



FAVINI

SUSTAINABILITY REPORT

2023

Letter from the CEO

Dear Stakeholders,

The year 2023 confirmed the correctness of the decisions taken by our company during the 2022 energy crisis and confronted us with new challenges. Throughout the year, the markets on which Favini operates experienced a significant fall in demand, particularly in the Release division. By contrast, the Graphics sector maintained its market position, overperforming industry trends and achieving excellent sales results. The strong relationships we have developed with our customers and the organisation's ability to quickly adapt to changes made a key contribution to these positive results.

However, we remain concerned about the growing geopolitical tensions, not only because of their human and social implications but also because of their impact on our business. Favini is known for its strong international focus. The ability to establish long lasting relationships worldwide is a fundamental aspect of our approach. We note significant growth in our stakeholders' awareness of ESG issues. However, we are concerned about the increasing number of events diverting attention from sustainability goals because of ongoing conflicts.

We must strengthen our identity and values in this complex socio-political and economic context. Our history shows that professionalism and respect for all stakeholders are essential for creating shared value in the short, medium and long term. In recent years, we have striven to codify and formalise our policies on the proper management of human and professional relationships and environmental impact, practices that have long been part of our operational culture.

We have achieved the environmental, social and governance sustainability goals set for 2023, and laid the foundations for new goals of greater stakeholder engagement. The path is extraordinarily complex and challenging, with numerous issues to address and define alongside typical business management. Implementing sustainability transition strategies involves increasing awareness of ESG issues within and outside our Organisation, enhanc-

ing human rights policies, evaluating the supply chain, promoting well-being, strengthening corporate culture and setting new transparency targets. This includes opening our facilities to students, customers, and local residents interested in seeing first-hand how we work and the fascinating world of paper.

In recent years, we have shown that we can ensure the Group's economic sustainability, even when facing unprecedented external challenges, and adapt quickly to evolving contexts. The challenge of pursuing environmentally sustainable development is particularly complex but essential for our future. We pursue sustainability in the knowledge that we have one key strength: the quality, involvement and dedication of the people who work for and with Favini; this is the secret of our company's success. We are adapting our organisation to address sustainability goals, expanding our list of targets and defining action plans. However, we acknowledge that there is a technological gap in the tools available to reduce our environmental impact, particularly as regards energy. Significantly reducing our carbon footprint will take time, regardless of the availability of human and financial resources. In the short term, our objective is to maximise the energy efficiency of our facilities, while replacing gas as a fuel resource remains a medium-to long-term aim, pending further technological developments.

We have enhanced our product certifications portfolio and continue to develop low environmental impact papers, expanding our offerings under our 'Paper from our Ecosystem' brand. This brand is the flagship of our product range and reflects, more than any other achievement, our commitment to sustainability.

Eugenio Eger



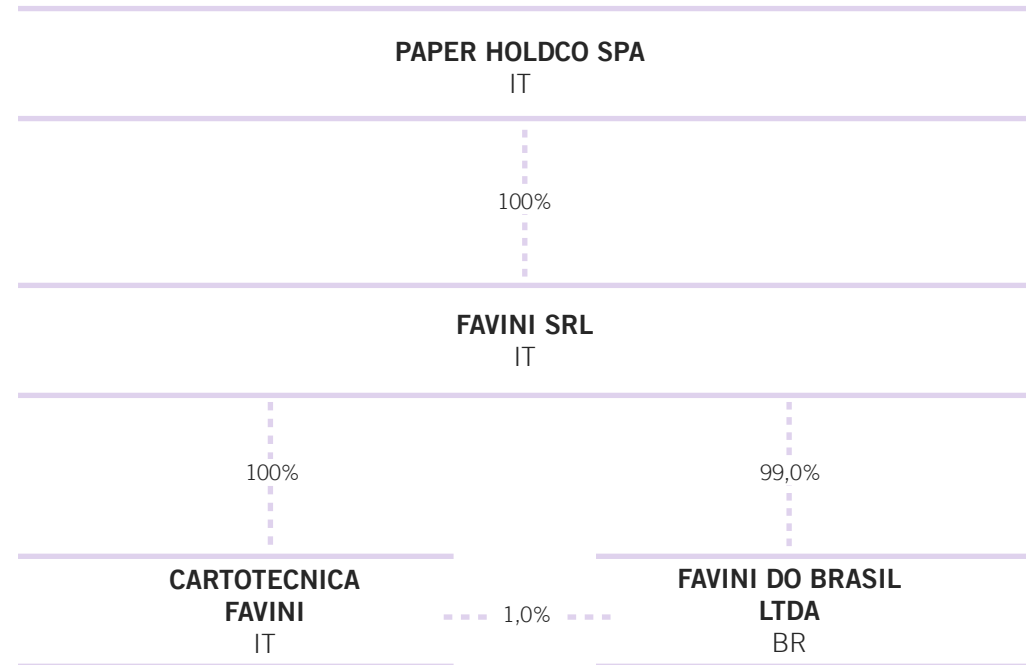
THE FAVINI GROUP

1. The Favini Group

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

As shown in the following organisational chart, Favini S.r.l. is controlled by **Paper Holdco S.p.A.**, which acts as the pure management holding company of the Favini shareholding.

Favini S.r.l.'s registered office is in Rossano Veneto (VI). Its production facilities are based in Italy, at the Rossano Veneto (VI) and Crusinallo plants in the municipality of Omegna (VB). In 2023, the Group generated a turnover of €188.6 million.



1.1 Favini worlds

Favini Group operates in three business lines: the Casting Release Division, the Graphic Specialities Division and the Paper 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, which are creative and technical moulds used in 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.

In addition to smooth surfaces with different degrees of opacity, the Favini Release catalogue includes close to 300 original 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, etc.) for printed communication and product packaging for luxury and fashion groups.

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

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 constantly searches for eco-innovative ingredients, such as algae, agro-industrial by-products, textiles and leather goods.

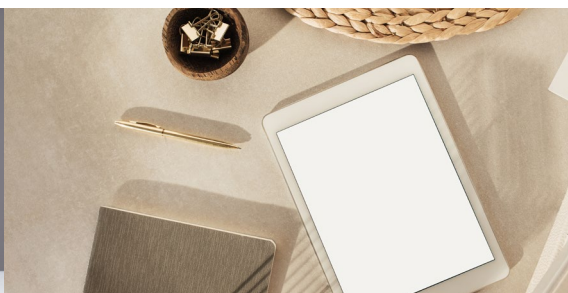
Paper Converting

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

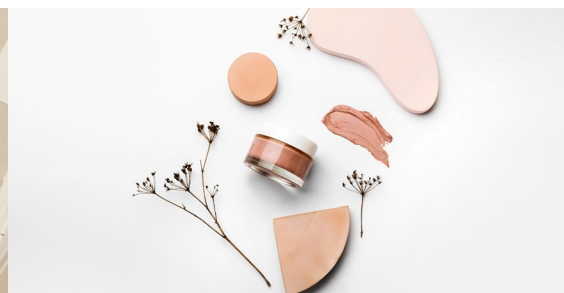
The Paper Converting division's product offering ranges from reams of coloured paper - the flagship product - to notebooks, sketchbooks, envelopes and cards. This segment is also known as School, Office and Creativity to emphasise the areas of product use.



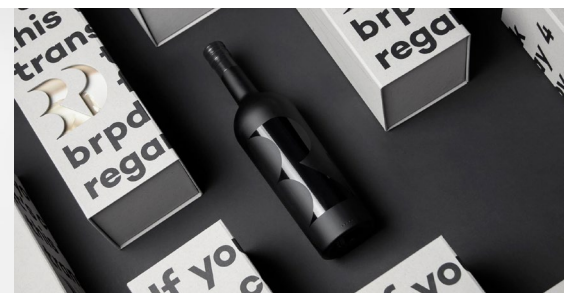
FASHION & ACCESSORIES



DESIGN & TECH



COSMETICS



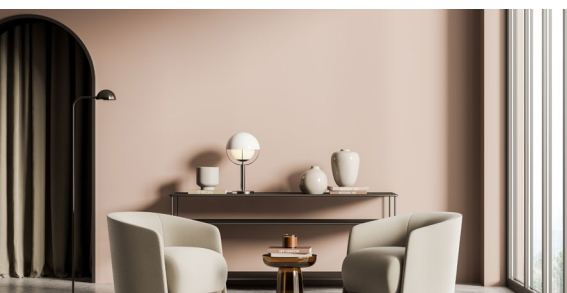
FOOD, WINE & SPIRITS



PACKAGING



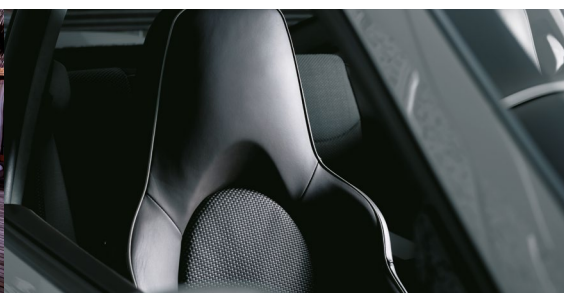
PRESTIGE PUBLISHING



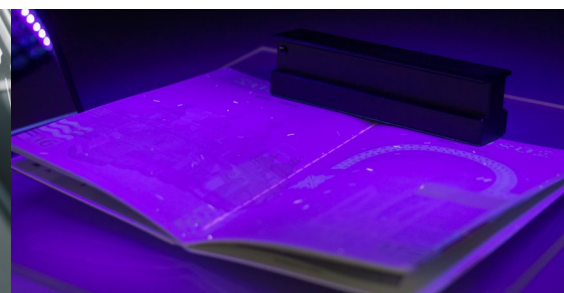
FURNISHINGS



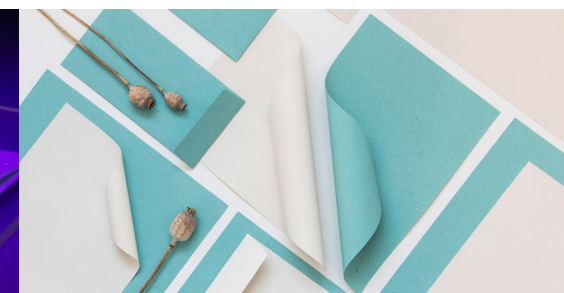
SUSTAINABILITY & LUXURY



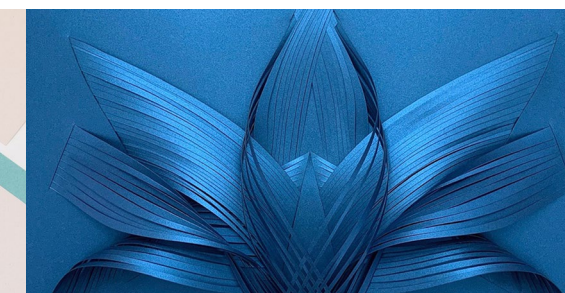
AUTOMOTIVE



BRAND PROTECTION & SECURITY

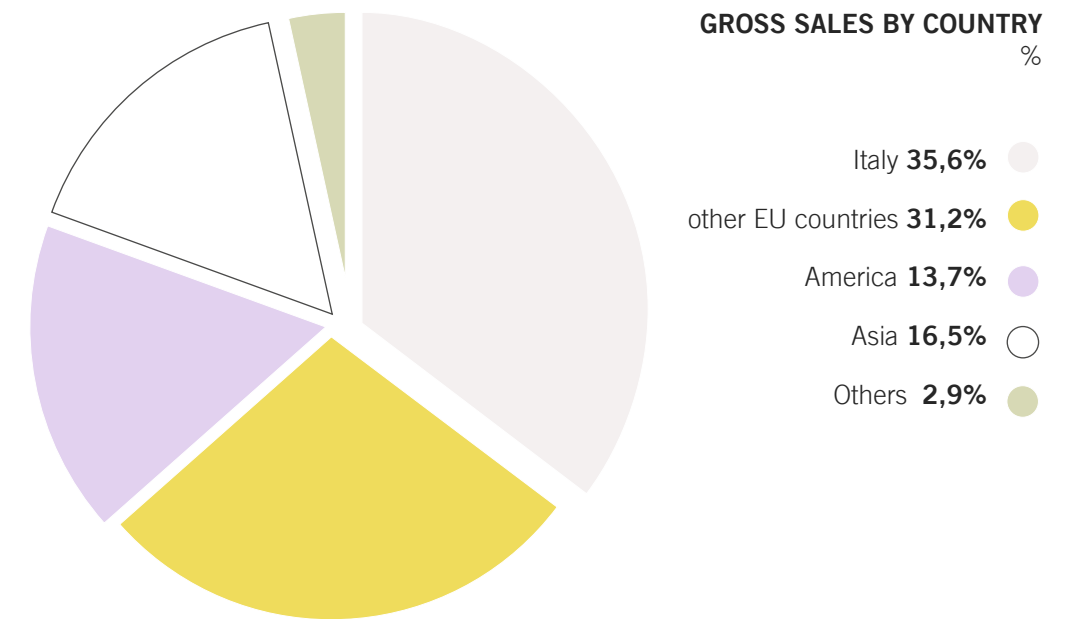
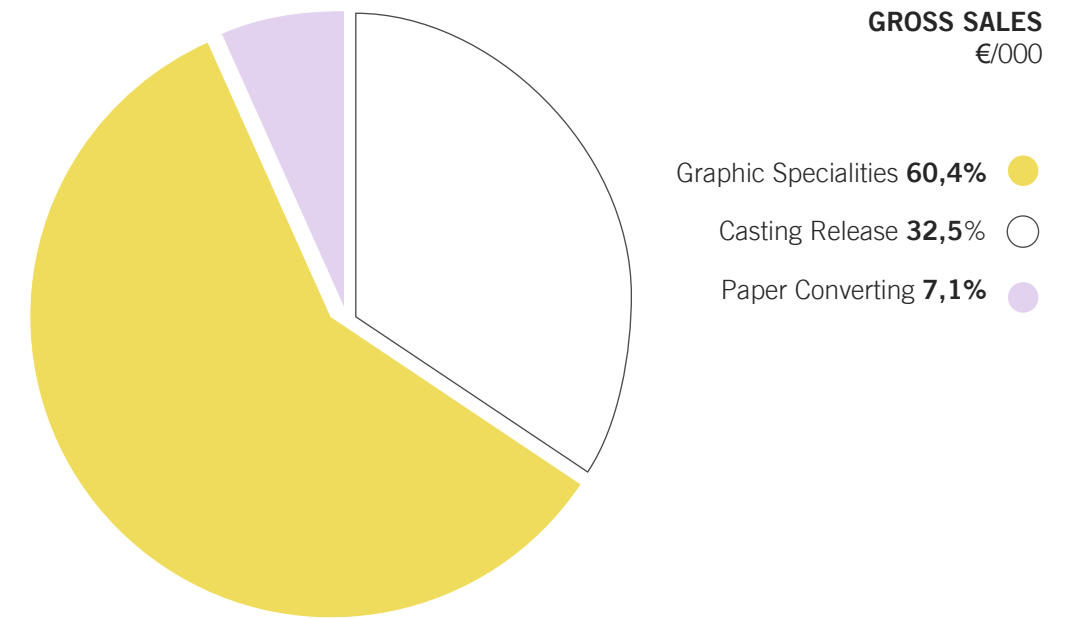


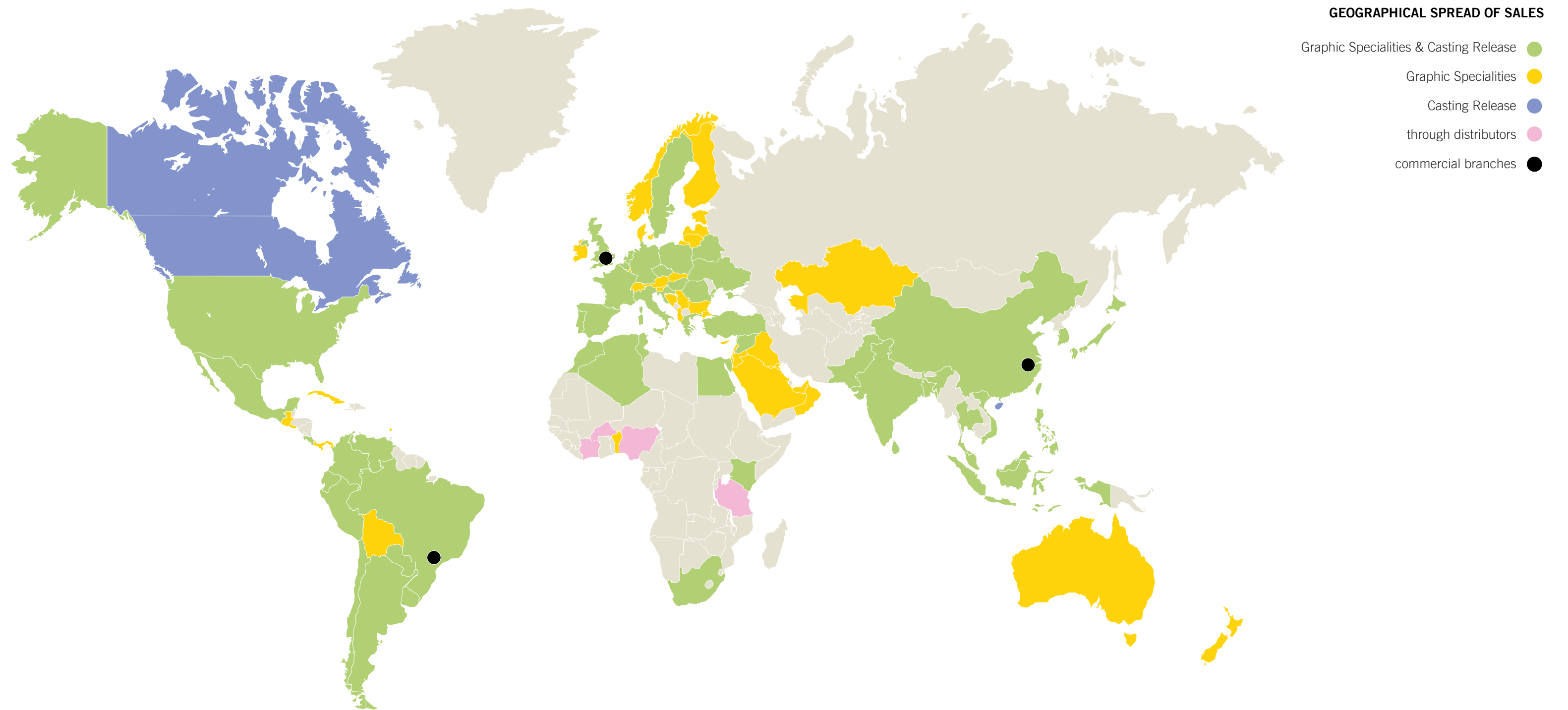
SCHOOL & OFFICE



ART & CREATIVITY

Favini markets its products in over 100 countries, and export sales account for 64.4% of the Group total 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 promotion of the Group's brand awareness and trademarks.





1.2 Governance

1.2.1 Board of Directors

The Company's Articles of Association provide a transparent definition of the Group's governance structure.

The governing body is the Board of Directors (BoD), comprising three members: the Chairman, the Chief Executive Officer (CEO) and a Director.

The BoD handles the Group's strategic guidance and management, with the Chairman setting strategic guidelines. The Chairman of the Board does not have an operational role within the Organisation but liaises with the CEO to manage issues that fall outside ordinary business activities. Any issue that reveals a conflict of interest is addressed at Board level or, if necessary, at Shareholders' Meeting level.

The CEO is responsible for ordinary management, with his/her powers defined in detail by the Board of Directors and made public in the Register of Companies. The Chief Executive Officer (CEO) also acts as General Manager, taking a fully operational role in managing the Organisation, including handling economic, environmental and social impacts.

Additionally, the CEO takes the role of Employer with respect to worker safety and environmental protection. There is no predefined frequency for the CEO to report to the BoD on corporate management issues, including those relating to the Organisation's economic, environmental and social impacts. At Board level, management reporting occurs quarterly.

The third Director has no operational powers.

The Company's Articles of Association stipulate that the Shareholders' Meeting shall appoint a person to carry out the statutory audit. The primary tasks of the statutory

auditor are: 1. to express an opinion on the annual and consolidated financial statements in a report; 2. during the financial year, to verify that the company's accounts are properly kept and that operating events are correctly recorded in the accounting records.

The Articles of Association reserve certain ordinary management matters for resolutions of the Board of Directors, while other issues of particular strategic importance are reserved for the Shareholders' Meeting.

There are no committees within the BoD and no independent directors. Directors serve a three-year term. The current directors are all male and are, indirectly, shareholders in the Company.

The Articles of Association regulate the appointment of Directors, stipulating that the majority shareholder shall appoint two directors, and the minority shareholders shall appoint one. Other than the competence and experience acquired at the Company and in other high-level organisations, there are no specific criteria for selecting Directors.

1.2.2 The Board of Statutory Auditors

The Articles of Association specify that the Board of Statutory Auditors, comprising three members appointed by the Shareholders' Meeting, is responsible for verifying compliance with the law and the Articles of Association. The verification of legitimacy performed by the Board of Statutory Auditors includes supervising compliance with all provisions of the Articles of Association, the laws and regulations governing the functioning of the Company's bodies and its relations with institutional bodies, the regulatory provisions governing the Company's operating sector and the existence of the authorisations required to perform its activities.

The Italian Civil Code states that directors must adopt adequate organisational, administrative and accounting structures and that the Board of Statutory Auditors

shall monitor the adequacy of the Company's organisational structure. The Board of Statutory Auditors' verifications focus on the processes governing executive actions, meaning the adequacy of the set of directives and procedures designed to ensure appropriate competence and responsibility in allocating functions. The Board of Statutory Auditors ascertains the adequacy of a company's organisational structure by evaluating, for example, compliance with the company's size, the nature and methods of achieving the corporate purpose, the organisational chart and the documentation of company directives and procedures.

1.2.3 The remuneration and incentive policy

Board members are remunerated with a fixed fee, agreed upon by the Shareholders. In addition to the remuneration as a director, the CEO receives additional remuneration as a Senior Manager. Like the other Group managers, this remuneration comprises fixed and variable components linked to annual targets and results. These targets are primarily tied to the Group's economic performance. The fixed component, governed by Italian law and the collective agreement for managers of industrial companies, also includes a severance payment, supplementary pension and health benefits.

The ratio of the total annual cost of the highest-paid person in the Organisation to the average yearly total cost of all other employees is around 6.

The highest cost did not change from the previous year, so the ratio remained the same in 2023.

1.2.4 Sustainability Governance

Sustainability reporting is under the responsibility of the CEO, who reviews and approves the reported information, including material topics. The CEO has delegated some responsibilities to a few Delegated Employers, who must ensure the Organisation manages occupational safety and environmental protection issues properly.

The CEO coordinates a working team known as the Susteam, which collects data and information relevant to reporting and actively identifies material topics. The Susteam has two levels: the first is an expanded group of company managers, which meets once a year to collect proposals for targets to set and actions to be taken to achieve them, and to verify the achievement of the previous year's targets. This work results in an annual statement of ESG goals, actions and results, which is then presented to the BoD. The second level comprises a selected committee of managers, also coordinated by the CEO, which meets bimonthly to examine ESG issues in detail and manage various aspects of their reporting.

The Company's streamlined structure limits the possibility of setting up specific issue-focused Committees; instead, topics are addressed collectively or delegated to the Chairman or CEO. The CEO reports critical issues, objectives and actions taken in the sustainability area annually to the BoD.

1.3 Business ethics and integrity

Favini constantly strives to create shared value for the Group and its stakeholders, prioritising the respect for and development of environmental and social responsibility principles in its decision-making and operational processes.

Transparency, integrity and fairness are the cornerstones of our long-term development, which we pursue through the adoption of the Code of Ethics, the Organisation and Management Model provided by Italian DL (Legislative Decree) 231 and various policies and procedures ensuring compliance with current legislation and rules, such as the Anti-Corruption Policy and the Human Rights Policy. The latter focuses on protecting workers' health and safety and respecting individual and collective rights. All Group companies have adopted the Code of Ethics, while companies operating in Italy have also adopted the DL 231 Organisation and Management Model.

The Code of Ethics lays down principles for the correct and fair conducting of company business. The DL 231 Organisation and Management Model aims to prevent the commission of specific relevant offences, including corruption, bribery, fraud, corporate offences, receiving stolen goods, violation of accident prevention regulations, environmental offences, market abuse and anti-competitive practices. These two documents are the primary tools for fostering and maintaining transparent operational conduct geared towards transparency and integrity.

The Supervisory Body meets quarterly to interview various responsible parties to verify the integrity of the company's actions.

The induction programme for new employees, formalised by a specific procedure, includes basic training on legal issues, preventing corruption, human rights, environmental responsibility and the company's Code of Ethics. General staff training on DL 231 Organisational Model and the Code of Ethics has been provided during previous periods. The organisation of decision-making and authorisation processes, with the separation of duties and responsibilities among decision makers, those who carry out activities, and those who verify them, contributes to ensuring transparent and fair operations.

In 2023, Favini joined the UN Global Compact, recognising it as a key step in developing its ESG responsibility.

We also ensure transparency in stakeholder participation in the company's activities. The Whistleblowing system, recently updated as per Italian Legislative Decree 24/2023, allows for the reporting of illegal behaviour and actions prohibited by Favini's Code of Conduct and values, including anonymously.

There were no communications on these issues during the reporting period.

1.4 Policies and Certified Management Systems

The company has published a set of policies to precisely implement the principles enshrined in the DL 231 Organisation and Management Model and the Code of Ethics and developed procedures to define its commitments to responsible business conduct with respect to its most important stakeholders. Documents on environmental policy, procurement policy, labour and human rights policy and anti-corruption policy can be consulted and downloaded from the website www.favini.com in the Sustainability section.

The CEO implements the policies and supervises the activities of the relevant functions to ensure their practical application. The Human Resources (HR) Department oversees labour and human rights issues and liaises with workers' representatives, addressing their requests and any complaints, as required by current legislation and national and company collective agreements.

The quality, environment and safety systems apply the processes of risk identification and assessment and monitoring possible disputes with management. Worker safety and environmental issues are managed by the delegated employer and the HSOs (Health and Safety Officers) appointed for each facility, who, in turn, interact with the workers' safety representatives, as required by law and collective agreements. They also liaise with local authorities to define and enforce safety and environmental requirements in the workplace.

In addition, the Company has been UNI EN ISO 45001-certified since 2011 and UNI EN ISO 14001-certified since 2009 and 2010 for the Rossano Veneto and Crusinallo plants, respectively. It is also EMAS-certified and undergoes annual certification audits.

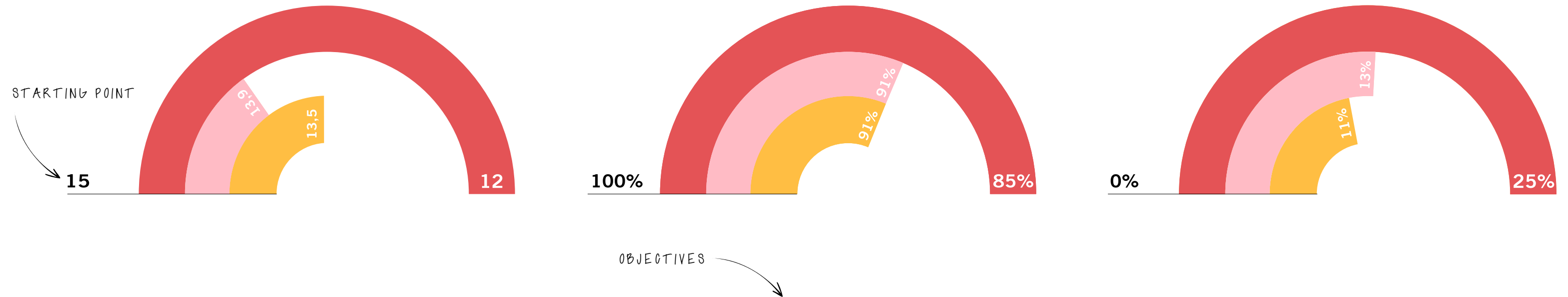
The heads of the various areas meet regularly with workers' representatives to review the situation and address their concerns.

1.5 Favini's sustainability strategy and goals

At Favini, we outlined our sustainability strategy in accordance with the 17 United Nations Sustainable Development Goals. In this framework we have identified 8 goals that are more relevant in connection with our operations. On the basis of such targets and upon the material issues laid down in Chapter 1.7, we set a list of short and medium-term targets on the most relevant sustainability issues. The following pages represent graphically such list, with separate evidence of short term targets and medium term aspirations.

ENERGY EFFICIENCY AND EMISSIONS

- RESULT 2023
- TARGET 2024
- ASPIRATION 2030



INCREASING ENERGY EFFICIENCY

GJ/T PAPER

We focus our efforts on maximizing energy efficiency, measured in terms of tonnes of paper produced from high-efficiency cogeneration plants, waiting for more structural alternatives to gas usage.

REDUCING CARBON INTENSITY (SCOPE 1 AND 2 EMISSIONS)

CO₂ TONS/T PAPER

We consider an aspirational goal to reduce carbon intensity, but a significant emissions abatement (Scope 1) is extremely difficult in the present scientific and technical context and in our geographical position.

INCREASING THE SHARE OF REVENUES FROM CARBON NEUTRAL PRODUCTS

%

At Favini, we are committed to developing products with a low carbon impact throughout the manufacturing chain and through CO₂ offsetting projects.

CIRCULAR ECONOMY AND RESPONSIBLE MANAGEMENT OF RESOURCES

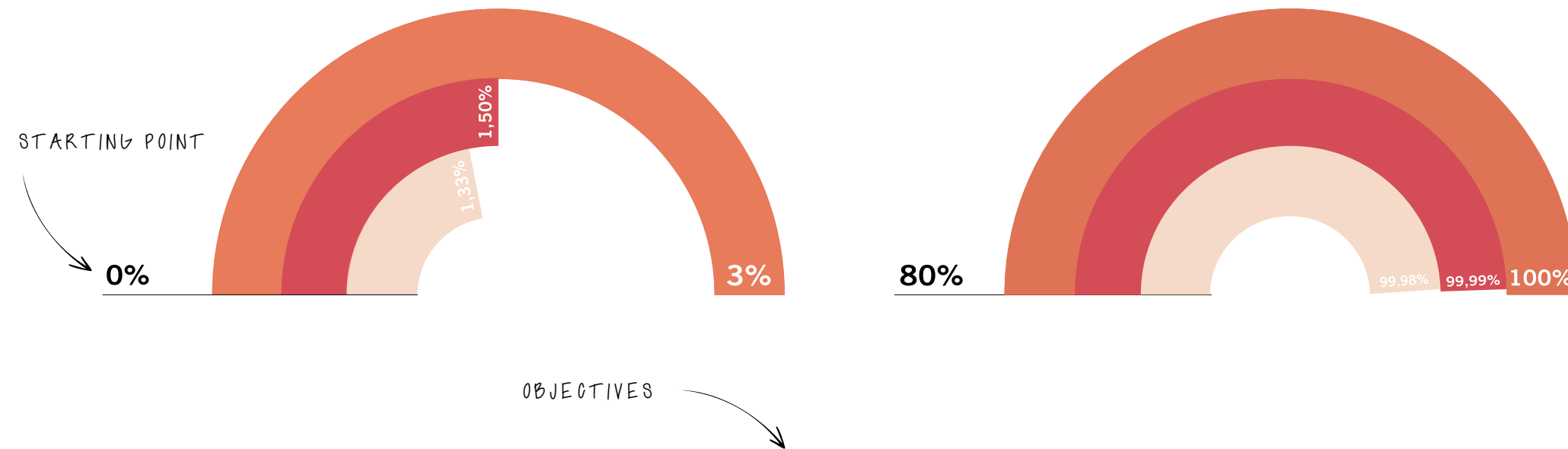
relevant SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



- RESULT 2023
- TARGET 2024
- ASPIRATION 2030



INCREASING THE USE OF ALTERNATIVE FIBRES

%


At Favini we are constantly looking for developing highly innovative products in terms of creative re-use of waste arising from other sectors and of alternative fibres.

NO WASTE FOR DISPOSAL

%

Waste originating from manufacturing process is internally reused or sent for recovery. Only a minimal part related to maintenance process is destined for disposal.

STAFF HEALTH, TRAINING AND WELL BEING

relevant SDGs 

3 GOOD HEALTH AND WELL-BEING



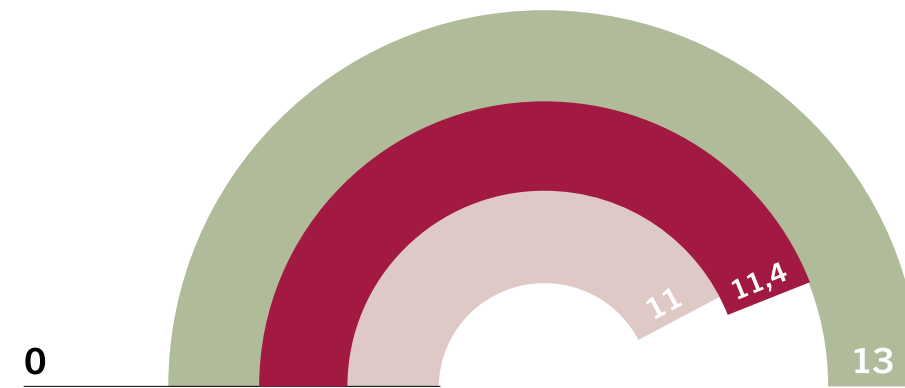
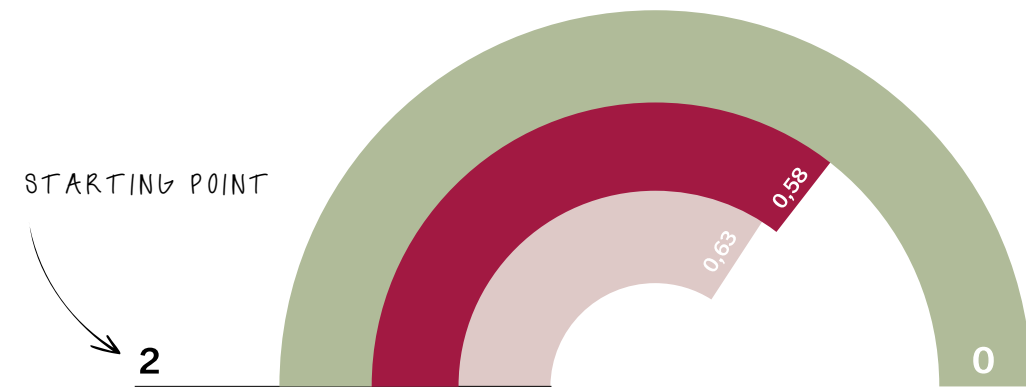
4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



- RESULT 2023
- TARGET 2024
- ASPIRATION 2030



OBJECTIVES 

REDUCING THE ACCIDENT SEVERITY INDEX (SI)

DAYS OF ABSENCE DUE TO ACCIDENTS >3 DAYS/TOTAL HOURS WORKED X1,000

The Accident Severity Index is the most suitable tool for reporting the seriousness of injuries occurring in the working environment. Despite the efforts made, we are still behind in reaching “zero accidents” objective.

INCREASING THE PRO CAPITA HOURS OF TRAINING PROVIDED TO EMPLOYEES

H PRO CAPITA

At Favini, we believe that an increased number of training hours is core to a safer and healthier workplace.

SUSTAINABLE SUPPLY CHAIN

- RESULT 2023
- TARGET 2024
- ASPIRATION 2030



relevant SDGs



100% PURCHASES OF FSC™ - CERTIFIED VIRGIN FIBRE MATERIALS

%

Since many years Favini sources 100 percent of pulp from FSC certified suppliers. Our goal is to maintain such level and to achieve a higher level of FSC CoC certified pulp.

INCREASING THE VALUE OF PURCHASES FROM QUALIFIED SUPPLIERS

%

The ESG qualification of the production chain is one of our challenging targets and the next year's aspirational goal is to widen it to minor suppliers and to improve the performance of those certified.

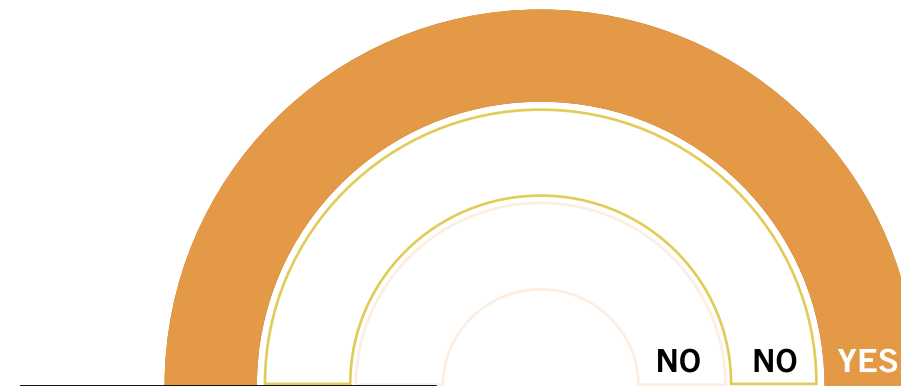
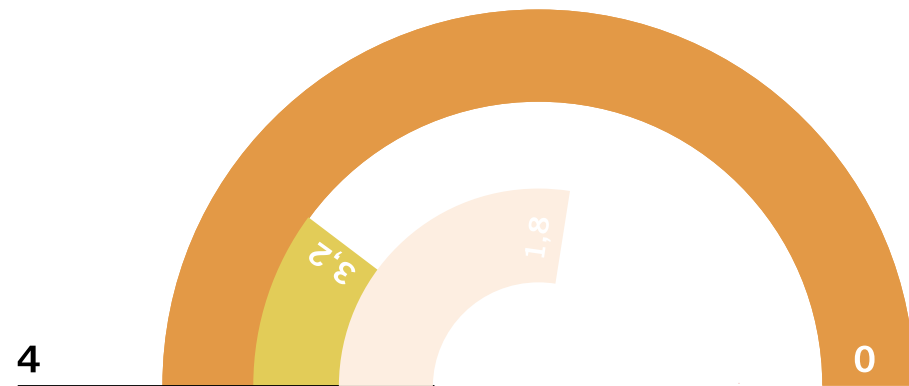
SHARED VALUE

- RESULT 2023
- TARGET 2024
- ASPIRATION 2030

relevant SDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



OBJECTIVES

GUARANTEEING THE FINANCIAL STRENGTH OF THE COMPANY

NET FINANCIAL DEBT / EBITDA

The Net Financial Debt/EBITDA ratio is an important parameter to assess economic and financial sustainability of a company. We at Favini are committed to progressively reduce our debts towards zero in the coming years.

INTEGRATING ESG OBJECTIVES INTO THE CORPORATE INCENTIVE SYSTEM

As of today, ESG targets are only partially included in the employees' incentive system. The 2025 goal is to integrate such targets in the variable component of the remuneration of part of the employees.

ADHERING TO THE PRINCIPLES OF THE UN GLOBAL COMPACT

Our participation in UN Global Compact emphasizes Favini's commitment to ESG issues. We joined in 2023, and we are proceeding in the adhesion process.

1.6 Responsible management of the value chain

1.6.1 Customer relations

The customer portfolio is a critical asset in Favini's generation of long-term value and respect for our customers is a fundamental value in our way of doing business. Favini aims to build long lasting customer relationships by regularly supplying products based on fairness, loyalty and transparency. This commitment is evident in the fact that over 90% of our customers maintain stable, long-term relationships with us. Specifically, over 93% of the turnover generated in the years 2021-2023 came from customers with whom we had had business relations during the previous three years, while about 7% came from new customers. Conversely, around 96% of the turnover in the years 2018-2020 was generated with customers with whom we also had relations in the following three years.

The periodic customer satisfaction survey for all three divisions of Favini was conducted in 2023. The results confirmed Favini's excellent relationship with its customers in a cross way, highlighting the quality of our Organisation's products and services. The survey included questions on ESG issues to gather our customers' assessments and insights. It was interesting to note the diverse sensitivity to these issues across the different sectors we serve.

Favini's facilities are certified according to UNI EN ISO 9001:2015. Our ecological and sustainable identity is reflected in the quality and innovation of our product range, which is characterised by limited risks regarding potential problems of quality, harmfulness and hazards in use. The internal system for collecting and managing reports from business partners is precise and continually evolving to improve the timeliness of interventions and effectively manage any product quality issues. The company has a well-established operating method for handling customer complaints, with technical staff responsible for receiving and processing reports.

During 2023, there were no instances of non-compliance related to product health and safety, information, labelling or violation of customer privacy.

A Management Review is held annually, during which the results achieved are analysed with respect to the targets set for all relevant areas, and new objectives set for the coming year.

The Group is a member and active contributor to trade associations such as Confindustria, Assocarta and Aticelca.

1.6.2 Supply chain management

Favini considers it crucial to integrate sustainability throughout the supply chain, interacting with suppliers to purchase goods and services responsibly.

Responsible supply chain management, based on the principles of corporate social responsibility, allows us to obtain economically, socially and environmentally sound products, thus creating value for the company and its stakeholders.

Supplier evaluation questionnaire

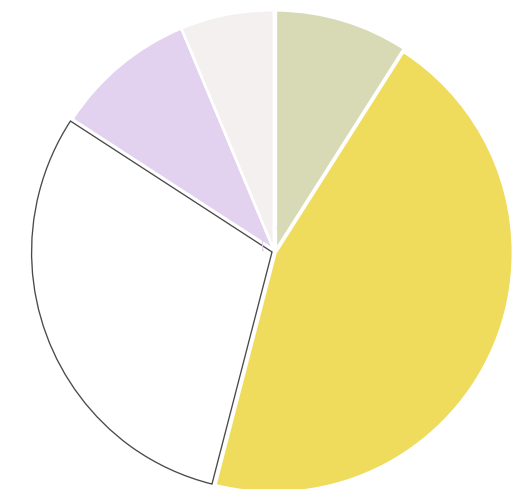
Favini uses an in-house qualification questionnaire to assess the sustainability of its suppliers.

The questionnaire allows us to assess five aspects of supplier performance: business management, human rights and working conditions, environment, business ethics and responsible supply chain management. Through these assessments, we can monitor regular suppliers with whom we have established relationships and select new ones, ensuring our supply chain is as sustainable as possible.

After evaluating their answers, each supplier receives a score from A to E.

WEIGHT OF SUPPLIERS BY LEVEL OF SUSTAINABILITY
(TURNOVER)

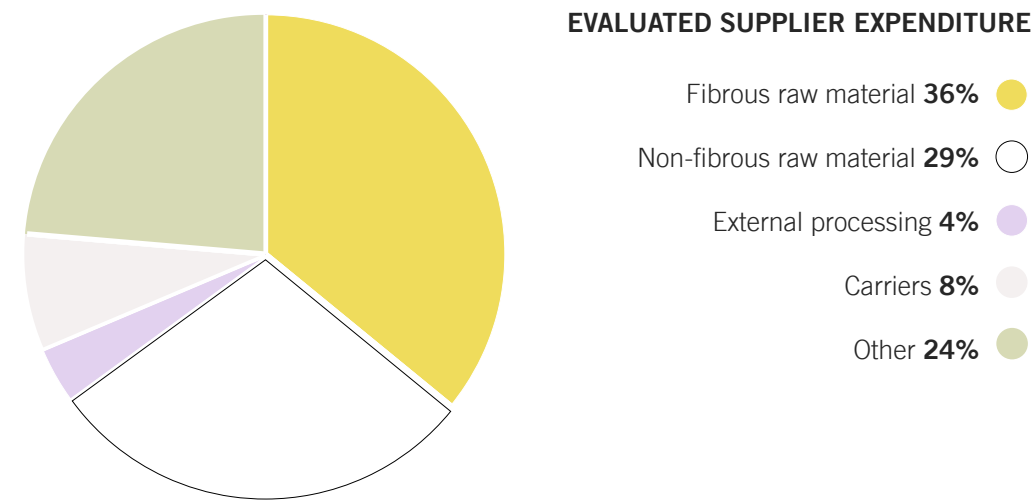
A - Excellent	9%	●
B - Good	45%	●
C - Fair	30%	○
D - Sufficient	10%	●
E - Insufficient	6%	●



For suppliers with an 'E' ranking, Favini undertakes to investigate, through supplementary systems (e.g. supplier audits, collection of additional information, etc.), the actual possibility of continuing a collaborative relationship and signing a purchase contract with them.

Monitornig

The effectiveness of the monitoring is demonstrated by the ratio of expenditure assessed with the questionnaire to total expenditure. Through the questionnaire, 102 suppliers, representing 88% of the selected sample and covering 75% of the purchases turnover, were assessed.



The selected suppliers were classified according to the industrial sectors to which they belong: supply of fibrous raw materials (cellulose), non-fibrous raw materials (chemicals and others), contract manufacturing, transport and other services (e.g. maintenance and energy). This subdivision enabled more accurate analyses, such as positioning the evaluated supplier with regard to the average of other companies in the relevant sector and the maximum obtainable score.

Expenditure on local suppliers

Lastly, where possible, Favini establishes partnerships with suppliers based in Italy to foster the development of local areas and create value in the national economy. However, when choosing a supplier, we must also consider the product category, which is not always available locally, and the quality of the product purchased.



1.6.3 Risk analysis along the value chain

Corporate activity is characterised by managing a series of vastly different risks arising, more or less directly, from the context in which the Organisation operates. The Board of Directors has identified several significant risks and shared the methods for managing and mitigating them.

Below is a list of these risks.

RISK OF REDUCTION IN PAPER CONSUMPTION

Global paper consumption recorded a risk of a structural decrease, as a result of the continuing replacement of paper with digital media. The Group tackled this risk through a niche strategy in two paper market segments; one for special paper for graphic/packaging use and the other for special Casting Release paper. These market sectors highlight positive trends and allow the Group to achieve a higher-than-average margin in the paper sector. As these niches are relatively small, they are less sensitive to fluctuations in sales prices, thus ensuring more stable results.

RISK OF DEPENDENCE ON ONE RAW MATERIAL

Paper production in the two facilities largely depends on the supply of different types of pulp, which is a significant part of the make-up of the finished product. The availability of pulp in the market is influenced by factors that are difficult to predict in advance, such as climatic conditions and demand in the various markets. These factors can have a huge impact on both availability and purchase prices, with significant effects also on business profitability. The Group manages availability risk through contracts with suppliers

that define annual quantities; a constant and careful analysis of order profitability aims to keep the risk derived from purchase price fluctuations under control.

RISK OF DEPENDENCE / FLUCTUATIONS IN ENERGY RESOURCES

The production of paper is a process commonly referred to as “energy-intensive”, that is to say with a high consumption of energy resources, specifically Gas and Electricity. The functioning of the production process is therefore dependent upon the availability of these resources. Similarly the profitability of the business can be affected by any fluctuation in the cost of energy.

The Group has equipped its plants with highly efficient technologies which, by using of gas, supply the electricity, steam and hot water necessary for their operation. Through careful monitoring of this specific market, if deemed convenient, the company may sometimes sign annual contracts that guarantee the supply and price of the resource. Particularly high or sudden changes in prices can also be reversed on the selling price of the products in order to preserve business profitability.

RISK OF WATER SHORTAGE

The production process of both production plants withdraws significant quantities of water from the aquifer to then discharges a slightly lower quantity into the surrounding canals once it has been purified. In the long life of both plants, there has never been a shortage problem regarding water from the wells below, but the gradual reduction in water availability resulting from the drop in rainfall makes it necessary to highlight the risk of possible water shortages. The Group constantly monitors the situation and is committed to reducing water withdrawals to preserve available reserves as much as possible.

RISK OF SAFETY AND ENVIRONMENTAL ISSUES

The Group carries out activities in the two production facilities, which are subject to the risk of problems related to workers' safety and the presence of products that are potentially hazardous to the environment. The Group is strongly committed to reducing these risks by continuously adapting buildings, plant and machinery in line with safety regulations. Both facilities have long held the ISO 45001 certification for health and safety and are also ISO 14001 and EMAS certifications with regard to environmental

management systems. They operate pursuant to the Integrated Environmental Authorisations, granted by the supervisory authorities; these certifications verify the existence and proper execution of procedures for minimising the associated risks.

CREDIT RISK

The Group normally conducts sales by granting credit to its customers at standard terms applied in the different markets where it operates. The risk deriving from the non-collection of these receivables is managed internally through a procedure, which involves granting the customer a credit limit in advance, which is constantly monitored with the support of the sales force. The existence of an essentially stable customer portfolio over time has historically reduced the amount of losses on receivables.

EXCHANGE RATE RISK

The Group handles a significant amount of foreign currency, meaning it is exposed to potential fluctuations in exchange rates (especially the USD), which could impact company profitability.

The Group has adopted an adequate policy for managing the exchange rate risk that defines the guidelines, rules, roles and responsibilities of the actors involved as well as the operating limits of the risk management process applied to the core business of the Favini Group.

More specifically, the Group minimises the risk with respect to the USD through the natural offsetting of sales and purchases in currency, which considerably reduces the exposure. Furthermore, for the hedging of currency risks on transactions, during the year derivative contracts were concluded with leading domestic credit institutions.

LIQUIDITY RISK

Liquidity risk is the risk of the Group not being able to fulfil its financial and commercial obligations. The Group manages this risk through the constant analysis of its current and prospective financial position, taking account of the cash flows expected on the basis of already known credit and debit positions, supplemented by budget forecasts.

The Group is equipped with both short and long-term lines of credit to meet financial commitments that are reasonably foreseeable within the current operational structure.

INTEREST RATE RISK

The Favini Group has significant exposure with the banking system. In spite of this, the risk deriving from the fluctuations in interest rates is limited. The Group has ensured that its own long-term loans are provided with “CAP” clauses, imposing a ceiling on the economic impact deriving from an increase in rates.

The short-term credit facilities, where the rate is subject to market fluctuations, reflect the impact on the company which is limited by the amount used on average compared to the overall exposure.

IT SECURITY RISK

The Group makes extensive use of IT services both internally and in relations with external counterparties. There is a risk that external parties may access the company’s IT systems and the information contained therein creating problems for operations or stealing confidential information. The Group has organised itself in order to prevent risks of access to its IT system and the information contained therein and monitors the risk of cyber-attacks on an ongoing basis.

RISK OF SHORTAGE OR INADEQUACY OF HUMAN CAPITAL

Adequate human resources, in terms of both numbers and skills, are crucial to achieving business goals. The labour market is facing increasing complex challenges: imbalances between supply and demand, talent shortages, wage tensions because of inflation, an increased propensity for people to change jobs and a cultural shift towards a better work-life balance. The Company is addressing this risk through a specific HR strategy based on activities and initiatives designed to improve its ability to attract and retain talent and provide continuous training for developing technical and behavioural/interpersonal skills.

1.7 Materiality Analysis

For its first Sustainability Report, Favini analysed material issues for the Group and its stakeholders in the three ESG areas (Environmental, Social and Governance). In the first stage, we conducted a context analysis using a risk-based approach to identify and assess the factors that influence or could influence the Group during its activities and business relations. We then classified the issues according to the associated risk level and through a specific benchmark with companies in the sector.

In a subsequent stage, Favini involved its stakeholders in formulating its materiality analysis. The stakeholders involved included suppliers, customers, employees, trade union representatives, management, shareholders, the local community, universities and research centres, financial and credit institutions and supervisory and certification bodies. We selected a representative sample for each of the above categories to receive an online questionnaire. The questionnaire asked various stakeholders to rate the relevance of each issue in relation to the Organisation's work, giving a score from one (not at all relevant) to five (extremely relevant) from the perspective of the specific category.

We also sent the same assessment to the Organisation's top management to examine their sustainability strategy priorities. We processed the results using a weighted average according to the size of each stakeholder group.

The data collected from this survey, combined with the data obtained from the context analysis, made it possible to create the materiality matrix below, which brings together the topics with an average score above three.

This year, after renewed involvement from top management and the Susteam, the conclusion was that the analysis conducted last year was still representative of the Organisation's internal and external context. As a result, the 2023 Sustainability Report retains the list of material issues identified last year. A new analysis based on the dual materiality matrix is due in the coming months and will be reflected in the 2024 Report.

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 opportunities |
| 7 Reduction of air emissions | 14 Support to the local community |



**ECONOMIC
RESPONSIBILITY**

2. Economic responsibility

2.1 Income Statement

€/000	2021	2022	2023
Gross sales	166.857	200.905	188.554
Variable cost of goods sold	(106.627)	(137.082)	(113.800)
Industrial Added Value	60.230	63.823	74.754
Total fixed costs	(40.546)	(43.851)	(45.938)
EBITDA	19.684	19.972	28.816
Operating profit from ordinary operations	10.390	9.915	19.506
Net profit	5.643	6.473	12.084

The figures represent the stability over the years in generating shareholder value and the significant improvement achieved in 2023.

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 €172,127 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 years 2021-2023.

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 by allocating appropriate resources to ordinary and extraordinary maintenance and taking measures to increase the productivity and efficiency of the plants. Each year, some of this investment goes into improving workplace safety conditions.

Overall, the resources dedicated to the above goals averaged 5,3% of turnover over the three years.



**ENVIRONMENTAL
RESPONSIBILITY**

3. Environmental responsibility

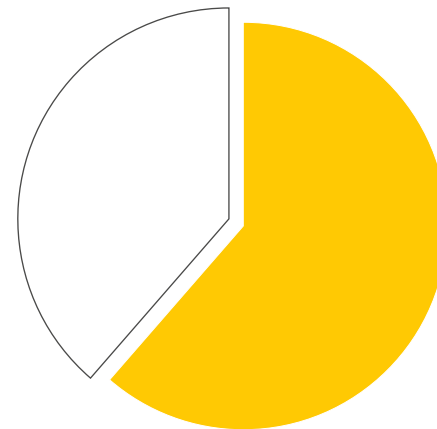
3.1 Materials

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.

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

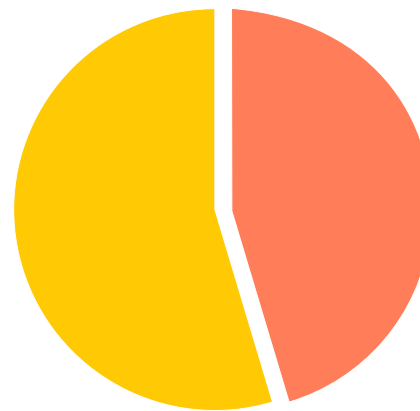
By using 100% FSC™ (Forest Stewardship Council, certificate number: FSC-C001810), COC (Chain of Custody) or CW (Controlled Wood) certified cellulose in its papers, Favini categorically rejects the use of raw materials from illegally logged forests or areas where human or workers' rights are violated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



CERTIFIED FIBRES 2023

FSC COC 60% ●
FSC CW 40% ○

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



ORIGIN OF CELLULOSE 2023

South America 55% ●
Europe 45% ●

3.1.2 Alternatives to virgin cellulose

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

The ultimate recycled ecological line is Shiro Echo, 'green' paper that contains 100% 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.

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; Crush, made from by-products of agro-industrial processing; and Alga Carta, which contains algae, have been brought together under the 'Paper from our Ecosystem' label due to their environmental characteristics. The papers belonging to this brand share the following requirements:

- **NEUTRALISED EMISSIONS**

unavoidable CO₂ emissions are fully offset through the purchase of carbon credits and participation in specific environmental projects.

- **BIODEGRADABILITY AND RECYCLABILITY**

FSC™ certified, recyclable and 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 material) and/or pre-consumer fibre. Alternatively, or in addition, they contain eco-innovative raw materials, such as annual or upcycled fibres.

- **UPCYCLING 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**

they are produced exclusively with 100% renewable energy. The Alga Carta, Crush, Refit, Remake and Tree Free lines use EKOenergia - certified self-generated hydroelectric power. By contrast, the Shiro Echo line is made entirely from energy produced from renewable sources such as water, solar, wind and geothermal power.



3.1.3 Consumption of materials

Favini uses different types of materials in its production processes, which can be classified into two groups:

- Renewable material: material derived from abundant resources that are rapidly replenished through ecological cycles or agricultural processes.
- Non-renewable material: material that does not regenerate over short periods.

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

	2021		2022		2023	
	Renewable	Non-renewable	Renewable	Non-renewable	Renewable	Non-Renewable
VIRGIN CELLULOSE	55.226	-	59.643	-	53.734	-
RECYCLED CELLULOSE	4.037	-	4.385	-	3.180	-
FIBRES FROM ANNUAL PLANTS	241	-	490	-	328	-
ALTERNATIVE FIBRES	148	-	225	-	207	-
PAPER*	2.016	-	1.678	-	1.026	-
CARDBOARD*	95	-	72	-	79	-
STARCHES	4.997	-	4.979	-	4.231	-
KAOLIN	-	2.801	-	2.495	-	1.396
CARBONATES	-	12.233	-	14.054	-	12.391
CHEMICALS	-	6.386	-	6.961	-	6.257
OTHER MATERIALS	-	-	-	27	-	37
PAPER AND CARDBOARD**	734	-	930	-	595	-
STEEL**	-	1	-	3	-	1
WOOD**	1.631	-	1.607	-	1.510	-
PLASTIC**	-	700	-	733	-	365
TOTAL PER CATEGORY	69.124	22.121	74.009	24.273	64.889	20.447
TOTAL	91.245		98.281		85.336	
PERCENTAGE OF THE TOTAL	75,80%	24,20%	75,30%	24,70%	76,04%	23,96%

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

** Materials used for packaging.

3.2 Water resources

Water plays a crucial role in paper production. This enables the handling and distribution of the fibres that will form the structure 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 is one of 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 efficiency, Favini firstly 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, less than 1% of the total.

The table here shows the quantities of water withdrawn by the Group broken down according to the withdrawal source. Only water taken from aqueducts is fresh water ($\leq 1,000$ mg/L total dissolved solids).

	U of m'ment	2021	2022	2023
Surface water	ML	0	0	0
Groundwater (from well)	ML	2.436,09	2.599,41	2.268,67
Seawater	ML	0	0	0
Water produced	ML	0	0	0
Third-party water (from aqueduct)	ML	7,18	7,161	6,56
Total water withdrawals	ML	2.443,27	2.606,57	2.275,23
Tonnes of Continuous Post-Winder Machine Production	t	77.071	82.364	71.687
Intensity of water withdrawals	ML/t	0,0317	0,0316	0,0317

It is worth emphasising that the intensity of water withdrawals in the two production plants is significantly different; in particular, the Crusinallo plant, which, alongside paper production, extensively uses water for coating activities, has higher water withdrawals than Rossano Veneto.

The specific consumption levels achieved to date represents a result that is difficult to improve: making further improvements would require a lot of energy with a negative net balance in terms of sustainability, especially given energy costs that are still heavily dependent on fossil fuels, making further improvements unsustainable.

3.2.2 Water discharges

For water discharges, all water leaving the process goes to efficient purification plants within the facilities. This allows for the restoration of optimal water quality in compliance with legal parameters, thus safeguarding the ecosystem of the watercourses into which it is released.

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

The main water leaving the plant comes from:

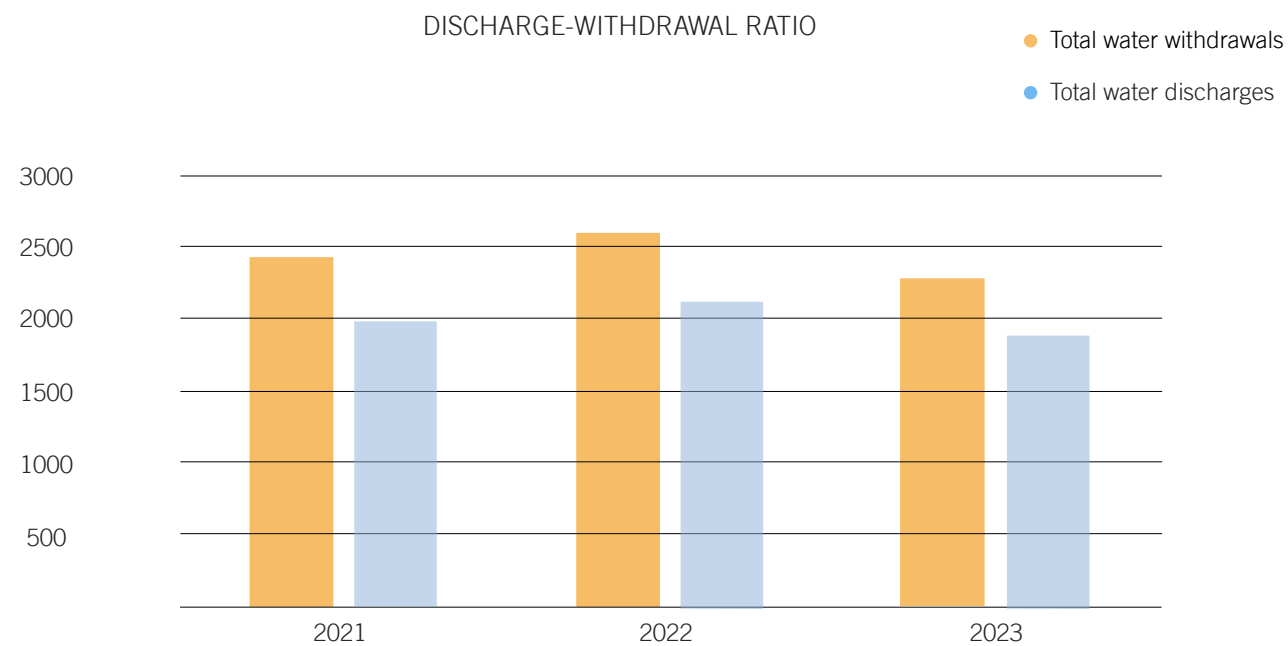
- production process;
- cooling water from the thermal power plant;
- stormwater;
- water deriving from civil discharges and fed into the sewer connecting to the public sewerage network or sub-irrigation.

The table below shows the total volumes of water discharged into the water body following purification treatment. All discharged water is not fresh water (it contains more than 1,000 mg/L of total dissolved solids).

	U of m'ment	2021	2022	2023
Total water discharges	ML	1.971,720	2.151,034	1.860,21

3.2.3 Water consumption

	U of m'ment	2021	2022	2023
Total water withdrawals	ML	2.443,27	2.606,57	2.275,23
Total water discharges	ML	(1.971,72)	(2.151,03)	(1.860,21)
Total water consumption	ML	471,55	455,53	415,02
Intensity of water consumption	ML/t	0,0061	0,0055	0,0058



In 2022, total water withdrawals increased with the launch of the continuous cycle at the Crusinallo plant. In 2023, water consumption decreased in absolute terms compared to the previous year due to some commercial shutdowns, which also caused a slight increase in consumption intensity.

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, specific parameters are carefully checked at different time intervals to monitor the water discharge quality: 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 comply with legal limits at all times and no incidents of non-compliance have ever been recorded.

	U of m'ment	2021	2022	2023
COD	t	149,40	118,18	57,23
Suspended solids	t	25,71	13,90	14,39
Total nitrogen	t	6,17	8,37	6,76
Total phosphorus	t	0,85	0,71	0,60

Below are the pollutants in relation to production (Tonnes of Continuous Post-Winder Machine Production).

	U of m'ment	2021	2022	2023
COD	Kg/t	1,9385	1,4348	0,7983
Suspended solids	Kg/t	0,3336	0,1688	0,2008
Total nitrogen	Kg/t	0,0800	0,1017	0,0943
Total phosphorus	Kg/t	0,0111	0,0086	0,0084

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 plant 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.

Specifically, cogeneration plants meet 96% of the Group's electricity needs. The remaining 4% is purchased from the grid, choosing energy produced from 100% renewable sources (as per the Guarantees of Origin provided by the supplier). However, thermal energy is self-generated internally.

3.3.1 Total energy consumption

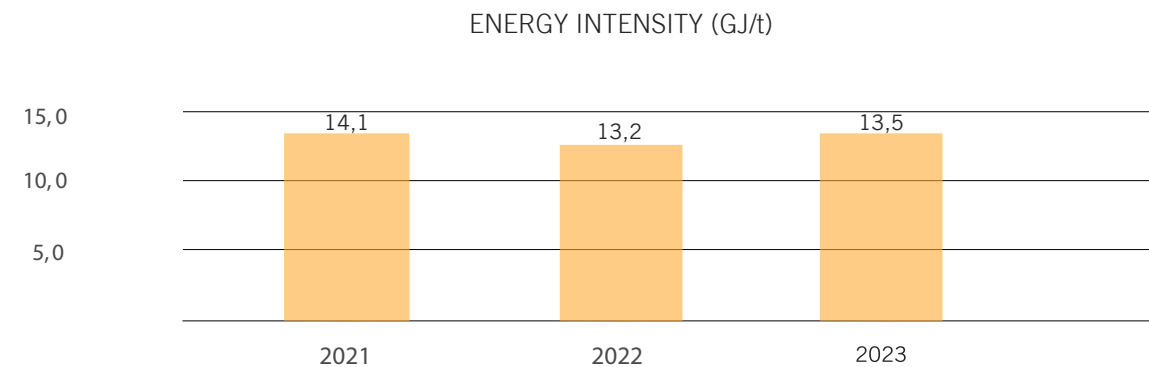
The table below shows the total consumption of purchased and self-produced energy for the period under review. The data was collected monthly by reading the meters.

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.

	U of m'ment	2021	2022	2023
Methane	GJ	1.077.357	1.064.714	955.499
EE purchased from non-renewable sources	GJ	0	0	0
Total non-renewable sources	GJ	1.077.357	1.064.714	955.499
Hydroelectric energy consumed	GJ	3.787	1.966	1.242
EE purchased from renewable sources	GJ	21.161	39.994	24.153
Total renewable sources	GJ	24.948	41.960	25.395
Electricity transferred to the grid	GJ	(15.229)	(16.134)	(10.291)
Total energy used	GJ	1.087.076	1.090.540	970.603
Gross production of paper	t	77.071	82.364	71.687
Energy intensity	GJ/t	14,1	13,2	13,5

The Group's energy intensity, determined by the ratio of total energy consumption within the organisation to net paper production (tonnes of Continuous Post-Winder Machine Production), confirms a gradually improving trend. However, the figure for 2023 is affected by the performance of the Crusinallo site, which has seen its efficiency decrease due to commercial downtime.



3.3.2 Hydroelectric energy

Besides using cogeneration plants, Favini also makes use of hydroelectric power by harnessing the power of the waterways near its plants (Maglio and Mulino plants).

In 2023, the Company produced 3,071 GJ of hydroelectric power.

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 systems and equipment with more energy-efficient versions.

Continuous investments in energy efficiency have enabled Favini to obtain White Certificates (or Energy Efficiency Certificates), which have subsequently been fully reinvested in new energy efficiency projects. In 2023, it had accrued 4.572 EECs.

Between the end of 2024 and the beginning of 2025, the Rossano Veneto site will also start producing the energy needed for its production cycle through a high-efficiency gas turbine power plant, the main lever to achieve the short-term goals of improving energy intensity.

3.4 Emissions

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

- Scope 1: direct emissions generated by the company, or owned or controlled by the company;
- Scope 2: indirect emissions generated by energy purchased and used by the company;
- Scope 3: emissions generated along the company's value chain, such as emissions related to the supply chain.

Currently, Favini monitors direct Scope 1 emissions and indirect Scope 2 emissions.

Regarding Scope 1, the Group produces CO₂ and NO_x emissions in the quantities shown below. CO₂ emissions originate exclusively from burning fuels, especially natural gas and (to a much lesser extent) diesel for industrial uses and are calculated according to the ETS 2018/410/UE Directive. NO_x emissions are mainly generated by cogeneration plants.

Other emissions related to the production cycle are mainly dust, considered insignificant given the concentration found over the years, and process emissions managed according to the Integrated Environmental Authorisation. All emissions are within the limits set by current legislation. Emission point monitoring, performed annually by an accredited laboratory, complies with Italian Legislative Decree 155/2010.

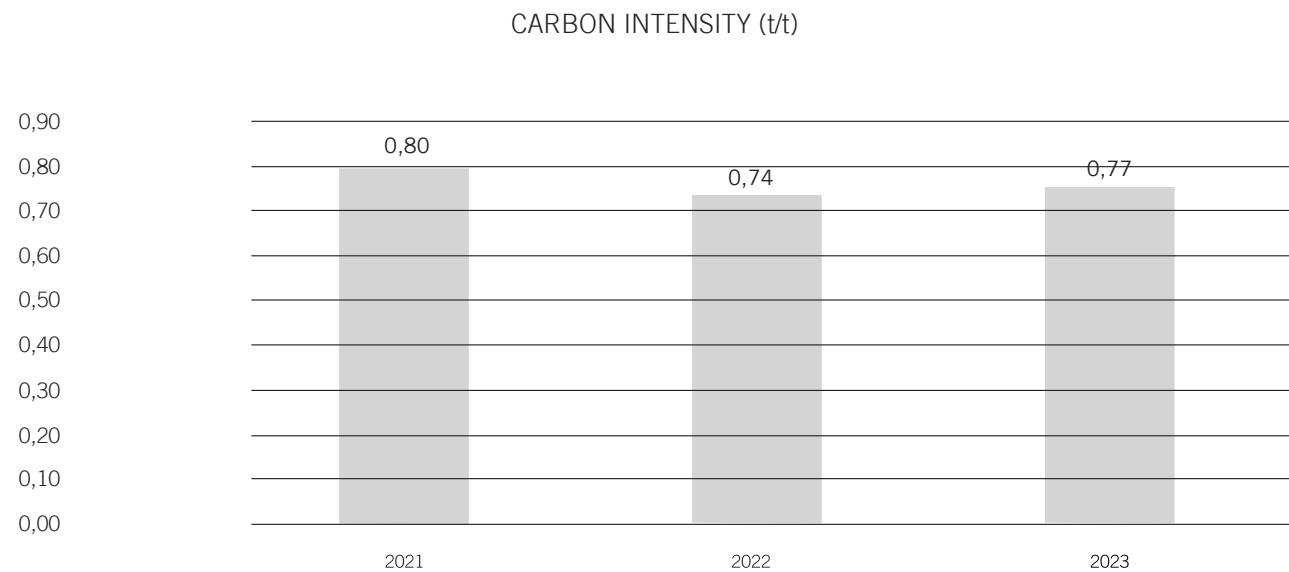
3.4.1 CO₂ Emissions

The Group's direct and indirect CO₂ emissions are shown below. As for Scope 2 emissions, the Company has reduced them to zero as of 2021 by purchasing 100% renewable energy.

	U of m'ment	2021	2022	2023
Direct emissions (scope 1)	t	61.359	61.115	55.212
Indirect emissions (scope 2)	t	0	0	0
Total emissions	t	61.359	61.115	55.212
Direct emissions %		100%	100%	100%
Indirect emissions %		0%	0%	0%

As can be seen from the table below, emissions decreased in absolute terms over the three years. However, as illustrated by the graph, carbon intensity increased slightly in 2023 compared to 2022 due to fewer tonnes produced and commercial downtime.

	U of m'ment	2021	2022	2023
Total CO ₂ emissions	t	61.359	61.115	55.212
Production of paper	t	77.071	82.364	71.687
Carbon intensity	t / t	0,80	0,74	0,77



3.4.2 NO_x Emissions

NO_x emissions are calculated through a direct monitoring process using flue gas analysers.

	U of m'ment	2021	2022	2023
NO _x	t	49,09	39,28	39,64
Production of paper	t	77.071	82.364	71.687
NO _x per tonne of paper	t/t	0,0006	0,0004	0,0006

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 investments made over the years led to a 9% reduction in CO₂ emissions from Scope 1 and 2 between 2009 and 2023.

Opportunities to use alternative renewable energy sources to natural gas, which would reduce emissions, are being assessed for the future. However, the achievable benefits are currently limited given the available technologies, the location of the plants and the energy configuration of our production activities.

3.4.4 Environmental projects for offsetting emissions

In parallel with structural measures, Favini has also decided to address the unavoidable greenhouse gas emissions generated by producing its Paper from our Ecosystem paper lines. These emissions are fully offset by the purchase of carbon credits for certified air emission reduction projects. In cooperation with ClimatePartner, Favini has joined a project to protect forests in the Madre de Dios region in the Amazon to compensate for the residual CO₂ emissions generated in 2023. Forest protection projects are registered according to international standards to ensure that the chosen forest areas are preserved long-term and provide greater value than their deforestation. The Amazonian forests are not only among the most important carbon reserves on the planet but are also home to an enormous diversity of species and support many people. However, global forest areas have decreased dramatically in recent decades due to increased settlement, agricultural use, illegal logging

and mining. The project region is part of the Vilcabamba-Amboró corridor, one of the areas with the highest biodiversity in the world.

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.

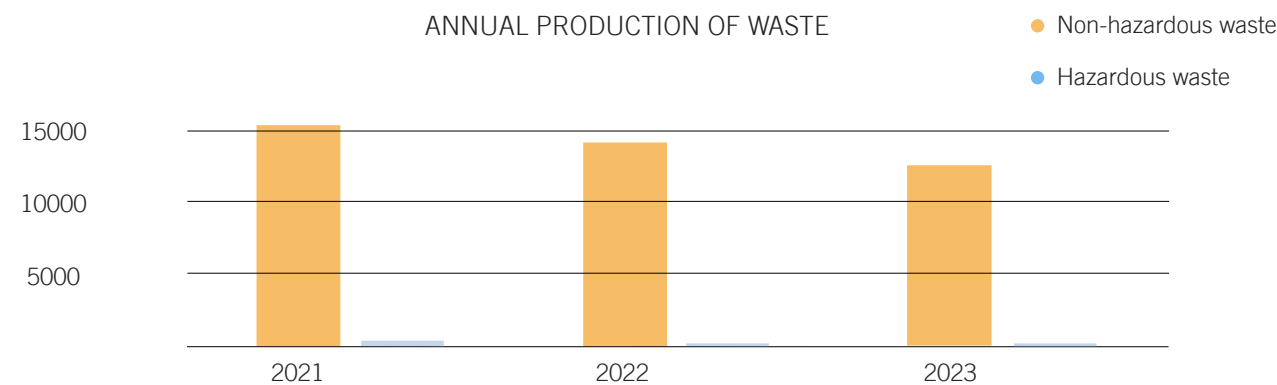
The main types of non-hazardous waste produced are:

- sewage sludge from the process water treatment plant;
- paper and cardboard from production processes, logistics and administrative departments;

Hazardous waste from maintenance operations (e.g. waste oil) is also produced in minimal quantities and is disposed of with a preference for maximum material recovery.

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

	U of m'ment	2021	2022	2023
Non-hazardous waste	t	15.197	14.339	13.159
Hazardous waste	t	17,83	12,38	12
Total waste	t	15.215	14.352	13.171



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 gradually 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 Waste sent for recovery and disposal

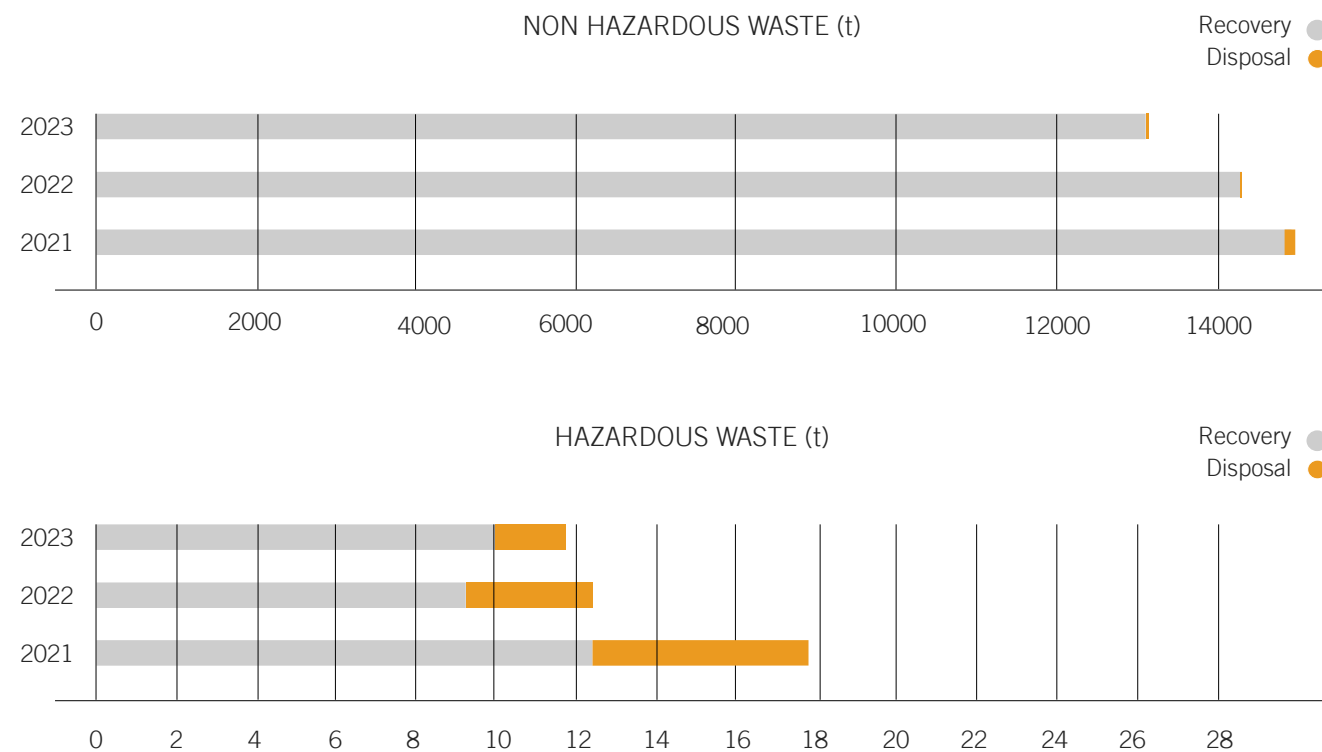
Below is a breakdown of waste by destination, with separate indications of waste destined for recovery and disposal. The latter almost reached zero in 2023.

	Unit of m'ment	2021			2022			2023		
		On-site	Off-site	Total	On-site	Off-site	Total	On-site	Off-site	Total
Preparation for re-use (R13)	tonnes	0	12.994	12.994	0	12.528	12.528	0	10.661	10.661
Recycling (R4)	tonnes	0	214	214	0	171	171	0	343	343
Other recovery operations	tonnes	0	1.773	1.773	0	1.633	1.633	0	2.165	2.165
Total	tonnes	0	14.980	14.980	0	14.332	14.332	0	13.168	13.168

In most cases, waste recovery requires certain activities of preparation in order to achieve an effective re-use.

	Unit of m'ment	2021			2022			2023		
		On-site	Off-site	Total	On-site	Off-site	Total	On-site	Off-site	Total
Incineration (with energy recovery)	ton	0	0	0	0	0	0	0	0	0
Incineration (without energy recovery)	ton	0	0	0	0	0	0	0	0	0
Transfer to landfill (D01)	ton	0	219	219	0	0	0	0	0	0
Other disposal operations (D15-D08)	ton	0	40	40	0	19	19	0	3	3
Total	ton	0	259	259	0	19	19	0	3	3

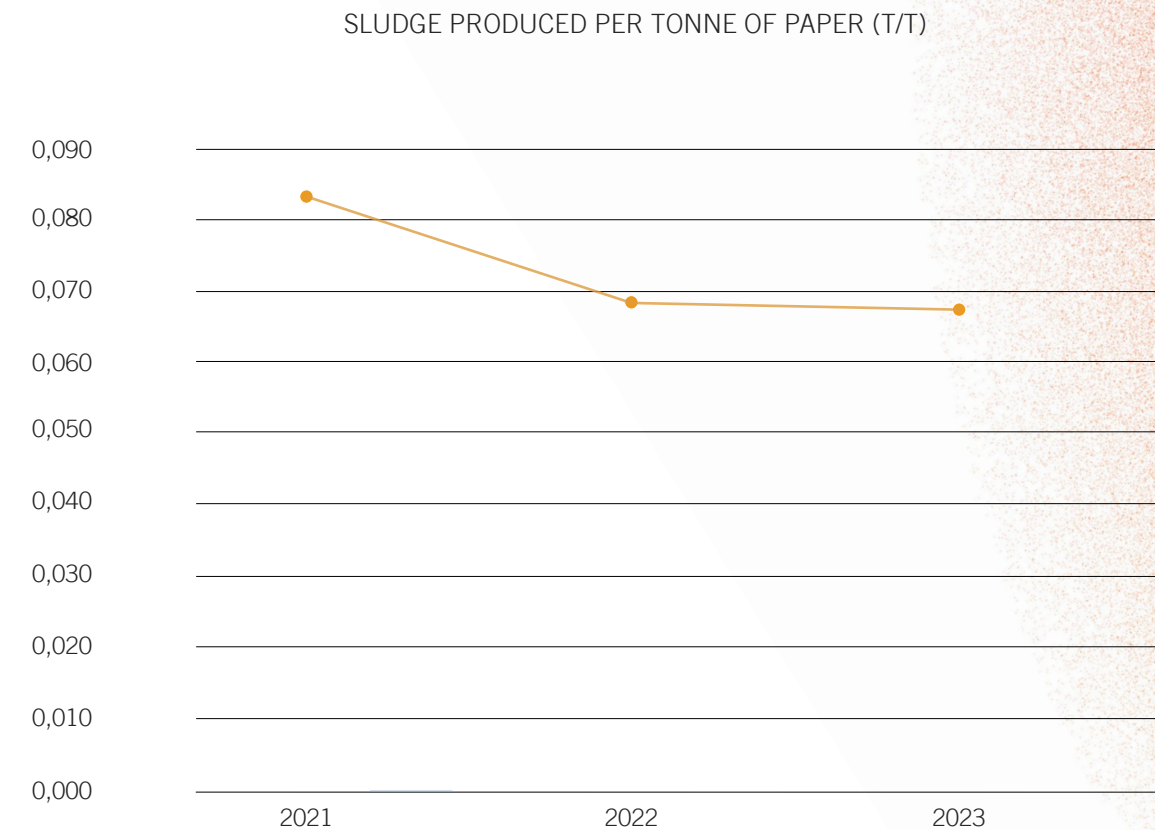
The tables below show the split between hazardous and non hazardous waste, with separate indication of their destination.



3.5.2 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 at Crusinallo.





**SOCIAL
RESPONSIBILITY**

4. Social Responsibility

4.1 Labour and Human Rights Policy

Respect of human rights and valuing of labour are fundamental principles in Favini's corporate culture and strategy. 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 Organization (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 social partners, enhancement of 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. Each person within the Company not only plays an essential role in its optimal functioning but also contributes to developing our corporate culture and is thus fundamental to maintaining a positive organisational and relational climate. Through their diversity, people bring unique skills and experience to every workplace and can contribute to 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, fair, stimulating and inclusive work environment.

4.2.1 Workforce

All the information presented in this section, essentially unchanged over the 2021-2023 period, refers to the workforce as of 31 December 2023.

By geographical area, age and gender

Region	Age (years)	M	F	Total	
Veneto	< 30	20	5	25	8,65%
	between 30 and 50	119	47	166	57,44%
	> 50	84	14	98	33,91%
	Total	223	66	289	
Piedmont	< 30	18	2	20	6,49%
	between 30 and 50	164	15	179	58,12%
	> 50	98	11	109	35,39%
	Total	280	28	308	
Abroad	< 30	0	0	0	0,00%
	between 30 and 50	1	4	5	55,56%
	> 50	2	2	4	44,44%
	Total	3	6	9	
Total	< 30	38	7	45	7,43%
	between 30 and 50	284	66	350	57,76%
	> 50	184	27	211	34,82%
	Total	506	100	606	
		83,50%	16,50%		

By qualification

Qualification	Age (years)	M	F	Total
Executives	< 30	0	0	0
	between 30 and 50	2	0	2
	> 50	7	0	7
	Total	9	0	9
White-collar workers	< 30	4	7	11
	between 30 and 50	54	58	112
	> 50	37	21	58
	Total	95	86	181
Blue-collar workers	< 30	34	0	34
	between 30 and 50	228	8	236
	> 50	140	6	146
	Total	402	14	416
Total	< 30	38	7	45
	between 30 and 50	284	66	350
	> 50	184	27	211
	Total	506	100	606

By type of contract

	Full-Time	Part-Time	Totale
Men	503	3	506
Women	84	16	100
Total	587	19	606

The standard form of employment contracts is open-ended.

Fixed-term contracts may be used to replace absent workers or structure pathways to permanent induction into the company. They represent a residual share of the total (3.5%), which is always well within the legal limits.

4.2.2 Turnover

REGION	AGE (YEARS)	NEW HIRES			TERMINATIONS			BALANCE		
		M	F	Totale	M	F	Totale	M	F	Totale
VENETO	< 30	6	1	7	1	2	3	5	-1	4
	between 30 and 50	6	7	13	3	2	5	3	5	8
	> 50	2	0	2	8	0	8	-6	0	-6
	Total	14	8	22	12	4	16	2	4	6
PIEDMONT	< 30	7	0	7	1	0	1	6	0	6
	between 30 and 50	18	2	20	7	2	9	11	0	11
	> 50	3	0	3	6	0	6	-3	0	-3
	Total	28	2	30	14	2	16	14	0	14
ABROAD	< 30	0	0	0	0	0	0	0	0	0
	between 30 and 50	0	0	0	0	0	0	0	0	0
	> 50	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0
TOTAL	< 30	13	1	14	2	2	4	11	-1	10
	between 30 and 50	24	9	33	10	4	14	14	5	19
	> 50	5	0	5	14	0	14	-9	0	-9
	Total	42	10	52	26	6	32	16	4	20
% OF STAFF		8,3%	10,0%	8,6%	5,1%	6,0%	5,3%	3,2%	4,0%	3,3%

Favini's workforce grew by 3.3% in 2023, with 8.6% of new hires and 5.3% of departures. New hires are concentrated in the under-30 age group, showing the company's clear focus on young people, whose numbers increased by 22.2% in 2023.

By limiting the calculation of outgoing turnover to cases of people leaving the company voluntarily (excluding retirees), the resulting value is a significant indicator of the company's retention capacity. In 2023, this indicator was 2.15%, which is extremely low in absolute terms and lower than the labour market averages.

VOLUNTARY REDUNDANCIES				
REGION	AGE (YEARS)	M	F	Totale
VENETO	< 30	0	1	1
	between 30 and 50	2	1	3
	> 50	0	0	0
	Total	2	2	4
PIEDMONT	< 30	1	0	1
	between 30 and 50	4	2	6
	> 50	2	0	2
	Total	7	2	9
ABROAD	< 30	0	0	0
	between 30 and 50	0	0	0
	> 50	0	0	0
	Total	0	0	0
TOTAL	< 30	1	1	2
	between 30 and 50	6	3	9
	> 50	2	0	2
	Total	9	4	13
% OF WORKFORCE		1,78%	4,00%	2,15%

At Favini, we believe that a low voluntary turnover, besides being an indicator of a good internal climate and staff loyalty, is a key factor in company competitiveness. It ensures that the specialised skills developed by our employees remain within the company.

In 2023 we measured the Gender Pay Gap taking as reference the entire workforce irrespective of function or residence. Average base salary per employee shows a 7.54% Pay Gap in favour of women, while average per capita labour cost figures a 1.92% Pay Gap in favour of men. The difference is explained by the effect of the variable component of the remuneration related to the production work-shifts (24 hours per day, 7 days per week), mainly covered by male employees.

4.2.3 Training

Employee training is critical to the success and growth of any organisation. By investing in this, companies can ensure that their employees have the skills and knowledge required to meet the ever-changing demands in the industry and, ultimately, perform their roles with greater awareness and effectiveness.

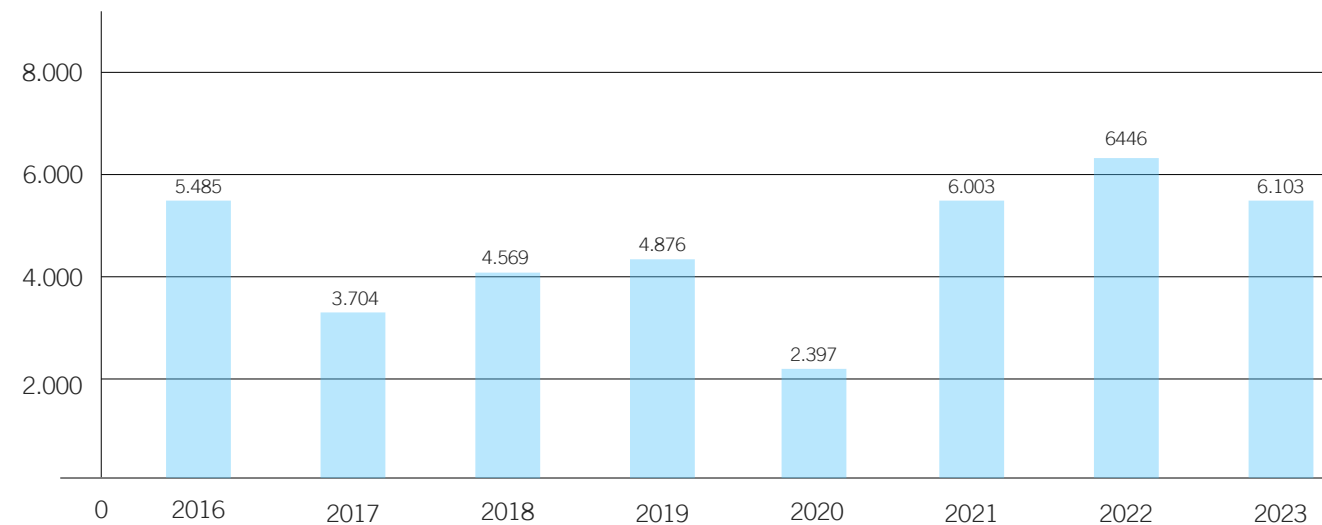
Training is also an important sign of focus on employees and thus contributes to improving their satisfaction. From this perspective, it is an important lever for the attraction and retention of human resources.

Favini considers investing in training in both technical-professional topics (how to 'do' your role) and acquiring cross-cutting or interpersonal skills (how to 'be') essential. This commitment is achieved through numerous training activities.

It is also essential to offer training opportunities to all employees, regardless of role, to foster a culture of constant learning, continuous improvement and openness to change at all levels

We should note that there has been a significant increase in the number of hours of training provided to employees over the last three years, a tangible sign of the Company's commitment to investing in human capital.

TRAINING HOURS PROVIDED PER YEAR



	Workforce	Hours of Training	Hours Per Capita
Executives	9	81	9.0
White-collar workers	181	3,480	19.2
Blue-collar workers	416	2,542	6.1
Total	606	6,103	10.1

The data presented here show the extent to which Favini is committed to providing training and development opportunities for all employees, with the most significant beneficiaries being white-collar workers. At the same time, the organisation of production work on a continuous cycle limits the more extensive provision of training to blue-collar workers.

During 2023, 88.4% of the corporate population had the opportunity to participate in training activities. Focusing on the analysis of female staff, the proportion of people trained is higher than average (92% vs. 88.4%), as is the number of training hours per capita (15.1 vs. 10.1).

It is also evident that Favini has primarily invested in training young people, for whom training hours per capita averaged 25.4.

REGION	AGE (YEARS)	PARTICIPANTS				HOURS OF TRAINING			HOURS PER CAPITA		
		M	F	TOTAL	%	M	F	TOTAL	M	F	TOTAL
Veneto	< 30	18	7	25	100,0%	428	72	500	21,4	14,4	20
	between 30 and 50	91	47	138	83,1%	924	680	1.604	7,8	14,5	9,7
	> 50	61	11	72	73,5%	458	171	629	5,5	12,2	6,4
	Total	170	65	235	81,3%	1.810	923	2.733	8,1	14,0	9,5
Piedmont	< 30	18	2	20	100,0%	593	52	645	32,9	26,0	32,3
	between 30 and 50	162	14	176	98,3%	1.645	323	1.968	10,0	21,5	11,0
	> 50	94	11	105	96,3%	549	208	757	5,6	18,9	6,9
	Total	274	27	301	97,7%	2.787	583	3.370	10,0	20,8	10,9
Total	< 30	36	9	45	100,0%	1.021	124	1.145	26,9	17,7	25,4
	between 30 and 50	253	61	314	89,7%	2.569	1.003	3.572	9,0	15,2	10,2
	> 50	155	22	177	83,9%	1.007	379	1.386	5,5	14,0	6,6
	Total	444	92	536	88,4%	4.597	1.506	6.103	9,1	15,1	10,1
% OF WORKFORCE		87,7%	92,0%	88,4%							

Topics	Hours of Training	% Topics	No. People Involved	Average Per Capita Hours per Participant	Staff coverage
SAFETY	2,975	48.7%	451	6.6	74.4%
ENVIRONMENT	154	2.5%	42	3.7	6.9%
QUALITY	7	0.1%	7	1.0	1.2%
TECHNICAL/PROF.	2,151	35.2%	170	12.7	28.1%
SOFT SKILLS	816	13.4%	138	5.9	22.8%
TOTAL	6,103		536	11.4	88.4%

Analysis of the training hours broken down by topic shows that safety is certainly an important issue, and Favini constantly invests considerable resources here.

The training project related to staff well-being for all employees of both facilities deserves special mention. Four main themes were addressed during this initiative:

- Healthy and conscious eating
- Principles of safe driving
- Basic life support for non-first-aiders
- Health at work

4.2.4 Workplace safety

The above table clearly shows that the most formalised training commitment is in safety, accounting for 48.7% of the total. Managing the health and safety of our employees has always been paramount for Favini.

in concrete terms, this translates into an organisational structure where specific procedures are applied against the backdrop of risk assessment and targeted investments align 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 the risks of their specific duties, 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 improvement actions. Currently, the high percentage of participation in rescue teams at all levels of the Organisation clearly 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 (FI)⁴ and the severity index (SI)⁵ regarding accidents lasting over three days.

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

	2021	2022	2023
Commuting accidents	1	2	0
Injuries < 3 days	5	0	3
Injuries > 3 days	21	9	19
of which serious injuries	2	0	0
Total injuries	27	11	22
Total hours worked	887,148	892,786	894,791
IF	23.67	10.08	21.23
IG	1.17	0.89	0.63

In 2023, the lowest Severity Index of the three-year period was recorded.

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

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

4.3 External partnerships

For many years, Favini has been supporting the Voiala project for reforestation in Madagascar. This project targets the reforestation of a destroyed part of the forest, resulting in soil degradation and loss of flora and fauna. We support a local community in the district of Androy, in the north-east of the island, in raising environmental awareness and education among its inhabitants. We contribute to sustainable agriculture and promote planting strategies and ecotourism in the area. To date, 75 hectares have been planted with around 150,000 trees, all native species suitable for supporting the reconstitution of the local ecosystem.

The Company has strong ties with the local social structure and maintains excellent cultural exchanges with various associations in the area. These include Radici Future, which focuses on sustainability, the circular economy and business ethics; and Win-Win, an annual sports tournament involving many local companies, with the participation of employees and their families, to raise funds for non-profit associations. Primary and

secondary schools in the Vicenza and Verbanò area receive free paper materials for educational activities, materials that would otherwise have to be pulped. Our technicians and experts are invited to presentations on the circular economy and sustainability, and workshops on paper production, inspiring and contributing to the education of future generations on sustainability and the circular economy.

We practise an 'open door' philosophy: with a laser-like focus on the safety of visiting routes and careful organisation involving at least 40 employees across the two facilities, we welcome school children every two weeks upon request. In 2023, 1,450 students and their accompanying chaperones visited our mills. Open doors also for employees' families: in 2023, the most recent Family Day involved both plants, organising an entire day of plant visits for staff families, attracting over 600 participants and receiving positive feedback from young and old alike. Doors are also open to secondary schools wishing to establish apprenticeships and internships in our plants: 7 students took part in 2023, mainly in the technical departments, and no requests were refused.

For some time now, Favini has contributed to organising an international competition in graphics, illustration and social communication, Posterheroes, which promotes dialogue and reflection on topics of social and environmental interest. The best works entered into this contest are selected for a special calendar printed on various papers from our production, using printing techniques that enhance the expression of diversity.

We support a historical paper training institution, the San Zeno Salesian Institute, and at least one of our young technicians attends the annual specialisation course. Alongside Aticelca, an association that brings together paper industry technicians and experts, we help to develop an industrial culture for the circular economy and recycling applied to paper production.

4.3.1 Partnerships for innovation

Over the years, Favini has established and maintained many partnerships with research institutes and universities 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.

Methodological note

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 scope of the Report, detailed in Chapter 1, covers the entire Favini Group, including its subsidiaries, in the consolidated financial statements. Therefore, references in this document to “Company” or “Group” or “Favini” or “Organisation” refer to the companies taken as a whole. By contrast, when a figure does not refer to the Group as a whole but to a subsidiary or a specific facility, this is highlighted.

The reporting period is the same as the Group’s Consolidated Financial Statements, covering 1 January 2023 to 31 December 2023.

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. Please note that raw material consumption data from previous years had to be revised following an improvement in data collection methods and that the unit of measurement for water resources was changed from cubic metres (m³) to millions of litres (ML).

The Report presents qualitative and quantitative information on ‘material topics’ to the Group and its stakeholders. We identified these issues through a materiality analysis carried out according to a risk-based thinking approach, as explained in the relevant section.

We calculated the indicators accurately and promptly based on data from general accounting, internal data collection and other available information systems. No estimates were used to calculate the indicators.

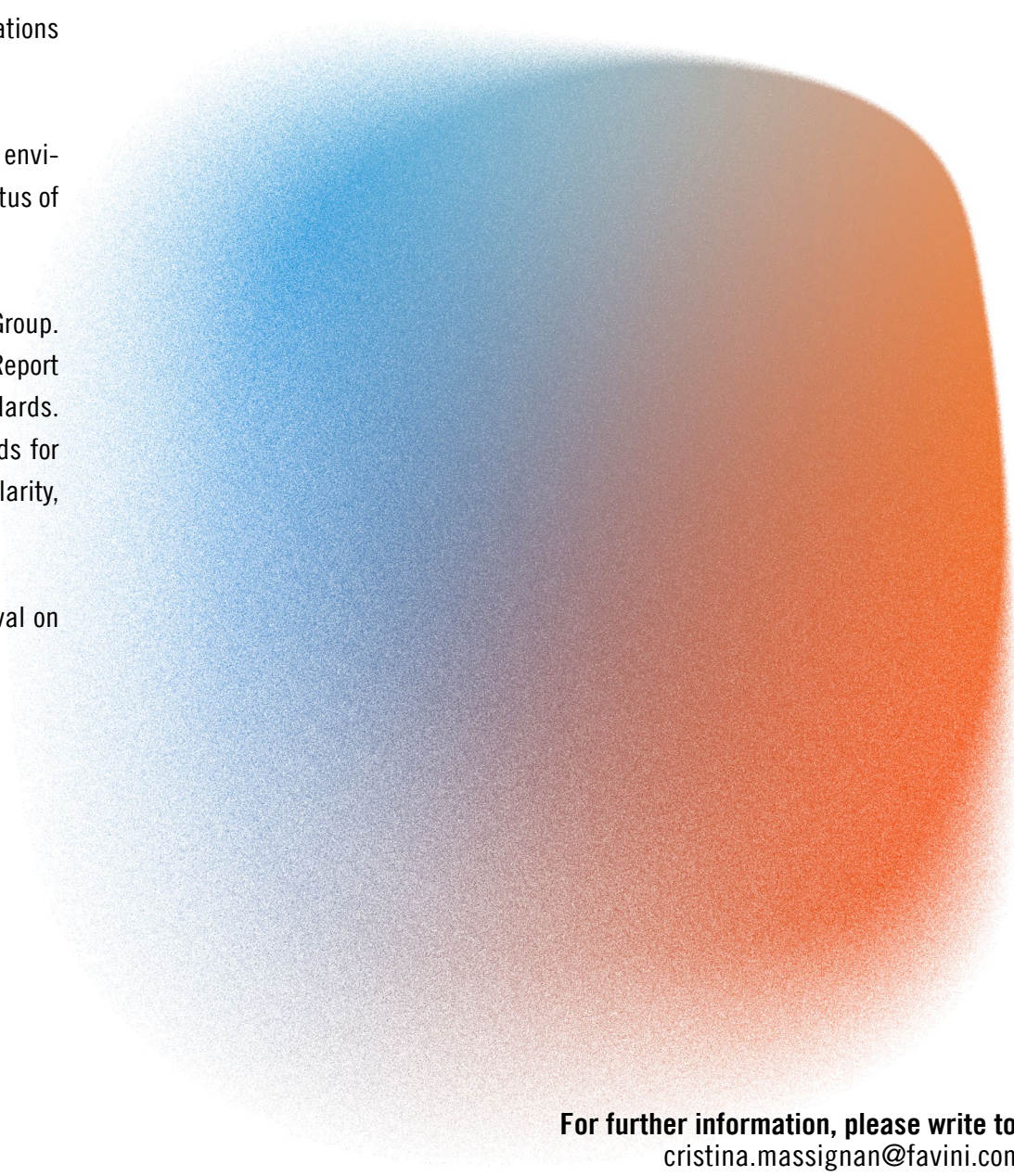
To calculate Scope 1 and 2 emissions, we used conversion and emission factors pro-

posed annually by the Italian Ministry for the Environment and internal calculations based on natural gas quality.

This year, the Group supplemented the presentation of its objectives in terms of environmental, social and governance sustainability by providing an update on the status of each of them as of 2023.

The process that led to the drafting of the document involved all areas of the Group. The contact persons of the various corporate functions collected the data in the Report and subsequently processed it according to the indications provided by 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 to Favini’s Board of Directors for approval on 19 June 2024 and signed by the Group CEO.



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

GRI Index

Favini S.r.l. has reported the information mentioned in this GRI content index for 01.01.2023 to 31.12.2023 with reference to the GRI 2021 Standards.

Indicator	Paragraph	PAGE	Notes
2-1 Details of the organisation	1. The Favini Group	4	
2-2 Entities included in the organisation's sustainability reporting	1. The Favini Group	4	
2-3 Reporting period, frequency and contact point	Motodological Note	41	
2-4 Restatements of Information	Motodological Note	41	
2-6 Activities, value chain and other business relationships	1.1	5	
2-7 Employees	4.2.1	35	
2-9 Governance structure and composition	1.2	8	
2-10 Nomination and selection of the highest governance body	1.2.1	8	
2-11 Chair of the highest governing body	1.2.1	8	
2-12 Role of the highest governing body in overseeing the management of impacts	1.2.4	9	
2-13 Delegation of responsibility for managing impacts of remuneration	1.2.4	9	
2-14 Role of the highest governance body in sustainability reporting	1.2.4	9	
2-16 Communication of critical concerns	1.3	9	
2-19 Remuneration policies	1.2.3	8	
2-22 Statement on sustainable development strategy	Letter from the CEO	2	
2-23 Policy commitments	1.3; 1.4	9; 10	
2-26 Mechanisms for seeking advice and raising concerns	1.3	9	
2-28 Membership of associations	1.6.1	16	
201-1 Direct economic value generated and distributed	2.2	22	
204-1 Proportion of spending on local suppliers	1.6.2	16	
301-1 Materials used by weight or volume	3.1.3	26	
302-1 Energy consumption within the organization	3.3.1	29	
302-3 Energy intensity	3.3.1	29	
303-2 Management of water discharge-related impacts	3.2.4	28	
303-3 Water withdrawal	3.2.1	27	
303-4 Water discharge	3.2.2	27	
303-5 Water consumption	3.2.3	28	
305-1 Direct (Scope 1) GHG emissions	3.4.1	30	Emissions from the company car fleet are not included in the calculation.
305-2 Energy indirect (Scope 2) GHG emissions	3.4.1	30	
305-4 GHG emissions intensity	3.4.1	30	

Indicator	Paragraph	PAGE	Notes
305-7 Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	3.4.2	31	
306-3 Waste generated	3.5; 3.5.2	32; 33	
306-4 Waste diverted from disposal	3.5.1; 3.5.2	32; 33	
306-5 Waste directed to disposal	3.5.1	32	
308-2 Negative environmental impacts in the supply chain and actions taken	1.6.2	16	
401-1 New employee hires and employee turnover	4.2.2	36	
403-1 Occupational health and safety management system	4.2.4	39	
403-2 Hazard identification, risk assessment, and incident investigation	4.2.4	39	
403-4 Worker participation, consultation, and communication on occupational health and safety	4.2.4	39	
403-5 Worker training on occupational health and safety	4.2.3	37	
403-9 Work-related injuries	4.2.4	39	
404-1 Average hours of training per year per employee	4.2.3	37	The training hours provided only concern the Italian perimeter
405-1 Diversity of governance bodies and employees among employees	4.2.1	35	
413-1 Operations with local community engagement, impact assessments, and development programmes	4.3	39	
415-1 Political contributions			No political contributions were made during 2023
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	1.6.1	16	During 2023, there were no incidents concerning product health and safety impacts
417-2 Incidents of non-compliance concerning product and service information and labelling	1.6.1	16	No incidents of non-compliance with product information and labelling occurred during 2023
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	1.6.1	16	No incidents of breaches of customer privacy and loss of customer data occurred during 2023