

S/ report

Summary of
Sofidel 2023
Integrated Report

**INVESTMENT IN
SUSTAINABLE GROWTH**
IN A CONTEXT OF
ECOLOGICAL AND DIGITAL TRANSITION

**SUSTAINABILITY
AND INNOVATION**
TO DRIVE CHANGE
AND CREATE SHARED VALUE

/ ZEROING OF GREENHOUSE
GAS EMISSIONS BY 2050

/ COMMITMENT TO SOCIETY
AND COMMUNITIES



SOFIDEL
ENDLESS CARE, INNOVATIVE LIFE

“CLEAN LIVING” IS THE CONCEPT THAT BEST DEFINES OUR ROLE IN SOCIETY AND THE ADVANTAGES WE WANT TO ACHIEVE FOR PEOPLE AND THE PLANET.

IT IS THE FOUNDATION OF OUR CONDUCT AND OUR ACTIONS. IT INSPIRES OUR PRODUCTION PROCESS AND THE PRODUCTS WE OFFER ON THE MARKET. IT IS REFLECTED IN OUR SUSTAINABLE BUSINESS MODEL AND CONSTANT COMMITMENT TO A “CLEANER” WORLD.

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THE FIGURES ON THE GROUP

2023. A SNAPSHOT

The Sofidel Group, founded in 1966 with Italian capital, is a world leader in the production of tissue for sanitary and domestic use: toilet paper, kitchen roll, paper napkins, paper towels, paper handkerchiefs and tissue paper.

57
years in the business

1,440,000 t
annual production capacity

-39%
reduction in the use of virgin plastic
in packaging
(since 2013)

85%
excellent or sustainable
suppliers in ESG terms

55
countries in which we sell
our products

100%
cellulose certified under
forestry certification schemes

90%
finished products
with ESG credentials

95%
road trips
with Euro 5 and Euro 6 trucks

7,071
people

-11.5% CO₂ scope 1 and 2
emissions reduction in carbon intensity
(compared to 2018)

3,129 million euro
Group
net sales

7.6 l/kg paper
water consumption
(well below industry averages)



SOFIDEL OFFICES AND PLANTS

IN THE WORLD*



- SOFIDEL SPA**
Lucca-Porcari IT | Services

SOFFASS SPA
Gorizia - Monfalcone EN | Integrated
Lucca - Bagni di Lucca EN | Paper mill
Lucca - Borgo a Mozzano EN | Paper Mill
Lucca - Capannori IT | Paper and card
Lucca - Porcari IT | Paper mill/Paper and card
Lucca - Porcari IT | Paper mill/Paper and card

SOFIDEL AMERICA
Circleville OH | Integrated
Philadelphia PA | Services
Green Bay WI | Paper and card
Haines City FL | Integrated
Hattiesburg MS | Paper and card
Inola OK | Paper and card
Las Vegas NV | Paper and card

SOFIDEL BENELUX
Duffel BE | Integrated

SOFIDEL FRANCE
Frouard FR | Integrated
Ingrandes FR | Paper and card
Roanne FR | Integrated

SOFIDEL GERMANY
Arneburg DE | Integrated
Cologne DE | Trading
Schmalkalden - Wernshausen (Plant O, T, W) DE | Integrated

SOFIDEL GERMANY HOLDING
Schmalkalden - Wernshausen DE | Services

HAKLE MARKENHAUS GMBH
Schmalkalden - Wernshausen DE | Services

SOFIDEL GREECE
Katerini EL | Integrated

SOFIDEL HUNGARY
Lábatlan HU | Paper and card

SOFIDEL IRELAND
Dublin IR | Services

SOFIDEL POLAND
Ciechanów PL | Integrated

SOFIDEL ROMANIA
Calarasi RO | Integrated

SOFIDEL SPAIN
Buñuel ES | Integrated

SOFIDEL SWEDEN
Kisa SE | Integrated

SOFIDEL UK
Baglan UK | Integrated
Lancaster UK | Paper mill
Leicester - Hamilton UK | Integrated
Leicester - Rothley Lodge UK | Paper and card

CREATING SHARED ADDED VALUE

STRONGER AND BETTER PREPARED
TO INVEST IN SUSTAINABLE
GROWTH

Interview with CEO Luigi Lazzareschi and Chairman Edilio Stefani on the Sofidel Group's strategy and future.

Mr. Lazzareschi, how would you judge the past year?

The year 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 fibrous raw material 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 the volume of sales. The year saw constant adjustment of product selling prices in response to macroeconomic trends.

And what investments were made in 2023?

In the United States, to meet growing market demand, we initiated **the Circleville (OH) plant expansion project** which will result in the factory increasing its production capacity by more than 50 percent by 2025. In the meantime in Europe, we strengthened our position on the German market with **the purchase of the brands Hakle** (toilet paper), **Hakle Feucht** (marking Sofidel's entry into the new category of moist toilet tissue), **Dick&Durstig** and **Servus** (household paper). Moreover, given the need to meet growing demand immediately, in early 2024 Sofidel once again took action on the U.S. market, increasing its production capacity by 65,000 tons per year through **the acquisition from ST Paper of a paper mill in Duluth, Minnesota**, in the Upper Midwest. Also

on the market front, we boosted our advertising in all the Brand's markets in 2023, while e-commerce equaled, and in some cases in Europe exceeded, the results for the year 2021, so far the best year ever in this area for the Group.

Dr. Stefani, let's talk about environmental responsibility and the ecological transition. What is Sofidel's commitment in this area?

When it comes to sustainability, we have taken an important step toward the goal of **Net Zero emissions**: Sofidel has 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.

And how have you pursued this goal in the past year?

To achieve this ambitious goal, we are continuing to **implement a multi-option strategy of increasing our use of electricity from renewable sources**: in Spain, with a 10-year Power Purchasing Agreement (PPA) with **ACCIONA Energia** for the supply of electricity with certification of 100% renewable sources; in Greece, through a 10-year agreement (PPA) signed 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 (BPA) with **ENGIE** for the supply of biomethane produced

* The Group also includes Intertissue Ltd, which sold its assets and business to Sofidel UK Ltd and began winding-up procedures on 1 June 2019.



Edilio Stefani, Sofidel Chairman.



Luigi Lazzareschi, Sofidel CEO.

from organic waste to the Sofidel France plant in Roanne. And there's more: in Sweden, testing has begun of the plant in Kisa built by **Meva Energy** for the production of bio-syngas from woody biomass from the local supply chain; while in the United Kingdom, the Group has become a member of **East Midlands Hydrogen**, an industry partnership comprising 44 players including manufacturers, distributors, and users, working to accelerate development and attract investment aimed at the use of hydrogen.

Dr. Stefani, what have you done in the area of corporate social responsibility?

I think it is worth mentioning two of our stakeholder engagement initiatives. In the first part of the year, we launched "**Together We Plant the Future**," a **three-year bioeconomy pilot project** implemented with pulp supplier Suzano to promote socioeconomic development and the conservation and ecological restoration of an area in the Brazilian Amazon region, in Maranhão and Pará states. In the second half of the year, **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. We have, in addition, intensified work on strengthening relationships with local communities and institutions, school and university districts, chambers of commerce, and trade and nonprofit associations in the areas where we operate.

Dr. Lazzareschi, what can you tell us about the Group's future strategy? What are the challenges and opportunities for Sofidel in 2024?

The effects produced by inflation, while declining, continue to affect the spending power of large numbers of consumers,

and the macroeconomic forecasts for 2024 speak of slowing growth for the economies 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 complexity and instability, Sofidel closes the year by confirming its **sustainable growth strategy geared to the creation of shared value**, and its willingness to implement its investment policy to consolidate profitability, cope with the climate crisis, and **promote the ecological, digital and social transition**.

WE HAVE COME THROUGH THE YEAR 2023 STRONGER THAN EVER. THE SCENARIO IS MORE STRUCTURAL ON THE U.S. MARKET, AND MORE RELATED TO CYCLICAL FACTORS IN EUROPE. WE HAVE STRENGTHENED OUR ABILITY TO INVEST IN SUSTAINABLE GROWTH IN THE CONTEXT OF THE ECOLOGICAL AND DIGITAL TRANSITION.

Sofidel invests \$185 million to expand plant in Circleville, Ohio

In response to growing demand on the American market, the Group decided to boost its production capacity in the United States. The project to expand the plant includes the construction of **a new building to house a new paper mill machine** with a production capacity of 70 thousand tons per year, scheduled for commissioning in the third quarter of 2025. The Circleville site, where there are already two paper mill machines, will thus achieve a total production capacity of more than 200 thousand tons per year (+50%), becoming Sofidel's most important production hub world-wide.

Medium- to long-term loans benchmarked with achievement of ESG objectives

Sofidel is accelerating its growth by implementing **sustainable finance tools** to support its development strategy. In 2023, the Group concluded medium- to long-term loans with ING Italia and Crédit Agricole Italia, the terms of which are linked to achievement of environmental and social performance targets. In addition, it finalized a medium-term loan with BayernLB whose margin can be adjusted according to the level of three Key Performance Indicators (KPIs), two environmental and one social.

Sofidel commits to Net Zero by 2050

Sofidel has committed to the Science Based Targets initiative (SBTi) to achieve Net Zero emissions by 2050: reduction of greenhouse gas emissions and subsequent elimination of residual emissions to as close to zero as possible throughout the value chain. The Group thus intensifies its policies of ecological transition through a **decarbonization plan to 2050** based on scientific evidence, involving implementation of a number of actions. These include introduction of technologies to further increase the energy efficiency of plants, increasing the share of electricity self-generated from renewable sources or purchased under long-term contracts (PPAs) from newly built installations, increasing use of bio-based fuels, and use of green hydrogen.

Meva Energy's new bio-syngas production plant in Sweden

New bio-syngas production plant at our Kisa plant in Sweden completed with Meva Energy. At full capacity, it will permit **near-complete replacement of the fossil fuel (LPG)** used in the production site, reducing annual CO₂ emissions by 8,500 tons.



OUR CONTRIBUTION TO THE WORLD TO COME

CLEAN LIVING

“For everyday needs. For a healthier planet. For integrity and respect.”
A concept that guides the way we do business.

“Clean Living” is **our answer to the “call to action” for the future**. The mission that inspires all our behavior and actions, and informs our production processes and the products we offer. It defines our role in society and the benefits we want to offer people and the planet.

FOR EVERYDAY NEEDS – PRODUCT

“Clean Living” is a mission inspired by our products, which are devised and developed to contribute to people’s daily hygiene and well-being and the cleanliness of their homes, workplaces and public spaces. Disposable tissue paper products that have a vegetable origin (pulp) from a renewable raw material (wood) are easily recyclable and can be reintegrated into the natural life cycle.

FOR A HEALTHIER PLANET – ENVIRONMENT

Sofidel is committed to fostering the transition towards a low-carbon impact economy and reduced consumption of natural capital. A model of production that translates into responsible procurement of raw materials from our forests, prudent use of water resources, growing use of renewable energy, energy-efficient plants, reduction of waste and limitation of the use of conventional plastic in packaging for our products.

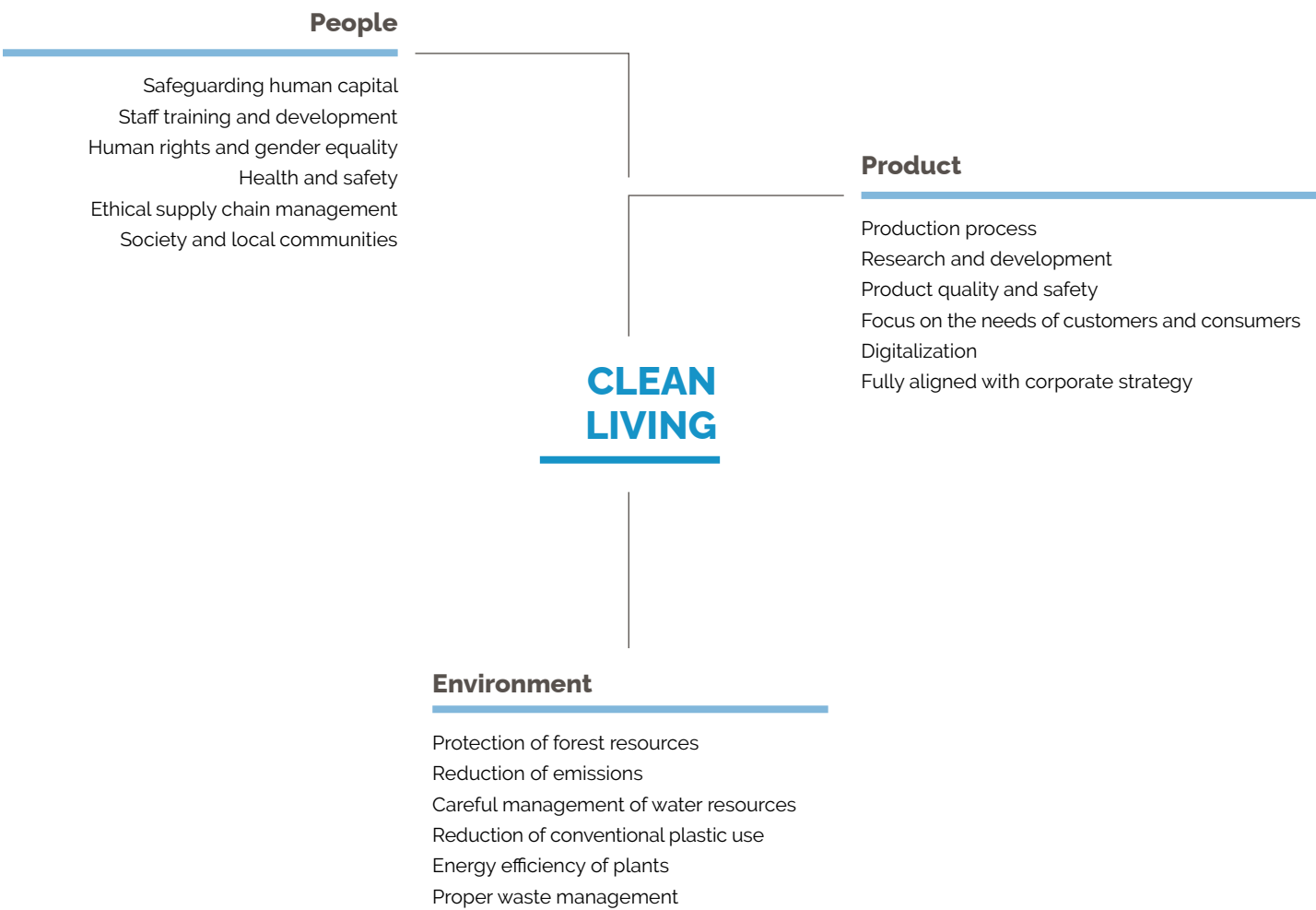
FOR INTEGRITY AND RESPECT – PEOPLE

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 the values of professionalism, honesty, and transparency. We advocate for inclusiveness, participation, and accurate information. An approach based on integrity and reciprocal respect, to build a positive future for people and the planet.

These three pillars are the areas in which we will **play an essential role in creating the world of tomorrow**. To build a healthier, cleaner future and a fairer, more inclusive society, together. Finding new solutions that satisfy consumers and our business partners, while prioritizing safety, hygiene, and the well-being of people.

PEOPLE AND THEIR ACTIONS
ARE STRONGLY
INTERCONNECTED WITH
NATURAL ECOSYSTEMS.
WE DON'T SEE ENVIRONMENT
AND SOCIETY AS TWO
SEPARATE AREAS, BUT
AS A SINGLE SOCIO-
ENVIRONMENTAL CHALLENGE
TO WHICH WE NEED
TO CONTRIBUTE.

“Clean Living” is our answer to the “call to action” for the future. It defines our role in society and the benefits we want to offer people and the planet.



CREATING SHARED VALUE
WITH A STRATEGIC, GLOBAL,
MULTI-STAKEHOLDER APPROACH.

CLEAN LIVING

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





A SUSTAINABLE BUSINESS MODEL

SUSTAINABILITY CREATES VALUE

Sustainability and innovation are two key levers guiding change, anticipating new opportunities on the market and generating shared value.

Sofidel sees sustainability as a strategic lever for development and growth. We aim to integrate it into all aspects of our business, to reduce the impact of our activities on natural capital and generate benefits for all our stakeholders.

We consider **sustainability to be closely linked to innovation**. This inseparable connection ensures the economic, social, and environmental sustainability of our business. From procurement of raw materials to production processes, from products to logistics, promotion of responsible consumption and accurate information. The capacity to innovate and look forward into the future allows us to lead the way in change, anticipating new opportunities for growth and development. This "mindset" compels us to continuously improve to make a positive contribution to society.

STEADY AND 'CLEAN' GROWTH

Sofidel's steady growth is the expression of a long-term strategy. It is based on an approach to management and operation built on a value system. Professionalism, concrete action, honesty, sustainability and transparency permeate everything the company does.

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

- Sustainability;
- Quality assets (production plants, machinery, technological assets);
- Geographical coverage and greenfield plants;
- Digitalization.

TOGETHER FOR SUSTAINABLE DEVELOPMENT

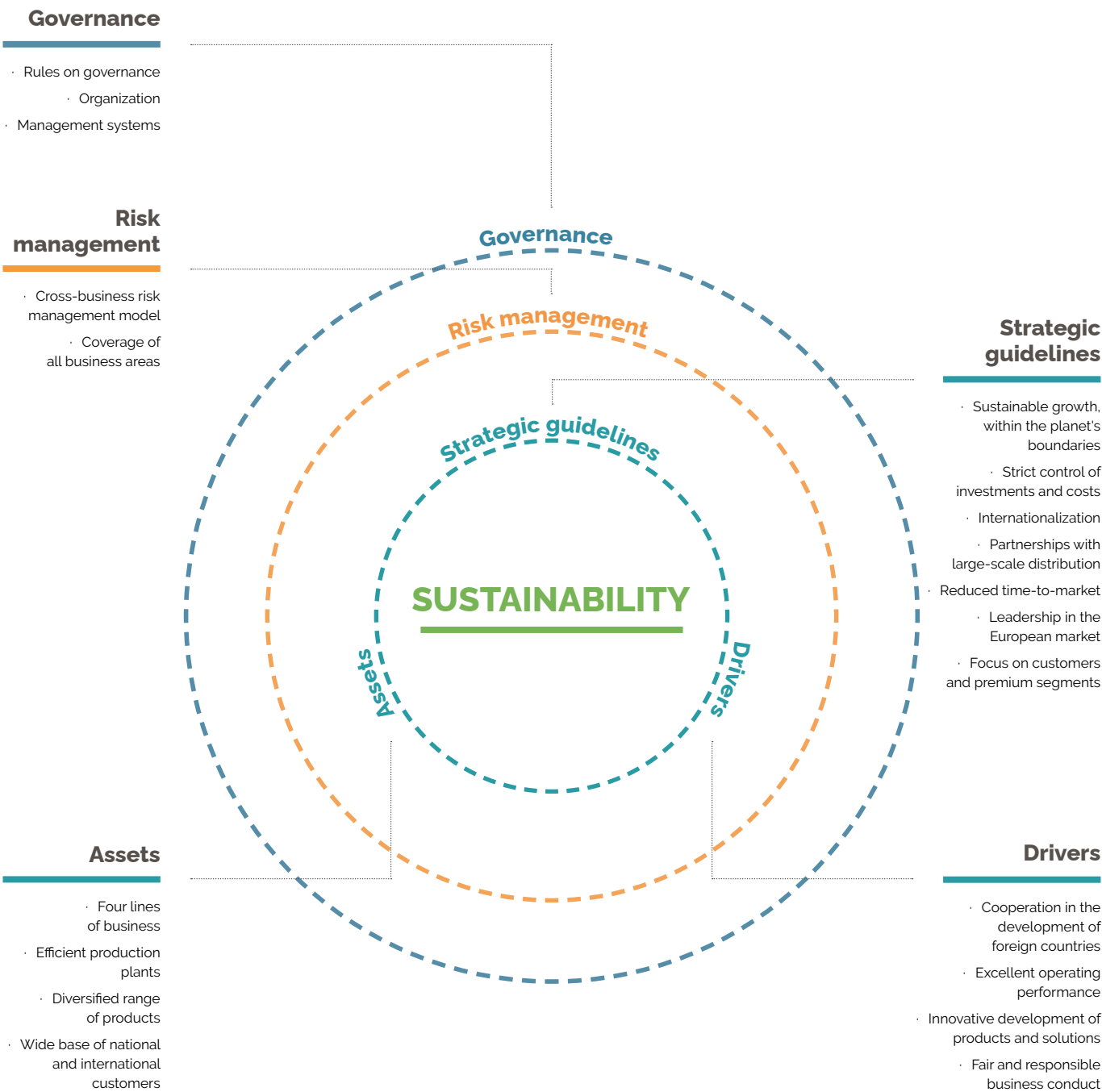
A company's environmental, social, and economic responsibility starts with the system of principles and values that guide its approach to business. Since 2010, Sofidel adheres to the **United Nations Global Compact**, the pact that binds businesses that have undertaken to contribute to the development of sustainable business and to build a better world. We embrace the ten principles of the United Nations Global Compact on **human rights, labor standards, environmental protection, and anti-corruption**. We are committed to integrating these principles into our strategies and our way of doing business, to create a corporate culture based on integrity and lay the foundations for long-term sustainable development.

ESG ratings in our sustainability policies

In 2023, **Morningstar Sustainalytics** ranked Sofidel in the **"Low Risk" category** (with a score of 14.4) for its strong ability to manage environmental, social and governance risks, the three spheres of corporate responsibility. As in 2022, again we ranked first out of 105 companies evaluated in our category: "Household Products" (which includes not only tissue, but home cleaning and personal hygiene products). In addition, we are in the top 10% of more than 15 thousand companies evaluated to date by Sustainalytics.

BY INTEGRATING
SUSTAINABILITY
AND INNOVATION INTO OUR
ORGANIZATIONAL CULTURE
WE PURSUE TRULY
RESPONSIBLE DEVELOPMENT.

Sustainability at the heart of the organizational model

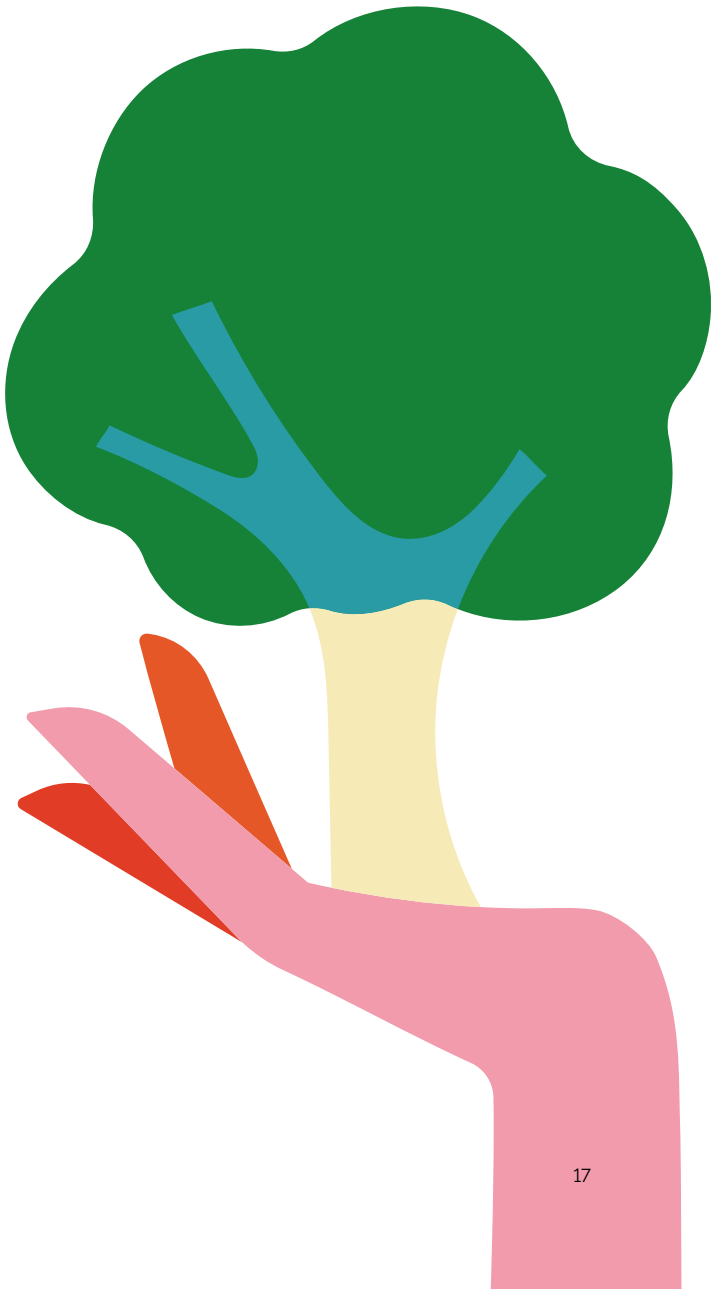


SOFIDEL AND THE UN 2030 AGENDA

Our growth strategy is fully in line with the UN's 2030 Agenda and its 17 Sustainable Development Goals (SDGs) aimed at building an inclusive, sustainable and resilient future for people and the planet. While we recognize the importance of all these goals, we have identified eight of them as priorities as they relate directly to our sphere of influence. We will be focusing our efforts on these, to help generate a concrete, positive impact for people and the planet.



COMPANIES HAVE A SOCIAL AND ENVIRONMENTAL IMPACT BEYOND THE SCOPE OF THEIR BUSINESS. THIS IS WHY WE WANT TO COMMIT OURSELVES TO TRANSFORMING NOT ONLY THE WAY WE PRODUCE, BUT THE ENTIRE ECOSYSTEM IN WHICH WE ARE EMBEDDED.





FOCUS ON CONSUMERS AND BUSINESS PARTNERS

PRODUCTS FOR HYGIENE AND WELL-BEING

We develop innovative products, solutions and services guaranteeing constant quality and complying with the strictest standards for the protection of health and safety.

A RESPONSIBLE ORIENTATION TOWARD THE FUTURE

We want to generate value for consumers and our business partners by continuously striving to **develop innovative products that respect natural resources**. These products aim to improve comfort and hygiene in daily life, satisfying consumers' desire for wellness and cleanliness, both at home and away-from-home.

Today, consumers and the large-scale retail trade demand a greater commitment that embraces the entire ecosystem, and does not stop within the walls of the home. The public expects companies to commit to **environmental protection** and promote responsible behaviors to reduce waste and regenerate resources. We are committed to being a part of the solution, and making a contribution that goes beyond our products.

50% LESS PLASTIC ON THE SHELF BY 2030!

Sofidel has been working to fight plastic pollution by **reducing use of virgin plastic from petrochemicals in its product packaging**. From 2013 to 2023, the company decreased the incidence of virgin plastic in the production process by 39% – 54,000 tons saved, an amount equivalent to the weight of 3,000 54-seat buses – and plans to reduce it by 50% before the end of 2030.

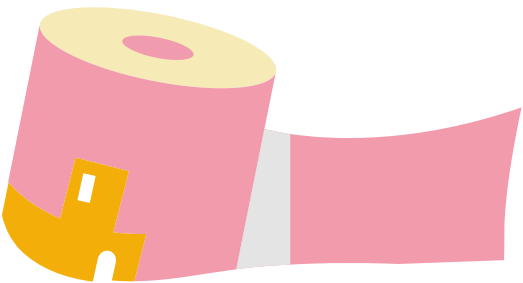
We have worked in a number of ways to achieve this goal. In addition to cutting our consumption, our first step was to **reduce the thickness of the plastic film**. Over the years, we then began to **introduce recycled plastics and bioplastics**. The most recent innovation has been the introduction of **paper packaging** for many of our products. Paper is the most widely recycled material, it comes from a renewable resource and, if accidentally dispersed into the environment, it is biodegradable in two to three months.

In 2023, the Brand business line, at the forefront of the Group's sustainability goals, packaged its products with 24 percent paper packaging and 55 percent recycled plastics. The goals for 2024 are even more challenging.

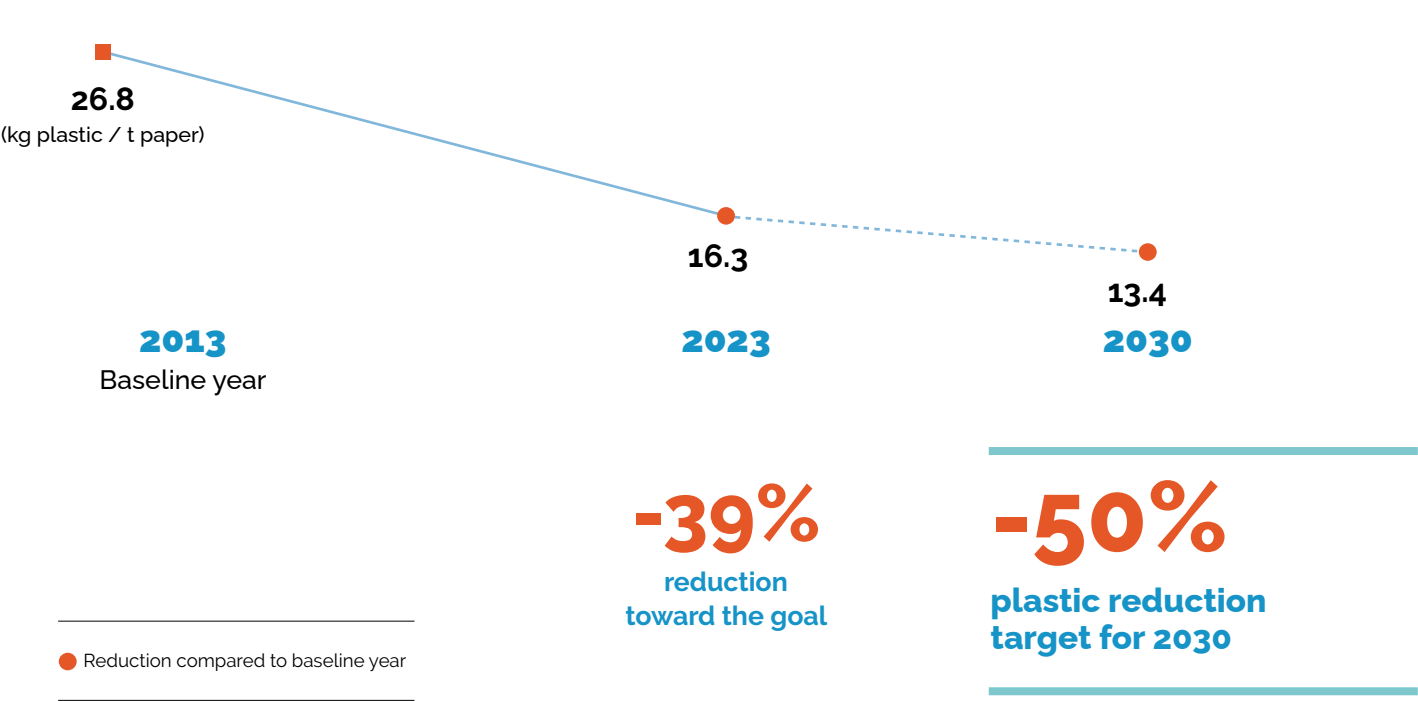
PRODUCT QUALITY

In our plants, product quality is constantly monitored through the **Product Conformity Index**, a parameter that takes into account "non-compliance" issues detected during production and solved before placing products on the market. The figures for 2023 reveal excellent results in all of the Group's converting plants, with an **average compliance rate of 98.55%**.

WE PUT PEOPLE AT THE CENTER, BECAUSE MEETING THEIR NEEDS IS THE KEY TO THE SUCCESS OF A BUSINESS AND THE CREATION OF AUTHENTIC VALUE.



Plastic reduction 2013-2023
Incidence of plastic packaging per ton of paper produced (kg plastic/ton paper)



Acquisition of the Hakle brand



The Sofidel Group acquired the Hakle and Hakle Feucht brands in 2023, strengthening its position on the German toilet paper and kitchen towel market and making its **entry into the moist toilet tissue category**. The Dick&Durstig and Servus brands (both in the household paper segment) were also acquired under the agreement, along with the related intellectual property rights.

The Nicky range is being expanded in the United States



The range sold by Nicky, Sofidel's first consumer brand in the United States, has been enriched with **three new products**, complementing Nicky Elite kitchen towels and toilet paper: "Dinner Napkins", the "Super Shine" multi-surface household cleaning paper, and tissues made with ultrasoft NTT (New Tissue Technology) paper. All Nicky products in the United States have paper packaging.

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 the **"Favorite Brand in France"** in the "Kitchen Towel" category. Also in 2023, the brand launched Sopalin Power, a multipurpose paper towel sold in a maxi-roll equivalent to five classic rolls.



OUR PRIORITY IS TO BE COMPETENT AND RELIABLE ALLIES THAT CONSUMERS AND OUR BUSINESS PARTNERS CAN RELY ON. THIS INCLUDES THE SMALL NEEDS OF DAILY HYGIENE AND CLEANING, AS WELL AS BUILDING A CLEAN, FAIR AND RESPONSIBLE FUTURE.

INNOVATION AS A STRATEGY

INNOVATION AS A PART OF OUR PRODUCTS' HERITAGE

We have a single goal: the well-being of people and the environment. Innovation and sustainability inspire everything we do.

NEW PRODUCTS RESPONDING TO CONSUMERS' DEMANDS

In 2023, we once again unveiled several innovations to enhance consumers' experience and meet their daily hygiene and cleaning needs.



Regina Towels. Disposable paper towels help reduce the spread of germs and bacteria and are more hygienic than ordinary fabric towels. The dispenser makes it easy to take one paper towel at a time, to avoid waste and protect the hygiene of every single paper towel. In addition, a sticker on the package allows it to be applied to horizontal and vertical surfaces, so the product is always on hand for convenient hand drying.



Soft Bamboo toilet paper and paper handkerchiefs made with a percentage (10%) of natural bamboo fibers, combining premium quality and innovation to offer more softness than the average in these two categories. They were launched on the market in various European countries under different Group brands. In addition, all the products in the range have kraft paper or recycled plastic packaging.



The **Papernet Simplify** range. This is Sofidel's first carbon-neutral product line, created to make a tangible contribution to global climate protection. The environmental footprint (CO₂ emissions) of the products was calculated with ClimatePartner and then offset through a climate protection project to protect the virgin forest of Lábrea, in the state of Amazonas, which had the fourth highest deforestation rate in Brazil between 2008 and 2020.



The **Regina Stylish** range. Regina Stylish kitchen towel, toilet paper, napkins and handkerchiefs feature coordinated graphics (both packaging and product) to add a touch of style and design in the home. The brand's existing products have been "dressed up" with the new identity.

"Sofidel 2030": the Group thinks about the innovations of the future

In 2020, Sofidel initiated the "Sofidel 2030" project dedicated to promoting a more innovation-friendly business environment. Organized in Italy in collaboration with the Business School at Politecnico in Milan, the project involved top management at first, and was then extended to a larger number of colleagues, addressing the topic of "**Innovation and Design Thinking**" to discover a new way of working and designing together. The third phase in the project, which began in 2021, involves individual and group **creativity and design sessions** working on co-design projects for new products, processes and services. In 2023 the team focused on innovation in the Away-From-Home sector.

Collaboration with universities and research centers

In 2023 Sofidel continued to strengthen its collaboration with universities and research centers, both domestically and internationally, and partnerships with cutting-edge suppliers. These include a four-year research project (2021-2024) with RISE, a Swedish national research center specializing in **innovation in papermaking**, and collaboration with the consortium led by VTT, a Finnish national research center, to study a new paper drying technology. Another project to reduce water and energy consumption in the paper production process will start in 2024, again with VTT.

Amazon recognizes Sofidel as a "Climate Pledge Friendly" brand

The Group's commitment to sustainability has been recognized by Amazon, which has awarded Sofidel products the "Climate Pledge Friendly" label. The label recognizes that products have one or more **sustainability certifications** among those selected by Amazon. Through this project, the online retailer helps its customers identify and purchase its most sustainable products.

WE CONSIDER ATTENTION TO PERSONAL HYGIENE AND WELL-BEING AND CARE FOR THE HEALTH OF THE PLANET THE KEY POINTS OF OUR VALUE CREATION PROCESS. MORE THAN 90% OF OUR FINISHED PRODUCTS HAVE AT LEAST ONE ECO-LABEL ISSUED BY AN EXTERNAL BODY FOLLOWING AN AUDIT CONDUCTED BY AN INDEPENDENT THIRD PARTY.



VIRTUOUS SUPPLIERS

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Work, human rights, environment and anti-corruption are the issues at the center of our concept of sustainability. A vision we extend all along our supply chain.

For Sofidel, it is essential to integrate sustainability into its purchasing processes and to reward suppliers and products with a positive impact on the environment and community. Our procurement process adopts a set of principles of **corporate social responsibility** which allow the company to make decisions that are not only cost-effective but also socially and environmentally sound.

In 2023, against a **total expenditure of more than two billion euro**, Sofidel distributed two-thirds of this amount among suppliers of raw materials, followed by suppliers of logistics services, machinery and energy.

Sofidel was one of the first companies to adopt **ISO 20400 guidelines**, an international standard permitting integration of sustainability into procurement policy. The application of these guidelines allows the Group to manage risks along the entire supply chain and mitigate the risk of reputational and economic damage resulting from poor performance of suppliers.

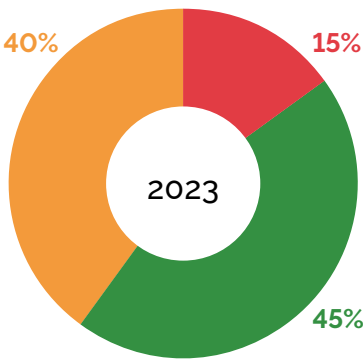
SUPPLIER EVALUATION

Sofidel has developed a system for evaluating the sustainability of its suppliers in collaboration with Global Compact Network Italia, of which it became a founding member in 2013. The system is referred to as "TenP Paper" because it is inspired by the **Ten Principles of the Global Compact** and permits evaluation of the supply chain in four areas: **working conditions, human rights, environmental protection, and anti-corruption**.

Suppliers are divided into three categories on the basis of their score on the "TenP Paper" platform: "Excellent", those who have a high score in all areas; "Sustainable", if they have a good level of sustainability but still present areas for improvement; and "Not Sustainable", if they still have work to do to be in line with our principles.

2023 confirmed the merit profile of the Group's supplier portfolio. The percentage of suppliers belonging to the "Excellent" merit class remained unchanged; the same can be said for "Sustainable" and "Unsustainable" suppliers.

Breakdown of Sofidel suppliers by merit class



Excellent suppliers sustainable suppliers non-sustainable suppliers



Strong relationships with suppliers and strategic partners

The last three years have 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.

The new Pulp Suppliers' Code of Conduct

In January 2023, the new Pulp Suppliers' Code of Conduct was **presented in a workshop** explaining its content and discussing the conditions of its applicability with suppliers. The document will come into effect in 2024.

Review of critical commodity categories

During 2023, we initiated a review of critical commodity categories and **risk analysis**, updating it with a new analysis that will allow us to verify any critical issues in light of market developments, the changing regulatory framework, and the environmental and social scenario.

The supply chain website

Sofidel created a website completely dedicated to sharing the principles of environmental and social sustainability that guide supplier selection and **promoting a collaborative relationship based on trust and transparency**. A hub containing the information and tools needed to make our supply chain even more responsible and sustainable.

www.sustainable-procurement.sofidel.com

**SOFIDEL ASKS ITS SUPPLIERS
TO SIGN THE SUPPLIERS' CODE OF CONDUCT
TO BEHAVE ETHICALLY AND RESPONSIBLY, WITH
RESPECT FOR HUMAN RIGHTS AND LIFE ON EARTH.**

3SAward

To motivate our supply chain, we established the "Sofidel Suppliers Sustainability Award" (3SAward), a prize rewarding suppliers who stand out for their commitment to social issues and the environment. In 2023 Sofidel introduced a new award, the **"Risk Management Pioneer Award for Climate Change"**, to honor a supplier who stands out for combating climate change through a structured approach to risk management.

THE BIOECONOMY PILOT PROJECT IN THE AMAZON

In 2023, Sofidel and pulp supplier Suzano announced **"Together We Plant the Future - Developing Biodiversity Corridors for a More Sustainable Future"**, a three-year pilot project promoting ecological conservation and restoration while supporting the socioeconomic development of a region in the northern Amazon. The project, which started in March 2023, 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 concerned with **defense of the forest and**

peoples of the Amazon.

The goal of this partnership is to **restore 300 hectares of forest and support the initiatives of local small-scale farmers**, creating sustainable agroforestry management systems and business models for communities living close to the rainforest, improving their food security and the nutritional quality of their diet. "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.**





A MEASURABLE COMMITMENT

CARE AND RESPECT FOR THE PLANET

Sofidel is committed to fostering the transition towards a low-carbon impact economy and reduced consumption of natural capital.



PROTECTION OF FORESTS

Nature and respect for life on Earth are the keys to our development policy. 100% of the pulp we use in our products is certified by independent third parties on the basis of **chain of custody and good forestry management schemes** allowing us to guarantee the origin of the fibers we use as our raw materials. In 2023 Sofidel purchased 1,270,327 tons of virgin fiber, primarily from Europe and South America. 83.76% is FSC®

certified, while the remainder is PEFC and FSC® Controlled Wood certified.

Certification schemes enable us to ensure **sustainable forest management**, meeting established environmental, social and economic standards. This includes practices of replanting felled trees, conserving biodiversity and respecting the rights of local communities.

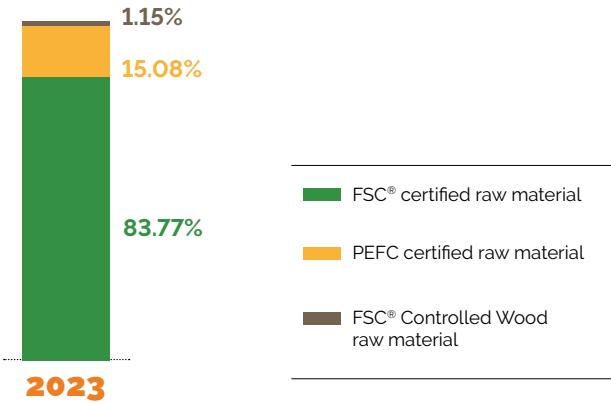
Our policy for purchasing of raw materials originating from for-

estry was developed in collaboration with the WWF, on the basis of the guidelines of the **AFi (Accountability Framework initiative)**, an initiative involving the world's principal organizations concerned with protection of forests, natural ecosystems and the rights of indigenous peoples.

The policy aims to achieve important goals such as:

- Having a supply chain that does not induce deforestation at any of its stages (**zero deforestation**);
- Developing a supply chain that does not cause or contribute to the conversion or environmental degradation of natural ecosystems;
- Making sure that suppliers comply with the Sofidel Supplier Code of Conduct and do not violate the human rights of indigenous communities or any of the stakeholders involved in procurement;
- Carrying out active checks in high-risk countries to ensure the legality of forestry operations, logging, processing and trade of timber and the resulting raw material.

Purchases of virgin fiber raw material by forest certification scheme



CDP Report – Forests

In 2023 Sofidel once again obtained an **A- rating** in the prestigious "CDP Forests" rating assessing companies' commitment to combating deforestation and safeguarding biodiversity. The average for European companies was C, while the average rating in the sector was B, confirming Sofidel's leadership in this area.

PRESERVING BIODIVERSITY IS ESSENTIAL TO ENSURE A SUSTAINABLE FUTURE FOR PRESENT AND FUTURE GENERATIONS.



CLIMATE COMMITMENT

Sofidel is committed to **reducing climate-altering emissions** to help stop the rise in global temperatures and its dangerous consequences for life on Earth. Our commitment to the climate dates back to 2008, when Sofidel became Italy's first company, and the world's first tissue manufacturer, to join the international program known at the time as "WWF Climate Savers" (now

renamed "WWF Climate Business Network."). In just over 10 years the company has invested more than 100 million euro in plants for co-generation and generation of electricity from renewable sources, reducing CO₂ emissions by 24%. An important milestone that, in 2020, spurred us to set ourselves decarbonization targets for 2030 consistent with the reductions needed to **limit global warming to well below 2°C** as required by the Paris Agreement, and endorsed by the international organization Science Based Targets Initiative (SBTi).



Goals of the Science Based Targets initiative (SBTi) for 2030

-40%

Reduction of CO₂ emissions per ton of paper by 2030, compared to 2018 (scope 1 and 2 emissions for our activities, and scope 3 for pulp production by our suppliers).

-24%

Reduction of CO₂ emissions per ton of paper by 2030, compared to 2018 (scope 3 emissions for all our suppliers' other activities).

We took another step forward in 2023 by committing to a long-term, science-based target of achieving **zero greenhouse gas emissions from the entire value chain by 2050**, in line with the "SBTi Net-Zero" standard, and submitting it for validation by the SBTi organization within 24 months.

WE ARE GUIDED BY A BLUEPRINT FOR SUSTAINABLE DEVELOPMENT IN LINE WITH THE UNITED NATIONS' 2030 AGENDA AND THE EUROPEAN GREEN DEAL TO ACHIEVE THE GOAL OF NET ZERO EMISSIONS BY 2050.



ACTIONS FOR REDUCING EMISSIONS



Our strategy for achieving climate neutrality by 2050 is based on a multifaceted plan taking into account industrial activities managed directly by Sofidel, the involvement of the entire supply chain, and the gradual maturation of technological options which are unaffordable at present. Significant activities in 2023 included:

Renewable energy procurement

- A PPA (Power Purchase Agreement) **has been signed with Acciona Energia**, which will supply our plant in Buñuel, in Spain, with 100% renewable energy for the next 10 years. Under the agreement, the plant will receive 90 GWh annually, **preventing 12,870 tons of CO₂ emissions annually**.
- A PPA **has been signed with RWE** (following the Italian one in 2021) for the construction of a photovoltaic installation in Greece which, beginning in 2024, will provide 21 GWh per year, completely covering the electricity requirements of our Greek plant for the next 10 years and **preventing 12,500 tons of CO₂ emissions annually**.

Use of bio-fuels

- A BPA (Biomethane Purchase Agreement) **has been signed with ENGIE** for the 10-year supply of **biomethane** at Sofidel France's production plant in Roanne. The contract provides for the sale to Sofidel of 25,000 MWh/year of biomethane, **preventing 4,600 tons of CO₂ emissions per year**.
- In addition, Sofidel France has begun investment in installation of a **second boiler fueled by solid biomass** at its Frouard plant. Construction will begin in the autumn of 2024, and commissioning is scheduled for 2025.

Other significant actions

- Sofidel's decarbonization plan also includes:
- The introduction of technologies and solutions capable of **further increasing the energy efficiency of the Group's plants**, with future electrification of certain production processes that are currently powered by fossil fuels.
 - An increase in the share of **self-generated electricity from renewable sources**.
 - Use of green hydrogen, in collaboration with technology partners and public agencies. In the United Kingdom, Sofidel UK has joined the government's "East Midlands Hydrogen" project for **conversion of methane gas use to green hydrogen**.

CDP Report – Climate Change

Also in 2023, Sofidel obtained an **"A-" rating** from CDP for its commitment to combating climate change, ranking above the average score for companies in Europe (B) and in the industry (B). The Group was also ranked among global leaders in terms of ability to engage the supply chain in the fight against climate change, obtaining an **"A-" score in the CDP "Supplier Engagement Rating Report 2023"**. The average for European companies and for companies in the industry was B-.



RESPONSIBLE MANAGEMENT OF WATER RESOURCES

Sofidel has been committed for years to reducing its water consumption, both to protect the environment and to protect production continuity in countries with higher levels of **water stress**.

We have cut water consumption in our plants by investing in improvement of water management, rationalization of con-

sumption and reuse of industrial wastewater. For example, we created a rainwater collection and utilization system in our Baglan mill in the UK and a "Waste Water Reuse" system at our Italian paper mill located on Via Lazzareschi in Porcari, Lucca. Over the years, optimization of production cycles and careful design of industrial plants have allowed us to achieve levels of **water consumption well below the industry average**. In 2023, we consumed 7.6 liters of water per kg of paper produced, and the **recycling rate for water in Sofidel paper mills was more than 96.2%**.





SOFIDEL PEOPLE

THE VALUE OF PEOPLE

Integrating the value of human resources into corporate culture is crucial to foster innovation, flexibility and competitiveness in a globalized market.

Passion, professional skills, reliability and team spirit are the hallmarks of Sofidel's **human capital**. Our human resources management policy is based on a hands-on approach, valuing skills and promoting internal growth. We appreciate people's **talents** and encourage teamwork, respect and reciprocal trust. We promote the mental and physical well-being, equal opportunities and fair treatment of all our employees, and constantly improve our health and safety policies, individual skill development and continuous learning. We are also committed to fostering the **flexibility** of work and facilitating work-life balance. We have a special focus on the **future of the younger generation** and work to devel-

op initiatives and partnerships between the educational and corporate worlds. We have also developed targeted actions for **attraction and "retention" of human resources**. A number of Group-wide projects were implemented in this area in 2023. They included:

- **"Boosting the Recruitment Process"** - to streamline our recruitment process, attract the best candidates, foster their placement within the Group and retain them over time.
- **"Sofidel Language Learning Program"** - to provide all employees with a digital platform for studying a new foreign language or improving their language skills.

"People & Paper" magazine



"People & Paper" magazine, translated into 10 languages and distributed in 12 countries, is an **in-house communication tool for sharing information** and developing a sense of community and a shared culture. We want the people who work with us to share in the values, people, decisions and significant events that give substance to the life of the company.

SOFIDEL PEOPLE

7,071 people, of which 71.20% blue collars, 20.98% white collars and 7.82% managers, contributed to the Group's results in 2023. Sofidel people work in 13 different countries. This ensures we have first-hand knowledge of the markets we work in, and can count on a **multitude of different cultures and points of view**. The country with the most employees is the

United States (24.56%), followed by Italy (19.33%), the United Kingdom (11.82%) and Germany (11.16%). The majority of contracts are permanent (96.86%) and almost all employees work full-time (97.94%). The majority of the Sofidel population is between 30 and 50 years old (53.60%), but the Group intends to **add to the number of young people**, to bring in new energy and ideas.

**HUMAN RIGHTS, DIVERSITY, EQUAL OPPORTUNITIES
AND FAIR TREATMENT**

Sofidel has developed a human rights policy inspired by the United Nations guidelines and the principal international agreements. The Group promotes **respect for diversity** consistently with the principles and values set forth in the Code of Ethics, and is committed to fostering a collaborative, prejudice-free working environment open to every-

one's contribution. Within the Sofidel Group, women represent 18.27% of employees, 21.88% among managers, 41.40% among white collars and 11.06% among blue collars. **Fairness and equal treatment** of men and women are essential: we have therefore developed rules for "compensation" and skill development based on the principles of fairness and equality, with the aim of reducing differences in pay as much as possible.

The "We, Sofidel" project



"We, Sofidel. Food Stories - The dishes that tell our story" is a project for creating **a 2024 calendar with the participation of the people who work with us**. Our colleagues in the Group were asked to submit photos and videos illustrating their passion for cooking, offering 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 than food can trigger. Photographers Francesca Brambilla and Serena Serrani, among Italy's most influential food photographers, were given the task of reinterpreting them through the lens of their cameras and the experience of an exclusive cooking class.

PERSONNEL TRAINING AND DEVELOPMENT

Sofidel invests in training and ongoing education to develop new skills, motivate people and encourage discussion, innovation and individual enterprising spirit. 82,007 hours of training were provided in 2023, with in-house Sofidel instructors (41%) and with experts, university professors and other qualified instructors from outside the company (59%). 33,316 of these hours were dedicated to the **health and safety of**

workers. Other initiatives included a training project focusing on change management issues for the Corporate Supply Chain function, the "Leadership Foundations Program" of Sofidel America, the **"Sofidel 2030"** project promoting creativity and innovation in Italy (in collaboration with MIP Politecnico di Milano), and the "Cyber Security Awareness Program" aimed at raising awareness of the potential impact of cyber threats among Group employees.

OUR BUSINESS CULTURE ADOPTS CONDUCT GUARANTEEING AWARE, SAFE, FAIR PARTICIPATION IN THE ORGANIZATION OF THE COMPANY.

#OURBESTCARD

YOUNG PEOPLE AND THE FUTURE

Our commitment in favor of young generations and a sustainable future.

Key initiatives include:

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

The environmental education program called "Mi Curo di Te", meaning "I'll Take Care of You", was once again promoted in Italian schools by WWF Italia and our Regina brand. This free educational program encourages love of the planet and awareness of the goals of the UN's 2030 Agenda among pupils. The 2023/2024 edition (the tenth one carried out) explored the topics of **responsible consumption and production (SDG 12)** through numerous examples of biomimetics, that is, how we can take examples from the behavior and characteristics of plants, animals, and ecosystems to improve human activities and technologies and contribute to the protection of the planet. More than 880,000 young people have participated in the initiative since 2014.

THE "NEXTGEN" PROJECT IN ITALIAN UNIVERSITIES

In 2023, Sofidel, WWF Italia and FSC Italia participated in ten events held in various Italian universities testifying to the value of the **partnership between for-profit and nonprofit organizations**. The meetings raised awareness of collaboration in sustainability projects to protect the environment, including responsible sourcing of certified forestry raw mate-

rial, and generated awareness of the ongoing environmental and climate crisis.

LOCAL TRAINING AND KNOW-HOW

Sofidel has been working for many years with **technical secondary school institutions and universities** to explain how the theoretical notions included in the schools' curricula apply to the paper industry, providing students with skills of use for joining the world of work. In 2023, the program included orientation meetings for students, in-depth seminars with technicians from the company, curricular internships for thesis preparation, and hands-on work experience for students in Higher Technical Institutes (ITS); the school-to-work experience continued with the "Pathways for Transversal Skills and Orientation" (PCTO) project.



CONSTRUCTIVE RELATIONSHIPS

COMMITMENT TO SOCIETY

Dialog with stakeholders is based on the values of honesty, inclusion and accurate information. For a positive impact on people and the planet.



Key initiatives include:

16 YEARS WITH THE WWF

The company's historic partnership with the WWF, which has also involved the Regina brand over the years, has made us stronger and more aware of our role as a responsible business. Stronger for **protecting biodiversity and natural ecosystems**, for fighting climate change and making young people aware of the importance of succeeding in environmental challenges. Since 2008, Sofidel has participated in the international program formerly known as "WWF Climate Savers" (now "WWF Climate Business Network") for the voluntary **reduction of climate-altering emissions**. Over the years, it has also embarked on a path to improve its forestry procurement process, achieving 100% use of certified raw material in 2016. In 2021, Sofidel was among the first companies to join "Forests Forward," WWF's multi-stakeholder platform to accelerate commitments in environmental sustainability globally.



MAINTAINING OUR COMMITMENT WITH THE UNITED NATIONS GLOBAL COMPACT

Sofidel participated in the "Sustainable Procurement" work group, providing a small group of Italian companies with a space for in-depth study, discussion and exchange of experiences on the topic of **sustainable management of supply chains**. The course consisted of three meetings focusing on the three dimensions of the acronym ESG (Environmental, Social, Governance), during which the participating businesses heard testimony from experts in the field, discussed the topic and identified challenges and opportunities. In June, the company also participated in the eighth edition of the **"Business & SDGs High Level Meeting"**, an event reserved for CEOs and Chairpersons of Italian companies that are members of the United Nations Global Compact. The social dimension of sustainability was addressed, with a focus on social taxonomy, human rights and social impact.



SOFIDEL AS "MAIN SPONSOR" OF THE PIANETA TERRA FESTIVAL

Sofidel supported the second "Pianeta Terra Festival", an event organized by publishing house Editori Laterza and held in Lucca in the month of October. The multi-disciplinary event aimed to generate awareness of the issues involved in the ecological and social transition and **promote awareness of sustainability issues**. Sofidel brought its testimony to two meetings: "Ecological Transition. How to Build a Real Utopia" and "Together We Plant the Future. A community the size of a forest."



SOFIDEL AT THE "CSR AND SOCIAL INNOVATION FAIR"

Sofidel took part in the eleventh "Salone della CSR e dell'innovazione sociale", a CSR and social innovation fair that is one of Italy's most important events focusing on sustainability and **Corporate Social Responsibility (CSR)**, holding two presentations: "Young people and the world of work: the importance of orientation" and "Profit and nonprofit collaborative strategies."

SOFIDEL FOR TELETHON IN ITALY

Sofidel has renewed its partnership with the Telethon Foundation, supporting **research into rare genetic diseases**, for the twelfth year in a row. Sofidel has supported Telethon Foundation with an annual donation since 2012.

SOFIDEL AND PAPERNET FOR THE RONALD MCDONALD FOUNDATION IN ITALY

Papernet, Sofidel's brand for the Away-from-Home market, offered its support to the Ronald McDonald Children's Foundation by donating tissue products to homes and family rooms in Italy. The nonprofit organization offers **hospitality and assistance for sick children** and their families during their hospital stay, so that the children can experience their healing journey as peacefully as possible.

SOFIDEL SUPPORTS THE WOODLAND TRUST IN THE UK

Under Nicky's partnership with Woodland Trust, an organization concerned with the **preservation of woodlands** in the United Kingdom, Sofidel has supported the planting of 250,000 native trees over the course of a decade. In 2023, the two organizations unveiled an oak filled grove at Martinshaw Wood to celebrate their **10-year partnership**, and Sofidel recommitted to supporting the protection of the UK's woodlands.

OUR COMMITMENT
TO A BETTER FUTURE.



SOCIAL PROGRAMS

THE TERRITORY AND LOCAL COMMUNITIES

Projects, initiatives and support for territories in Europe and in the United States.
Focus on a number of the Group's activities.

In 2023 all Group companies continued to **intensify their work strengthening relationships with local communities and institutions**, school and university districts, chambers of commerce, and trade and nonprofit associations in the areas where we operate. They also carried out social initiatives for the benefit of communities and territories. Key initiatives include:

**DONATIONS AND CHARITABLE INITIATIVES IN EUROPE
AND IN THE UNITED STATES**

All Group companies made donations to nonprofit organizations active in the territories where Sofidel plants are located and to local or national entities working in the fields of **education, culture and sports**; in the care of **parks and green areas**, including planting of new trees; in support for **families in situations of economic hardship** or facing serious illnesses of their children or relatives; and in support for the daily life of the **elderly**, preventing loneliness and ensuring active aging. In Italy, in addition, on the occasion of Easter, Mother's Day and Christmas, Sofidel made donations in favor of **families in conditions of social and economic hardship** residing in the

municipality of Porcari, Italy, where the Group is based. The initiatives saw the collaboration of local voluntary associations and nonprofit organizations operating nationwide, such as AIL (Italian Association against Leukemia-lymphoma and Myeloma) and AIRC Foundation for Cancer Research.

**DONATION OF PRODUCTS FOLLOWING THE FLOODING
IN EMILIA-ROMAGNA**

In May 2023, the Italian region of Emilia-Romagna was hit by a series of floods. Under the Regina brand, Sofidel donated 150,000 rolls of toilet paper and kitchen towels to the **Protezione Civile (Civil Defense)** and the **Italian Red Cross**. This amount was sufficient for a month for people who had to abandon their homes because of the flood.

**WE FOCUS ON THE NEEDS OF THE LOCAL
COMMUNITIES AND TERRITORIES
WHERE WE OPERATE.**

To read the complete 2023 Integrated Report,
go to the web site:

integrated-report.sofidel.com



If you have questions or would like more information, write to:
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SUSTAINABILITY IS AN ESSENTIAL PILLAR OF CULTURAL DEVELOPMENT AND COMPETITIVE GROWTH. NOT ONLY DOES IT HELP US IMPROVE THE QUALITY OF LIFE OF PEOPLE AND THE COMMUNITIES IN WHICH WE OPERATE, IT HELPS REDUCE OUR CARBON FOOTPRINT. SUSTAINABILITY GUIDES US TOWARD THE NEEDS OF OUR CUSTOMERS AND CONSUMERS AND HELPS US BUILD STRONG RELATIONSHIPS WITH ALL OUR STAKEHOLDERS.

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