from experts in the field, discussed the topic and identified challenges and opportunities. In June, Sofidel participated in the eighth edition of the **"Business & SDGs High Level Meeting"**, an event reserved for the CEOs and Chairmen of Italian companies that are members of the United Nations Global Compact. The meeting discussed the social **dimension of sustainability**, with a focus on **social taxonomy, human rights and social impact**.

"I'LL TAKE CARE OF YOU": ACTING THE NATURAL WAY

In 2023, the tenth edition was held of the "Mi Curo di Te", meaning "I'll Take Care of You", environmental education project promoted in partnership with WWF Italy and Sofidel's Regina brand. Aimed at Italian primary schools, "Mi Curo di Te" **is a free educational program** designed to teach children to love the planet and raise their awareness of the **goals of the UN's 2030 Agenda**. Launched in 2014, "Mi Curo di Te" has involved almost 800,000 children and provided insights into the topics of **Forests, Water and Climate**. The project is integrated within the ministerial guidelines on the teaching of civic education. The 2023/2024 edition of "Agire secondo natura", meaning "Acting the natural way", explored the topic of **responsible consumption** and **production (SDG 12)**, through numerous examples of biomimesis, that is, following the behavior and characteristics of plants, animals, and ecosystems to improve human activities and technologies and contribute to the protection of the Planet.

SOFIDEL WITH THE PIANETA TERRA FESTIVAL

Sofidel acted as "Main Sponsor" of the second edition of the **"Pianeta Terra Festival – Una rivoluzione per la sostenibilità**, an event designed and organized by the Editori Laterza publishers under the scientific direction of Stefano Mancuso. The multidisciplinary festival was held in Lucca from October 5 to 8, 2023, with the participation of scientists, biologists, geologists and natural science experts, philosophers, writers and journalists. Its goal is to **raise awareness on the issues of ecological transition and social inequalities**, so that people become drivers of change. Sofidel took part in two meetings: "Ecological Transition. How to Build a Real Utopia" and "Together We Plant the Future. A community the size of a forest".

THE "NEXTGEN" PROJECT WITH SCHOOLS AND UNIVERSITIES

The "NextGen" project was held once again in 2023. Together with **FSC Italy and WWF Italy**, Sofidel participated in ten meetings organized in Italian universities. All the meetings addressed the question of the **value of partnerships between profit e non-profit** organizations, starting from the experience of the sustainability projects to protect nature by responsible sourcing of certified forest material and raise awareness about ways to respond to the environmental and climate crisis. Throughout the year, Sofidel also held meetings at Italian universities and schools to share its sustainable development path or specific business projects. In addition, a group of US students from **Miami University**, Ohio, and the **University of Southern** Mississippi visited a Group production site in Italy to learn more about the paper production process and the economic and marketing systems of a multinational company.

SOFIDEL AT THE "CSR AND SOCIAL INNOVATION FAIR"

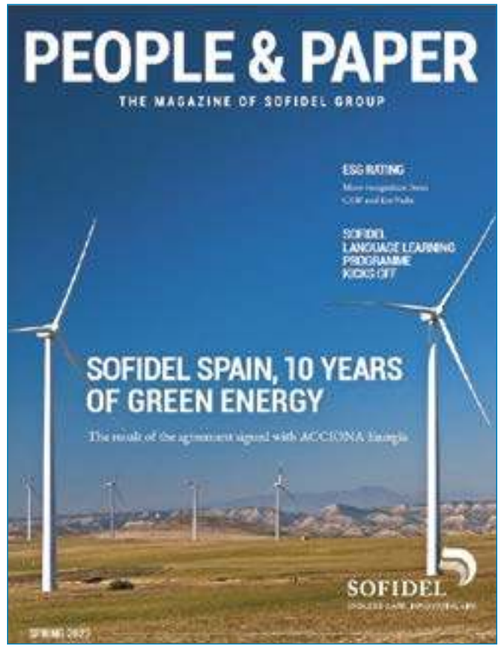
Sofidel took part in the "**Living Change**" event, the eleventh edition of the "CSR AND SOCIAL INNOVATION FAIR" exhibition, one of the main sustainability and corporate social responsibility (CSR) shows in Italy. Sofidel representatives delivered two papers: the first at the debate "**Young people and the world of work: the importance of orientation"**; the second in the session **"Profit and non-profit collaborative strategies"**, on positive examples of collaboration between business and voluntary organizations.

TWO NEW STORIES FOR THE "MY FUTURE IS GREEN: GREEN PROFESSIONS" PODCAST

In 2023, two new episodes were added to the italian podcast series "My future is green: Green Professions" dedicated to stories of young people who have chosen innovative professions in the environment and nature. After the first eight episodes whose protagonists included a tree-climbing arboriculturalist, a professional in sustainable tourism, and a forest therapist, Giulio and Claudia talk about their experiences as, respectively, an **environmental hiking guide and an environmental educator** teaching young children about nature.

THE "WE, SOFIDEL" CALENDAR

The "We, Sofidel. **Food Stories - The dishes that tell our story**" project was created to illustrate a 2024 calendar featuring Sofidel people at the center of their own storytelling through the universal element of food. Colleagues were asked to submit photos and videos illustrating their passion for cooking, as a **source of inspiration for the new year**. An external jury of cooking enthusiasts selected the 13 recipes deemed most representative of the emotions, stories and memories that food can trigger. Francesca Brambilla and Serena Serrani, two of Italy's most influential food photographers,, were asked to reinterpret the stories through their cameras and the experience of an exclusive cooking class . The project led to the 2024 calendar featuring colleagues from all Sofidel countries.



THE PEOPLE & PAPER MAGAZINE

Every four months, we publish the "People & Paper" magazine, a house organ for sharing information and **developing a sense of belonging and a shared culture**. The magazine is intended to ensure the people we work with are aware of the values, strategies, people, decisions, results and significant moments of corporate life. The magazine is translated in 10 languages and issued in 12 countries.

THE SOFT & GREEN BLOG

The quarterly "Soft & Green" blog addresses topics linked to environmental and social sustainability, to talk about current issues and projects of cultural and corporate interest. The aim is to help create the **value of shared knowledge** in a clear, simple and enjoyable way. A concrete commitment to generating awareness and promoting change in people's routines and decisions.

THE FUTURE MAGAZINE

The magazine "FUTURE" dedicated to our supply chain is published every six months. Available in digital and paper formats, the magazine presents sustainability stories from all over the world **to share good practices and promote dialog among the Group's suppliers**. The initiative is designed to motivate suppliers to become more responsible in the area of environmental and social sustainability.

THE DIGITAL CHANNEL

The purpose of the Sofidel Digital Channel is to **share corporate information** in the production facilities in Italy. Streamed on **24/7 TV screens**, information includes institutional communications, advertising campaigns, content from company periodicals, videos on occupational health and safety issues, photo galleries, and other videos on specific topics such as the Sofidel Manufacturing System (SMS) and the Sustainability Decalogue.

PARTICIPATION IN THE AMBROSETTI COMMUNITY TOSCANA

The Community Toscana of **The European House – Ambrosetti** was created to strengthen dialogue and relations between the managerial-business, financial and institutional communities, providing stimuli and analyses to help raise **the appeal and competitiveness of the region**. Since 2022, Sofidel has been participating in round tables to share the most significant experiences and success stories of local business and explore the strengths that can be leveraged and the critical issues that can be a hindrance to the future sustainability of the area.

SOFIDEL AT MILANO GREEN WEEK

In September, during Milano Green Week, Sofidel participated in the launch of the third edition of **Planet Art Camp**, a scientific-artistic format created by Edizioni Green Planner for **high school and university students**, to raise awareness about water, air and soil degradation and solutions to limit man's environmental footprint. Alongside the scientific component, space was also reserved for *Land Art*, with experts explaining how to create temporary works with natural or reused materials.

SOFIDEL SPONSORSHIP OF THE "LUCCA FILM FESTIVAL FOR FUTURE"

Sofidel supported the organization and launch of the first edition of the **Lucca Film Festival for Future**, a competition for short films that examine green issues connected with **environmental protection**, held as part of the Lucca Film Festival (LFF). From the 260 works submitted by filmmakers from around the world, a jury of representatives from the 10 festivals in the "Film For Our Future" network selected 15 finalists to compete during the festival. Two were named as festival winners. All the finalist short films were screened free of charge for local residents and secondary schools.

CHARITY INITIATIVES FOR ITALIAN COMMUNITIES

At **Christmas**, the Group donated **150 food parcels** to families in social and economic difficulty in the town of Porcari. The parcels were distributed by the Green Cross, which operates as a voluntary organization in the town.
At **Easter**, Sofidel made a donation to **AIL Lucca**, the local branch of the Italian association against leukemia, lymphoma and myeloma, and bought a thousand of AIL's traditional chocolate eggs. The eggs were delivered to local families in difficult economic and social situations.
For **Mother's Day**, Sofidel gave an azalea plant to the new mothers in Porcari, to support the work of the **AIRC** cancer research foundation.

EMILIA-ROMAGNA EMERGENCY: SOFIDEL DONATES REGINA TOILET PAPER AND KITCHEN PAPER IN ITALY

In May, the Italian region of Emilia-Romagna was severely hit by floods. Sofidel donated Regina brand products to the **Civil Defense** and the **Italian Red Cross - Bologna Committee**, who distributed the materials as needed. The donation consisted of about 150,000 rolls of toilet paper and kitchen paper, the amount needed for one month for people who had to leave their homes because of the floods.

CLOSER RELATIONS WITH LOCAL COMMUNITIES IN THE USA

Year after year, Sofidel has strengthened relations with local communities and institutions, school districts and universities, chambers of commerce, and trade and non-profit associations in the areas where it operates in the USA. Initiatives for local communities included: in Green Bay (WI), support for the "Bobcats Girls Basketball Team" of the **Franklin Middle School**; in Circleville (OH), sponsorship of the **Logan Elm Youth League**, which works with boys who play baseball to promote their physical growth, sense of responsibility, and teamwork skills; in Hattiesburg (MS), support for the **baseball team** of the **North Forrest High School** through the purchase of sports equipment and supplies; in Philadelphia (PA) and Las Vegas (NV), supply of paper to, respectively, the **Maternity Care Coalition**, a non-profit organization working in neighborhoods with high rates of poverty, health disparities and immigration, and the **"Nevada Statewide Maternal and Child Health Coalition"**.

DONATIONS AND CHARITABLE INITIATIVES IN EUROPE

All the Group companies in Europe made **donations to non-profit organizations** active in the areas where Sofidel plants are located and to local or national entities working in the fields of **education**, **culture** and **sports**; maintenance of **parks and green areas, including planting of new trees; support for families in situations of economic hardship or dealing with children or relatives facing serious illnesses; and support for the elderly**, to combat loneliness and ensure active aging. They included collaboration in France with ELA, the European Association against Leukodystrophies; "Fundación Tudela Comparte - Villa Javier" in Spain; Handball Sport Club "Jurand Ciechanów" and Red Cross - Ciechanów headquarters in Poland; Football Club "Lancaster Juniors FC" and Rugby Club "Cwmfan RFC" in Baglan in the UK; "Lábatlan City Days" in Hungary; "Călărași Green City" in Romania; "Sterke Jan" cycling team in Belgium for the fight against cancer; "The Child's Smile" and "Greek Children's Village" in Greece supporting children and families living in poverty; "SVV Volleyball Team" in Arneburg and Wernshausen Fire Brigade in Germany; and "Kinda Ridklubb" adult and children's equestrian club in Sweden.

THE GIUSEPPE LAZZARESCHI FOUNDATION

An initiative dear to the Lazzareschi family, the Foundation was set up in Porcari (Lucca) in 2003 in memory of their father Giuseppe, who founded Sofidel together with Emi Stefani. The goal of the Foundation is **to promote the cultural, social and entrepreneurial growth of the Lucca area** and the region of Tuscany. A point of reference for all the entities operating in the area, over the years the Foundation has worked in collaboration with Porcari town council to realize **exhibitions, events, conferences and fairs**, involving an increasingly wide audience. Appointments for 2023 included the **"Obiettivo Zero"** safety project, which presented awards to the Italian paper companies that achieved the best results in eliminating work-related injuries, while **"Cartacea"**, the tissue, cardboard and paper festival, celebrated the paper district with a three-day event with discussions on reuse and recycling, readings, music, papier-mâché installations, a cardboard play space and theatrical performances. In November 2023, on the **30th anniversary of the death of Giuseppe Lazzareschi**, the Foundation, in collaboration with the University of Pisa, **established three scholarships** for students enrolled in two-year master's degree programs from the provinces of Lucca, Pisa, Pistoia, Livorno and Prato, whose studies cover subjects relating to papermaking, sustainability and artificial intelligence.

REGINA WITH ATHLETICA PORCARI FOR SPORT

In May 2023, the Regina brand sponsored the **"Porcari Corre"** running race for athletes and a walk for families and children in the local countryside, organized in the municipality where the Sofidel Group is headquartered in Italy. Also in Porcari, Regina supported other local sports organizations with donations, sponsorships and product donations.

SOFIDEL FOR TELETHON IN ITALY

Sofidel renewed its partnership with the Telethon Foundation, which supports **research into rare genetic diseases**, for the twelfth consecutive year. Sofidel has supported Telethon with an annual donation since 2012.

PAPERNET SUPPORTS THE RONALD MCDONALD FOUNDATION IN ITALY

Papernet, the Sofidel brand on the Away-from-Home market, offered its support to the Ronald McDonald Children's Foundation, donating toilet paper, paper towels, napkins and handkerchiefs with dispensers to homes and family rooms in Italy. Established in Philadelphia in 1974 and active in Italy since 1999, the non-profit organization offers **hospitality and assistance for children** and their families during their hospital stay, so that the children can complete their treatment in the best possible way.

SOFIDEL AND I BAMBINI DELLE FATE

In 2023, Sofidel continued to support "I Bambini delle Fate" (Fairy Children), a social organization formed in 2005 to support **social inclusion projects and pathways for** families with **relatives affected with autism and other disabilities**.

Suppliers and responsible supply chain management

GRI 2-6	Activities, value chain and other business relationships

Goal:
- Qualification of ESG credentials on the "TenP Paper" platform of 100% of suppliers in reputational risk purchasing categories for Sofidel by 2026.

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

The supply chain is the ecosystem within which Sofidel deals with its suppliers for the purchase of goods or services. For the Group, it is essential to **integrate sustainability into purchasing processes** by rewarding suppliers and products that generate benefits for the environment and community. The sustainable procurement process adopts a set of **corporate social responsibility principles**, which allow the organization 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 guiding values of the concept of sustainability in the supply chain, Sofidel took inspiration from the **10 principles of the United Nations Global Compact**, with particular reference to fighting corruption, safeguarding the environment, and respecting human rights and fairness and safety at work. These principles are fully integrated into the supply chain, from supplier selection and monitoring to promoting training and awareness initiatives.

The goal is **to have a positive impact** by contributing, through procurement, to the creation of value for Sofidel and its stakeholders.

The last three years have certainly been a time of great challenges for Group procurement, marked by global crises such as the pandemic and widespread raw materials shortages. In this context, what made the difference were the solid relationships Sofidel has built over time with its suppliers and strategic partners.

Monitoring of the purchasing of products and services is the responsibility of the Corporate Purchasing function, which formulates processes and procedures valid for the entire Group, coordinating regularly with local teams.

THE SUPPLIER CODE OF CONDUCT

The main instrument governing relations between Sofidel and its suppliers is the **Supplier Code of Conduct**, a document drawn up in 2015 to set the minimum standards to which all Group suppliers are required to comply. The Code aims to ensure a supply chain that applies its own sustainability values and hopes that its suppliers, in turn, share those same values in their own business partnerships.

COMPLIANCE WITH ISO 20400

Sofidel has structured its sustainable purchasing model in accordance 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.

In 2023, SGS – a leading provider of inspection, verification, testing, and certification services – confirmed once again that Sofidel's purchasing model meets ISO 20400 guidelines. The application of these guidelines allows the Group to **manage risks along the entire supply chain** and mitigate possible reputational, environmental, social and economic damage resulting from poor supplier performance. The goal is to raise the supply chain's resilience by identifying strengths and areas for improvement in order to reinforce the environmental and social sustainability of the suppliers with whom we work.

SUPPLIER RISK ANALYSIS

The starting point for our work on the supply chain was a risk factor analysis, conducted for the first time in 2016, which highlighted **13 critical merchandise categories** from a sustainability perspective.

The suppliers in these categories comprise the critical supplier portfolio, and purchases made from them constitute the **Group's critical expenditure**. Sofidel manages the critical merchandise categories with great attention and responsibility to avoid the risk of reputational damage for the organization and its brands.

During 2023, a review began of the critical merchandise categories and the risk analysis, which was updated with a new analysis to enable Sofidel to verify any critical issues in light of market developments, regulatory changes, and environmental and social developments. For the purpose of the analysis, the technical environmental screening criteria introduced by the Taxonomy Delegated Regulation (EU) 2021/2139 and the latest version of the social criteria published in February 2022 in the Final Report on Social Taxonomy[37]were used. The results will be available during 2024.

Starting from the classification made for the first analysis of reputational risks along Sofidel's value chain, the categories of products and services purchased by the entire Group will be identified, thus expanding the analysis to include purchases that do not directly affect reputation, in order to map any high-risk elements or significant opportunities that may fall outside the product and service categories analyzed previously.

[37] Final Report on Social Taxonomy, Platform on Sustainable Finance, EU Commission: https://finance.ec.europa.eu/system/files/2022-08/220228-sustainable-finance-platform-finance-report-social-taxonomy_en.pdf

The supplier qualification process and the TenP Paper questionnaire

QUALIFICATION WITH THE "ARIBA" PLATFORM

Over the years, Sofidel has gradually structured the internal supplier qualification process through **"Ariba"**, a digital platform that enables flexible and integrated implementation of information gathering, drawing up a complete profile of suppliers and obtaining their adherence to Sofidel policies.

The Ariba platform enables **transparent dialogue** with our suppliers and has been gradually implemented to adapt to the increasing complexity of the Sofidel ecosystem and the flow of data that the Purchasing team has to manage on a daily basis.

Ariba encourages **Sustainable Procurement** through 3 key processes:

- Vendor management: for the definition of the identity card of suppliers depending on type of supply and a sustainability self-assessment to mitigate risk in the supply chain.
- Sourcing: for management of the entire bidding cycle and tracking of key negotiation stages, ensuring transparency and objectivity in supply allocation.
- Contract management: for consolidation of the supplier's commitment, not only in commercial terms but also from the standpoint of ethical and sustainable conduct, through the adoption of standard models that monitor the entire contract life cycle.

TENP PAPER

Assessment of suppliers' sustainability performance is one of the preliminary steps for the completion of qualification. The tool used by Sofidel to assess the sustainability of its suppliers is TenP Paper, a questionnaire developed together with Global Compact Network Italia, of which the Group has been a Founding Member since 2013.

The TenP Paper self-assessment is designed **to assess and measure a supplier's commitment to sustainability and other significant aspects in line with Sofidel's values and goals**. Taking into consideration the major international standards and conventions on corporate sustainability, the questionnaire allows supply chain performance to be measured in four areas:

- Human rights
- Labor
- Environment
- Fight against corruption

The questionnaire is divided into two macro-sections – prerequisites and evaluation criteria for sustainability management mechanisms – and structured on several levels: commitment, existence of management systems, performance measurement.

On completion of the questionnaire, the platform sends the provider an assessment summary showing:

- the scores obtained in the individual areas
- the company's overall score

All compared with the average scores in their field of business.

ANALYSIS OF THE GROUP SUPPLIER PORTFOLIO

2023 confirmed the merit profile of the Group's supplier portfolio. The percentage of suppliers in the "Excellent" merit class remained unchanged, as did the percentage of suppliers who are not yet sustainable.

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

The 6 strengths of the TenP Paper evaluation system:

4 evaluation areas

The TenP Paper self-assessment evaluates vendor performance in 4 areas:
- human rights
- labor
- environment
- fight against corruption

Scoring

Suppliers are scored according to their answers to the questionnaire. The scores are subdivided into bands, which are color-coded to indicate the level of sustainability and compliance.

Regular updates

Providers are required to complete the TenP Paper questionnaire on a regular basis and keep the assessment up to date.

Impact on supplier qualification

The results of the self-assessment significantly influence the supplier's qualification status at Sofidel. Suppliers who perform well and meet sustainability criteria are more likely to be considered partners.

Continuous improvement

Providers are encouraged to use self-assessment as a tool for continuous improvement. If a supplier receives a low score, Sofidel offers the opportunity to take the necessary corrective action.

Transparency and collaboration

Sofidel promotes transparency and collaboration with its suppliers. The self-assessment process enables open communication between the organization and its suppliers to address problems and work together on common solutions.

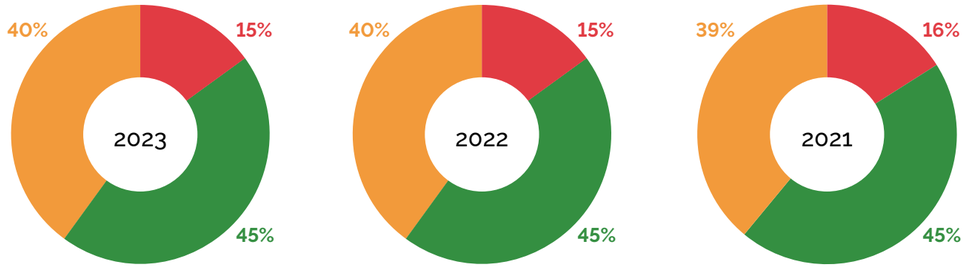
The questionnaire assigns each supplier a merit category based on the score obtained during pre-qualification. The score may range from 0 to 100. There are three classes of merit:

EXCELLENT SUPPLIERS:
SCORE ≥ 80
indicated with the color green

SUSTAINABLE SUPPLIERS:
SCORE 50-79
indicated with the color yellow

NON-SUSTAINABLE SUPPLIERS:
SCORE ≤ 49
highlighted with the color red

Breakdown of Sofidel suppliers by merit class



excellent suppliers sustainable suppliers non-sustainable suppliers

Source: Sofidel.

EFFECTIVE MONITORING

GRI 3-3	Management of material topics
GRI 308-1	New suppliers that were screened using environmental criteria
GRI 414-1	New suppliers that were screened using social criteria

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

Out of total expenditure of more than two billion euro, Sofidel distributes two-thirds among **suppliers of raw materials,** followed by suppliers of logistics services, machinery and energy.
With regard to the coverage ratio, **97% of raw material suppliers** (-2% compared to 2021), 96% of energy suppliers (+1% compared to 2021) and 92% of logistics services providers (no variation compared to 2021) were qualified using the TenP Paper self-assessment system.

During 2023, Sofidel registered a total of 672 new suppliers. Of these, 2% completed the TenP Paper self-assessment. However, this percentage represents **nearly half of the spending generated by the Group's new suppliers in 2023**. Sofidel's supplier network is diversified in terms of number, but with a significant economic concentration on a circumscribed group of suppliers (about 250) who account for 80% of the Group's spending.

Coverage ratio of reference expenditure

86%

- 3% compared to 2022
+ 4% compared to 2021

In 2023, 86% of reference expenditure was generated by business relations with suppliers with a valid TenP Paper evaluation. Reference expenditure is equivalent to the Group's total expenditure minus personnel, advertising and financial management costs.

Critical expenditure coverage ratio

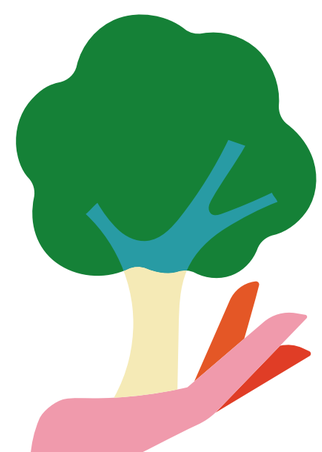
97%

= with respect to 2022
= with respect to 2021

In 2023, the critical expenditure coverage ratio was unchanged from 2022: 97%. This result, which is not surprising considering Sofidel's coverage ratio is already very high, will be difficult to improve.

In 2023, a 97% target in terms of coverage ratio was set for all merchandise categories. The adhesives, polyethylene, pulp, inks, labels, and fragrances merchandise categories met and exceeded the annual target coverage ratio.

The barchart on the next page shows the coverage ratios achieved in the 13 critical merchandise categories. For 2024, Sofidel confirms its intention of achieving a 97% coverage ratio in all merchandise categories.



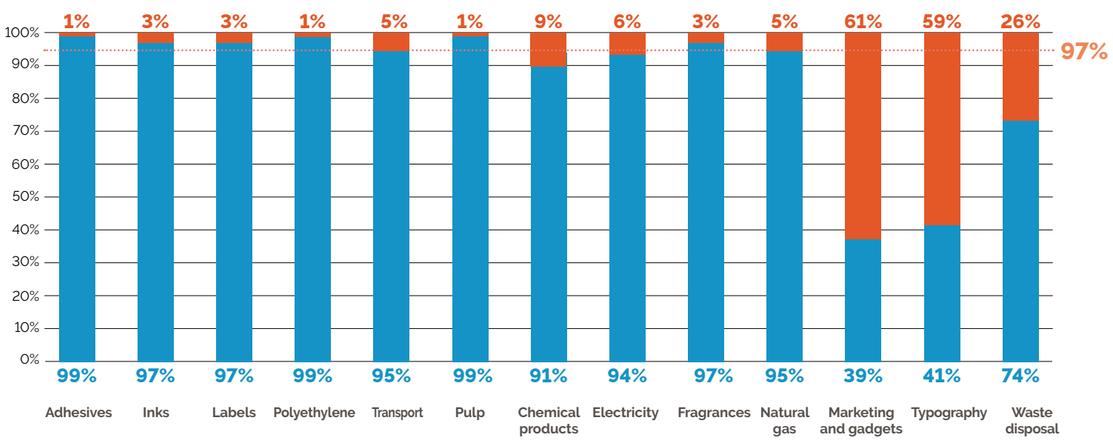
97%

2023 coverage ratio target

97%

2024 coverage ratio target

Coverage ratios by critical category (Europe and USA) - 2023



Turnover % on TenP Turnover % outside TenP

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

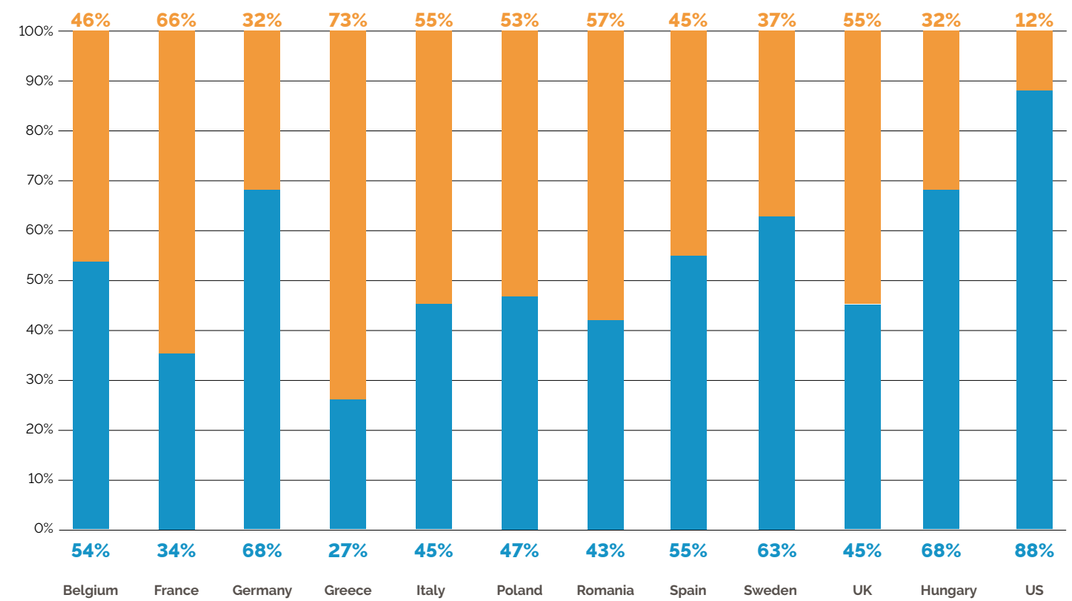
PROPORTION OF SPENDING WITH LOCAL SUPPLIERS

GRI 3-3	Management of material topics
GRI 204-1	Proportion of spending on local suppliers

Whenever possible, Sofidel prefers to select local suppliers in order to promote local development and have a positive impact on the local economy. However, the evaluation must also take into account the merchandise category, which is not always available in all countries, and the level of supplier expertise.

The barchart below shows the percentage of spending with local suppliers in the countries where Sofidel operates. Local suppliers means all suppliers headquartered in the country in which the Sofidel company that procured goods and services from them operates. The percentage was computed considering the products and services purchased by our production sites and offices in each country.

Spend concentration on local suppliers by country – 2023



national local expenses non-local

Source: Sofidel.

Supply chain initiatives in 2023

REVIEW OF THE RISK CATALOG

One of the main activities in 2023 involved updating the Group risk catalog, leading to the inclusion in the analysis of the main ESG risks at supply chain level. The full list of risks is provided in the chapter *The main ESG risks and related management policy*, p. 48.

EVALUATION OF SUPPLIERS WITH REGARD TO CLIMATE CHANGE

Consistently with recent regulatory developments in risk management along the value chain, Sofidel aims to contribute to Europe's ambitious project of becoming the first climate-neutral continent by 2050. In order to achieve net zero goals, the impact of all players along the supply chain must be considered; indeed, it is imperative that companies act jointly with suppliers to ensure a truly profound and systemic positive impact.

In 2023, Sofidel held the fifth edition of its biennial 3SAward for the most sustainable suppliers (see the section *3SAWARD Sofidel Suppliers Sustainability Award*, on page 172).

To establish the 2023 candidates, an analysis was conducted of Sofidel's supplier base to identify the **companies that had excelled in combating climate change through special projects, actions and initiatives**. The main areas considered in the analysis were: the presence of plans to mitigate and reduce climate-changing emissions, policies to protect ecosystems and biodiversity, energy efficiency initiatives, use of recycled materials, and waste management.

THE NEW CODE OF CONDUCT FOR PULP SUPPLIERS

Sofidel's sustainability strategy is supported by its procurement policy, with which it undertakes to ensure production processes that minimize environmental impact by improving the life cycle of products and promoting greater circularity.

In 2022, as a sign of its further commitment to the sustainability of the supply chain, in collaboration with WWF, Sofidel developed a Code of Conduct exclusively for pulp suppliers, which sets out the requirements for suppliers to work with Sofidel and procedures for management of any deviations from the forestry procurement policy.

In January 2023, the new Code of Conduct was presented to Sofidel suppliers during a workshop to explain its content and discuss its application with suppliers. After this first step, the document will become effective during 2024.

"Together we plant the future": the bioeconomy pilot project in partnership with Suzano

In 2023, on World Forest Day, Suzano, the world's largest pulp producer, and Sofidel announced "**Together we plant the future** - *Developing biodiversity corridors for a more sustainable future*," a major three-year pilot project that **will promote conservation and ecological restoration**, while supporting **socio-economic development in the Amazon rainforest in Brazil**.

The project will be carried out with the support and field implementation of **IABS**[38], the Brazilian institute for development and sustainability, and **Amazônia Onlus**[39], an Italian non-profit association active in the defense of the Amazon rainforest and peoples.

Through this partnership, Sofidel's investment will promote the development of sustainable business models that can be adopted by communities living close to the rainforest while improving their food security and nutritional quality.

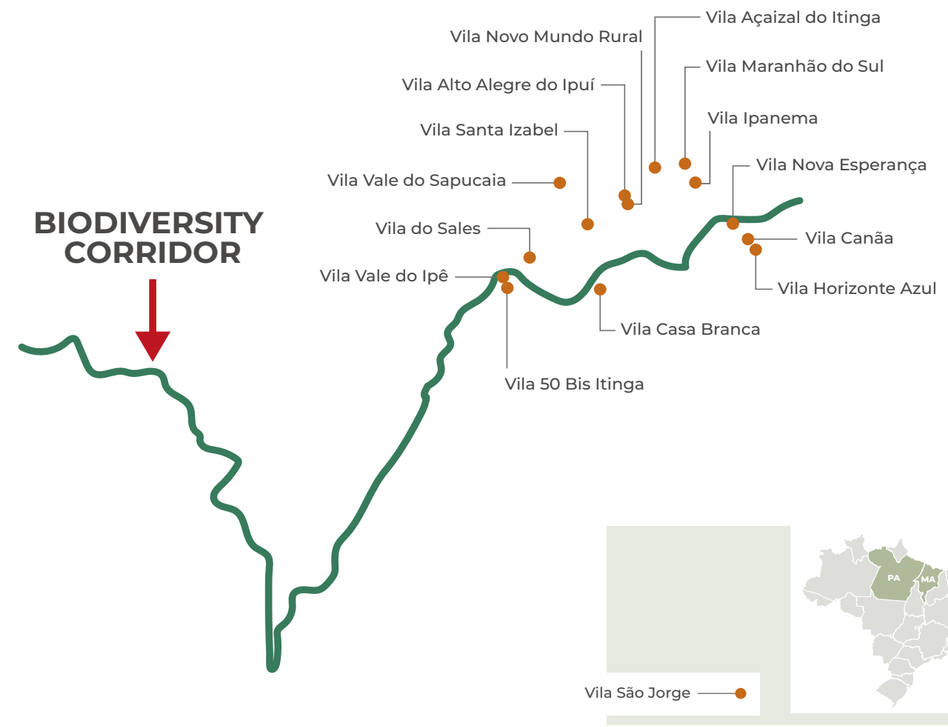
SUPPORTING FARMERS LIVING NEAR THE RAINFOREST

In the first phase, the project will help bring **approximately 1,400 farming families out of poverty** through income-generating projects, including higher agricultural productivity, beekeeping, and the cultivation and marketing of native species such as açaí berries and babassu coconuts.

A BIODIVERSITY CORRIDOR FOR HABITAT RESTORATION

"Together we plant the future" will also fund the creation of a major **biodiversity corridor** connecting areas of intact forest within **a 2,210-square-kilometer area of great ecological value**, straddling the border between the Brazilian states of Maranhão and Pará. This will be accomplished through a combination of natural habitat restoration and sustainable agroforestry systems, contributing to Suzano's long-term goal of creating biodiversity corridors linking half a million hectares (5,000 square kilometers) of priority areas in Brazil's Amazon, Atlantic Forest and Cerrado biomes by 2030 – an area equivalent to more than 700,000 soccer pitches.

[38] Instituto Brasileiro de Desenvolvimento e Sustentabilidade, IABS. www.iabs.org
[39] Source: https://www.amazoniabr.org/it/home-ita-amazzonia-brasiliana-popoli-nativi/



GOALS, ACTIVITIES AND NEXT STEPS

The project, which started in May 2023, will be implemented over 36 months and involves a series of activities to achieve four specific objectives:
1. strengthen the socio-production beneficiary organizations
2. contribute to the food sovereignty of the families involved
3. strengthen local production structures by promoting the organization, processing and marketing of community production
4. restore Permanent Protection Areas (APPs)

In July 2023, the first semi-annual report covering the period March-June 2023 was published, outlining the activities carried out in these early months and the main next operational steps for each objective.

The first few months were marked by preparatory activities for the launch of the project. Following several reconnaissance missions to the affected areas, the beneficiary families were registered in the associations identified by Suzano as priorities for project support. A meeting with representatives of the beneficiary associations was held in May to gather their concerns and establish a project baseline. This was a very important event for a better understanding of the main challenges the project will face, in order to adapt planning to meet the real needs of the people involved.
Also in May, the launch event organized by Sofidel was held in Milan to present the project together with the partners and all the key players in the initiative. The panel discussion was attended by biologist and environmental activist **Emanuela Evangelista**, President of Amazonia Onlus; **Paul Jose de Souza Chaer Borges**, Managing Director EMEA of Suzano; **Eric Sawyer**, President of IABS and various representatives of the Sofidel Group.

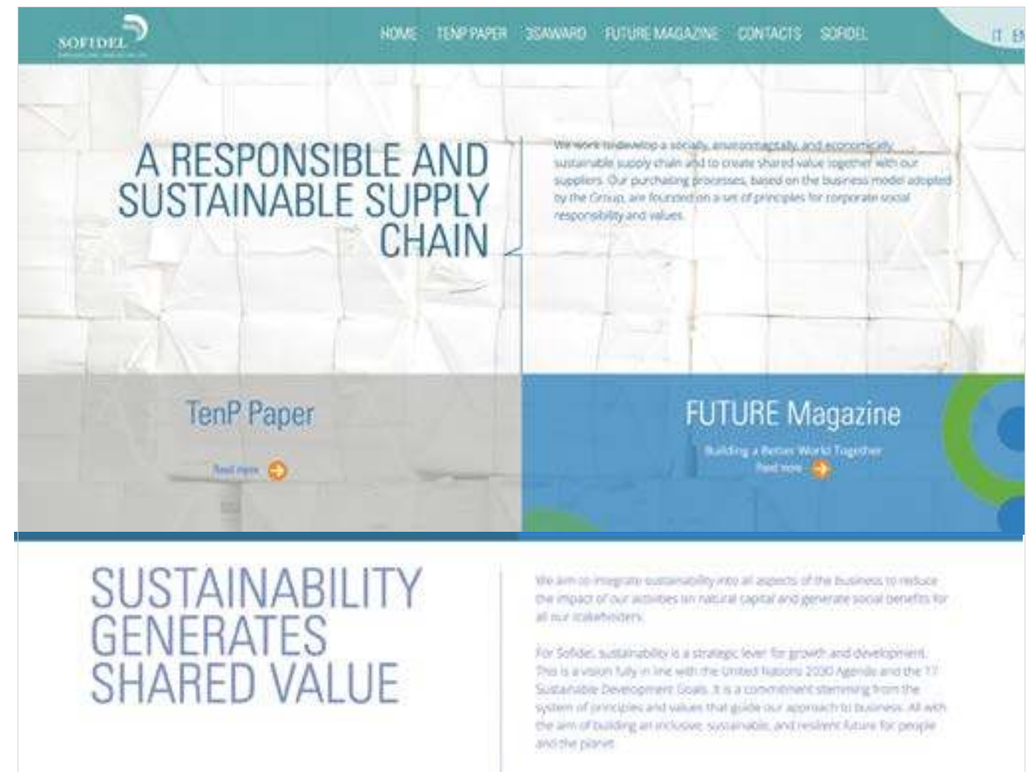
In June, the transition was made from the project assessment stage to actual implementation, with the review team validating the methodology for measuring results, the frequency of monitoring and the elements to be verified.

The main next steps are the development of business plans for financing the income-generating projects, the organization of the allotment programs, and finalization of the plan for the restoration of the permanent protection areas.

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

The website is intended as **a hub containing the information and tools** needed to make our supply chain even more responsible and sustainable. On the website, suppliers can **register on the TenP Paper platform** to complete their performance measurement rating in terms of environmental, social and governance sustainability.

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



3SAWARD
Sofidel Suppliers Sustainability Award

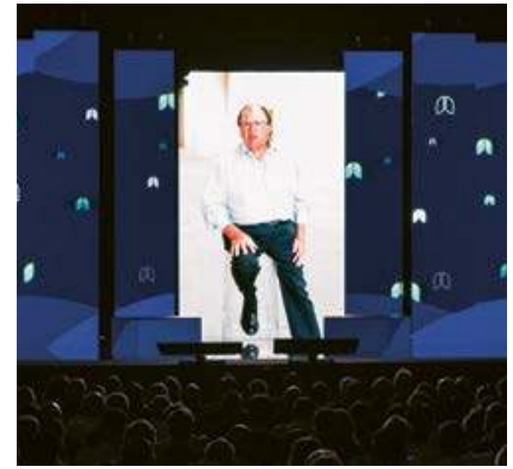
To foster and enhance the **ethical and responsible management of the supply chain**, Sofidel created the "Sofidel Suppliers Sustainability Award" (3SAward), whose objective is promote the sustainability culture among its suppliers and recognize those who achieve particular **distinction for their social and environmental commitment.**

Set up in 2016 to encourage suppliers to advance in sustainability, the award has a dual function: on one hand, it offers recognition and visibility to the most sustainable suppliers, on the other it supports those who have yet to commit to improving their performance.

The 3SAward **facilitates engagemen**t with the entire supply chain in order to build a better future together. It is a unique opportunity for growth through sharing best practices and inviting international experts to explore the most urgent challenges facing humanity.

The event is organized every other year to give suppliers time to make significant progress.

For the 2023 edition of the 3SAward, Sofidel wanted to highlight the efforts of suppliers who excelled in structured approaches to managing climate change risk. In addition to the scores in the Environment area of the TenP Paper, to make the award Sofidel conducted an analysis of its supplier base with a specific focus on climate change strategies.



2023 WINNERS

In 2023, the 3SAward presented two different prizes:

- **The Best Supplier**

The prize for the suppliers who obtained the **highest score** in the TenP Paper self-assessment.

- **Risk Management Pioneer Award for Climate Change**

The prize for the suppliers who developed the best climate change risk management strategies.

The winners of the 2023 edition:

- **Risk Management Pioneer Award for Climate Change:** Henkel
- **Best Supplier Award - Pulp Producer:** Klabin
- **Best Supplier Award - Procurement & Purchasing:** Bischof+Klein
- **Best Supplier Award - Logistics and Service:** LKW Walter

Logistics

Logistics, that is, organizing the mobility of materials inside the enterprise and the mobility of incoming and outgoing goods, plays a key role in our business. Sofidel produces items in many countries for many different markets, and consequently must manage hundreds of thousands of journeys each year to ensure on-time delivery of its products as agreed with customers. This requires outstanding organizational skills to optimize the costs of the entire supply chain and contribute to Sofidel's profitability and economic and environmental sustainability.

Logistics involve a major economic effort for Sofidel because they represent one of the main industrial costs of its manufacturing operations. In addition to this, incoming goods traffic (raw materials) and outgoing goods traffic (semi-finished and finished products) generate significant environmental impacts when compared with those of the whole organization. In terms of greenhouse gas emissions, transportation accounts for more than 15% of total emissions*, second only to the impact of fossil fuels used in the industrial manufacture of paper products.

INTERNAL LOGISTICS

The internal handling of raw materials, finished and semi-finished products and their storage is a complex activity, whose success is a major factor in the achievement of business objectives.

TO IMPROVE THE QUALITY OF WORKING ENVIRONMENTS AND MINIMIZE FIRE RISKS FROM THE USE OF FUELS, SOFIDEL INTENDS TO COMPLETELY REPLACE ITS FLEET OF GAS OR DIESEL-POWERED FORKLIFT TRUCKS WITH ELECTRIC TRUCKS BY THE END OF 2029. CURRENTLY IN EUROPE, 70% OF FORKLIFT TRUCKS ARE ELECTRIC. IN THE USA, THE PERCENTAGE OF ELECTRIC TRUCKS HAS ALREADY REACHED 87%.

Automation of part of internal logistics is another important step to ensure greater safety and an increasingly efficient modern service.

During 2023, the new automated finished products warehouse was inaugurated at the Ciechanów plant in Poland. The building covers an area of 11,000 square meters and can handle up to 32,000 pallets. The new automated plant joins those already in operation at our production sites in Kisa (Sweden) and Circleville (OH, USA).

This solution saves up to 40% of warehouse space. Product handling, normally operational seven days a week, is automated up to the loading mouths of the departing trucks, where an operator intervenes. Generally speaking, the automated warehouse has two features that raise its safety standards: first, operators are not present with moving machinery, which eliminates any residual risk of impact between worker and moving machinery. The second feature is the reduction of the fire risk, since oxygen inside the warehouse, which is isolated from the rest of the facility and has limited and closely monitored access, is reduced to 14%: this allows a breathable atmosphere to be maintained but prevents fire from developing and spreading. In addition, the limited footprint compared with that of a traditional warehouse greatly reduces land consumption.

TRANSPORTATION LOGISTICS

Sofidel's finished products are largely distributed by road on trucks. Sofidel does not have its own fleets and outsources logistics services to leading companies in the transportation industry. 2023 saw a significant increase in truck availability as a result of shrinking markets. On the other hand, high fuel and raw material costs and high inflation countered efforts to reduce costs.

In 2023, Sofidel logistics focused on ensuring the level of service provided to our customers, which has reached excellence in many countries with the goal of strengthening partnerships with and the expectations of our business counterparts and the end consumer.

For the purpose of reducing polluting emissions from trucks, Sofidel has been implementing a vehicle selection project for years, with the aim of increasing the **use of Euro 5 and Euro 6 class vehicles**.

In 2023, 95% of road trips were made with Euro 5 and Euro 6 trucks. Sofidel plans to eliminate vehicles below the Euro 5 class by 2028.

Although rail traffic is subject to many limitations, in some circumstances it is an alternative to road transport. Many Sofidel Group plants have been equipped with direct access to the host country's rail network. For some specific customers, preferential rail routes have been selected, which provide an environmentally friendly and cost-effective alternative to road traffic.

For the Circleville (OH, USA) plant, the fibrous raw material (cellulose) is delivered by train, directly into the plant. In the coming months, the Inola plant (OK, USA) mill will be equipped with the same infrastructure so that pulp can be delivered from the ports of origin.

Because of the significant environmental impacts associated with freight traffic, in the future Sofidel will pursue transportation selection policies based on environmental protection criteria. Fleets that use LNG (Liquefied Natural Gas), biofuels or new-generation low emission fuels will be considered.

For the time being, however, Sofidel remains committed to a production strategy as close to its markets as possible, in order to optimize both service level and sustainability by reducing the distances traveled to make deliveries.

* Source Sofidel Group Emissions Inventory

PRODUCT INNOVATION AND SAFETY

The production process and innovations

GRI 2-6	Activities, value chain and other business relationships
GRI 3-3	Management of material topics

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

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

The goal is to create **innovative and** high-performing products in terms of comfort, hygiene and consumer services, while minimizing the use of **natural capital**. 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.

COLLABORATION WITH UNIVERSITIES AND RESEARCH CENTERS

In 2023 Sofidel maintained and strengthened its collaboration with **universities and research centers** in Italy and at international level and its partnerships with cutting-edge suppliers, vital drivers of innovation in products, technology, processes and know-how in the paper industry in general and in the tissue paper sector in particular.
At its production sites, Sofidel continued to apply theoretical and laboratory results obtained in the three-year research program (2018-2020) sponsored by **RISE**, a Swedish national research center specializing in paper innovation. The goal was to test some new production technologies that improve the efficiency of cellulose fibers used in the production process.

Sofidel also continued its involvement in a new four-year research project (2021-2024), with RISE as the lead partner. The project operates at two different levels: the first, precompetitive basic research, is mainly concerned with deepening knowledge of the physical-mechanical characteristics of tissue paper and involves several companies in the industry; the second, pre-industrial applied research, focuses on Sofidel's production process. In the latter project, Sofidel, together with some companies active in the tissue paper production and converting chain, has the role of project leader. The goal is to improve the performance of the finished product by linking the characteristics of the basic paper with the transformation process.

Sofidel also strengthened cooperation with **VTT**, a Finnish national research center. Specifically, it joined a consortium led by VTT together with other paper and non-paper companies, as well as other European research centers. The consortium has been awarded funding from the European Union for a project, as part of **Horizon Europe**, to study a new paper-drying technology called "Superheated Steam Dryer." As part of Sofidel cooperation with VTT, another project will begin in 2024 to reduce water and energy consumption in paper production.

CREATING INNOVATIVE AND HIGH-PERFORMING PRODUCTS IN TERMS OF COMFORT, HYGIENE AND CONSUMER SERVICES, WHILE MINIMIZING THE USE OF NATURAL CAPITAL.

THE "SOFIDEL 2030" PROJECT: THE GROUP LOOKS TO FUTURE INNOVATION

For Sofidel, innovation is one of the pillars of its operations. Sustainability and innovation are an essential binomial of the Group business model, two fundamental levers to drive change, seize new market opportunities as they emerge and create value for all stakeholders, looking to the future with confidence and optimism. This is why, in 2020, Sofidel launched the **"Sofidel 2030"** project to promote an innovation-friendly corporate environment. Organized in Italy in collaboration with the **MIP Graduate School of Business** of Milan Polytechnic, an internationally prestigious organization that integrates academic know-how with robust professional experience, the project is structured in three stages. During the first stage, which involved senior management, a clear vision emerged that guided all innovation work. The second stage involved a larger number of colleagues and included online training sessions on "Innovation and Design Thinking" to explore a new way of working and designing together. The third stage, with more restricted participation and called Leadership - MIND (Meaningful Innovation Directions), is currently underway. It involves the organization of individual and group creativity and design sessions to promote co-design activities for new products, processes and services directly intended for Sofidel. The possible innovations, designed in every aspect (from user experience to product architecture, marketing mix and business model) were analyzed, discussed and then fine-tuned through discussions with stakeholders inside and outside the organization. In 2023, "Sofidel 2030" held two sessions, both focusing on innovation in the Away-From-Home sector.

Product innovations introduced in 2023

REGINA ASCIUGAMANI: CONVENIENCE AND HYGIENE AT YOUR FINGERTIPS

In 2023, Sofidel launched **disposable paper towels** on the Italian consumer market. This has brought a typical Away-from-Home product into the home to meet new demand for convenience and hygiene. Thanks to the convenient "dispenser" packaging, which allows one towel to be extracted at a time, avoiding waste, and the disposable format, paper towels are an easier and more effective way to dry hands. Since they do not have to be washed or ironed, they are a practical aid in everyday life. But the innovations do not end there: a special sticker means the package can be placed on horizontal or vertical surfaces, so the product is always at hand. In addition, once the outer paper band containing the product information has been removed, the attractive clean graphics mean the pack fits more easily into the home environment. The product was launched in Italy with a wide-scale communication campaign entitled **"Più semplice di così!"**, developed with partner agency **Grey**. The commercial highlights the practicality of **Regina towels** through the well-established "problem-solution-product" advertising approach: the problem is the "tyranny of the dish cloth", the solution is to have "something" simple to dry your hands on, the right product is, of course, **Regina Asciugamani**. The TV commercial was also released on the brand's digital and social properties, including TikTok.

SOFT BAMBOO: NATURALLY SOFT AND MADE FROM BAMBOO FIBERS

Premium quality and innovation: these were the guidelines followed by Sofidel in the design and development of its new **Soft Bamboo** products, the first Group products made with a percentage (10%) of **natural bamboo fibers**. The launch took place in several European markets in different segments and with different brands: in Italy Regina handkerchiefs, in Spain Regina handkerchiefs and toilet paper, in England Regina-branded toilet paper and in Ireland KittenSoft, in Benelux Nalys toilet paper, and in France Le Trèfle toilet paper and handkerchiefs. The decision to use new materials in tissue paper production stems from Sofidel's propensity for innovation and continuous pursuit of excellence, with appreciable results. According to tests conducted by external laboratories, in the toilet paper segment, Soft Bamboo is **12% softer** than the category average, while tissues are 17% softer without affecting consistency or functionality. Soft Bamboo also reinforces the line followed by Sofidel in using alternative packaging materials: all the products in the range have kraft paper or recycled plastic packaging.

FUNCTIONALITY AND AESTHETICS WITH REGINA STYLISH PRODUCTS

Regina Stylish is the first Sofidel project that creates a range of products with a coordinated design for multiple categories. The **Regina Stylish** kitchen towels, toilet paper, napkins and handkerchiefs have **coordinated graphics,** to give the home a touch of **style** and **design** even for tissue products, which are not always particularly good to look at, and therefore frequently not displayed in the home. Both the packaging and the products have the same graphic design, with the decoration and the name Regina Stylish clearly visible even on the naked product. Our existing and successful references have been "dressed up" with the new identity. Coordinated design is new not only to Sofidel, but to the industry in general. A new idea conceived through the "Sofidel 2030" project. Launched in Italy, the Regina Stylish project will also be launched in Poland during 2024.

LESS PLASTIC, MORE SUSTAINABILITY

The "Less plastic, more sustainability" project launched by Sofidel in 2019 aims to **to achieve a 50% reduction, by 2030, in the plastics of petrochemical origin used in the production process**. The R&D department has been involved in the definition and evolution of the project from the beginning. The first step was to reduce use of plastic packaging by choosing thin-film plastic solutions. In addition to reducing consumption, considered a priority, over the years Sofidel has started to introduce recycled plastics into primary and secondary packaging. Besides the gradual use of recycled plastics, it has also introduced paper as an alternative material to package many of its products. During 2023 Sofidel extended the range of products packaged with these materials. The Brand business line – whose products are always the first in line in the Group's sustainability goals – uses paper for 24% of packaging and recycled plastics for 55%. **The targets for 2024 are even more challenging: 34% paper packaging and 60% packaging with recycled plastics.**

SIMPLIFY: PAPERNET'S FIRST CARBON-NEUTRAL RANGE

Papernet's ongoing research has resulted in the new Simplify range, the first **carbon-neutral product line** created with the aim of making a concrete and tangible contribution to global climate protection. Together with ClimatePartner, we calculated the environmental footprint of Simplify products, to establish the exact amount of CO_2, which was then **offset through a climate protection project**. Papernet chose to protect the Lábrea virgin forest in the Brazilian state of Amazonas, which experienced the fourth-highest rate of deforestation in Brazil between 2008 and 2020. Ecosystems were damaged and social conflicts developed due to the theft of timber, the construction of new roads, and the intensification of agriculture and livestock breeding, which forced local communities to migrate. With the help of monitoring activities and training for local populations, the project aims to control deforestation and safeguard the wide variety of plants and animals in the Amazon rainforest. As an additional commitment, for every ton of offset CO_2, Sofidel plants a tree in Germany, thus contributing to the adaptation of European forests to climate change. Our **commitment to fighting climate change** also takes the form of credible and transparent communication. The ClimatePartner label on our packaging indicates that the product's unavoidable emissions have been calculated and offset through the virgin forest protection project (Lábrea, Brazil), while the unique ID number allows the exact amount of CO_2 offset by Papernetto be tracked.

NEW SIMPLIFY DISPENSERS IN RECYCLED WOOD AND PLASTIC

In 2023, Papernet launched the new Simplify dispensers made **75% from recycled material** (50% post-consumer recycled plastic and 25% excess materials from wood processing). The other 25% uses a compound resin. As a result, the dispensers themselves are fully recyclable. In addition, their smart clean lines and shockproof material ensures better product storage.

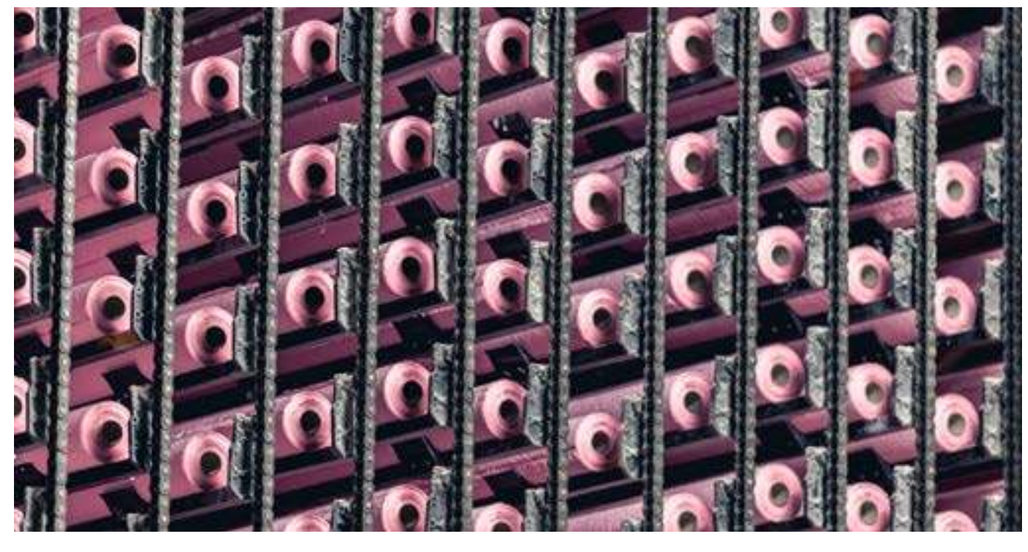
ELIMINATION OF 50% OF PLASTIC FROM THE SHELF BY 2030.

AMAZON RECOGNIZES SOFIDEL AS A "CLIMATE PLEDGE FRIENDLY" BRAND

The Group's sustainability commitment has been recognized by **Amazon**, which has assigned the **"Climate Pledge Friendly"** label to Sofidel products. The label indicates that the product has one or more of the sustainability certifications selected by Amazon. Through this project, the online retailer helps its customers identify and purchase the most sustainable products in its store. The Climate Pledge Friendly initiative is part of Amazon's commitment to preserving the natural environment. The label is assigned to products and companies that have demonstrated a **commitment to sustainability and reduction of carbon emissions**. With this recognition, Sofidel is committed to systematically reporting greenhouse gas emissions and implementing decarbonization measures. The goal is to achieve net zero annual carbon emissions by 2050.

THE NICKY RANGE EXPANDS IN THE UNITED STATES

Nicky, the Sofidel Group's first US consumer brand, has been enhanced with three new products, which join Nicky Elite kitchen towels and toilet paper. 2023 saw the launch of dinner napkins, the Super Shine multi-surface household cleaning paper, and tissues made with ultrasoft New Tissue Technology paper. Like the existing Nicky products, the new entries are produced in the USA from pulp certified by the Forest Stewardship Council (FSC®) and have paper packaging. For the tissues, the central window from which the product is extracted is made of paper, not plastic. Attention to sustainability and high performance thus continue to go hand in hand in all Nicky products for the USA.



A safe and quality product

GRI 3-3	Management of material topics
GRI 416-1	Assessment of the health and safety impacts of product and service categories

The consumer and our business partners are at the heart of all our activities. We devote our full attention to developing innovative products and services that satisfy their expectations, **guarantee consistent quality and comply with the highest health and safety standards**. These are essential assets that the Group companies ensure through the application of stringent procedures, continuous training of resources, monitoring of production processes, and focus on continuous improvement.

The quality of our products – the satisfaction of the requirements and expectations of customers and consumers – is guaranteed by corporate processes that comply with the ISO 9001:2015 quality management system standard, while consumer safety is ensured by the Sofidel **Hygiene-Health Self-Control System** and by the **BRC and IFS standards**, two management systems developed by retailer consortiums. Quality management and hygiene-health control are two synergistic management systems that allow the entire production chain to be controlled, from suppliers to delivery of products to our business partners, through scrupulous monitoring of production, converting, and storage processes. Our quality and safety policies testify to the way we operate. They stimulate us to pursue excellence and to continuously improve, so that to better anticipate regulatory requests and to be ready to meet the market needs in terms of the products and services offered.

PRODUCT QUALITY

Product quality is monitored constantly in our plants with the **Product Compliance Index**[1], which takes account of "non-compliances" detected during production and resolved before the products are taken to market. Non-compliant products are products that fail to meet the requirements and expectations of customers and consumers. The table below shows the Product Compliance Index values of the past three years. Considering that the maximum possible value is 100, and that the Compliance Index is based on criteria that are more rigorous than simply the ratio of compliant products to total production, the data reflect **excellent results in all the Group companies**.

QUALITY IS THE RESULT OF THE COMMITMENT OF THE SOFIDEL MEN AND WOMEN WHO DEVELOP PRODUCTS DESIGNED FOR A SAFER AND CLEANER WORLD.

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)
2023	99.35	98.66	99.31	96.93	99.07	97.49	99.25	99.21	99.02
2022	99.05	98.71	99.21	97.41	98.79	98.03	98.65	98.69	99.58
2021	98.90	98.19	99.47	96.68	98.95	98.22	99.17	99.27	99.42

	Sofidel Germany Wernshausen (Plant O)	Sofidel Germany Wernshausen (Plant T)	Sofidel Germany Wernshausen (Plant W)	Sofidel Greece	Sofidel Hungary	Sofidel Poland	Sofidel Romania	Sofidel Spain	Sofidel Sweden	Sofidel UK Baglan	Sofidel UK Leicester
2023	99.24	99.28	99.99	97.94	97.57	99.57	99.37	99.02	98.87	97.32	99.53
2022	98.92	99.39	99.97	99.86	99.14	99.27	98.48	99.33	99.07	97.88	99.51
2021	99.47	98.33	100.00	100.00	98.64	99.34	98.61	98.69	99.58	97.57	99.45

	Sofidel America Haines City	Sofidel America Hattiesburg	Sofidel America Circleville	Sofidel America Inola	Sofidel America Las Vegas	Sofidel America Green Bay
2023	97.67	99.67	95.11	94.38	99.59	99.84
2022	97.64	97.77	94.71	98.44	98.94	99.44
2021	95.33	98.62	94.61	95.91	96.87	99.34

Source: Sofidel.

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

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

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

50 and 500 are two multiplier coefficients calculated empirically

PRODUCT SAFETY

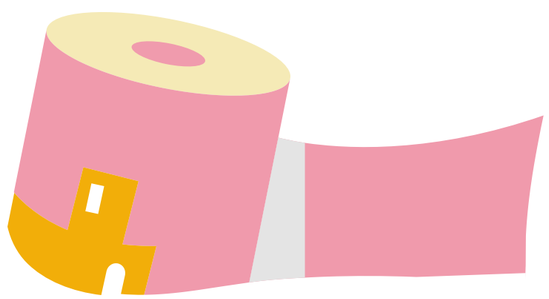
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services

Product safety is guaranteed with the implementation, in most Sofidel plants, of the **Hygiene-Health Self-Control System** and certification for compliance with the voluntary **BRC Global Standard Consumer Products, Personal Care and Household** or **the IFS HPC (International Food Standard, Household and Personal Care Products)** standards for household cleaning and personal care products. The Hygiene-Health Self-Control System is based on the assessment of the potential risks of physical, chemical and biological contamination in the various phases of the production cycle, such as the supply of raw materials, production process and delivery of the products to the warehouse. The risk analysis follows the principles of the HACCP (Hazard Analysis and Critical Control Points) method and applies the Severity multiplied by Probability algorithm used to assess the risk at each step of the production process. Implementing Good Manufacturing Practices (GMP) helps mitigate and limit the initial risk. A fundamental role is played in the self-control system by the **withdrawal and recall procedure**, which ensures prompt management of possible product safety issues by using traceability to identify products that should be withdrawn or recalled from the market. No cases of product withdrawals or recalls were recorded in 2023. In addition, based on the information received from the Group's factories, in 2023 there were no incidents of non-compliance concerning health and safety impacts **of products and services**.

The Hygiene-Health Self-Control System also includes monitoring activities, such as audits, traceability tests and product withdrawals, as well as chemical and microbiological analyses carried out on samples of the various types of products by accredited external laboratories, in compliance with the main regulations and applicable guidelines. The scheduling of the tests is periodically updated taking into account the evolution of regulations and special market requirements. In the plants that implement the Hygiene-Health Self-Control System (97% of total Group plants), 100% of products are assessed for consumer health and safety impact. All these processes enable us to guarantee consumer safety by minimizing product risks, and meet the requirements of large-scale retailers.

CERTIFICATIONS

For Sofidel, certifications are essential for ensuring consumer safety and demonstrating the company's commitment and responsibility towards the continuous improvement of its processes and compliance with the regulations. Moreover, the Sofidel Group's European plants are certified according to the **ISO 9001:2015 standard**. In 2023, all production sites were audited for the renewal of the **BRC and IFS certifications**, except the plants in Poland and Greece where the audit was postponed until 2024 due to organizational problems at the certifying body. In terms of numbers, we have gone from 20 plants with BRC and IFS certification in 2022, equivalent to 87% of global production, to 23 in 2023, equivalent to 90% of global production. The 2024 activity plan envisages certification of the Hattiesburg plant in the USA, while in Europe the Hygiene-Health Self-Control System will be implemented in the Lancaster production plant in the UK.



TWO SYNERGISTIC MANAGEMENT SYSTEMS THAT ALLOW THE ENTIRE PRODUCTION CHAIN TO BE CONTROLLED, FROM SUPPLIERS TO DELIVERY OF PRODUCTS TO OUR BUSINESS PARTNERS, THROUGH SCRUPULOUS MONITORING OF PRODUCTION, CONVERTING, AND STORAGE PROCESSES.

Attention to the needs of consumers and our business partners

GRI 3-3	Management of material topics
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling

The first step in meeting the needs of consumers and our business partners is knowing how to listen. To understand a constantly evolving market and detect new needs and signs of change in advance, Sofidel uses various listening channels.

Sales force

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

The Customer Care service

This is another valuable source of information. The Sofidel Group offers a Customer Care service that follows the customer from placement of the order to completion of payment. Our Customer Care service employs around ninety people in the organization, and operates in all the countries where Sofidel is present. The service is coordinated at central level, but reports organizationally to local managers to permit a timely response in the area.

Complaints management

Sofidel has a thorough system for analyzing and managing the complaints and claims of its business partners and consumers. On this front, responsiveness is essential to help maintain a strong relationship of trust and to better manage any problems related to product quality. Complaints management is organized through an IT workflow involving the functions concerned. 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 the Nicky B-Brand ensure direct contact between the organization and consumers. The questions we receive every day in the various countries yield important suggestions and ideas for improvement. In order to be closer to and in touch with consumers, Sofidel has decided to create a centralized HUB, which in future will be able to respond to all European consumers as quickly and as efficiently as possible.

Customer satisfaction

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

Social Media

Management of social media is a continuous source of feedback, comments and interactions, which teach us a great deal about the preferences, values and opinions of consumers and our business customers. Listening is very important to us. We are convinced that an open and collaborative attitude, based on the principles of communication and transparency, is the basis for improving the daily experience of those who use our products and for supporting large-scale distribution.

In 2023, Sofidel reported no incidents of non-compliance in product information and labeling through its articulated listening system.

FINANCIAL RESULTS

Highlights 2023

3,129 €/M

Net Sales
(vs. 2,801 Euro/M 2022)

661 €/M

EBITDA
(vs. 390 Euro/M 2022)

21.11%

EBITDA / Net Sales %
(vs, 13.94% 2022)

352 €/M

Net operative cash flow
(vs. 242 Euro/M 2022)

11.24%

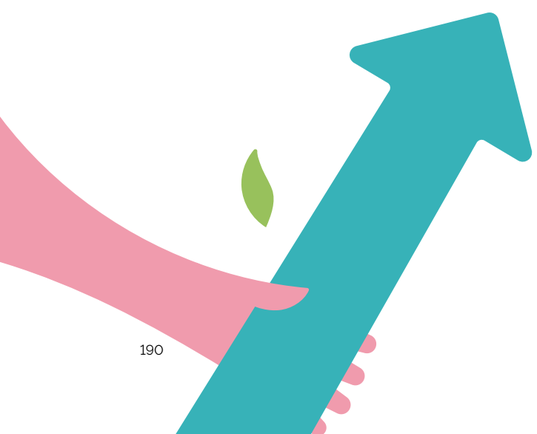
Net operative cash flow/Net sales
(vs. 8.63% 2022)

1.48

NFP/EBITDA
(vs. 2.72 2022)

0.78

NFP/NET WORTH
(vs. 1.11 2022)



Performance of the world economy

World growth slowed in 2023 to 3.1%, from 3.5% in 2022, remaining below average growth in the two decades before the **pandemic** (2000-2019, 3.8%) but above the figure for the year before the pandemic (2.8% in 2019).

An opposite trend emerged in the **United States**, which recorded growth of 2.5%, compared with 1.9% in 2022, and in **China**, which reported growth of 5.2% compared with 3.0% in 2022; in the **United Kingdom**, growth was 0.5%, sharply down from 4.3% the previous year; the trend in the **Eurozone** was similar, with growth of 0.5% compared to 3.4% in 2022.

Global inflation fell from 8.7% in 2022 to 6.8% in 2023.

The restrictive monetary policies of the central banks, along with the downturn in some factors that fueled inflation in recent quarters, are having a positive effect on price dynamics, but uncertainty remains high.

In an already tense and uncertain geopolitical situation due to the **Russian-Ukrainian war** and the **Israeli-Palestinian conflict**, the latest threat to world exports comes from the **Suez Canal**, a strategic and crucial international trade route, given that 12% of global trade transits through the canal in Egyptian territory: attacks on cargo ships by the Houthis, a Yemeni rebel group backed by Iran, have prompted several companies to change course, leading to significant delays in shipments and a (new) increase in related costs.

In the Eurozone, in particular, economic indicators are not encouraging, except in the case of Spain, which reported growth of 2.4% in 2023, compared, however, to 5.8% in 2022, and Italy, which recorded 0.7% growth compared to 3.7% in the previous year, while large countries like Germany are currently in difficulty (-0.3% compared to 1.8% in 2022).

The main factors weighing on the Eurozone economies are high borrowing **costs**, which have discouraged household consumption and private investment, as well as **rising prices**, which have reduced consumer purchasing power.

Source: IMF, World Economic Outlook Update, January 2024

Group economic and financial performance

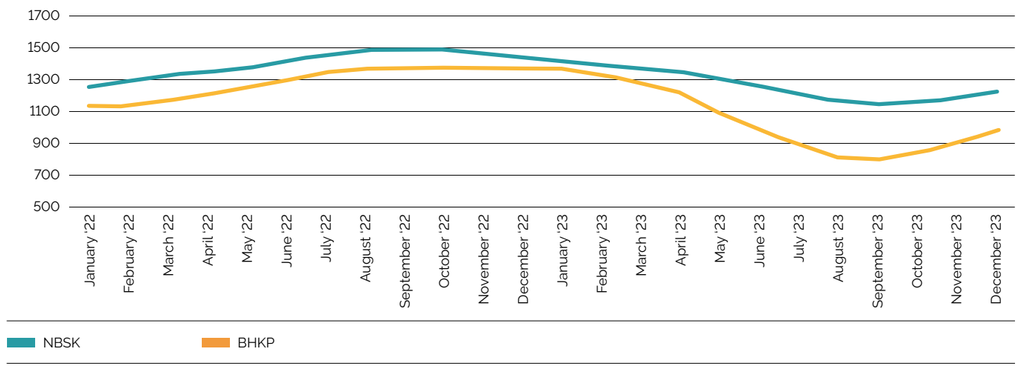
SALE PRICES

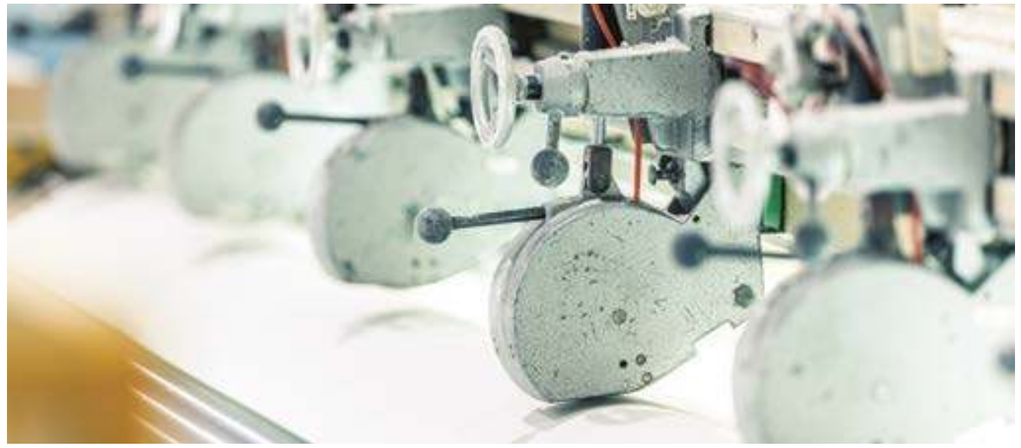
During 2023, finished product prices decreased as a direct consequence of the decrease in the cost of production.

PULP

In 2023, the purchase cost of pulp showed a downward trend compared with the end of 2022. Among the various types of fibers used by our Group, short-fiber pulp showed a more pronounced decline than long-fiber pulp.

Pix Index in USD Softwood + Hardwood $/TON



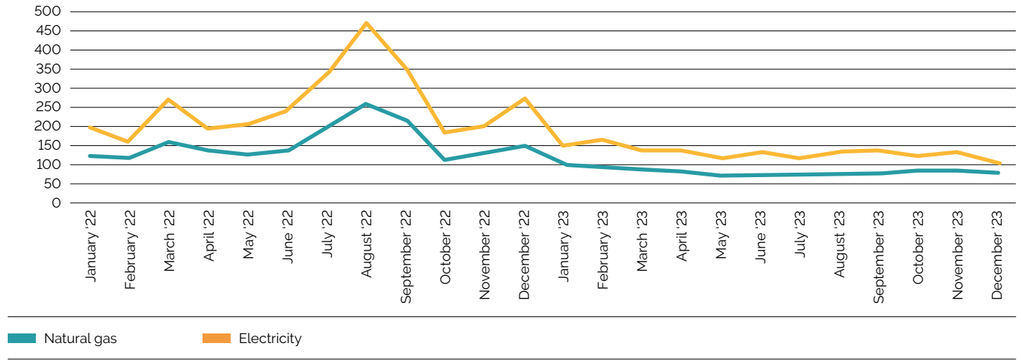


ENERGY

Energy and gas prices were stable in 2023, registering values well below the peaks reached in 2022 but still higher than the situation before the energy crisis.

For an energy-intensive industry like paper manufacturing, these increases are difficult to absorb over the medium/long-term without an appropriate finished-product price increase policy.

Trend in TTF natural gas + Electricity €/MWH Germany



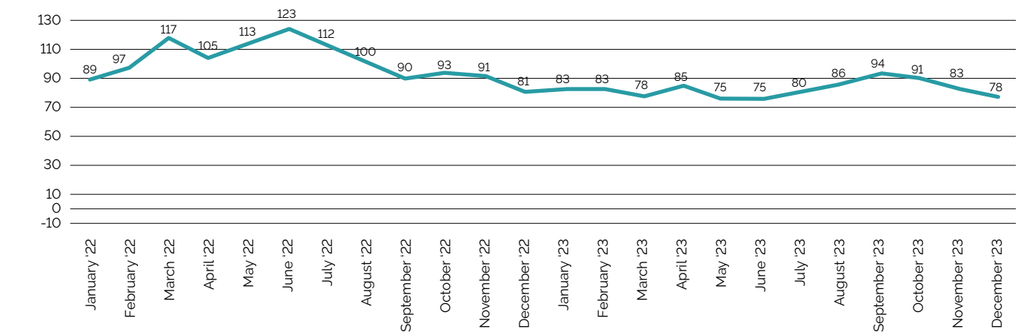
OIL

After peaking in 2022, the oil price index maintained a steady trend during 2023.

This was reflected in transportation costs, as shown in the graph below (Source EIA).

Oil price trend - Brent Oil

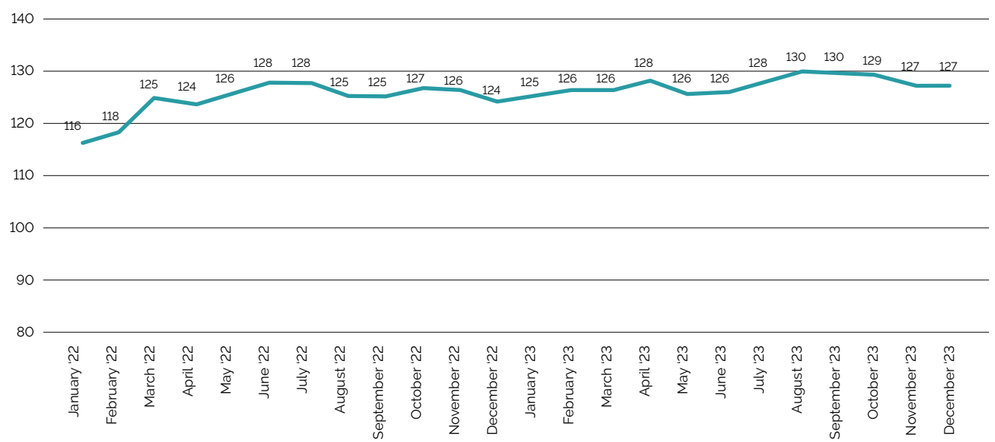
Price per Barrel $



In addition to the increase in the cost of fuel, the transport market is affected by a lack of availability of carriers, further increasing the price of the service.

The graph below shows the rising price trend in Europe in 2023.

Consumer Price Index Transportation - European Union



Source: Trading Economics - European Union CPI Transportation.

Group management, economic and financial performance

The following tables are taken from the 2023 Consolidated Financial Statements.

Consolidated balance sheet

(In thousands of Euro)	December 31, 2023	December 31, 2022
NON-CURRENT ASSETS		
Property, plant and equipment	1,765,598	1,828,233
Investment property	7,949	6,461
Goodwill and investment property with indefinite useful life	84,730	87,445
Trademarks and other intangible assets	56,819	45,825
Rights of use for leasing	33,075	38,613
Equity investments	3,835	1,900
Other non-current financial assets	2,775	3,513
Deferred tax assets	15,3855	16,5815
Total non-current assets	**2,108,635**	**2,177,805**
CURRENT ASSETS		
Inventories	545,210	561,041
Trade receivables	411,381	169,408
Other current assets	23,299	21,338
Tax receivables	8,481	17,459
Other current financial assets	16,979	50,775
Cash and cash equivalents	204,054	29,982
Total current assets	**1,209,405**	**850,004**
Assets held for sale	0	0
Total assets	**3,318,040**	**3,027,809**

(In thousands of Euro)	December 31, 2023	December 31, 2022
Shareholders' equity		
Share capital	33,000	33000
Share premium reserve	1,500	1500
Legal reserve	7,159	7159
Other reserves	896,234	773085
Group profit (loss)	313,564	142003
Total Group Shareholders' Equity	**1,251,457**	**956748**
Share capital and reserves pertaining to non-controlling interests	71	66
Loss attributable to non-controlling interests	5	6
Total Non-Controlling Shareholders' Equity	**76**	**72**
Total shareholders' equity	**1,251,533**	**956820**
NON-CURRENT LIABILITIES		
Employee severance fund and other provisions regarding personnel	12,442	11,750
Deferred tax liabilities	134,709	12,8131
Provisions for risks and charges	3,694	1,036
Non-current financial liabilities	937,903	74,1687
Non-current leasing liabilities	21,608	27,490
Deferred revenues from capital grants	13,777	12,715
Other non-current liabilities	0	0
Total non-current liabilities	**1,124,134**	**922,809**
CURRENT LIABILITIES		
Trade payables	573,438	672,590
Current financial liabilities	15,617	129,088
Current portion of long-term borrowings	213,238	239,431
Current leasing liabilities	10,062	9,747
Other current liabilities	102,169	81,534
Tax payables	27,849	15,791
Total current liabilities	**942,373**	**1,148,181**
Total shareholders' equity and liabilities	**3,318,040**	**3,027,809**

Consolidated income statement

(In thousands of Euro)	December 31, 2023	December 31, 2022
Revenues from contracts with customers (net sales)	3,129,407	2,800,889
Rental income	825	834
Other revenues and income	86,980	68,196
Total Revenues	**3,217,212**	**2,869,920**
Raw materials, finished products and changes in inventories	(1,364,374)	(1,254,718)
Services	(662,760)	(749,107)
Leases and rentals	(39,906)	(36,874)
Other operating costs	(31,368)	(29,238)
Payroll costs	(458,247)	(409,562)
Gross operating margin	**660,558**	**390,421**
Amortization, depreciation and write-downs	(173,712)	(164,644)
Provision for risks	(4,229)	(2,501)
Operating profit	**482,617**	**223,276**
Financial income	363	808
Financial expenses	(52,323)	(34,533)
Foreign exchange gains and losses	(14,734)	(8,078)
Total financial income and expenses	**(66,693)**	**(41,803)**
Profit (loss) before tax	**415,923**	**181,473**
Current taxes	(84,418)	(31,294)
Deferred/(prepaid) taxes	(17,937)	(8,169)
Profit (Loss) for the year	**313,568**	**142,009**
Attributable to:		0
Minority interests	5	6
Group	313,563	142,003

Consolidated cash flow statement

(In thousands of Euro)	December 31, 2023	December 31, 2022
Profit (loss) for the year	**313,568**	**142009**
Income taxes	102,355	39463
Financial income/Expenses	51,960	33725
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sale	**467,883**	**215197**
Adjustment of non-monetary revenues	(17,337)	(14,230)
Amortization/depreciation	173,263	164310
Provisions	4,668	2836
2. Cash flow before changes in net working capital	**628,478**	**368113**
Change in trade receivables	(241,973)	(91,596)
Change in inventories	1,5831	(126,839)
Change in trade payables	(120,678)	103309
Change in short-term assets/liabilities	54915	24295
3. Cash flow after changes in net working capital	**336572**	**277281**
Change in other provisions and deferred tax assets	1864	(2,440)
Income taxes (paid)	(84,418)	(31,294)
Interest paid on leasing liabilities	(1,515)	(1,215)
Other changes	10695	(29,266)
Cash flow from operating activities (A)	**263198**	**213066**
Disposals of tangible and intangible fixed assets	856	627
Investments in tangible and intangible fixed assets	(133,004)	(100,749)
Purchase (sale) of other financial fixed assets	(1,935)	(46)
Capitalized interest	366	1264
Change in trade payables - investment	21121	16185
Gains on disposal of fixed assets	615	452
Cash flow from investing activities (B)	**(111,576)**	**(82,267)**
Opening of medium/long-term loans	404,971	115,686
Redemption of medium/long-term loans	(238,388)	(219,160)
Change in short-term loans	(112,429)	73,977
Redemption of shareholder loan	0	0
Change in financial assets	31,365	(37,863)
Interest received/(paid)	(52,326)	(33,774)
Dividends (and interim dividends) paid	0	(131,283)
Capital payments for leasing liabilities	(10,776)	(10,730)
Cash flow from financing activities (C)	**22,417**	**(243,147)**
Increase (decrease) in net cash and cash equivalents (A+-B+-C)	**174,039**	**(112,347)**
Initial net cash and cash equivalents	29,983	140,683
Exchange differences opening balance	33	1647
Final net cash and cash equivalents	**204,054**	**29,983**

Investments

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

Description (in thousands of Euro)	Amount
Rights, trademarks and brands	10,483
Intangible fixed assets in progress	782
Other intangible fixed assets in progress	1,058
Land and buildings	1,616
Investment property	5,411
Plant and machinery	50,625
Industrial and commercial equipment	2,323
Other tangible assets	7,307
Tangible fixed assets in progress and advance payments	53,400
Total	**133,005**

Of investments for the year, about 33% were made in the USA, 19% in Germany, and the remainder in all the other countries where the Group operates, as follows:

- In the USA, investments of approximately 24 million euro were made in new production lines and other improvements. Part of this amount refers to the first down payments for the installation of a new Valmet paper mill machine (with a production capacity of 70 thousand tons per year) at the Circleville, Ohio, plant, which will become Sofidel's most important production site.
- In Germany, investments included new production lines and the Hakle acquisition, as described in the notes to the Group's Annual Financial Report to which reference should be made for details.
- Completion and start-up of the automated warehouse in Poland.

In general, all other investments refer to continuous improvements in all production processes, in line with the Group consolidation and growth strategies.

SUSTAINABLE FINANCE

The European Investment Bank defines "sustainable finance" as finance that considers environmental, social and governance factors in investment decision-making, directing capital toward longer-term sustainable activities and projects.

In 2023, the Sofidel Group arranged four medium/long-term loans with four European banks, all structured in accordance with the Sustainability Linked Loan Principles set by the Loan Market Association. The loans will strengthen the Group's financial structure, and are designed to promote and monitor sustainability by encouraging good environmental and social practices. While the indicators to which the transactions are linked focus on a medium-term continuous improvement trend, some of them were partially achieved in 2023 and in any case without any significant economic and financial impacts, and did not affect the organization's commitment to sustainability nor its focus on improvement in order to achieve its medium/long-term sustainability goals and targets.

THE EUROPEAN INVESTMENT BANK DEFINES "SUSTAINABLE FINANCE" AS FINANCE THAT CONSIDERS ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS IN INVESTMENT DECISION-MAKING, DIRECTING CAPITAL TOWARD LONGER-TERM SUSTAINABLE ACTIVITIES AND PROJECTS.

Calculation and distribution of Global Added Value

COMPUTATION OF GLOBAL ADDED VALUE

Creating value means caring for the environment and building positive relations with stakeholders: private individuals, families, communities, society and the planet as a whole. The Global Added Value[40] generated by the Group in 2023 amounted to 3,217 million Euro, as detailed in the table below.

GRI 201-1 Direct economic value generated and distributed

Description (in thousands of Euro)	2023	2022
Generated economic value	**3,217,575**	**2,870,728**
Distributed economic value	**2,708,129**	**2,684,687**
Operating costs (suppliers)	2,079,899	2,052,452
Value distributed to employees	458,247	409,562
Value distributed to capital suppliers (banks and shareholders)	67,057	173,894
Value distributed to public administrations	100,815	471,23
Value distributed to the community	2,111	1656
Retained economic value	**509,446**	**186,040**

[40] The Global Added Value is a form of social disclosure which measures the economic-financial wealth produced by the Group with reference to the stakeholders who share in its distribution. Global Added Value is determined by subtracting from the value of production, including revenues from sales and other revenues, the cost of services and consumption of materials, depreciation/amortization provisions and other operating expenses. The Gross Characteristic Added Value is obtained by deducting extraordinary and accessory items.

METHODOLOGICAL NOTE

GRI 2-1	Organizational details
GRI 2-2	Entities included in the organization's sustainability reporting
GRI 2-3	Reporting period, frequency and contact point
GRI 2-4	Restatements of information

STANDARDS APPLIED

The thirteenth edition of the Sofidel Group Integrated Report has been drawn up, on a voluntary basis, in compliance with the **GRI Universal Standards 2021** – an option in accordance with the Global Reporting Initiative (GRI).

The GRI Standards are the main global reference standards for Sustainability Reporting. In particular, this Report has been prepared in accordance with the GRI reporting principles with regard to the definition of the contents and quality of the report, including stakeholder inclusiveness, sustainability context, materiality, completeness, accuracy, balance, clarity, comparability, reliability and promptness.
The Integrated Report was prepared by considering the **Framework of the International Integrated Reporting Council (IIRC)**. The IIRC framework focuses on an organization's ability to create value in the short, medium and long term.
Thus, it values:

- conciseness, strategic focus, orientation towards the future and connectivity between the information and capital, with mutual interdependencies;
- the importance of integrated thinking within the organization, which consists in considering the relationships between the operating units and functions of an organization, as well as the capital the latter uses or influences.

Aspects such as the description of a corporate business model and focus on the leadership and centrality of the "sustainability context" confirm the company's desire to move towards a more integrated and integral reporting model, in which sustainability is increasingly becoming the lever used to rethink and redefine the strategy and operating processes and to address change and meet the needs and expectations of the market and society, with the ultimate goal of increasing its innovation, competitiveness and profitability.

The Report takes into consideration the sustainability issues regarded as significant for the Group and its stakeholders, which are presented in the materiality analysis (see the section "Materiality analysis"). In updating the material topics, a methodological approach aligned with the new developments introduced by the standard **GRI 3 – Material Topics** was followed, to integrate guidance for implementing double materiality in accordance with the EFRAG standards.

Reference was also made to the indicators published by the **Sustainability Accounting Standards Board (SASB)**. These indicators are clearly identified in the table in the section "SASB performance indicators" and are to be considered supplementary to the information prepared in compliance with the GRI Universal Standards 2021.

In this report, according to American convention, dots are used to separate the decimals and commas to separate the thousands. The GRI information of the Integrated Report was subjected to the limited review of EY S.p.A., according to the provisions of the ISAE 3000 International Standard on Assurance Engagements (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information - (ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB).

The quantitative indicators not referring to any general or topic-specific disclosure of the GRI standards, reported in the pages specified in the Content Index, are not subject to the limited review of EY S.p.A.. Similarly, the analysis of material topics with the double materiality method was not included in the limited review by EY S.p.A.. For the purpose of the review, the Impact Materiality analysis carried out in accordance with the GRI Standards and on the basis of which the contents of the document and the related GRI indicators were defined was considered.

REPORTING PERIMETER

The reporting perimeter of the Integrated Report includes all the companies controlled by the parent company Sofidel S.p.A., with registered seat in Porcari (LU), in Via Giuseppe Lazzareschi, 23. The reporting period is the 2023 financial year, which coincides with the calendar year from January 1, 2023, to December 31, 2023, unless otherwise specified.

The Integrated Report is published on an annual basis. The most recent Report, which refers to 2022, was published in July 2023. The reporting method, in line with the method used to draft the previous Integrated Reports, enables comparison of the data set out in this Report. Any reclassifications of the data already presented in the previous edition of the Integrated Report is duly justified in the text.

For information on the Integrated Report and the reporting process:

Riccardo Balducci (riccardo.balducci@sofidel.com)
Antonio Pereda (antonio.pereda@sofidel.com)

GRI content index

GRI standard		Disclosure	Location	Omission			Notes
				Requirement	Reason	Explanation	
GENERAL DISCLOSURES							
GRI 2 - General information - version 2021	2-1	Organizational details	p. 10, 12				
	2-2	Entities included in the organization's sustainability reporting	p. 12, 203				
	2-3	Reporting period, frequency and contact point	p. 202-203				
	2-4	Restatements of information	p. 202-203				
	2-5	External assurance	p. 203, 211-213				
	2-6	Activities, value chain and other business relationships	p. 32, 158, 178				
	2-7	Employees	p. 117-122				
	2-8	Workers who are not employees	p. 117, 119-120				
	2-9	Governance structure and composition	p. 36-42				
	2-10	Nomination and selection of the highest governance body	p. 36-42				
	2-11	Chair of the highest governance body	p. 36, 40				
	2-12	Role of the highest governance body in overseeing the management of impacts	p. 37, 66				
	2-13	Delegation of responsibility for impact management	p. 66-67				
	2-14	Role of the highest governance body in sustainability reporting	p. 66				
	2-15	Conflicts of interest	p. 36				
	2-16	Communication of critical concerns	p. 38				
	2-17	Collective knowledge of the highest governance body	p. 36-37, 66				
	2-18	Performance assessment of the highest governance body	p. 37				
	2-19	Remuneration policies	p. 36, 38				
	2-20	Process to determine remuneration	p. 37				
	2-21	Annual total compensation ratio	p. 38				
	2-22	Statement on sustainable development strategy	p. 7				
	2-23	Policy commitments	p. 28-30, 40-62, 70				
	2-24	Embedding policy commitments	p. 19, 40-62, 66, 148, 166				
	2-25	Processes to remediate negative impacts	p. 43-47				
	2-26	Mechanisms for seeking advice and raising concerns	p. 43-47				
	2-27	Compliance with laws and regulations					In 2023 there were no incidents of non-compliance with laws and regulations.
	2-28	Membership associations	p. 69				
	2-29	Approach to stakeholder engagement	p. 80-81				
	2-30	Collective bargaining agreements	p. 132				
MATERIAL TOPICS							
GRI 3: Material topics 2021	3-1	Process to determine material topics	p. 71				
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ECONOMIC PERFORMANCE							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 190, 201				
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	p. 201				
MARKET PRESENCE							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 135				
GRI 202: Market presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p. 135				
PROCUREMENT PRACTICES							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 165				
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	p. 165				

GRI standard		Disclosure	Location	Omission			Notes
				Requirement	Reason	Explanation	
ANTICORRUPTION							
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GRI 205: Anticorruption 2016	205-1	Operations assessed for risks related to corruption	p. 44				
MATERIALS							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 88-90				
GRI 301: Materials 2016	301-1	Materials used by weight or volume	p. 90				
	301-2	Recycled input materials used	p. 90				
ENERGY							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 95, 97-100				
GRI 302: Energy 2016	302-1	Energy consumption within the organization	p. 97				
	302-2	Energy consumption outside the organization	p. 98				
	302-3	Energy intensity	p. 95				
	302-4	Reduction of energy consumption	p. 95				
WATER AND EFFLUENTS							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 102-104				
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource	p. 102				
	303-2	Management of water discharge-related impacts	p. 102				
	303-3	Water withdrawal	p. 103				
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	303-5	Water consumption	p. 103				
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GRI 3: Material topics 2021	3-3	Management of material topics	p. 95-101				

GRI standard		Disclosure	Location	Omission			Notes
				Requirement	Reason	Explanation	
GRI 305: Emissions 2016	305-1	Direct GHG emissions (Scope 1)	p. 101				
	305-2	Indirect GHG emissions form energy consumption (Scope 2)	p. 101				
	305-3	Other indirect GHG emissions (Scope 3)	p. 101				
	305-4	Intensity of GHG emissions	p. 101				
	305-5	Reduction of GHG emissions	p. 101				
	305-7	Nitrogen oxides (Nox), sulfur oxides (SOx) and other relevant air emissions	p. 101				
WASTE							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 108-109				
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	p. 108				
	306-2	Management of significant waste-related impacts	p. 108				
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SUPPLIER ENVIRONMENTAL ASSESSMENT							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 162				
GRI 308: Environmental assessment of suppliers 2016	308-1	New suppliers that were screened using environmental criteria	p. 162-163				
EMPLOYMENT							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 125, 133				
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	p. 125-131				
	401-3	Parental leave	p. 133-134				
LABOR MANAGEMENT RELATIONS							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 132				
GRI 402: Work management and trade union relations 2016	402-1	Minimum notice periods regarding operational changes	p. 132				

GRI standard		Disclosure	Location	Omission			Notes
				Requirement	Reason	Explanation	
OCCUPATIONAL HEALTH AND SAFETY							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 141, 142-145				
GRI 403: Workplace health and safety 2018	403-1	Occupational health and safety management system	p. 141				
	403-2	Risk identification, risk assessment and accident investigations	p. 141				
	403-3	Occupational health services	p. 141				
	403-4	Worker participation, consultation, and communication on occupational health and safety	p. 141				
	403-5	Worker training on occupational health and safety	p. 142				
	403-6	Promotion of worker health	p. 141				
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 141-142, 145				
	403-8	Workers covered by an occupational health and safety management system	p. 141				
	403-9	Work-related injuries	p. 143-144				
TRAINING AND EDUCATION							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 135, 138-140				
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	p. 140				
	404-2	Programs for upgrading employee skills and transition assistance programs	p. 135				
	404-3	Percentage of employees who's performance and professional development is periodically assessed	p. 134-135				
DIVERSITY AND EQUAL OPPORTUNITY							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 36, 40-41, 123, 134, 136-137				
GRI 405: Diversity and equal opportunities 2016	405-1	Diversity of governance bodies and employees	p. 36, 40-41, 123, 134, 136				
	405-2	Ratio of basic salary and remuneration of women to men	p. 136-137				
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GRI 3: Material topics 2021	3-3	Management of material topics	p. 43-44				

GRI standard		Disclosure	Location	Omission			Notes
				Requirement	Reason	Explanation	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	p. 44				
SUPPLIER SOCIAL ASSESSMENT							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 162-163				
GRI 414: Social assessment of suppliers 2016	414-1	New suppliers that were screened using social criteria	p. 162-163				
CUSTOMER HEALTH AND SAFETY							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 184-186				
GRI 416: Health and safety of customers 2016	416-1	Assessment of the health and safety impacts of product and service catego	p. 184-186				
	416-2	Episodes of non-compliance related to the health and safety impacts of products and services	p. 186				
MARKETING AND LABELING							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 187				
GRI 417: Marketing and labeling 2016	417-2	Incidents of non-compliance concerning product and service information and labeling	p. 187				
CUSTOMER PRIVACY							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 60				
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 60				
BRAND REPUTATION							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 32-33				

GRI standard		Disclosure	Location	Omission			Notes
				Requirement	Reason	Explanation	
RESEARCH AND INNOVATION							
GRI 3: Material topics 2021	3-3	Management of material topics	p. 178				
RESPECT FOR HUMAN RIGHTS							
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SASB content index

For the Group's environmental performance reporting, Sofidel also referred to the indicators published in the Sustainability Accounting Standards Board (SASB). Below is a table of correspondence between such indicators and their positioning in the text

Material topics	SASB	Description	Page
GENERAL STANDARD DISCLOSURE			
Proper management of water resources	R R - P P - 140a.1.	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with high or extremely high water stress	p. 102-104
	R R - P P - 140a.2.	Description of the water management risks and strategic and practical discussion to mitigate such risks	p. 102-104
Proper management of forest resources	R R - P P - 430a.1.	Percentage of wood fiber sourced from (1) certified forests by third parties and (2) which meets other fiber sourcing standards	p. 88-91
	R R - P P - 430a.2.	Amount of recycled and recovered fiber purchased	p. 88-91
Climate change and climate-altering emissions	R R - P P - 110a.1.	Scope 1 gross global emissions	p. 92-101
	R R - P P - 110a.2.	Discussion on the strategy and short and long term plan for managing Scope 1 emissions, emission reduction goals and performance analysis of such goals	p. 92-101
	R R - P P - 120a.1.	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SO2, (3) volatile organic compounds (VOC), (4) particulate matter (PM) and (5) hazardous air pollutants (HAP)	p. 92-101
	R R - P P - 130a.1.	(1) Total energy consumed, (2) percentage of grid electricity, (3) percentage of biomass, (4) percentage of other renewable energies, (5) total self-produced energy	p. 92-101

Independent Auditors' Report

GRI 2-5 External assurance

EY
Building a better working world

Independent auditors' report on data and information included in the Integrated Report 2023 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 2023 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 31st 2023 (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 2023.

The Directors are also responsible for that part of internal control that they consider necessary in order to allow the preparation of a GRI Disclosure of the Integrated Report that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for defining the commitments of Sofidel Group regarding the sustainability performance as well as for the identification of the stakeholders and of the significant matters to report.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality, and professional behavior.

Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the GRI Disclosure of the Integrated Report with the requirements of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard 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

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 Sustainability Report, with reference to the methods of analysis and understanding of the reference context, the identification, assessment and prioritization of actual and potential impacts and the internal validation of the process outcome;

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 Sofidel America Corp 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 Sofidel America Corp (Circleville site), that we have selected based on its activity, relevance to the consolidated performance indicators and location, we have carried out a site visit during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the GRI Disclosure of the Integrated Report of Sofidel Group and its subsidiaries for the year ended on December 31st, 2023 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 2023.

Florence, March 6th, 2024

EY S.p.A.
Signed by: Andrea Eronidi (Auditor)

This report has been translated into the English language solely for the convenience of international readers.

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