

FAVINI

SUSTAINABILITY REPORT
2022



Letter from the CEO

Dear Stakeholders,

Favini's sustainability journey began in the early 1990s when, with a pioneering vision, it launched the revolutionary Alga Carta introducing the concept of creative reuse of agro-industrial residues in paper production. Since then, countless variations of this concept have appeared, making Favini the leading name in high-quality ecological papers.

Since then, ecological awareness has been part of the Company's DNA, leading to careful social and environmental performance monitoring.

Over the years, our awareness of these issues has gradually grown to become a hallmark of our identity and a determining factor in our business and strategic choices.

In recent years, fortunately, collective awareness of social and environmental issues has also grown and corporate social responsibility has become a key consideration. In this context, engaging in sustainability practices is no longer enough, but it becomes fundamental to communicate how these are implemented and form part of our long-term vision.

Therefore, we have created this report as a tool for dialogue and transparency for everyone directly or indirectly affected by our activities. In these pages, we intend to summarise our Group's progress, future plans and related internal changes, pointing to the measures we have taken in the environmental and social fields to improve our performance.

The uncertain landscape of recent years has again shown our Company's ability to react quickly to difficulties, turning them into success factors.

The goal of sustainable development is highly challenging to all economic actors because it requires a fundamental review of organisational processes and models established over decades.

Alongside energy efficiency actions, already integral to the healthy management of the Company's assets, Favini thus takes on many wide-ranging projects designed to slash the environmental impact of a typical energy-intensive business such as paper production. The availability of technologies and renewable sources of supply to support an energy transition path will be crucial in achieving this goal.

The actions and achievements in 2022 in this integrated report show that our goal is to create shared value not only for the Group, but also for all our stakeholders and for the planet, a crucial stakeholder for anyone who, like us, works primarily with natural resources.

The positive financial results achieved in such a challenging year as 2022 show Favini's exceptional resilience when faced with the difficulties that arise from time to time in the life of a company. We can explain this resilience by the high quality of its human capital, the key factor in a company's long-term value creation. In recent years, we have invested heavily in spreading culture, dialogue and cooperation so that each individual feels unique and their talent is recognised.

Regarding occupational safety, we are delighted to note the significant improvement in the safety indicators for 2022, with a considerable drop in the frequency and severity of accidents during the year. However, our work stands out for environmental friendliness in its broadest sense, which includes people and the ecosystem in which we operate.

I am therefore proud to note that we have continued to make significant strides in recent years in the search for responsible and environmentally friendly alternatives, not only by strictly monitoring and controlling our production process, and thus our use of water, energy and other raw materials, but also by continuously developing innovative products with high environmental content.

We have tested over 350 residues from other supply chains to create new upcycled ecological papers, exploiting industrial symbiosis with the paper, textile, tanning and agro-industrial sectors.

We use alternative resources to tree cellulose and industrial waste, combined with continuous process innovation, to reduce our impact on the environment and resource extraction. We have dedicated the 'Paper from our Ecosystem' brand launched this year, to the latter concept to identify more clearly and immediately those product families within our wide range that stand out for their environmental sustainability content.

Aware of the significant challenges faced due to the evolving social and economic context and the fight against climate change, we are ready to tackle and overcome them with the same commitment and professionalism that have delivered the significant progress of the past years.

Eugenio Eger

Methodological note

This year Favini publishes its first Sustainability Report, combining information on the Group's environmental, social and economic performance in one single document. Subsequent Group Sustainability Reports will be published annually.

This Report has been prepared voluntarily, adopting the GRI Standards as updated in 2021 as a reference. We summarise the standards listed in the document in a GRI Content Index, designed to make it easier to find and understand the information reported.

The Report covers the entire Favini Group, including its subsidiaries listed in the Consolidated Financial Statements. Therefore, references in this document to 'Company' or 'Group' or 'Favini' refer to the companies as a whole, whereas when a figure does not refer to the Group as a whole but to a subsidiary company or a specific plant, it is highlighted.

The reporting period is the same as the Group's Consolidated Financial Statements, covering 1 January 2022 to 31 December 2022.

Where relevant, we give data from periods preceding the reporting period to enable stakeholders to compare Favini's performance in different years and assess the performance of its activities over time.

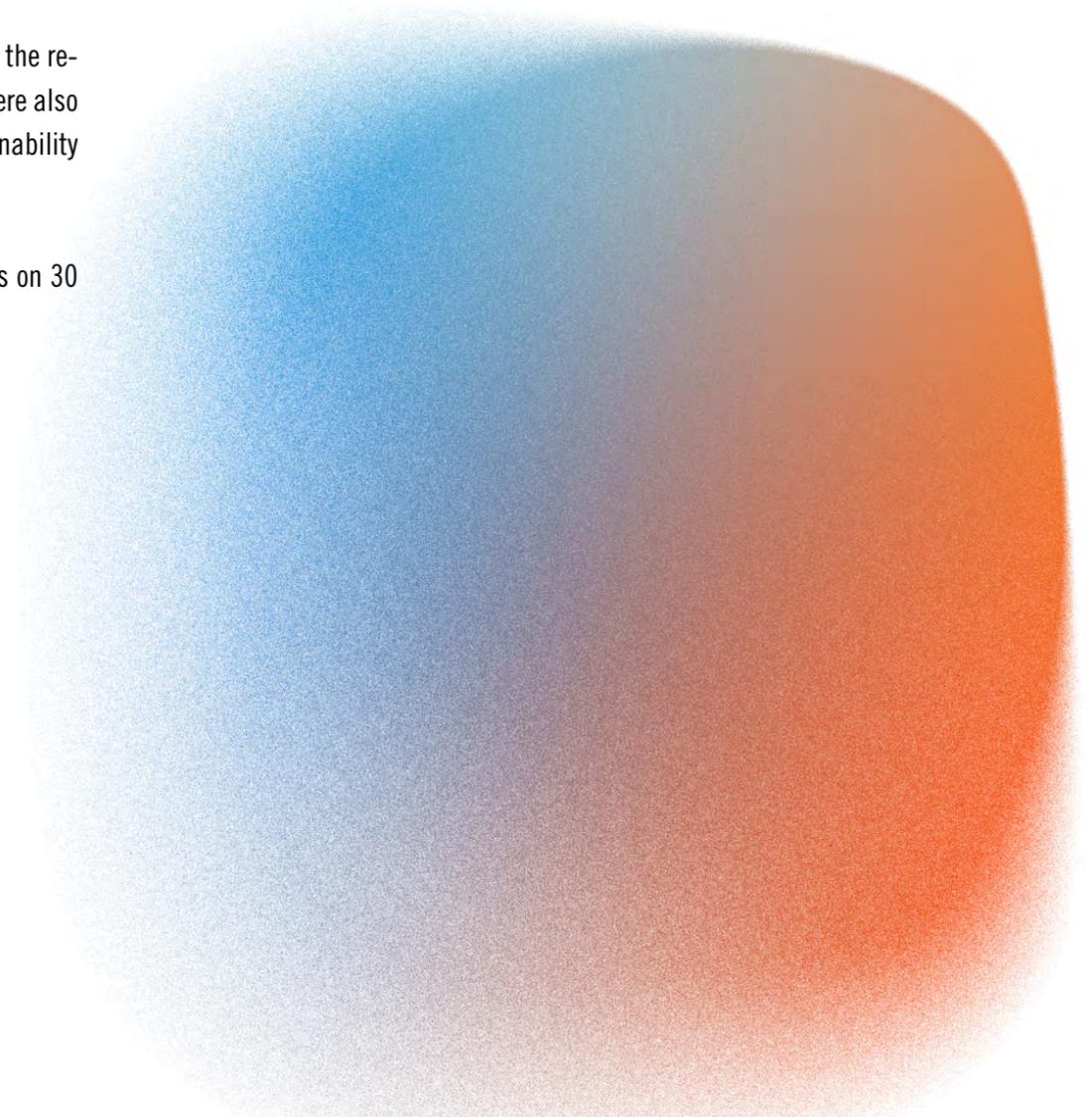
The Report presents qualitative and quantitative information on issues 'material' to the Group and its stakeholders. We identified these issues using a materiality analysis conducted according to the principle of dual materiality, as explained in the relevant section.

We calculated the indicators accurately and promptly based on data from general accounting, integrated management systems and other available information systems.

The process that led to the document's drafting involved all areas of the Group. The contact persons of the various corporate functions collected the data in the Report and subsequent-

ly processed it in compliance with the GRI Standards. At each stage of the process, the reporting principles set out in the GRI Standards for quality sustainability reporting were also followed, namely: accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability.

This Sustainability Report was submitted for approval to Favini's Board of Directors on 30 March 2023 and signed by the Group CEO.



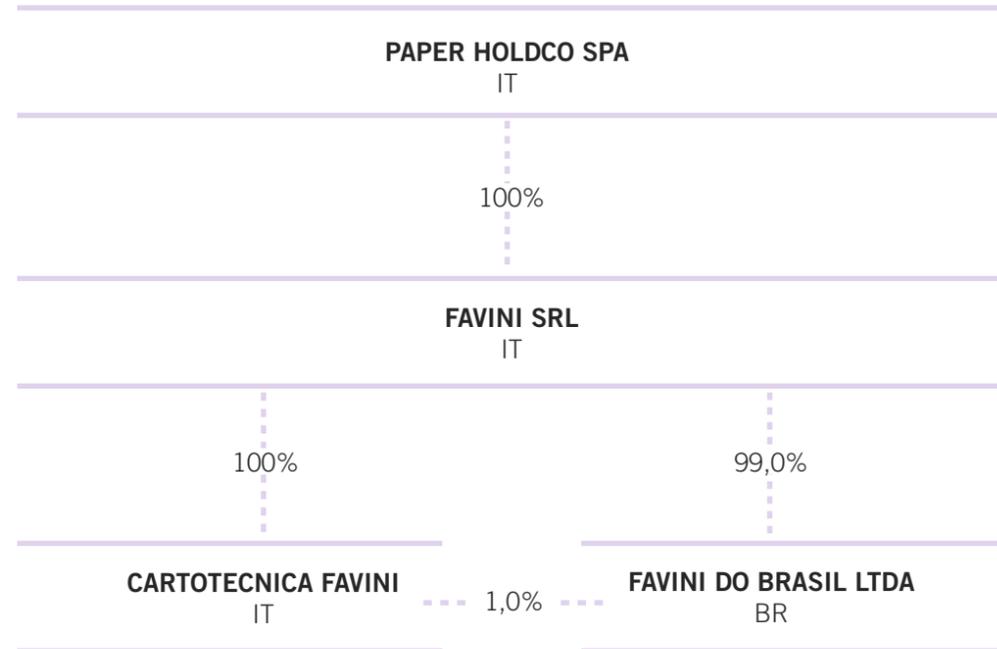
For further information please write to:
cristina.massignan@favini.com

1. The Favini group

The Group comprises the parent company **Favini Srl** (which generates about 90% of Group turnover) and the subsidiaries **Cartotecnica Favini Srl** and **Favini do Brasil Ltda.**

As shown in the following organisational chart, – in turn, Favini Srl is controlled by **Paper Holdco SpA**, which acts as the pure management holding Company of the Favini shareholding.

Favini’s registered office is in Rossano Veneto (VI). Its production facilities are at its Rossano (VI) and Crusinallo plants in the municipality of Omegna (VB) in Italy. In 2022, the Group generated a turnover of EUR 200 million.



1.1 The Favini worlds

The Favini Group operates in three business lines: the Casting Release Division, the Graphic Specialities Division and the Converting Division. Each business segment offers various products and solutions for diverse markets.

Casting Release

Favini is the world leader in the design and manufacture of release papers, meaning creative and technical moulds used for the manufacturing processes of many materials for the fashion, design, automotive and technical-sportswear sectors. Release papers allow the imprinting of a surface texture, creating the final product's visual effect and tactile feel.

Besides smooth surfaces with different degrees of opacity, the Favini Release catalogue includes close to 300 different designs with leather, patterned, textile, geometric and three-dimensional effects.

Graphic Specialities

Favini is one of the world's leading companies for innovative graphic specialities based mainly on natural raw materials (cellulose, seaweed, fruit and nuts, cotton and wool...) for printed communication and product packaging for luxury and fashion groups.

In particular, the Graphic Specialities division includes the design and production of high-value-added paper solutions for various applications, among which packaging, fine publishing and technical and creative uses are the most important.

This division has established a powerful ecological identity on the market. Since the 1990s, it has been known for papers created from circular economy processes and industrial symbiosis. The R&D lab is constantly searching for eco-innovative ingredients, such as algae, agro-industrial by-products, textiles and leather goods.

Paper converting

Favini includes a paper converting division, specialising in activities related to creating and producing stationery for educational, office and do-it-yourself uses.

The paper converting division's product offering ranges from reams of coloured paper, the flagship product, to notebooks, sketchbooks, notebooks, envelopes and cards. This segment is also known as School, Office and Creativity to emphasise the areas of product use.



FASHION & ACCESSORIES



DESIGN & TECH



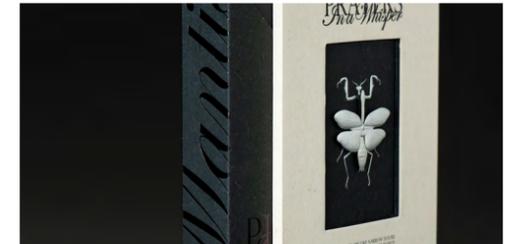
COSMETICS



FOOD, WINE & SPIRITS



PACKAGING



HIGH-END PRINTING



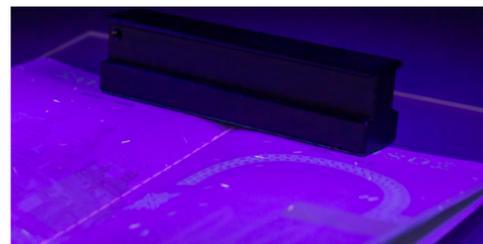
FURNITURE



SUSTAINABILITY & LUXURY



AUTOMOTIVE



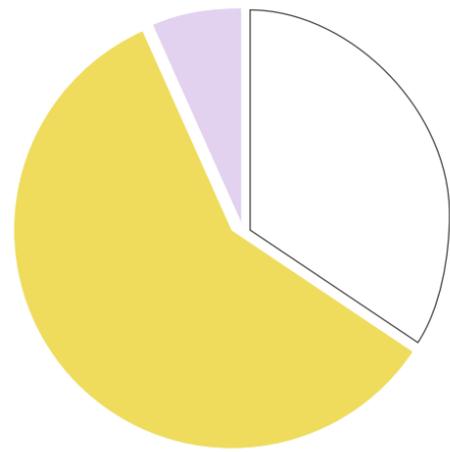
BRAND PROTECTION & SECURITY



SCHOOL & OFFICE

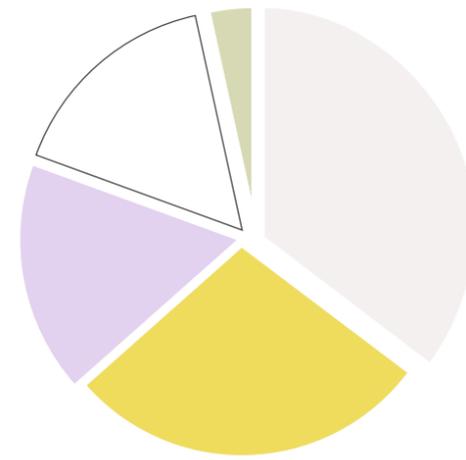


HOBBY & ART



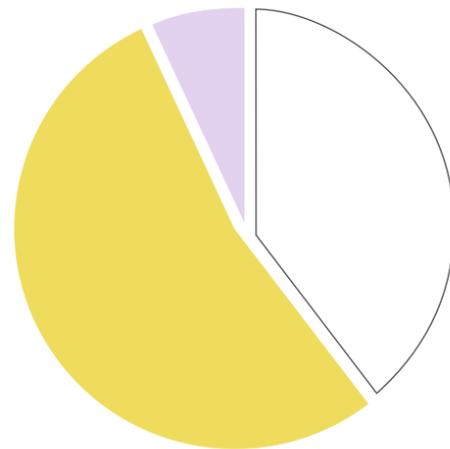
GROSS SALES BY DIVISION
%

- Graphic Specialities **58,9%**
- Casting Release **34,4%**
- Paper converting **6,7%**



GROSS TURNOVER BY COUNTRY
%

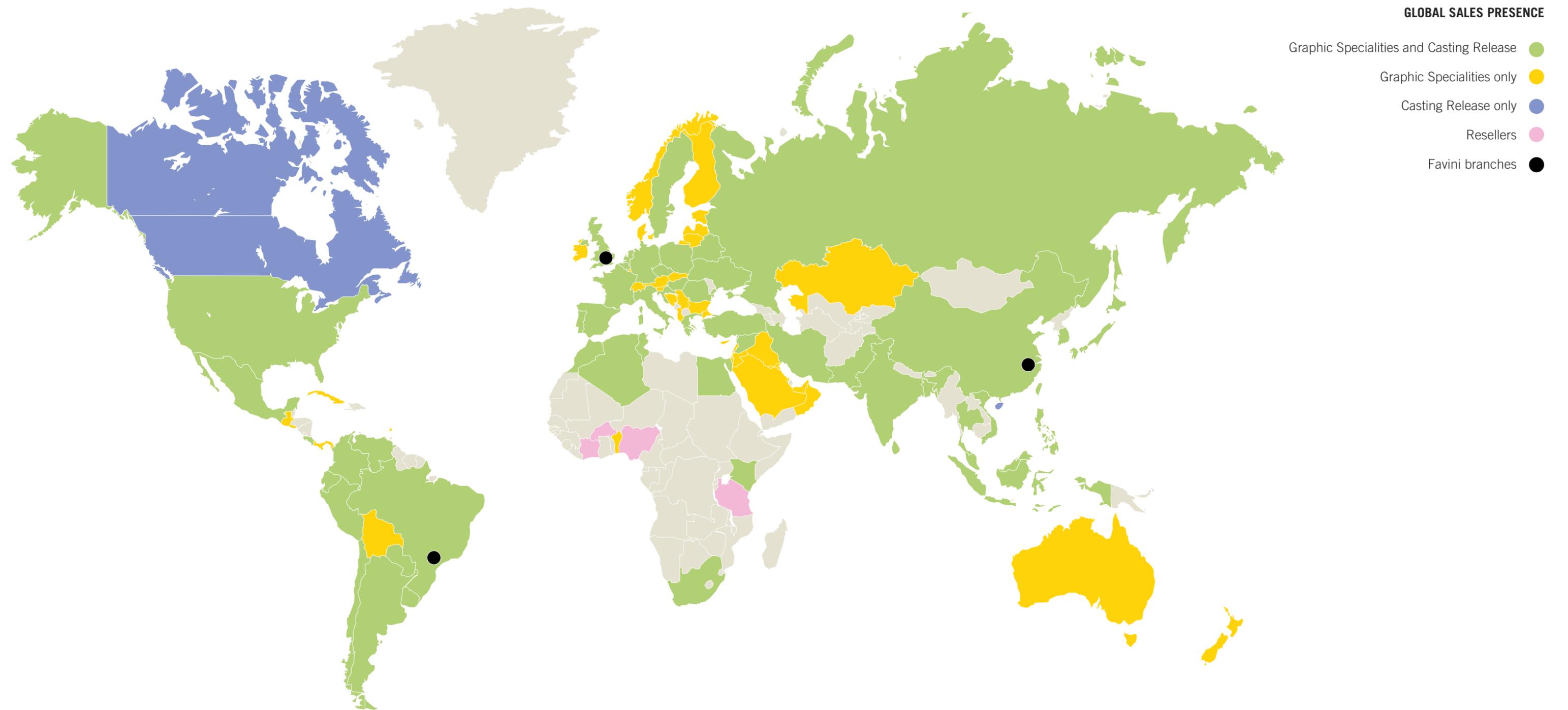
- Italy **35,3%**
- Other European countries **28,2%**
- America **17,1%**
- Asia **16,0%**
- Rest of the world **3,4%**



INDUSTRIAL ADDED VALUE BY DIVISION
%

- Graphic Specialities **53,1%**
- Casting Release **40,0%**
- Paper converting **6,9%**

Favini sells its products in over 100 countries, accounting for about 65% of the Group's total export revenues. There are three commercial branches in Brazil, China, and the United Kingdom, where resources mainly focus on marketing products in their respective markets and supporting the Group's brand awareness and trademarks.



1.2 The story of sustainability

Environmental protection is one of the most critical issues for Favini, which has long adopted a responsible approach to the environment and saving the main sources of supply by developing, over the years, a corporate culture designed to foster the production of products with natural and ecological raw materials and to minimise the environmental impact of its production processes. The Group has encouraged the implementation of specific actions geared towards the rational use of energy resources, reducing consumption, reducing impacts from production and gradually increasing the range of products deriving from the circular economy.

GREEN NUMBERS 2009-2021

-41%

Water consumption
(m³ of water consumed / tonnes of final product) thanks to a closed-loop water

-17%

Energy consumption
(GJ/tonne finished product)

100%

Certified cellulose
FSC™ and Controlled Wood

-13%

CO₂ emissions
(tonne of CO₂ eq/tonne of final product)

6

Innovative papers
Gathered under the umbrella brand
“Paper from our Ecosystem”

OUR SUSTAINABILITY JOURNEY

92

At the request of the Magistrato alle Acque di Venezia (Venice Water Authority), Favini invents a method to reuse the algae infesting the Lagoon. Dried, micronised and added to the mixture, they are used to create **Alga Carta**. This is the first step towards a circular economy approach.

95

The first ecological papers from agro-food residues are tested.
The first Favini Environmental Report covering the years 1992-1994 is published.

The Rossano Veneto plant is the first in Italy to be environmentally certified ISO 14001.

97

The first ecological papers from industrial emissions (smog and sludge) are tested.

05

The Rossano Veneto plant is one of the first in the industry to receive BS OHSAS 18001 certification, which later evolved into the current UNI ISO 45001.

Shiro Echo, 100% recycled, high quality paper, is launched.

06

The Crusinallo plant receives UNI ISO 14001 certification

Support begins for the **Voiala project**, a long-term project of social, environmental and economic significance.

The group begins monitoring consumption, aiming to progressively reduce the environmental impacts of its production processes

09

11

The Crusinallo plant receives UNI ISO 45001 certification

15

Remake, a paper consisting of 25% by-products of the leather goods supply chain, is launched.

12

Crush, an innovative range of ecological papers made from the residues of agro-industrial processing of corn, citrus, kiwi, olive, almond, hazelnut, coffee, lavender, cherry, cocoa, coconut and grape, used to replace up to 15% of tree pulp, is launched.

16

The Group completes registration to EMAS, a voluntary European environmental certification system for companies committed to assessing and improving the environmental performance of their production processes and communicating this to their stakeholders.

19

Refit, a range of papers made from 15% residues from wool and cotton textile processing, is launched.

Tree Free, paper made entirely from alternative fibres from annual plants, is launched.

The umbrella brand 'Paper from our Ecosystem' is created, encompassing a wide range of environmentally friendly papers.

21

23

Favini's first sustainability report is published, aiming to integrate all information on the Group's social and environmental responsibilities into a single document.

1.2.1 Certifications

Favini's certifications for environmental, safety, quality and procurement management systems show its responsible approach to environmental and social issues. Both plants have received the following certifications:

CERTIFICATIONS



1



2



3



4



5

PROCESS CERTIFICATIONS

1. Quality management systems
2. Environmental management systems
3. Safety and security management systems
4. EU Eco-Management and Audit Scheme (Rossano Veneto)
5. EU Eco-Management and Audit Scheme (Crusinallo)



The mark of responsible forestry

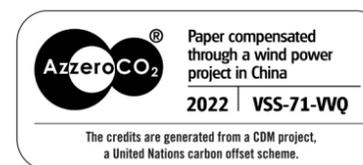
1



2



2



3

PRODUCT CERTIFICATIONS

1. Sourcing from certified and responsibly managed forests
2. The ecolabel for renewable electricity
3. Offsetting of CO₂ emissions

For details of Favini's various certifications, please go to the [dedicated section](#) on the corporate website.

1.2.2 Paper from our Ecosystem

Since the 1990s, Favini's R&D department has worked to develop papers that respect the principles of the circular economy, combining the concepts of sustainability and innovation. Over the years, it has improved and refined this process, enabling the creation of a wide range of highly sustainable papers, which in 2021 were gathered under the 'Paper from our Ecosystem' brand name.

The 'Paper from our Ecosystem' papers include Alga Carta, Remake, which contains leather and leather goods processing residues, Refit, which includes wool and cotton textile production residues, Shiro Echo, a 100% recycled, high-quality paper, Tree Free, made entirely from alternative fibres from annual plants, and Crush, made from by-products of agro-industrial processing.

Papers from our Ecosystem share several distinct environmental characteristics:

NEUTRALISED EMISSIONS

Unavoidable CO₂ emissions are fully compensated through the purchase of carbon credits and membership of specific environmental projects.

BIODEGRADABILITY & RECYCLABILITY

FSC™ certified, recyclable and also biodegradable. This means they do not damage the environment if disposed of accidentally.

SUSTAINABLE PRODUCTION

Manufactured in plants where the production process is monitored to reduce water and energy consumption and CO₂ emissions. This ensures a focus on continuous improvement and an ever-decreasing environmental impact.



PCW AND/OR PRE-CONSUMED FIBRE

Using 40% to 100% pcw (post-consumer recycled) and/or pre-consumer fibre. Alternatively, or in addition, they contain eco-innovative raw materials, such as annual or upcycled fibres.

UPCYCLED OR RECYCLED FIBRES

As an alternative or in addition to the recycled fibre content, they are made from upcycled materials such as textile or agro-industrial waste and alternative annual fibres such as bamboo.

RENEWABLE ENERGY

Produced exclusively with 100% renewable energy. The Alga Carta, Crush, Refit, Remake and Tree Free lines use EKOenergy-certified self-generated hydroelectric power. In contrast, the Shiro Echo line is made entirely from ENEL Energy produced from renewable sources such as water, sun, wind and the earth's heat.



1.2.3 SDGs Sustainable Development Goals

The SDGs, short for Sustainable Development Goals, are 17 goals adopted by the United Nations in 2015 for the global promotion of economic prosperity, social justice and environmental protection. Each of these goals is subdivided into a total of 169 'targets' that aim to flesh out the primary goal in more detail and cover a wide range of topics.

As a company, Favini strives to support the SDGs through an integrated sustainability strategy, aware that its success is linked to the development and well-being of the communities and ecosystems in which it operates.

An analysis identifying areas in which the Group can contribute was used to select the following nine priority objectives:



page 25

Favini considers it crucial to ensure a safe and healthy working environment in full compliance with legislative standards.



page 17

Favini has a system to analyse and monitor its energy efficiency and is committed to reducing its consumption through an ongoing investment plan.



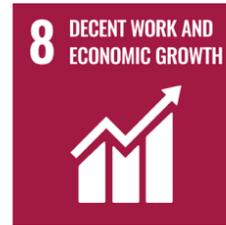
page 12

Favini pays great attention to the raw materials used, favouring materials produced to the highest sustainability standards. The Group also invests in the continuous optimisation of production processes and the proper management of non-avoidable waste.



page 24

Favini strives to ensure training and professional development opportunities for all members of its workforce fairly and inclusively.



page 11

Favini promotes lasting, inclusive and sustainable economic growth that goes hand in hand with ensuring decent working conditions and respect for human rights.



page 18

Favini strives to reduce its carbon footprint to contribute to the fight against global warming and climate change.



page 14

Favini constantly monitors its water consumption to reduce freshwater use and ensure that waste water is properly managed and purified.



page 26

Favini carries out and supports continuous research and development activities, including many Open Innovation projects.



page 12

Favini only buys FSC-certified cellulose from forest cultivation, so it does not contribute to the felling of virgin forests.

1.2.4 Materiality Analysis

Favini conducted a materiality analysis in line with GRI requirements and the principle of dual materiality to identify material issues for the Group and its stakeholders.

In an initial phase, we conducted a context analysis to identify ESG issues relevant to the Group. This followed the logic of risk-based thinking, to identify and assess the negative or positive impacts that affect or could affect the organisation in its business activities and relationships. We then identified the most significant issues according to the associated risk level and through a specific benchmark with companies operating in the sector.

In a second phase, Favini involved its stakeholders in constructing its materiality analysis.

The stakeholders considered were: suppliers, customers, workers, trade union representatives, management, shareholders, the local community, universities and research centres, financial and credit institutions, control, supervisory and certification bodies.

We selected a representative sample for each category listed above to receive an online questionnaire. The questionnaire asked the various stakeholders to rate the relevance of each issue in relation to the Group's work, giving a score from one (not at all relevant) to five (extremely relevant) from the perspective of their specific category.

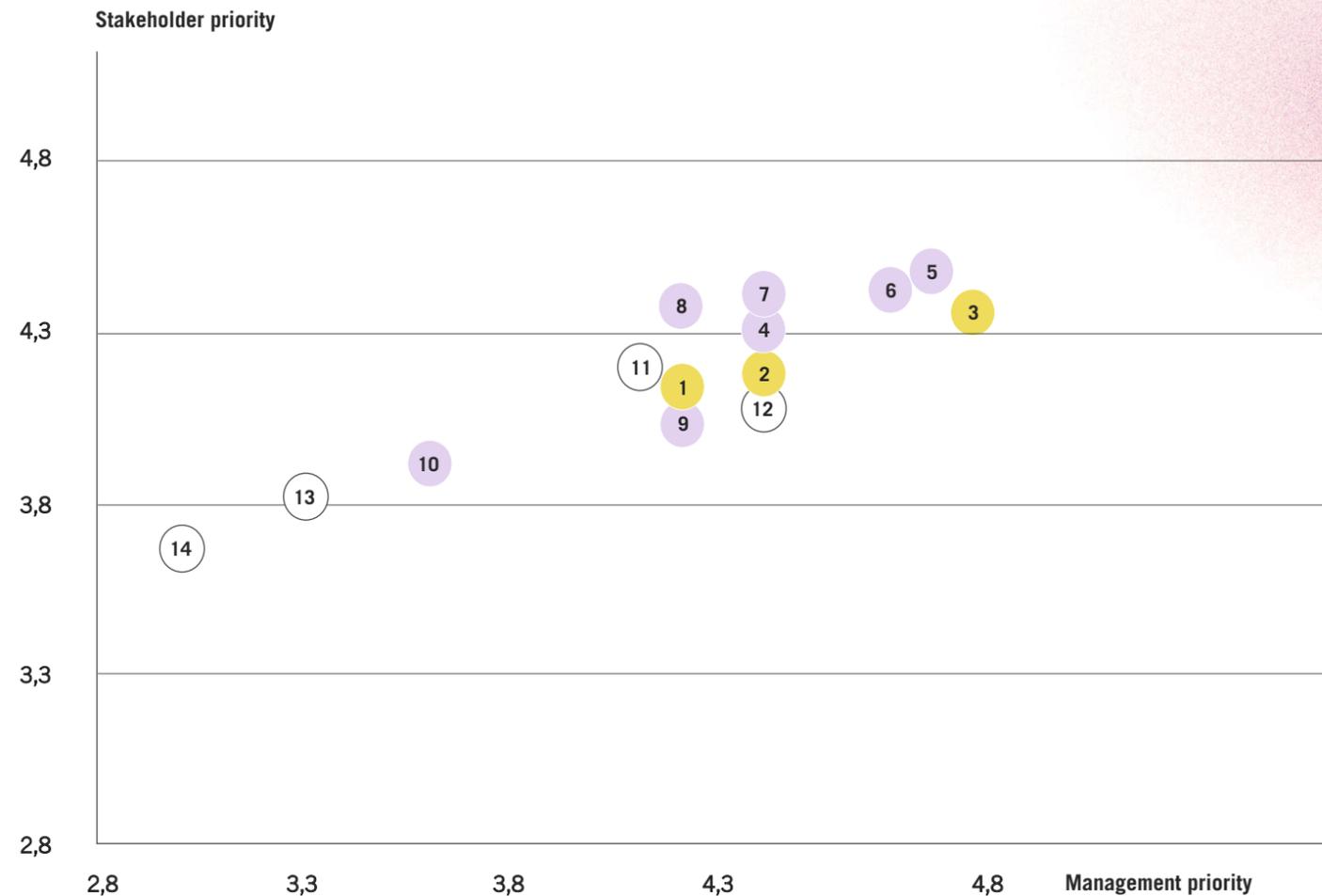
We also requested the same assessment of the Group's top management, to examine their sustainability strategy priorities.

We recalculated the results using a weighted average according to the size of each stakeholder group.

The data extracted from this survey, combined with the results of the context analysis, resulted in the following materiality matrix.

We decided to prioritise the topics whose average rating was above three, summarised in the table.

Materiality matrix



- | | |
|---|--|
| 1 Economic performance and shared value | 8 Management of waste generated by production |
| 2 Ethics and integrity | 9 Circular economy |
| 3 Research, development and innovation | 10 Conservation of biodiversity |
| 4 Responsible sourcing and use of resources | 11 Health and safety of workers |
| 5 Energy consumption management | 12 Development and formation of human capital |
| 6 Responsible management of water resources | 13 Inclusion and management of equal opportunity |
| 7 Reduction of air emissions | 14 Support to the local community |

1.2.5 Code of Ethics

In 2009, Favini adopted a Group Code of Ethics to confirm and establish in a single document the principles of fairness, loyalty, integrity and transparency of behaviour, how to operate and the conduct of relations inside the Company and with third parties. We approved the last revision of the document in July 2022.

We circulated the Code of Ethics as widely as possible to the recipients, such as company directors, managers, employees and any person who, for whatever reason, establishes a business relationship or cooperates with the Company.

The Group's Code of Ethics is integrated into the 'Organisation, Management and Control Model' pursuant to Italian Legislative Decree no. 231 of 2001 on the administrative liability of legal persons, companies and associations for offences.

Favini's Code of Ethics aims to ensure, in particular, the following principles:

- compliance with the law and regulations in force in all countries where the Company operates;
- fairness and impartiality in professional relationships;
- protection of competition;
- protection of health and safety at work;
- zero tolerance towards discrimination;
- environmental protection;
- compliance with the criteria of social responsibility and conformity to certification standards;
- fairness and transparency in commercial negotiations and in the assumption of contractual obligations;
- confidentiality in the handling of data and information concerning the Company, its know-how, employees, customers and suppliers;
- fight against corruption and money laundering;
- accounting transparency;
- combating potential conflicts of interest;
- cooperation and transparency in relations with institutions.

Favini undertakes constantly to monitor compliance with the principles enshrined in its Code of Ethics, intervening promptly and in a balanced manner if it is violated.

In line with its Code of Ethics, the Company has also adopted a totally uncompromising attitude towards any form of abuse of office and corruption, including towards the staff of private companies. This position contributes to fulfilling the commitments the Company has voluntarily committed to through the formalisation of its Code of Ethics.

In carrying out their work, all Personnel are required to take a firm stance against all forms of abuse of office and corruption.

The Company and the Recipients strive to ensure full compliance with all laws and regulations designed to counter abuse of office and corruption in every jurisdiction in which it operates.

ECONOMIC RESPONSIBILITY

2. Economic responsibility

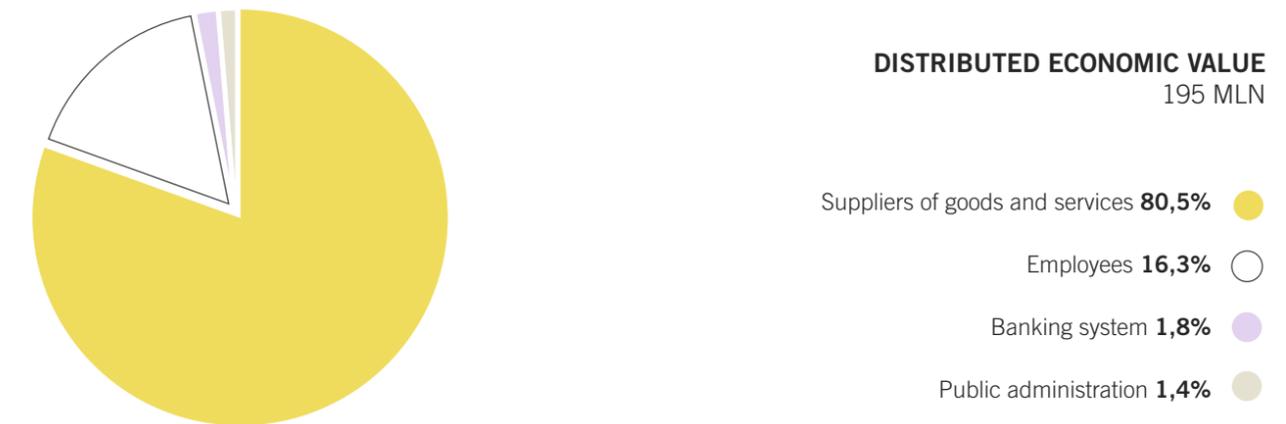
2.1 Income statement

€/000	2020	2021	2022
Gross sales	139.123	166.857	200.905
Variable cost of goods sold	(89.302)	(106.627)	(137.082)
Industrial Added Value	49.821	60.230	63.823
Total fixed costs	(36.919)	(40.546)	(43.851)
EBITDA	12.902	19.684	19.972
Operating profit (loss) from ordinary operations	4.092	10.390	9.915
Net profit	6.949	5.643	6.473

Favini stands out for its stability in generating value, even under extraordinary circumstances such as those in 2020 and 2022.

2.2 Statement of Distributed Value

The distributed economic value, comprising the sum of operating costs, employee wages and benefits, contributions to capital providers, and contributions to the government and community investments, amounted to EUR 195 million in the reporting period.



Favini did not distribute any dividends to its shareholders during the reporting period. The distribution of the value generated among the various stakeholders did not change significantly over the three years 2020-2022.

2.3 Generating value over time

Favini dedicates a significant portion of its financial and organisational resources to renewing and improving its production structure to preserve and increase value generation over time. It pursues this goal with an appropriate allocation of resources to ordinary and extraordinary maintenance, plus measures to increase the productivity and efficiency of the plants. Each year, some of the investment goes into improving workplace safety conditions.

Overall, the resources dedicated to the above goals averaged 5.5% of turnover over the three years.

ENVIRONMENTAL RESPONSIBILITY

3. Environmental responsibility

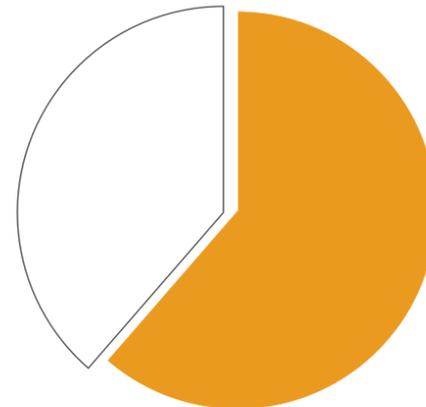
3.1 Materials

3.1.1 Cellulose procurement

Forests are one of humanity's most valuable assets: they provide oxygen and contribute to climate mitigation by absorbing greenhouse gases. They are the home and source of livelihood for many indigenous peoples and most of the Earth's animal and plant biodiversity.

With this awareness, Favini has contributed to preserving the planet's green areas in line with its principles of sustainability and ethics, selecting and using only cellulose from well-managed forestry cultivations.

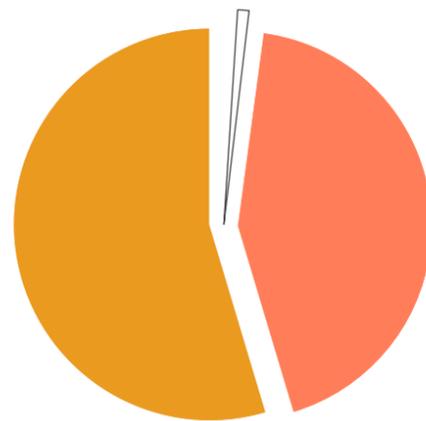
By using 100% FSC™ (Forest Stewardship Council, certificate number: FSC-C001810), COC (Chain of Custody) or CW (Controlled Wood) certified cellulose in its papers, Favini categorically rejects the use of raw materials from illegally logged forests or areas where human or workers' rights are violated and the principles of the ILO (International Labour Organisation) are not respected.



CERTIFIED FIBRES 2022

FSC COC 61% ●
FSC CW 39% ○

The main areas of origin of the cellulose used by Favini are Europe and Latin America.



CELLULOSE ORIGINS 2022

South America 55% ●
Europe 43% ●
North America 2% ○

3.1.2 Alternatives to virgin cellulose

Favini reuses pre-consumer waste formed during the manufacturing process in its product lines as an additional commitment to the environment.

The ultimate recycled ecological line is Shiro Echo, an eco-paper that contains 100 per cent recycled fibres, certified FSC™ recycled.

It also focuses very strongly on alternative raw materials. Over the years, the Company's commitment to the circular economy and upcycling has led it to look for alternative ways to use by-products as alternative raw materials to produce environmentally friendly papers. Alga Carta, Crush, Refit and Remake are the lines resulting from this commitment.

3.1.3 Consumption of materials

Favini uses different types of materials in its production processes, classifiable into two groups:

- Renewable material,
- Non-Renewable Material.

The table shows the quantities used for each type of raw material. All quantities are expressed in tonnes.

	2020		2021		2022	
	Renewable	Non-renewable	Renewable	Non-renewable	Renewable	Non-renewable
Virgin cellulose	43.730	-	55.226	-	59.643	-
Recycled cellulose	2.676	-	4.037	-	4.385	-
Fibres from annual plants	128	-	241	-	490	-
Alternative fibres	119	-	148	-	225	-
Paper*	1.589	-	2.016	-	1.678	-
Cardboard*	83	-	95	-	72	-
Starches	3.993	-	4.997	-	4.979	-
Kaolins	-	2.379	-	2.801	-	2.495
Carbonates	-	9.556	-	12.233	-	14.054
Other chemicals	-	5.020	-	6.386	-	6.961
Other materials	-	-	-	-	-	27
Paper and cardboard**	696	-	734	-	930	-
Steel**	-	2	-	1	-	3
Wood**	1.284	-	1.631	-	1.607	-
Plastic**	-	454	-	700	-	733
Total per category	54.296	17.412	69.124	22.121	74.009	24.273
Total	71.708		91.245		98.281	
Percentage of the total	75,70%	24,30%	75,80%	24,20%	75,30%	24,70%

*Materials consumed by the Converting Division, which buys some of its consumables from third parties.

**Materials used for packaging.

3.1.4 The supply chain

Favini operates an extensive network of suppliers with whom it seeks to establish long-term relationships based on mutual trust and transparency. The main supply contracts are for procuring cellulose, energy and chemicals. The selection and definition of purchase contracts are based on an objective assessment of quality, price, the ability to supply and guarantee goods and services of a level appropriate to the Company's needs in a timely and continuous manner, compliance with work safety and accident prevention standards and social responsibility criteria, without preferences induced by personal relationships or favouritism.

Suppliers' Code of Conduct

Favini strives for high business ethics and sustainability standards and expects its suppliers to subscribe to equivalent standards. The Group has therefore drawn up a Supplier Code of Conduct to define the minimum requirements for its suppliers. The Group's suppliers, by signing it, ensure that their Company fully abides by the principles it contains and undertakes to promote the same along their supply chain.

The requirements in the Code cover the following topics:

- Legal compliance
- Child labour and forced labour
- Discrimination and harassment
- Health and safety
- Working hours and pay
- Environment
- Corruption and unfair competition
- Intellectual property
- Money laundering

Favini reserves the right to monitor and verify each supplier's compliance with the Code of Conduct through interviews, audits and on-site visits. In 2022, the Company introduced dedicated questionnaires to monitor suppliers' CSR performance. Based on the level of performance found through the questionnaires, Favini establishes a monitoring plan with greater or lesser frequency.

3.2 Water resources

Water plays a crucial role in paper production. It allows the handling and distribution of the fibres that will form the weft of the paper sheet. Subsequently, it is also used in various operations, such as coating, which aims to change the surface appearance and printing qualities of paper.

Therefore, water can be counted among the primary raw materials in a paper mill's production process, and its correct and responsible management is essential.

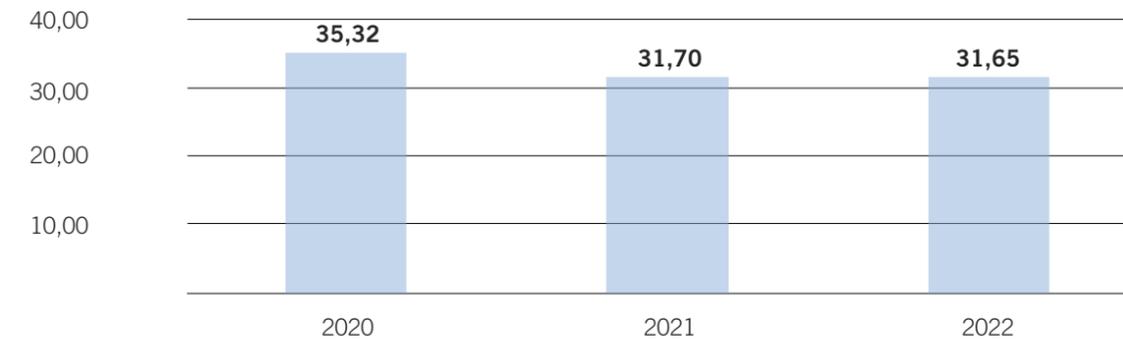
3.2.1 Water withdrawals

To reduce water consumption and improve factory efficiency, first, Favini distinguished the source of the resource according to its uses: for factory processing, it uses only well water, a less valuable resource with a lower community impact, while for personal uses (such as toilets) it uses drinking water from the aqueduct. The latter makes up a tiny part of the Group's water consumption, about 1% of the total.

The table here shows the quantities of water withdrawn by the Group broken down according to the withdrawal source.

	Un. of measure	2020	2021	2022
Surface water	m ³	0	0	0
Groundwater (from well)	m ³	2.094.646	2.436.095	2.599.406
Seawater	m ³	0	0	0
Produced water	m ³	0	0	0
Third-party water (from aqueduct)	m ³	5.978	7.179	7.161
Total water withdrawals	m³	2.100.624	2.443.274	2.606.567
Gross production	t	59.480	77.071	82.364
Intensity of water withdrawals	m ³ /t	35,32	31,70	31,65

INTENSITY OF WATER WITHDRAWALS (m³/t)



Note that the sampling intensity in the two production plants is significantly different. In particular, the Crusinallo plant, which uses water extensively for its coating activities alongside paper production, has much higher water withdrawals than Rossano.

3.2.2 Water discharges

As for water discharges, all water leaving the process goes to efficient purification plants within the factories. This makes it possible to restore optimal water quality in compliance with legal parameters, thus safeguarding the ecosystem of the watercourses into which it is poured.

Favini has also implemented a closed water cycle system that allows the recovery and reuse of process and cooling water after treatment whenever possible.

The main water leaving the plant comes from:

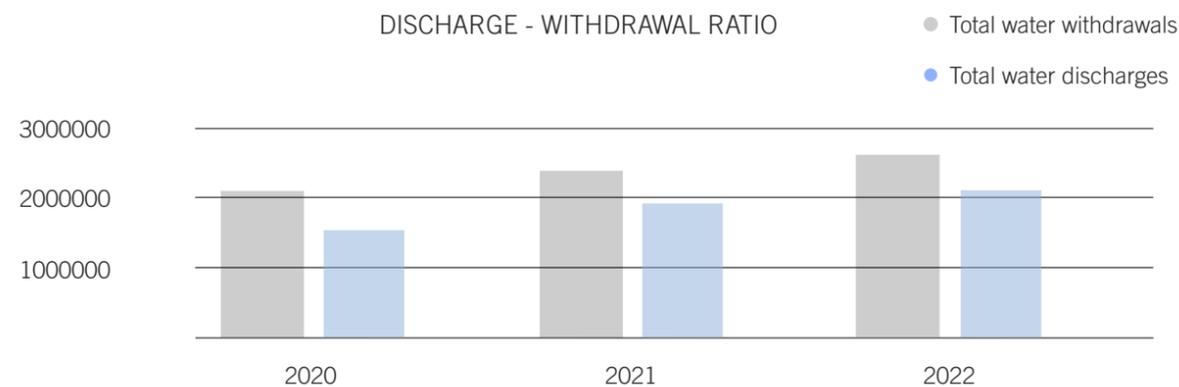
- production process;
- cooling water from the thermal power plant;
- stormwater;
- water deriving from civil discharges and fed into the sewer connecting to the public sewerage network or sub-irrigation.

The table below shows the total volumes of water discharged into the water body following purification treatment.

	Un. of measure	2020	2021	2022
Total water discharges	m ³	1.588.780	1.971.720	2.151.034

3.2.3 Water consumption

	Un. of measure	2020	2021	2022
Total water withdrawals	m ³	2.100.624	2.443.274	2.606.567
Total water discharges	m ³	(1.588.780)	(1.971.720)	(2.151.034)
Total water consumption	m³	511.844	471.554	455.533
Intensity of water consumption	m³/t	8,61	6,12	5,53



Despite the overall increase in withdrawals over the three years, mainly following the start of the continuous cycle at the Crusinallo plant, water consumption decreased in absolute value and in relation to tonnes produced.

3.2.4 Wastewater analysis

It is essential to ensure that the quality of the treated wastewater is the highest possible and complies with all legal limits to prevent a negative impact on the ecosystem. Therefore, to monitor the water discharge quality, certain parameters are carefully checked at different time intervals: continuously, daily or weekly.

The table below lists the values of various pollutants assessed as significant and averaged from analyses of wastewater samples performed by internal and external laboratories.

All values precisely comply with the legal limits.

	Un. of measure	2020	2021	2022
COD	t	103,01	149,40	118,18
Suspended solids	t	24,95	25,71	13,90
Total nitrogen	t	3,90	6,17	8,37
Phosphorus	t	0,24	0,85	0,71

The pollutants in relation to gross paper production are shown below.

	Un. of measure	2020	2021	2022
COD	Kg/t	1,7319	1,9385	1,4348
Suspended solids	Kg/t	0,4195	0,3336	0,1688
Total nitrogen	Kg/t	0,0656	0,0800	0,1017
Phosphorus	Kg/t	0,0040	0,0111	0,0086

3.3 Energy

Energy consumption is one of the most significant and impactful aspects of paper production. Paper mill processing activities require a lot of energy, in the form of electricity and heat.

Favini's factories have in-house cogeneration plants, allowing them to generate both types of energy needed, with lower atmospheric emissions of greenhouse gases than with the separate production of electricity and heat. These plants also produce 30% more energy than conventional power plants for the same natural gas consumption.

While recognising the negative impact of emitting CO₂ into the environment, the cogeneration system used constitutes one of the most efficient ways of using natural gas as an energy source. The current state of technical knowledge and the absence of biomass available in neighbouring areas do not allow for alternative sources or plants to cover Favini's overall energy needs.

Testifying to the high energy efficiency of its current plants, Favini has received many White Certificates (or Energy Efficiency Certificates) over the years. In 2022, it had accrued 4906 EECs¹.

Specifically, cogeneration plants meet 96% of the Group's electricity needs. The remaining 4% is purchased from the grid, opting for energy produced from 100% renewable sources. However, thermal energy is self-generated internally.

¹ The number of White Certificates submitted here is in the process of being approved by the competent authority.

3.3.1 Total energy consumption

The following table shows the total consumption of purchased and self-produced energy for the period under review. The data was collected monthly by reading the meters.

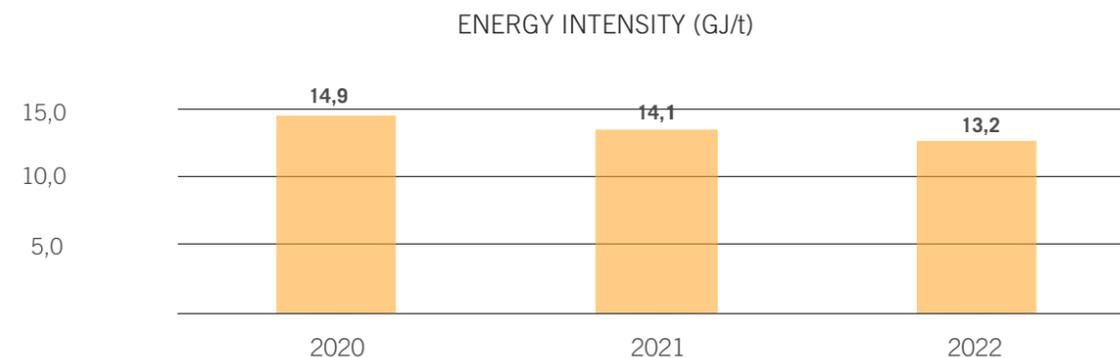
Total energy consumption is the sum of energy consumption from non-renewable and renewable sources, minus the electricity transferred to the grid.

Please note that, as of 2021, Favini decided to purchase only electricity from renewable sources.

	Un. of measure	2020	2021	2022
Methane	GJ	875.770	1.077.357	1.064.714
EE purchased from non-renewable sources	GJ	3.300	0	0
Total non-renewable sources	GJ	879.210	1.077.357	1.064.714
Hydroelectric energy consumed	GJ	4.133	3.787	1.966
EE purchased from renewable sources	GJ	18.457 ²	21.161	39.994
Total renewable sources	GJ	22.590	24.948	41.960
Electricity transferred to the grid	GJ	(15.521)	(15.229)	(16.134)
Total energy used	GJ	886.517	1.087.076	1.090.540
Gross production of paper	t	59.480	77.071	82.364
Energy intensity	GJ/t	14,9	14,1	13,2

² Estimate based on the composition of the initial national mix used to generate the electricity sold by Enel in 2020: renewable sources 46.57%; coal 6.83%; natural gas 36.55%; oil products 0.57%; nuclear 5.59%; other sources 3.89%. Source: Enel (2022).

The Group's energy intensity, given by the ratio of total energy consumption to gross paper production, is progressively improving. The general increase in the energy efficiency of the plants explains this trend and, in particular, the start of continuous cycle work at the Crusinallo plant in 2022, which allows the energy produced by the thermoelectric power plant to be used with maximum efficiency.



3.3.2 Hydroelectric energy

Besides the use of cogeneration plants, Favini can also benefit from hydroelectric power by harnessing the power of the waterways near its plants.

In 2022, the Company produced 3809.07 GJ. of hydropower.

3.3.3 Reduced consumption and energy efficiency

Since 2009, Favini has had a system to analyse and monitor its energy efficiency and strives to reduce its consumption through an ongoing investment plan.

The Group's energy efficiency improvement programme focuses on replacing obsolete or inefficient technical devices and equipment with more energy-efficient ones.

In 2010, the Crusinallo plant joined the 'un mondo di luce' (a world of light) project, promoted by Beghelli for energy saving. By joining the project, the entire electrical system was upgraded with more reliable and efficient light sources than normal filament lamps.

Energy savings from 2010, the year the system was installed, to 2020, the year of its completion:

- Energy saved: 6.58 GWh
- Savings percentage: 45.91%

³ The calculation formula applied to highlight the energy savings achieved is as follows:
Single lamp saving = W x NUMBER OF HOURS – ENERGY CONSUMED
Total saving = sum of the savings of each single lamp

3.4 Emissions

For emissions monitoring, Favini follows the classification proposed by the GHG Protocol standard:

- Scope 1: direct emissions from the Company's activities;
- Scope 2: indirect emissions from energy consumption, such as those produced to generate electricity purchased from the grid and over which Favini has no control;

- Scope 3: emissions related to the Company's operations that are not covered by Scope 1 and Scope 2, such as those related to the supply chain.

To date, Favini monitors direct Scope 1 emissions and indirect Scope 2 emissions.

For direct emissions, all process emissions are managed according to the Integrated Environmental Authorisation and come within the pollutant concentration limits set by current legislation. An external company (accredited laboratory) performs self-checks on the chimneys. This company annually measures the quality of emissions in compliance with Italian Legislative Decree 155/2010.

The Group produces CO₂ and NO_x emissions in the quantities shown below. CO₂ emissions (scope 1) originate exclusively from burning fuels (mainly natural gas and a small part diesel) for industrial uses and are calculated according to the ETS Directive. The cogeneration plants and, to a small extent, the burners installed in the coating lines, generate NO_x emissions.

The other emissions related to the production cycle are mainly dust, which is considered insignificant given the concentration found over the years. Thus, the plant is not subject to the requirements of Article 275 of Italian Legislative Decree 152/06.

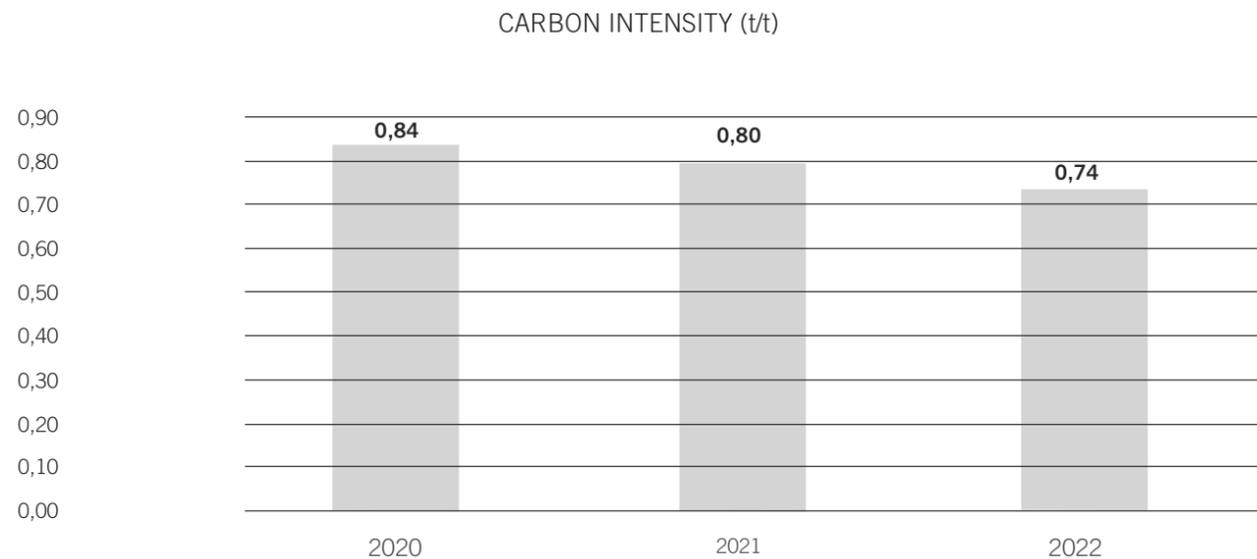
3.4.1 CO₂ emissions

We show the direct and indirect CO₂ emissions produced by the Group below. As for Scope 2's indirect emissions, the Company has reduced them to zero as of 2021 by purchasing 100% renewable energy from Enel Energia.

	Un. of measure	2020	2021	2022
Direct emissions (scope 1)	t	49.772	61.359	61.115
Indirect emissions (scope 2)	t	432	0	0
Total emissions	t	50.223	61.359	61.115
Direct emissions %		99%	100%	100%
Indirect emissions %		1%	0%	0%

The carbon intensity, given by the ratio of tonnes of CO₂ emitted to tonnes produced, is calculated below. As the graph shows, it is decreasing over the three years.

	Un. of measure	2020	2021	2022
Total CO ₂ emissions	t	50.223	61.359	61.115
Gross production of paper	t	59.480	77.071	82.364
Carbon intensity	t /t	0,84	0,80	0,74



3.4.2 NO_x emissions

	Un. of measure	2020	2021	2022
NO _x	t	42,86	49,09	39,28
Production	t	59.480	77.071	82.364
NO _x per ton of paper	t/t	0,0007	0,0006	0,0005

3.4.3 Reduction of emissions

The Group's decision to pursue energy self-sufficiency through cogeneration has enabled it to reduce the emissions associated with its activities. The energy source used is natural gas, which is less polluting than other fossil fuels because it only generates water and carbon dioxide during combustion and not potentially carcinogenic substances such as harmful hydrocarbons or particulate matter. The use of natural gas also results in reduced greenhouse gas emissions.

The investments made over the years led to a 13% reduction in CO₂ emissions from 2009 to 2022.

3.4.4 Environmental projects for offsetting emissions

Parallel to structural measures, Favini also acted on the CO₂eq emissions of its processes that cannot be directly controlled by joining specific environmental projects to purchase carbon credits produced abroad.

To offset the residual emissions generated during 2021 by Crush, Remake, Refit, Shiro Echo, Tree Free and Alga Carta, which comprise Paper from our Ecosystem, Favini acquired Carbon Credits to finance activities that absorb atmospheric CO₂. Thanks to our partner AzeroCO₂, we support UNFCCC (United Nations Framework Convention on Climate Change) with a specific project. The project's aim is to generate electricity from renewable sources and supply it to the North China Power Grid or NCPG. For this, we installed 33 wind turbines of 1,500 kW each for a total installed capacity of 49.5 MW and a net supply, once fully operational, of 106,523 MWh per year.

For 2022, environmental projects to be financed for offsetting are under evaluation.

3.5 Waste

The operations of the Group's plants and related processes generate various types of waste, most of which are classified as non-hazardous.

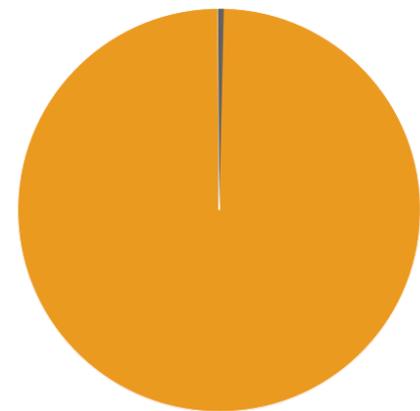
The main types of non-hazardous waste produced are:

- sewage sludge from the sewage treatment plant;
- paper and cardboard from production processes, logistics, and administrative departments;
- mixed packaging from production, logistics, and administrative departments.

Hazardous waste from maintenance operations (such as waste oil) is also produced in minimal quantities. Their disposal favours the maximum recovery of the material.

The table below shows the quantities of waste produced, divided by type.

	Un. of measure	2020	2021	2022
Non-hazardous waste	t	13.824	15.197	14.339
Hazardous waste	t	23,40	17,83	12,38
Total waste	t	13.847	15.215	14.352



TOTAL WASTE PRODUCTION 2022

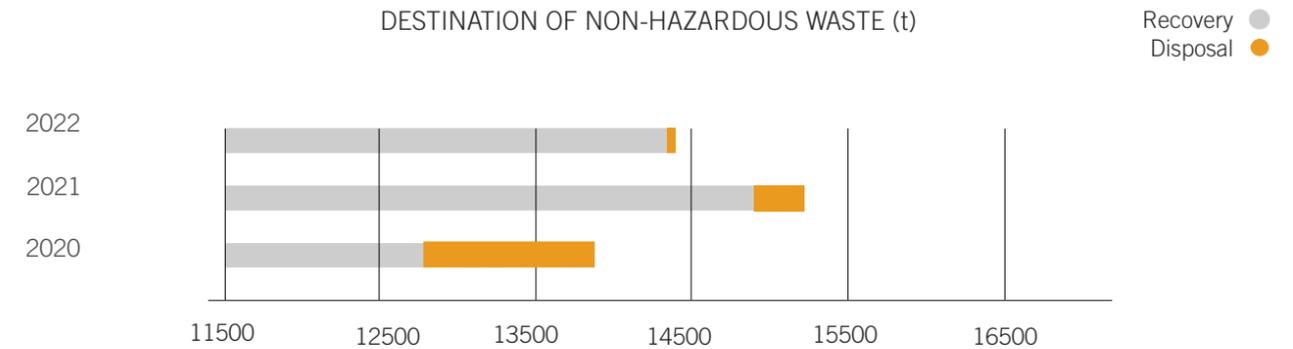
- Non-hazardous waste **99,9%**
- Hazardous waste **0,1%**

Within the Company, the waste is stored according to its intended use and physical state in external skips or areas with a waterproof base. Authorised external companies then dispose of it. Most of it is included in a recovery cycle, which sends it to other supply chains or industrial sectors, for recycling or reuse in new products. The rest goes to landfill. Favini's goal is to continue to decrease the percentage of waste sent for disposal to zero.

The tables below show the quantities of hazardous and non-hazardous waste sent for recovery and disposal.

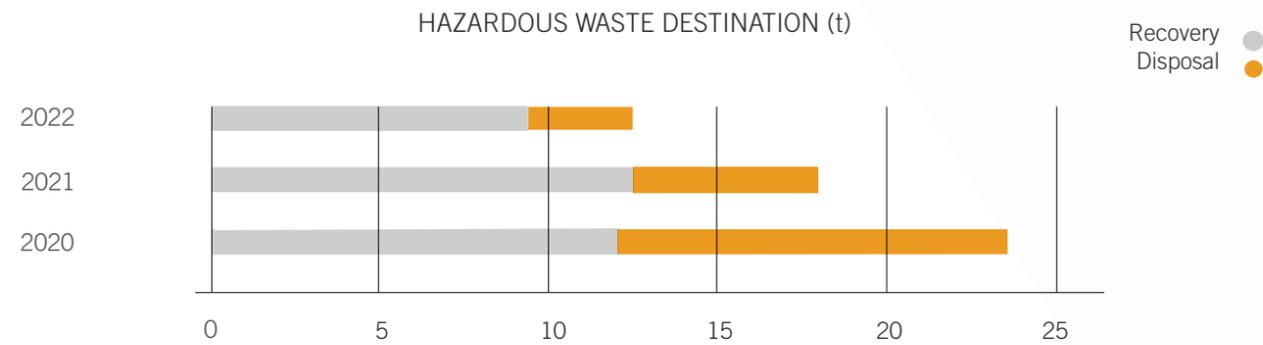
3.5.1 Non-hazardous waste

	Un. of measure	2020	2021	2022
Recovery	t	12.752,48	14.969,73	14.324,67
Disposal	t	1.071,48	227,11	14,51



3.5.2 Hazardous waste

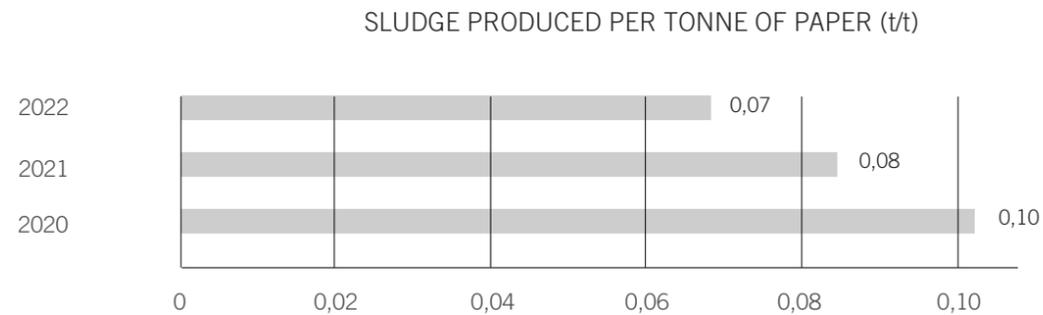
	Un. of measure	2020	2021	2022
Recovery	t	11,99	12,39	9,36
Disposal	t	11,41	5,44	3,02



3.5.3 Sludge

Non-hazardous waste includes sludge from wastewater treatment. This goes entirely for recovery to composting plants or by spreading in agriculture.

The table below shows the progress of sludge production in relation to the tonnes of paper produced. The reduction is partly due to a new sludge drying machine installed in Crusinallo.



SOCIAL RESPONSIBILITY

4. Social responsibility

4.1 Labour and Human Rights Policy

Favini considers the valuing of labour and respect for human rights indispensable principles on which its corporate culture and strategy are based. These values are an essential part of the Company's Code of Ethics. The Group also recognises and respects the Universal Declaration of Human Rights issued by the United Nations and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work.

To formalise this commitment, in 2022, Favini prepared and published a Corporate Policy for Labour and Human Rights. This aimed to summarise in a document the responsibility taken on the following issues: protecting the health and safety of personnel in the workplace, providing working conditions that comply with current legislation and collective agreements, freedom of association and dialogue with the social partners, enhancing skills and professional development, combating all forms of forced labour, child labour, discrimination and harassment in the workplace.

4.2 Human capital

Human capital is the backbone of any organisation. Besides fulfilling their job responsibilities, people also contribute to a company's culture and atmosphere. By bringing their unique skills, experiences and perspectives to the workplace, they can deliver innovation, creativity and progress for the Company. Favini considers the growth and well-being of its workers of vital importance and works every day to provide a safe, stimulating and inclusive work environment.

Most employees are based in Italy, in the two plants in Rossano Veneto and Crusinallo.

As a manufacturing company, Favini employs many manual workers. The high proportion of male staff, at around 83% of the total, must therefore be read in this context.

4.2.1 Staff

All figures in this section refer to the workforce as at 31 December 2022.

By geographical area, age and gender

Region	Age (years)	M	F	Total	
Veneto	< 30	17	8	25	
	between 30 and 50	118	42	160	
	> 50	85	13	98	
	Total	220	63	283	
Piedmont	< 30	14	2	16	
	between 30 and 50	165	16	181	
	> 50	86	11	97	
	Total	265	29	294	
Abroad	< 30	0	0	0	
	between 30 and 50	1	4	5	
	> 50	2	2	4	
	Total	3	6	9	
Total	< 30	31	10	41	7,0%
	between 30 and 50	284	62	346	59,0%
	> 50	173	26	199	34,0%
	Total	488	98	586	
		83,3%	16,7%		

By qualification

	Total
Executives	7
White collars	176
Blue collars	403
Total	586

By type of contract

	M	F	Total
Open-ended	467	92	550
Fixed-term	21	6	27
Totale	488	98	586

	M	F	Total
Full Time	485	81	566
Part Time	3	17	20
Total	488	98	586

4.2.2 Turnover

	New recruits			Terminations			Balance		
	M	F	Total	M	F	Total	M	F	Total
Total	51	8	59	25	9	34	26	-1	25
% of staff			10%			5,8%			4%

The outgoing turnover for 2022 was 5.8%. This figure considers all terminations during the year, including retirements. Considering only the annual voluntary resignations as a percentage of the total workforce, the outgoing turnover drops to 3.7%. This is an indirect sign of an excellent atmosphere within the organisation and high staff loyalty to the Company.

The net growth in the workforce (expressed as the ratio of new hires net of terminations and the staff) was 4% last year, which shows that the Company continues to invest in human capital.

4.2.3 Training

Employee training is crucial to the success and growth of any organisation. By investing in employee training, organisations can ensure that employees have the skills and knowledge to meet the industry's evolving needs and, ultimately, perform their roles with greater awareness.

The Group organises many training activities to develop technical and soft skills and to meet organisational or individual needs.

Training hours per qualification

Favini considers it essential to offer training opportunities to all employees, regardless of role, to promote a culture of continuous learning and constant improvement. Indeed, ongoing training helps to improve productivity, work quality and employee satisfaction, thus contributing to the organisation's long-term success. The aim is to create a corporate culture open to change, in which all employees are encouraged to improve their skills and grow professionally.

The figures presented here show that the Group strives to provide training and development opportunities for all employees, not just managers or executives.

Women are also found to have done more training hours than men within the Group, following the higher concentration of white collars, a category in which female employees predominate.

	People involved	Total hours	Average hours per capita
Managers	7	100	14
White Collars	164	4.156	25
Blue Collars	281	2.191	8
Total	452	6.447	14

Training hours per topic

Technical skills, such as sectoral knowledge, computer or language skills, are essential to perform your job effectively and contribute to company growth. However, training in soft skills, such as teamwork, communication and stress management, is equally important.

Training in both types of skills is crucial for the organisation's success and the professional growth of employees, as well as for fostering a more collaborative and inclusive work environment.

The figures here show that Favini struck a good balance between the hours dedicated to training on technical-professional and transversal skills, which accounted for 20% and 26% of the total in 2022.

The table also shows that 75% of the workforce received at least one training session during the year.

4.2.4 Workplace safety

Topics	Training Hours	People Involved	Average Hours Per Capita	Staff coverage
Security	2.744	372	7	62%
Environment	121	48	3	8%
Quality	5	6	1	1%
Technical-professional	1.349	123	11	20%
Soft skills	2.228	155	14	26%
Total	6.446	452	14	75%

It is clear from the above table that the Group's most significant training commitment is safety, which represents 43% of the total. Managing the health and safety of its employees has always been a cornerstone for Favini.

Concretely, this translates into an organisational structure in which specific procedures are applied against the backdrop of risk assessment, and targeted investments are made in line with the best techniques to reduce the chances of accidents and injuries, making the Company as safe a place to work as possible.

Besides staff training consistent with risk of the task, other tangible actions include the management of accidents, incidents and near misses, constant data monitoring, and the development of specific procedures for higher-risk operations.

In addition, regular meetings with key figures in the Company's safety management encourage the active participation of workers, with proposals and observations collected for translation into concrete improvements. Currently, the high percentage of participation in rescue teams at all levels of the organisation shows the full awareness and high involvement of individual workers.

Number of accidents and accident indices

The following table shows the number of accidents and accident indicators. Specifically, the frequency index (IF⁴) and the severity index (IG⁵) regarding accidents lasting over three days.

In 2022, the lowest number of accidents in the three years, was recorded.

During the three years, no cases of occupational disease or deaths due to occupational accidents occurred.

	2020	2021	2022
Commuting accidents	2	1	2
Injuries <3 days	0	5	0
Injuries >3 days	14	21	9
Total injuries	16	27	11
Total hours worked	781.859	887.148	892.786
IF	17,91	23,67	10,08
IG	0,42	1,17	0,89

⁴ Frequency Index (FI): Number of accidents >3 days/Total h worked x 1,000,000.

⁵ Severity Index (GI): Days of absence due to accidents >3 days/Total h worked x 1,000.

4.3 External partnerships

4.3.1 Community initiatives

Favini takes part in many initiatives in its local area, through which it partners and supports many public and private institutions, schools, universities and associations.

4.3.2 Voiala project

Voiala is a long-term project launched in 2009 and supported by Favini, with environmental, economic and social benefits.

It consists partly in reforesting a portion of the destroyed forest in Madagascar, and partly in raising awareness and training the villagers of Sahavondronina to improve their way of farming.

Favini regularly receives detailed reports on the progress of seeding and planting activities, the creation of community gardens and the development of strategies to promote ecotourism. It also presents a financial account of all activities.

4.3.3 Partnerships for innovation

Favini has established many partnerships with research institutes and universities over the years to develop technological and process innovations. These include CNR Milan, the CNR Institute for Water Research in Taranto, the University of Milan, the University of Padua, the Ca' Foscari University of Venice and the University of Cambridge.

INDICATOR	TITLE OF INDICATOR	PARAGRAPH	PAGE
GRI 1 - Fundamental Principles			
GRI 2 - General Disclosure			
2-1	Organisational details	1	5
2-2	Entities included in the organisation's sustainability reporting	1	5
2-3	Reporting period, frequency and contact point	Methodological note	3
2-6	Activities, value chain and other business chain relationships	1.1	6
2-7	Employees	4.2.1	30
2-30	Collective agreements	Collective bargaining agreements cover the entire staff	
GRI 3 – Material topics			
3-1	Process of determining material topics	1.2.4	14
3-2	List of material topics	1.2.4	14
GRI 201 - Economic performance			
3-3	Management of material topics	2	17
201-1	Direct economic value generated and distributed	2	17
GRI 205 - Anti-Corruption			
205-3	Confirmed incidents of corruption and measures taken	In the years 2020 to 2022, there were no confirmed incidents of corruption	
GRI 301 - Materials			
3-3	Management of material topics	3.1	19
301-1	Materials used by weight or volume	3.1	20
GRI 302 - Energy			
3-3	Management of material topics	3.3	24
302-1	Energy consumption within the organisation	3.3.1	24
302-3	Energy intensity	3.3.1	24
302-4	Reduction of energy consumption	3.3.3	25
GRI 303 - Water			
3-3	Management of material topics	3.2	22
303-2	Management of water discharge impacts	3.2.4	23
303-3	Water withdrawal	3.2.1	22
303-4	Water drainage	3.2.2	22
303-5	Water consumption	3.2.3	23

INDICATOR	TITLE OF INDICATOR	PARAGRAPH	PAGE
GRI 305 - Emissions			
3-3	Management of material topics	3.4	25
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	3.4.1	25
305-2	Indirect greenhouse gas (GHG) emissions from energy consumption (Scope 2)	3.4.1	25
305-4	Intensity of greenhouse gas (GHG) emissions	3.4.1	25
305-5	Reduction of greenhouse gas (GHG) emissions	3.4.3	26
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other relevant air emissions	3.4.2	26
GRI 306 - Waste			
3-3	Management of material topics	3.5	26
306-3	Waste generated	3.5	26
306-4	Waste not sent to landfill	3.5.1 3.5.2	27 27
306-5	Waste sent to landfill	3.5.1 3.5.2	27 27
GRI 401 - Employment			
3-3	Management of material topics	4	30
401-1	Recruitment of new employees and employee turnover	4.2.2	31
GRI 403 - Occupational Health and Safety			
3-3	Management of material topics	4.2.4	32
403-1	Occupational Health and Safety Management System	4.2.4	32
403-5	Worker training on occupational health and safety	4.2.3	31
403-9	Accidents at work	4.2.4	32
403-10	Occupational disease	No cases of occupational disease were recorded in the three years 2020-2022	
GRI 404 - Training and education			
3-3	Management of material topics	4.2.3	31
404-1	Average number of training hours per year per employee	4.2.3	31
GRI 405 - Diversity and Equal Opportunities			
3-3	Management of material topics	4.2	30
405-1	Diversity in governance bodies and among employees	4.2.1	30
GRI 406 - Non-discrimination			
3-3	Management of material topics	1.2.5	15
406-1	Incidents of discrimination and corrective measures taken	No cases of discrimination were recorded in the three years 2020-2022	

INDICATOR	TITLE OF INDICATOR	PARAGRAPH	PAGE
GRI 413 - Local communities			
3-3	Management of material topics	4.3	33
413-1	Operations with local community involvement, impact assessments and development programmes	4.3	33