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## Letter to Stakeholders

#### Letter from the Chairman

### "Recycling is our way of life"

As we conclude our second sustainability report, I feel confident in saying that the decision we took last year to build on our past experience and to prepare this evaluation of our activities was the right one.

I believe that knowing that our actions both within and outside the company can be interpreted by more than just numbers and actually from a cultural perspective helps us to pursue our daily activities in an effective and consistent manner, encouraging us to take responsibility for our continuous improvement.

Indeed, the value of a sustainability report is more than just a book filled with pretty words and pictures. The true power of this document is its ability to project the spirit of Burgo outside the company, where it can be felt and understood by all of our stakeholders.





This objective is proof of the Burgo Group's ability and wish to self-evaluate, to question itself, and to pursue pathways towards improvement, starting from an awareness that our limits can - and must - be exceeded.

In this social and environmental report we aim to transparently express our vision for the future, based on the tangible past experiences that characterise us.

Our decision to once again pursue this direction was not driven by a wish to improve our PR, although naturally marketing is an essential aspect of any modern company. Instead, we aimed to provide a tool that could be used to measure the credibility of our social and environmental responsibility, and it is in this spirit that this year we have also decided to certify our sustainability report.

Our sense of environmental and social responsibility is not a vacuous, vague idea but rather another way of pursuing our productive presence throughout the region, starting with our constant commitment to recycle waste to create value which, by protecting our natural resources, is an ambitious attempt to pursue a project of social renewal. Now as never before, we all need to reconsider our way of life and how we approach others and the environment.

I hope that this sustainability report is not merely read but also truly understood, and that its meaning goes beyond the words themselves and deeply expresses our commitment to promoting a diverse ethical and social conscience.

Finally, I wish to express my personal, heartfelt and sincere thanks to all of the Group's employees who, despite all of the challenges, fears and insecurities presented by the pandemic, have continued to work safely, selflessly and responsibly.

**Alberto Marchi**Chairman of the Burgo Group

#### Letter from the CEO

# "2020: a year to remember and to learn from".

"We have to continue to look hopefully towards the horizon that awaits us when all this is over, because that day will come.

We concluded last year full of enthusiasm following our excellent performance in 2019, and with the introduction of a new institutional partner (NDR. Fondo QuattroR) on the horizon to conclude a difficult chapter in Burgo's long history and start a new one, in the certainty that it would be full of success and satisfaction. No-one could have imagined that everything would be turned upside down by a pandemic that would invade every aspect of our lives. Even now, no-one can predict how and when it might end. But one thing is certain: all things - even this - must pass, and we must be ready to react to what is likely to be an unusual and different life with the same strength and resilience we have shown in recent months."

These words from Mr Capuano, CEO of the Burgo Group, are addressed to all of the employees, stakeholders and shareholders of the Burgo Group S.p.A. at the end of a year that to describe as "difficult" would be an understatement.





But in fact, rather than placing 2020 into a single category, we should imprint it in our memories and consider it as one of those years that have changed human history.

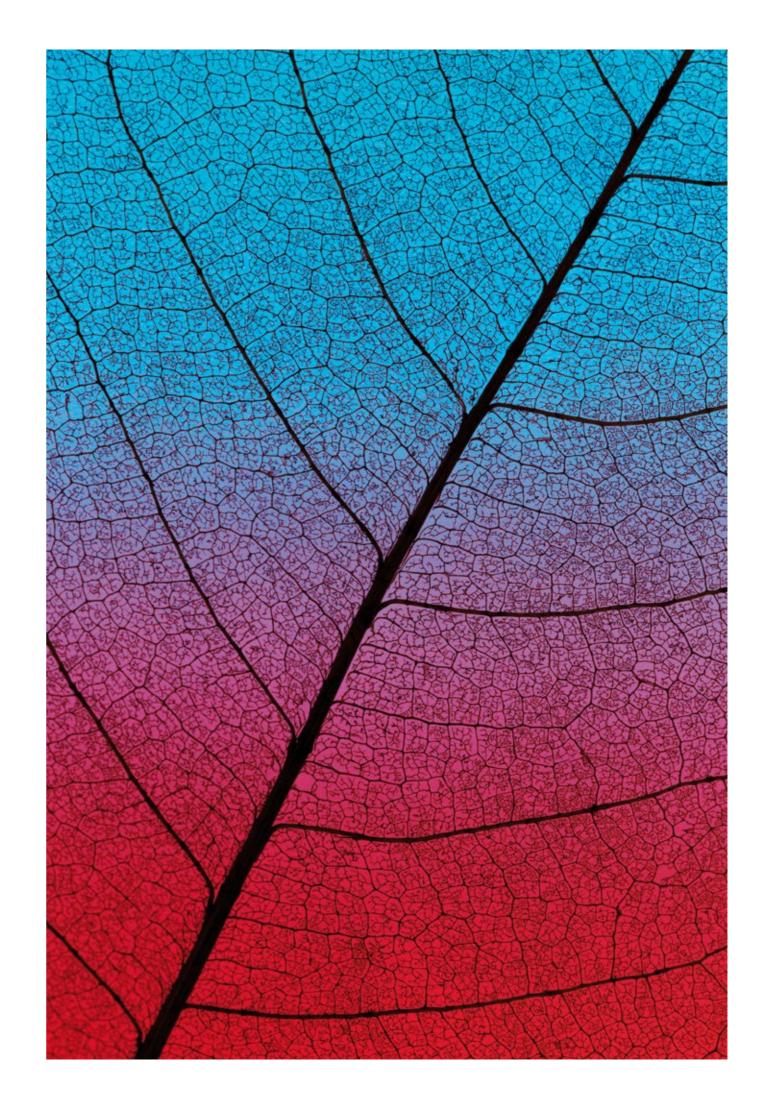
"We should not feel afraid of how our lives might look after all this. History teaches us to feel hope, and to trust in the future. The pandemic has tested us, tearing the veil from our eyes and showing us who we really are and what we really need when we strip ourselves of the trappings we have built around us. And we have come to understand (or so we must hope) that the old normal - where our planet is wracked by injustice and exploitation - is guilty of creating situations and conditions that lead to pandemics, and that therefore it is imperative that we develop sustainable policies that champion social and environmental justice. Sustainability is a necessary response to an inevitable demand for justice both now and in the future.

We must all work towards an ecological transition through the adoption of new economic, technological, ethical and cultural processes that look beyond the here and now with a view to securing our future.

This faith is the fuel that must drive our decisions, and I am proud to say that despite the challenges, the Burgo Group has successfully completed a refinancing operation in conjunction with a share capital increase of 70 million euro by welcoming a new institutional partner. This operation has enabled us to develop an ambitious new investment plan for the next 5 years. Our task is to see the plan through to enable our great company - a family with robust and historic roots - to continue to grow and to create value in all of the contexts in which we are privileged to operate.

This is the spirit with which we intend to confront 2021, a year likely to be just as challenging as the last but which nonetheless will not dampen the satisfaction that we know our commitment, trust and team work will bring.

**Mr Ignazio Capuano** CEO of the Burgo Group





## Note on Methodology

The Burgo Group has long undertaken to report its environmental and business objectives through the publication of environmental reports aimed at providing supplementary information to support the data published in the financial statements.

In this regard, in 2011 the Group began to disclose its environmental sustainability targets and performance in its "Environmental Reports". Since 2012 the Group has produced reports on economical, financial and environmental data, aiming to close the gap between economic and environmental data that had begun to appear. In 2019, with a view to ensuring the maximum level of transparency and to bring its reports in line with those of its competitors, the Group began to produce its Sustainability Report in accordance with GRI Standards.

The report takes into consideration the Burgo Group S.p.A. and all of its subsidiaries, including: Mosaico S.p.A., Burgo Ardennes S.A., Burgo Distribuzione S.r.l., Burgo Energia S.r.l., Gever S.p.A., Burgo Factor S.p.A. and Consorzio Energy Paper S.c.a.r.l. It also includes subsidiary companies involved in sales and distribution outside Italy: S.E.F.E. S.a.r.l., Burgo Benelux S.A., Burgo France S.a.r.l., Burgo UK Ltd, Burgo Central Europe Gmbh, Burgo North America Inc., Burgo Eastern Europe Sp.z.o.o., Burgo Ibèrica Papel S.A.

In this document, the term "Group" or "Burgo Group" refers to all the subsidiary companies mentioned above. The reporting period of this report is generally considered as being from 1 January 2020 to 31 December 2020. Data comparisons are provided for the three years from 2018 to 2020. The data presented in this report refer to the Burgo Group, unless an alternative reporting scope is expressly indicated.

The 2020 Sustainability Report has been produced in accordance with the "GRI Sustainability Reporting Standards" published in 2016 by the Global Reporting Initiative. In line with last year's report, the "GRI-referenced" method has been adopted, in view of the ongoing development of a strategy that defines the Group's sustainability objectives and targets in line with the materiality approach defined by the Standards. A GRI Content Index has been included to facilitate reference to the standards.

To guarantee the reliability of the data presented in this report, the use of estimates has been kept to a minimum. Any estimates provided are duly indicated as such.

For more information on the data contained in this report, please write to us at bilancio. sostenibilita@burgo.com

The Sustainability Report is prepared on an annual basis.



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### 1.1 The economic and financial situation

The distinguishing characteristic of 2020 was the COVID-19 pandemic which began in early 2020 and was still ongoing at the time of writing in early 2021. The prolonged nature of the crisis has led to a 3.5% decline in global GDP, a considerable deterioration on 2019 (+2.9%).

The pandemic occurred in an already critical economic context with negative global growth forecasts due to tensions between the United States and China, Brexit and the sanctions against Russia imposed by the west. According to more recent indicators, in the Euro Zone economic activity will weaken towards the end of the year with a resurgence in infections and the tightening of restrictive measures. In terms of annual performance, Germany, one of the leading economies in the zone, recorded the lowest fall in GDP, with a decline of -5.5% compared to -9.3% in France and -11.1% in Spain.

In Italy, GDP fell by -8.9%, with a decline of -5.5% in the first quarter and -13% in the second quarter, compared to a +15.9% increase in the third quarter driven by a strong recovery in exports and national demand.

As the economic shock affected the whole world, individual countries were unable to mitigate the impact of the crisis through exports, and in fact demand fell in all areas of the globe. In this regard, global trade, which was already suffering from the protectionist measures adopted in previous years, shrunk by -9.6%.

The forecasts for 2021 for the Italian economy and the Euro Zone are heavily dependent on the development of the pandemic, both in terms of the measures adopted to combat the rise in infections (rapid vaccination campaign) and the actions taken to mitigate the impact on economic activity.

The European funds made available by the Euro Zone through the NGEU will be an essential support mechanism. The monetary and financial conditions should remain favourable. The persistence of low interest rates and the support measures adopted by the Government should continue to help mitigate the repercussions of the crisis on business debt and credit quality in 2021 and should not result in a significant tightening of financial conditions.

REDUCTION IN GLOBAL GDP

-3.5%

REDUCTION IN DOMESTIC GDP

-8.9%

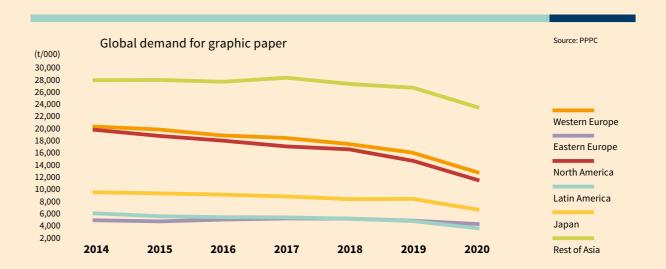
### 1.2 The market for paper

In 2020 the Group was affected by a pronounced reduction in sales caused by the health emergency, which consolidated and exacerbated the decline in the demand for paper for graphic purposes which represents one of the main business sectors in which the Group operates.

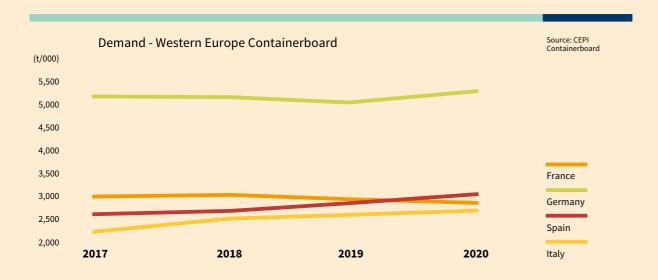
However, the Group also operates in two other sectors, specialty paper and container-board, which were not significantly affected by the crisis, and represent areas in which the Group is focusing its investments. Overall, sales volumes fell by -9.8% compared to the previous year.

In the graphic paper segment, demand in 2020 fell by -18.1% globally, with a negative change in Western Europe of -20.5%. The trend was also reflected in other global markets, with a more pronounced decline in North America (-21.8%), Latin America (-29.4%) and Japan (-21.8%), while the variation was less severe in Eastern Europe (-12.8%) and Asia (-12.2%).

In the graphic papers sector, the market in Western Europe, which is the Group's main market, experienced a fall of -23.7% for CM, -27.6% for CWF and -17.9% for UWF.



The demand for containerboard in Western Europe increased by +1.9%, with +2.3% seen in the RCCM segment in which the Group operates. In line with the European market, demand in Italy increased by +1.7%.



### 1.3 The Group's initiatives

"In a world of uncertainty and constant change, the ability to adapt and transform both on a professional and personal level has become essential and will be the key to future success."

#### THE MEASURES ADOPTED TO COMBAT THE PANDEMIC

One of the Group's objectives is protecting the health, safety and the well-being of its employees. The unexpected health emergency that exploded in March 2020 tested the Group on an issue entirely unrelated to its business: Covid-19.

As the Group's business was considered essential, manufacturing activities were permitted to continue even during the national lockdown (March-April 2020). In this context, the Group promptly took steps to provide its employees with a safe working environment in line with health and safety protocols.

The measures adopted can be divided into two main categories:

- the first category focused on measures to protect employee safety. The Group adopted measures to support its employees and provide correct information on social distancing, hygiene protocols and other precautions;
- the second category covered measures taken to provide employees with the appropriate equipment and support needed to work remotely in complete autonomy.

In addition to the adoption of preventive measures, the Group aimed to support its employees by considering personal needs caused by the school closures, offering employees the possibility of taking personal leave (11,872 hours granted in total) and providing greater flexibility in terms of work times.

Thanks to the prompt adoption of preventive measures, the Group was able to continue its business when infections were at their peak. The only periods of downtime were 10 days in November 2020 at the Tolmezzo facility due to a high number of infections, and multiple closures totalling 41 days at the Ardennes facility in Belgium.

In 2020, the Group had to implement plant shutdowns due to the reduced production caused by the Covid-19 pandemic, requesting some 229,792 hours from the relative Ordinary Employment Guarantee Fund. While it was possible to request the payment of this social benefit directly from the INPS (the preferred option of the Institute), the company chose to advance payments to prevent workers from being affected by the delay necessary for the social security body to collect the necessary data and process the payments.

2020 SUSTAINABILITY REPORT | CONTEXT ANALYSIS

### RESPONSES TO CHANGE

# WHITE TOP LINER: THE NEW PRODUCTION LINE AT THE AVEZZANO PLANT

The Avezzano plant was the first of the Group's facilities to be converted to the production of containerboard. The project involved the transition to the production of corrugated cardboard materials for the packaging sector using pulp.

In 2019 the Group identified the possibility of supporting the containerboard production line with a more ambitious investment project in the new White Top Liner line, which was concluded in 2020 and 2021. This enabled the Avezzano plant to enter into an exciting recycled packaging sector with positive growth prospects in Europe and Italy in particular.

The product's potential is linked to both the intrinsic characteristics of a double-layered product consisting of a white top and a brown back, and to its sustainability credentials.

In particular, the use of recycled brown and white waste paper sourced locally (central and southern Italy) avoids the use of cellulose, thus drastically reducing the impact associated with logistics and transportation.

Similar paper packaging available on the market is mainly sourced from Northern Europe and is produced using virgin and fibres.

The investment enables the plant to produce White Top Liner paper, with a brown back and a white top. There are various different products in the range with different grades of white for the top side.

The new production line became operational in February 2021 and is an important achievement for the Avezzano plant, demonstrating the Group's ability to innovate with a view to protecting the environment and contributing to the circularity of resources.

THE NEW
PRODUCT FROM THE
AVEZZANO PLANT:

WHITE TOP

#### **INVESTMENTS IN 2020-2022**

In response to its commitments, the Group set itself the aim of improving its plants over the next three years in order to minimise the environmental impact of its manufacturing facilities, in line with the 2030 Agenda of the United Nations.

2020 was characterised by robust investment aimed at updating the cogeneration systems at the Tolmezzo and Toscolano plants.

The two modernisation projects concern the High-Yield Cogeneration system and support our commitment to use more energy efficient technology.



The project to upgrade the cogeneration systems will conclude in 2022. Total investments of € 23 million.



#### TOLMEZZO COGENERATION PLANT

The Tolmezzo facility operates various production lines ranging from the processing of raw materials (cellulose) to the production of a broad range of paper.

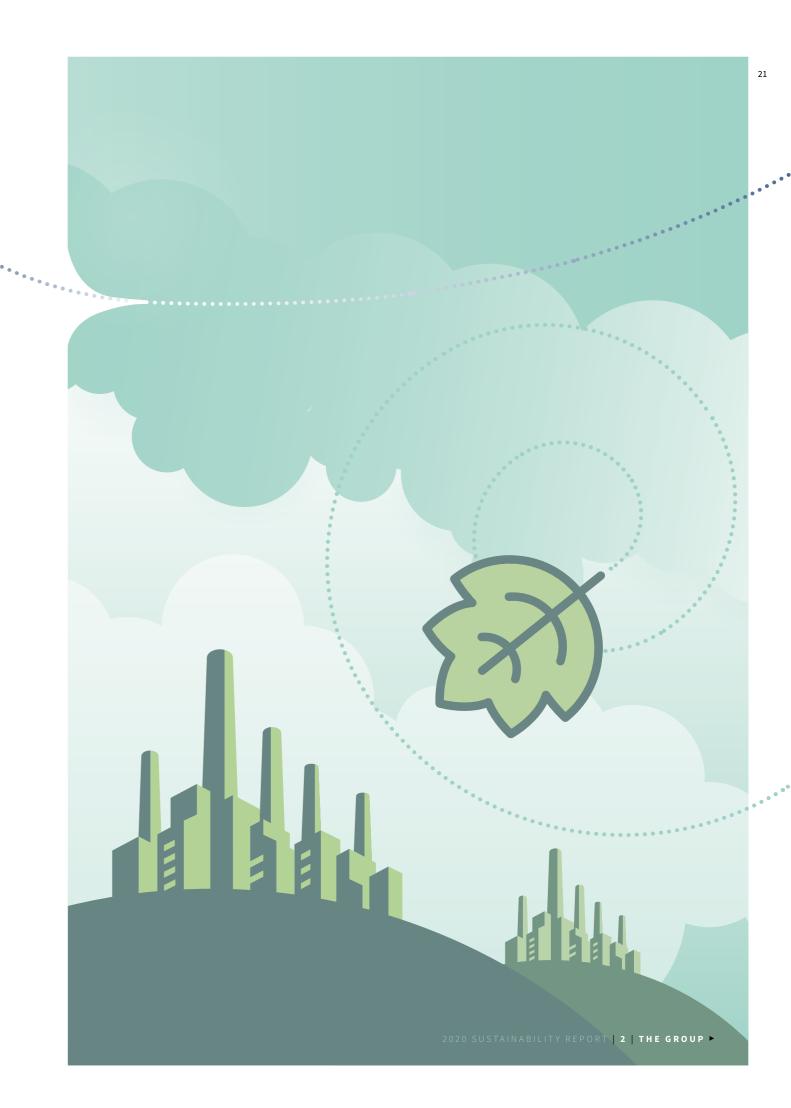
The project involved the installation of a new, modernised plant in 2020, delivered through the installation of a brand new system with an electrical output of 20MW and a thermal output of 65MW, enabling the plant to achieve a number of key objectives:

- more efficient energy production (+60% self-produced electricity for the same amount of gas);
- zeroing of electricity withdrawn from the grid;
- halving of NO, and CO, emissions;
- general improvement in the site's carbon footprint (-22,000 t CO<sub>2</sub>/year).

#### TOSCOLANO COGENERATION PLANT

The Toscolano facility was established in 1906 and is situated in a privileged location on the western shore of Lake Garda.

The project to upgrade the cogeneration plant launched in late 2020 will replace the current 8 MW gas turbine and 4 MW steam turbine, delivering significant benefits in terms of increased energy efficiency, a lower environmental impact and a reduction in the site's carbon footprint (-2,500 t CO<sub>2</sub>/year).



 $<sup>^1</sup>$  To determine the amount of CO $_2$  saved, the calculations used the emission factors published in the ISPRA 303/2019 Report: Greenhouse gas emission factors in the Italian electricity sector and major European countries. Specifically:

<sup>-</sup> greenhouse gas emission factor in the electricity sector for the production of electricity (table 4.9, page 77)

<sup>-</sup> electricity output after the use of energy from combustible fuels used to produce heat at the thermo-electrical cogeneration plants, 0.609 in 2017 (table A.26, page 110); this number was used to calculate the emissions factor associated with electricity distributed to the grid by the cogeneration plants.



2020 SUSTAINABILITY REPORT | THE GROUP

#### 1905 1931 1981 1986 1994 2001 2018 2020 The **Duino** plant is The Verzuolo plant The The Treviso and The Acauisition of Anew The Avezzano Verzuolo Lugo paper mills acquired. In 1991 Tolmezzo the Virton paper production plant is converted is converted from the production of plant is are acquired. In Line 3, one of the paper mill and the line is to produce established. 2014 the plants graphic papers to largest machines Cellardennes launched containerboard. were transferred in Europe, was cellulose the production of acquired. at the to the company launched in Duino. production Verzuolo containerboard. facility in Belgium Mosaico, founded The Avezzano plant. in the same year. paper mill was just a few months acquired in the apart, leading to the foundation of same year. the new company Burgo Ardennes. Merger between Introduction of Cartiera Marchi **Fondo QuattroR** and Burgo Group **Cartiere Burgo** 2004 2020 **Fondo QuattroR** 1959 1989 1992 1971 The Villorba The Arzignano The March The Toscolano paper mill is paper mill is family plant is

2.1 From Luigi Burgo to Today

25% owned by

Cartiere Burgo

by the Marchi

family.

and 75% owned

acquired.

replaced by the

Valchiampo

paper mill.

The Marchi family

acquire

the Sarego

paper mill

#### **ACQUISITIONS - BURGO**

• 1905 – 2020 The **Verzuolo** plant was established. In 2001 it launched the largest production line in Europe. In 2020 the site was converted from the production of graphic papers to the production of container-board.

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- 1931 2020 Acquisition of the **Lugo** plant. In 2014 the subsidiary Mosaico was created and the plant was transferred from Burgo to Mosaico.
- 1931 2020 Acquisition of the **Treviso** plant. In 2014 the subsidiary Mosaico was created and the plant was transferred from Burgo to Mosaico.
- 1942 2015 Acquisition of the **Mantua** paper mill. Production ceased in 2013 and the site was sold in 2015.
- 1973 2020 Acquisition of the Germagnano paper mill. In 2002 the plant was sold and now only the land remains.
- 1978 2020 Acquisition of the "del Sole" paper mill the Sora plant.
- 1980 The company Comecart is founded this ceased operations in 2014 2017. The company Gever spa is incorporated and the company name is changed to Gever spa.
- 1981 2020 Avezzano plant. In 2018 the plant was converted from the production of graphic papers to the production of containerboard.
- 1981 2020 Acquisition of the Duino plant. In 1991 line 3 was launched, one of the largest and fastest machines in Italy.
- 1986 2020 Acquisition of the Timavo Tolmezzo paper mill. In 2014 the subsidiary Mosaico was created and the plant was transferred from Burgo to Mosaico
- 1989 2003 Acquisition of 25% of the Toscolano paper mill. In 2003 the 25% stake was sold to the Marchi paper mills.
- 1991 Foundation of the company Burgo Factor.
- 1994 2020 Acquisition of the Virton paper mill and the Cellardennes cellulose production facility in Belgium just a few months apart, leading to the foundation of the new company Burgo Ardennes.
- 1995 2020 Acquisition of the Chieti paper mill. A small portion of the plant was sold in 2007 and the building was completely demolished in 2010, with just the land remaining today.
- 1993 2008 Acquisition of the Marzabotto paper mill. The hydroelectric power plant was sold in 2011. Half of the plant was sold in April 2011.
- 2003 Foundation of the company Burgo Energia.
- 2004 Burgo Distribuzione is founded with the aim of separating production and distribution activities.

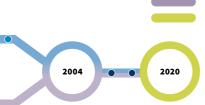
### ACQUISITIONS - MARCHI PAPER MILLS

BURGO GROUP

- 1959 The Arzignano paper mill was founded In 1960 the Valchiampo paper mill was founded.
- 1971 The Sarego paper mill was founded, and was completely renovated in 1994.
- 1989 Acquisition of 75% of the Toscolano paper mill. In 2003 the remaining 25% was acquired from Cartiere Burgo.
- 1998 Acquisition of 60% of the Villorba paper mill.

#### FOUNDATION OF BURGO GROUP S.P.A.

- 2004 Marchi Group takes over the Burgo Group, leading to the foundation of Burgo-Marchi Group.
- 2014 The company Mosaico srl, a wholly owned subsidiary of Burgo Group S.p.A., is founded.
- 2017 Acquisition of the company Gever S.p.A., formerly a subsidiary of Edison, later merged by incorporation with the company Comecart in December 2017.
- 2020 Fondo QuattroR joins the Group.



#### THE NEW SHAREHOLDER - QUATTROR

2020 marked the completion of a fundamental step for the growth, development and evolution of the Burgo Group: the entrance into the Group's portfolio of shareholders of a new partner, the investment fund QuattroR.

QuattroR SGR S.p.A. is an asset management company founded in late 2016. The AMC manages a fund of over € 700 million and specialises in investments aimed at supporting Italian companies through major development projects. The fund's members are leading Italian institutional investors who support companies with robust industrial foundations that are experiencing temporary difficulties.

Through the foundation of BG Holding srl, QuattroR and its long-standing share-holder HGM took control of 91% (increasing to 91.7% in the first few days of 2021) of the shareholding thanks to a  $\in$  70 million share capital increase that consolidated the capital and financial structure of the Group, paving the way for the withdrawal from the recovery agreement pursuant to Article 67 of the 2015 Law on Finance, with the debt fully repaid. At the same time, the company was refinanced with a debt structure better suited to the development needs than the previous one and with a longer repayment plan, and also welcomed the addition of two new credit institutions to support the Group. The Group can now rely on around  $\in$  700 million short and medium term credit lines.

The foundation of BG holding and its introduction into the Burgo Group's shareholding structure has enabled it to benefit from the economic resources acquired through the share capital increase and the industrial and financial synergies obtained through the combination of the market-specific knowledge of experienced industrial partner HGM and QuattoR's financial expertise in the field of business recovery, with a view to sharing Burgo's growth and potential.



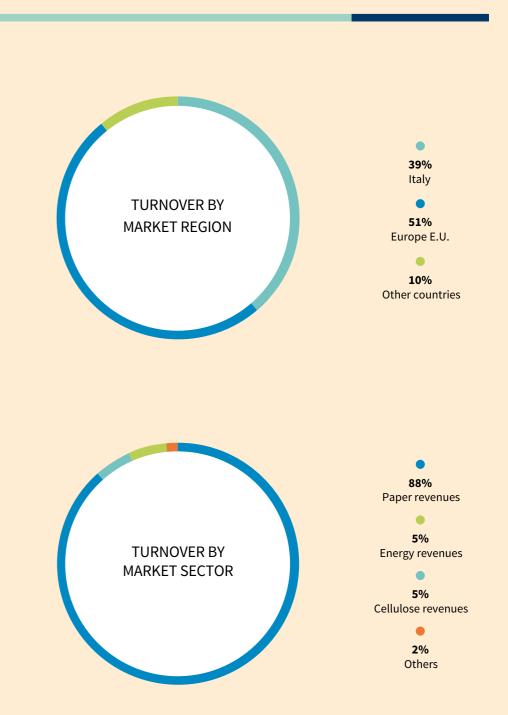
### 2.2 The Burgo Group in figures

Burgo Group S.p.A. is the industrial holding of a Group operating in the paper production and distribution sector, mainly in the graphic paper segment and the cardboard and specialty papers segments (e.g. for food use), as well as in the production and sale of fibrous raw materials (cellulose, wood pulp, de-inked pulp) and energy.

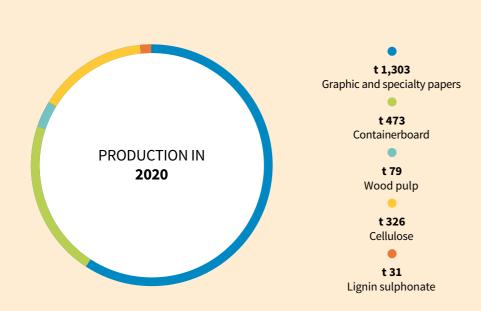
With over 3,336 employees operating in 12 plants across 16 production lines and 7 international sales companies, the Group is a leading partner for businesses operating in the graphics, printing, publishing and packaging sectors.



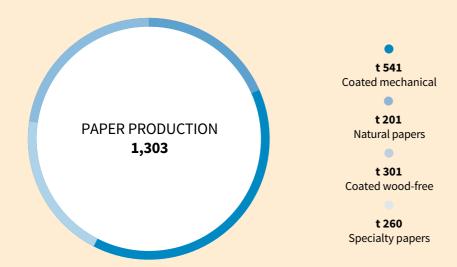
#### **BURGO GROUP HIGHLIGHTS IN 2020**

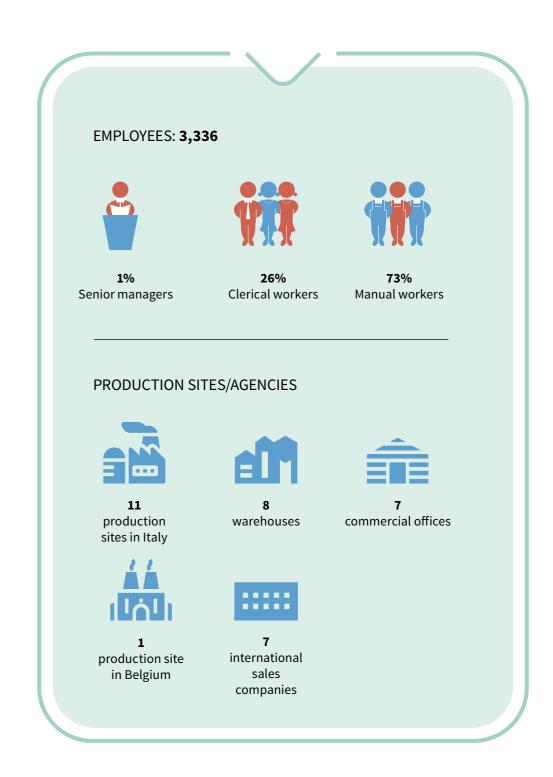


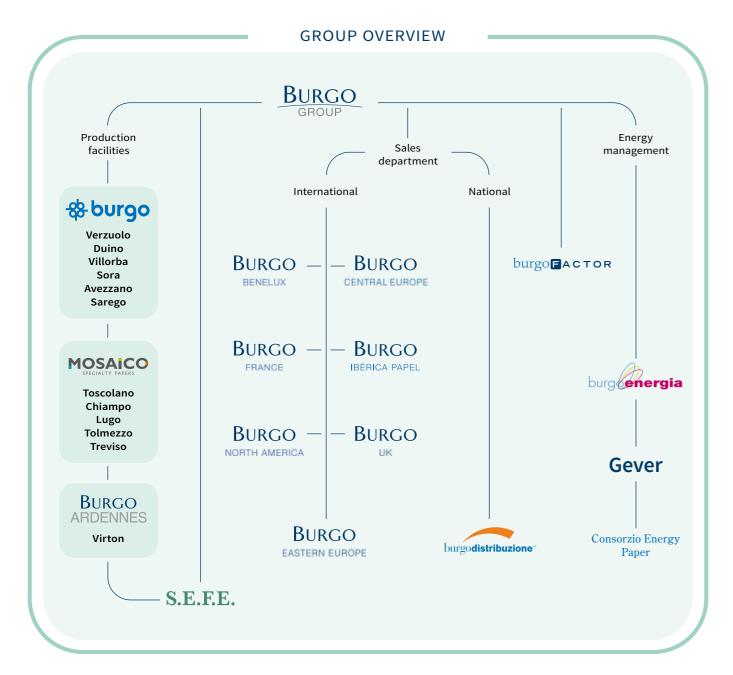
### BURGO GROUP HIGHLIGHTS IN 2020



Breakdown of production of graphic and specialty papers, based on an overall production volume of 1,775,527 t of paper produced.







In 2017, Co.Me.Cart S.p.A. merged with Gever S.p.A. by incorporation and took its company name.

In 2018, as part of the strategy of Burgo Energia S.r.l. to exit the direct gas and electricity sales market, the Group sold the relative business unit, after which the company redefined its scope and ended sales of gas and electricity to end consumers.

In January 2019 the Toscolano business unit was transferred to the subsidiary Mosaico S.p.A. at the end of the repositioning process of the production of graphic and specialty papers.

In February 2020 the company and another partner established the Consorzio Energy Paper S.c.a.r.l. (CEP). During the year other members were added to the consortium, making CEP one of the largest interruptibility management consortia in Italy.

#### THE GROUP IN A NUTSHELL

#### **Burgo Group S.p.A.**

Employees: 1,564 Plants: 6 Cogeneration power stations: 7 Activities: Production of Coated Mechanical, Coated Wood-free, Uncoated Woodfree, Containerboard

Production data: Paper: **1,096,851 t** Wood pulp: **79,036 t** Electricity\*: 1,347 kWh/mln Revenues: € 841 million

Employees: 8 Activities: management of dispatching activities for the Group's production companies and facilities Revenues: € 75.2 million

Burgo Energia S.r.l.

Paper sold: **218,300 t** 

### **Struttura Commerciale**

Employees: 2 Activities: direct factoring to suppliers of the Burgo Group Receivables managed:

**Burgo Factor S.p.A.** 

€ 225.6 million Net profit: **€ 2.1 million** 

#### Mosaico S.p.A.

Employees: 1,075 Plants: 5 Cogeneration power stations: 5 Activities: paper production for graphic use, flexible packaging and specific applications

Paper: **390,841 t** Cellulose: **31.6 t** Electricity\*: 271 kWh/mln Revenues: € 378.6 million

Production data:

#### **Burgo Ardennes S.A.**

Employees: 563 Plants: 1 Virton (Belgium): paper and cellulose production

Production data: Paper: **287,835 t** Cellulose: **294,383 t** Electricity: **347 kWh/mln** Revenues: € 262.6 million

Gever S.p.A.

#### **Burgo Distribuzione S.r.l.**

Employees: 43 Commercial offices: 9 Activities: sale and distribution of paper for the Italian market

Revenues: € 161.9 million

Employees: 13

production and

Verzuolo facility

Activities: electricity

management at the

Revenues: € 28.1 million

### **Internazionale** Employees: 54

Businesses: sale of paper Regions: Europe, the USA, Asia Revenues: € 12.7 million

#### S.E.F.E S.a.r.l.

Employees: 14 Activities: forestry product sales Net profit: (included under branch net profit)

The data for the item "electricity" refers to the total amount of "self-produced" energy, including surplus production sold to the grid. Electricity acquired from the grid is not included

### 2.3 Ownership structure

#### THE CURRENT STRUCTURE<sup>2</sup>

As noted in the section on the Group's history, following the extraordinary share capital increase and the conclusion of the agreement pursuant to article 67 of the Law on Finance, from 30 October 2020 to 31 December 2020 the share capital of the Group was  $\[Epsilon]$  90,000,000, divided into 2,168,857,500 shares with no nominal value, subdivided as follows:

- BG Holding S.r.l. **91%**; (the stake increased by a 0.7% stake acquired in January 2021 which as at 31/12/2020 was held by Unicredit S.p.A.)
- Mediobanca **4.03**%
- Italmobiliare S.p.A. **2.13** %
- Allegro S.à.r.l. (on behalf of Generali Financial Holding FCP-FIS SUB) 2.13%
- UniCredit S.p.A. **0.7**% (after 31.12.2020 this stake was acquired by BGHolding)
- Minority shareholders **0.01%**.



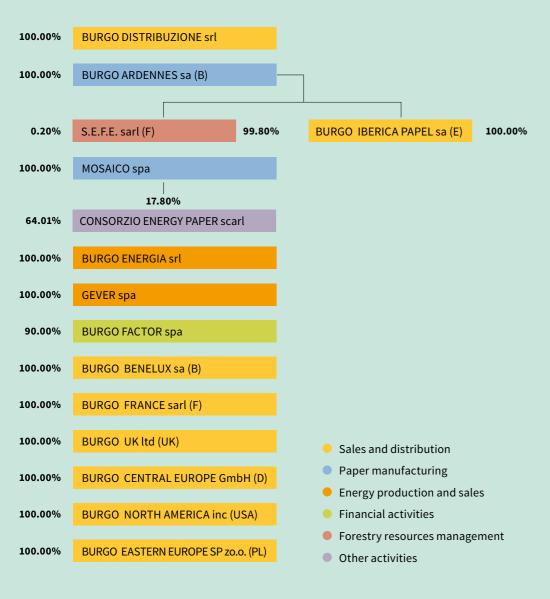
<sup>&</sup>lt;sup>2</sup> The Group's current structure dates to 20 October 2020.



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#### GROUP COMPOSITION AND EQUITY INVESTMENTS

#### **INVESTMENTS**



Furthermore, Burgo Group S.p.A. holds equity investments in:

- Consorzio Paper Interconnector, with a share of 56.32%;
- Consorzio Interconnector Italia Energy, with a share of 6.07%;

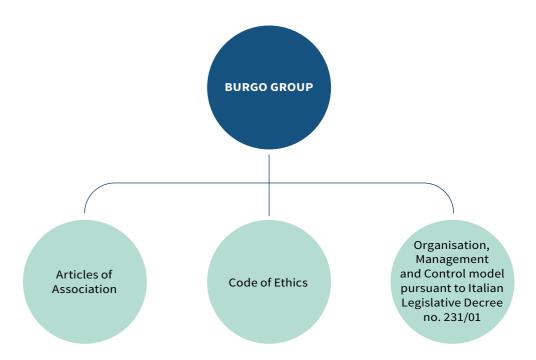
bodies appointed to provide electricity interconnection lines between Italy and neighbouring countries.

### 2.4 Group organisation

In order to guarantee the effective and efficient performance of its activities, aimed at delivering on the Group's mission and achieving its objectives, the Group has adopted governance tools in line with the most recent regulations.

The tools adopted by the Group are:

- Code of Ethics;
- Articles of Association;
- Organisation, Management and Control model pursuant to Italian Legislative Decree no. 231/01;





With regard to its **Articles of Association**, the Burgo Group S.p.A. has adopted the "traditional" Corporate Governance model, comprised of the following bodies:

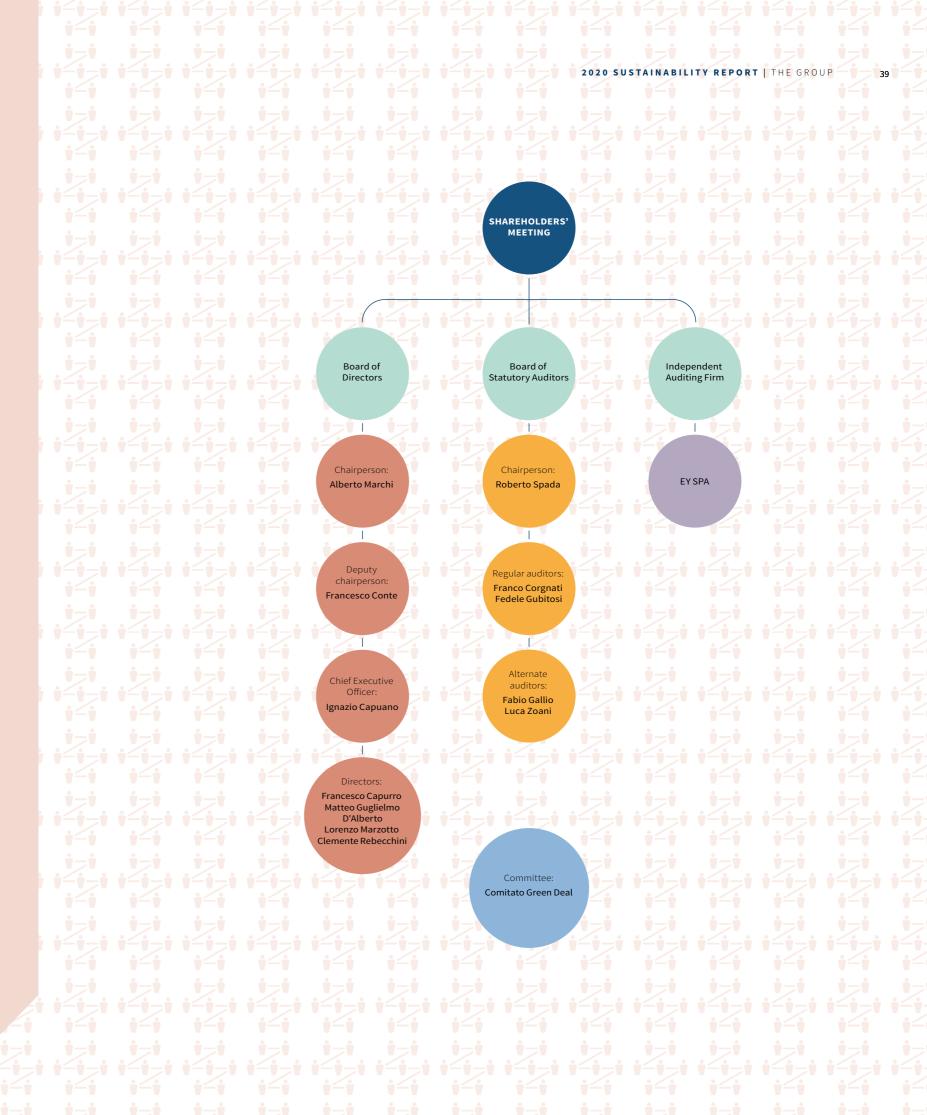
- **Shareholders' Meeting**: responsible for resolving upon matters assigned to it by law and/or the Articles of Association, by way of ordinary or extraordinary meetings;
- **Board of Directors**: appointed by the shareholders' meeting, the BoD is composed of seven members who have a three-year mandate and may be reappointed;
- **Board of Statutory Auditors**: responsible for monitoring compliance with the law, the Articles of Association, and the principles of proper governance.
- **Independent Auditing Firm**: appointed by the Shareholders' Meeting and responsible for the independent auditing of the accounts;

Burgo Group S.p.A. carries out the management and coordination activities pursuant to Article 2497 bis of the Italian Civil Code for all subsidiary companies.

The Parent Company determines the Group's strategic and operating guidelines, prepares and adjusts the internal control model and the Code of Ethics, and defines general policies for the management of financial aspects, production, human resources, procurement and communication. The Parent Company also sets the targets on the subject of occupational health and safety, quality and the environment.

Certain services are managed with various levels of centralisation, including administration, the treasury, the corporate secretary, human resources and organisation, legal assistance and internal audits.

The subsidiaries maintain operational independence and can concentrate their resources on their respective core businesses, making use of the Parent Company's resources for specialised activities, achieving the consequent economies of scale.



#### THE "GREEN DEAL" COMMITTEE OF THE BURGO GROUP

Inspired by the Green Deal programmed launched by the European Commission, in 2020 a specific interdepartmental committee called the "Burgo Group Green Deal Committee" was launched at Group level.

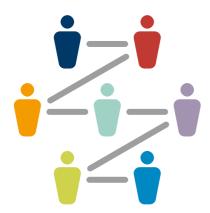
The committee is chaired by the CEO of the Burgo Group and engages with the Energy, Technology & Investments (T&I), Health, Safety and Environment (HSE), Production, Quality and Product Sustainability departments.

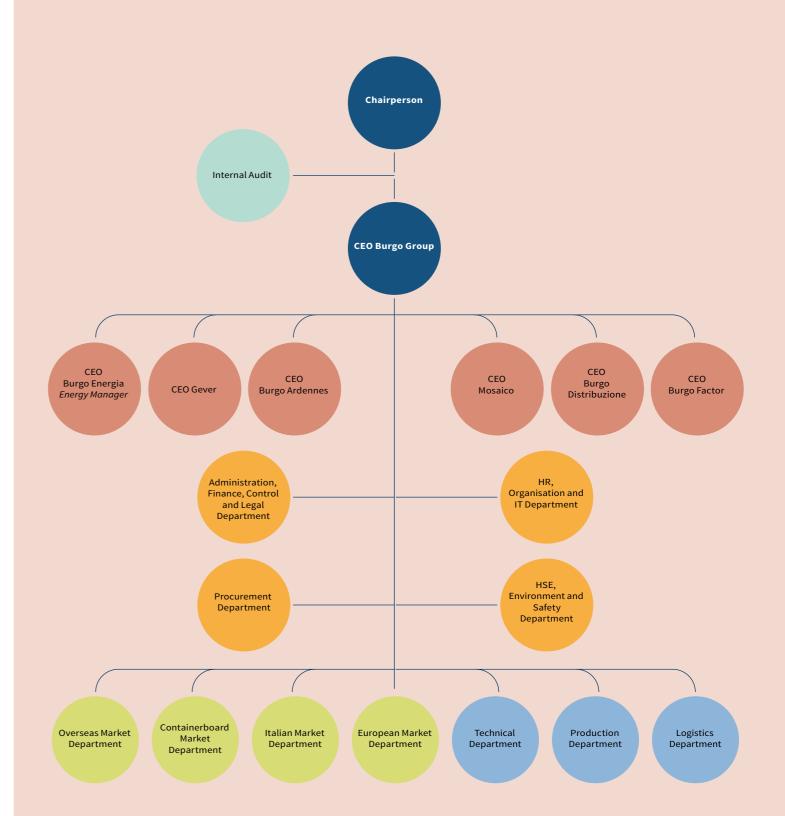
The committee meets quarterly and its main objectives are to define a Road Map to reduce carbon dioxide emissions in line with the European programme, to improve energy efficiency, and to promote the circular economy.

Numerous projects and initiatives to study topics relating to energy efficiency, the use of new fuels and energy sources, and technological innovation have been pursued, including through participation in research projects.

#### ORGANISATION AND COMPANY DEPARTMENTS:

In order to guarantee the effective and efficient management of operating activities, the Burgo Group is structured into the following Departments. For the purposes of simplification, the table only shows company offices and departments at senior management level.

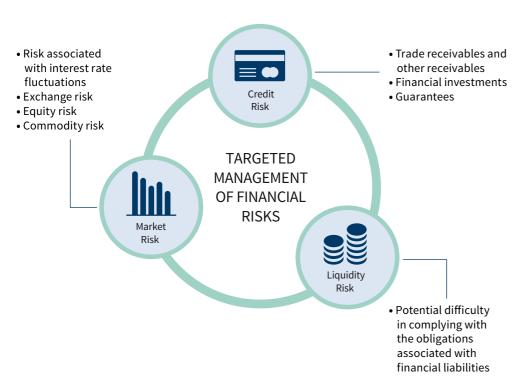




### 2.5 Risk management

#### FINANCIAL RISK MANAGEMENT AND INSURANCE

The Group is mainly exposed to the following risks, of which the objectives, policies, management processes and methods used to assess them are provided below:



#### **CREDIT RISK**

This represents the risk that a customer or a counterparty to a financial instrument causes a financial loss by not complying with an obligation, and mainly derives from trade receivables and financial investments. Group policies allow for the issuing of financial guarantees only relative to associated companies. Collateral is also provided in certain cases, relative to subsidised finance operations or for medium-term financing.

#### Credit management certification

In 2019, the Group concluded the certification procedure for its credit management system pursuant to standard UNI 44:2010 and standard TUV RHEINLAND CMC:2012. This certification was also awarded in 2020.

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The audit highlighted the extent to which the Group has invested in the training of its entire Credit Management team involved in the process, working to ensure the best possible interaction between the credit and sales areas to certify its clients, including with regards to sales information, the payment experience and the geographic location of customers.

#### Trade receivables and other receivables

Within the context of its credit management activities, delivered through a dedicated department, the Group has established an internal process with the aim of defining every customer's creditworthiness and carefully monitoring credit limits and overdue items. Risk control is based on constant analysis of customers with overdue items or who have exceeded their credit limits, which are monitored daily for the activation of corrective actions ranging from blocking orders to legal action. Internal activities are further supported by hedging instrument available on the market, including insurance policies and transfer of receivables. Sales activities are supported by primary and supplementary insurance policies with leading credit insurance companies.

#### Financial investments

Exposure to credit risk is limited by exclusively investing in securities with high liquidity and only with counterparties recognised as reliable by the market. At 31 December 2020, exposure through securities consisted of Mediobanca shares (see the section on market risk). Additionally, financial assets also include managed savings investments made with Italian banks with proven reliability.

#### Guarantees

Group policies allow for the issuing of financial guarantees only relative to associated companies. Collateral is also provided in certain cases, relative to subsidised finance operations or for medium-term financing.

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#### LIQUIDITY RISK

Liquidity risk is the risk that the Group may have difficulty complying with its obligations relative to financial liabilities.

The approach to liquidity management is aimed at guaranteeing, as much as possible, that there are always sufficient funds available to comply with obligations when maturity dates are reached. The Group performs liquidity analysis as a function of budget forecasts, determining short, medium and long-term cash flows.

Estimates are periodically reviewed to ensure there is adequate on-demand cash and cash equivalents to cover operating expenses for a period of around 3 months.

#### MARKET RISK

Market risk is the risk that the fair value or future financial flows associated with a financial instrument fluctuate following a change in market prices, a change in exchange rates, interest rates or the prices of equity instruments. The objective is to manage and control exposure to this risk, keeping it within acceptable levels, while simultaneously optimising returns on investments.

#### Risk associated with interest rate fluctuations

Within the context of its capital intensive business, the Group makes investments, which are mainly technical, making use of debt. In this context, it is possible to carry out cash flow hedge transactions to neutralise or reduce the effects of an increase in the rates on the cost the Group must incur to service its debts. The general objectives of a hedging operation therefore can be summarised as transforming the cost of a variable rate debt to the cost of a fixed rate debt, or to reduce the extent to which it is variable.

#### Exchange risk

In relation to sales activities, purchases and sales are made in other currencies, at present mainly in USD and GBP. Therefore, hedging policies are mainly focused on stipulating futures contracts against the euro. Additionally, other currencies are periodically monitored, which may be used in invoices on a continuous or occasional basis. Hedges are carried out on the basis of estimates of future financial flows in currencies on the basis of invoices payable and receivable, and taking budget forecasts into account. Exchange risk hedging transactions are carried out to neutralise the effects induced by changes in the exchange rate on the value in euro of cash flows denominated in foreign currencies.

#### **Equity risk**

In the context of its investment activities, the Group purchases equity investments for investment purposes.

#### Commodity risk

The strategic objective is to stabilise profit margins in terms of reducing risks associated with volatility in the prices of gas and materials used in production processes, in order to minimise exposure to risk and possible associated losses.

# CONTEXT ANALYSIS AND RISKS OF ENVIRONMENTAL AND QUALITY MANAGEMENT

With a view to continuous improvement and to ensure the correct analysis of the context/assessment of risks to which the Burgo Group and each specific site is exposed, the Group has adopted specific management systems coordinated and organised by the following figures:

- Environmental Management System Manager and EMAS representatives (if a site holds this certification), for environmental aspects;
- Quality Management System Manager for matters relating to quality;
- Analysis team composed of site-specific GMP representatives, Site Managers, Quality System Managers and the Group GMP Representative.

This management system enables the Group to consolidate company performance, ensure compliance with legal requirements, achieve objectives, define the interested parties in the given context, and assess/assign priorities for the requirements and expectations of said parties.

#### Risks associated with disputes and potential liabilities

The Legal Service is managed and coordinated centrally by the Parent company. The main objective is to assess all possible risks associated with legal dispute and to protect Group companies. Where necessary, consultancy services provided by external professionals may be used.

#### Risk coverage

The Insurance Service that covers the main risks to which the Group is exposed is managed and coordinated centrally by the Parent Company and aims to offer complete cover against possible incidents.

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#### It covers the main risks listed below:

- direct and indirect damage (property all risk);
- civil third-party liability (liability service providers product liability manual workers liability);
- civil liability for pollution;
- financial losses associated with claims for compensation brought by third parties against Group employees (D&O);
- cyber risk;
- material and direct damage arising from the theft of insured material assets belonging to the Group:
- comprehensive cover for Group civil buildings;
- transport and movement of new and used products;
- replacement vehicle cover;
- Fully comprehensive (kasko), fire and theft insurance of company vehicles.

#### Personal data protection and privacy

Confidentiality and the protection of privacy are among the founding principles of the Code of Ethics adopted by the Group.

The Burgo Group adopted the requirements established under Italian Legislative Decree no. 196 of 30 June AND GDPR no. 679 of 27 April 2016.

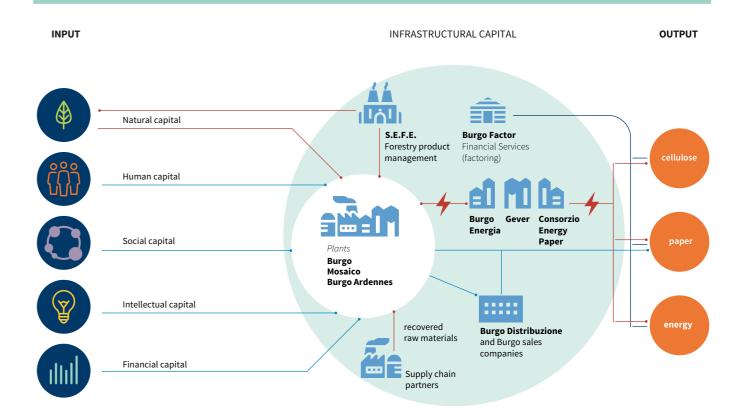
The Group has established Rules for using the IT systems which must be observed by all employees, collaborators, consultants and any persons authorised to use the IT systems of the company.



### 2.6 The business model

#### THE GROUP'S BUSINESS MODEL

In addition to its business activities, the Group constantly seeks new growth opportunities, including outside the publishing sector, and always with a focus on sustainability. A targeted streamlining of its production, together with greater operational and organisational efficiency and the development of new markets, guides the use of the Group's financial, infrastructural, intellectual, human and relational capital towards results capable of combining profitability and sustainability.



#### THE GROUP'S CAPITAL

- Natural Capital: 3,372,919 tonnes/year of raw materials for production; 561 million cubic metres of methane; 137,226 Megawatt hours of energy acquired from the grid;
- Human Capital: 3,336 people, of which 2,422 are employed in the production departments. 25,000 hours of training, of which 8,000 linked to worker safety and health aspects.
- **Social Capital**: relations with over 12,000 suppliers, involving a workforce of 100,000 people;
- Financial Capital: € 454.3 million of net financial debt and € 700 million of short and medium term credit lines available;
- Infrastructural Capital: 12 production plants, 2 cellulose production plants, 1 pulp production plant, 1 polythene coating plant, 12 cogeneration power stations.

#### Output in 2020

- 1,775,527 tonnes of paper produced
- 325,983 tonnes of cellulose
- 31,825 tonnes of lignin sulphonate
- 1,540,071 MWh of energy for internal consumption
- 423,520 MWh of energy output to the grid

#### **BUSINESS AREAS**

Designing, producing and selling graphic and specialty papers to satisfy a profoundly changing market and penetrate new businesses has been the Burgo Group's core business for over a hundred years. As part of its strategic repositioning, Burgo Group is expanding its core business, paving the way for the production of corrugated cardboard for the packaging industry.

#### **CORE BUSINESS**

- Graphic Papers Production
- Specialty Papers Production
- Containerboard Production
- Sales and distribution in Italy through the subsidiary Burgo Distribuzione
- Energy management in Group plants

# OTHER PRODUCTION AREAS

• Cellulose production at the Tolmezzo and Virton (Belgium) plants

- Lignin sulphonate production
- at the Tolmezzo plant

   Wood pulp production
  at the Duino plant

#### OTHER ACTIVITIES

- Factoring
- Forest management through the subsidiary S.E.F.E.
- Energy management of the Verzuolo production site through the subsidiary Gever
  - Energy management through Burgo Energia and Consorzio Energy Paper

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### THE GROUP'S FACILITIES

The Group conducts its manufacturing activities at its 12 production facilities.

The production and sale of cellulose are conducted by the Belgium company Burgo Ardennes, while the Tolmezzo and Duino plants produce cellulose and wood pulp respectively for internal use. The Verzuolo and Avezzano plants produce containerboard.

The production capacities of the individual plants are shown below.

			PRODUCTION CAPACITY 2020 (t/year)			
Site Compan	Company	Company Papers machine (PM) Pulp line (PL) Pulp mechanical line (PML) Board machine (BM)	Papers for publishing and Fine papers	Containerboard	Speciality papers	Total paper
Virton (AG) - Belgium (BE)	Burgo Ardennes S.A.	1 PM + 1 PL	376,000	-	-	376,000
Verzuolo (CN)	Burgo Group S.p.A.	1 BM	-	400,000	-	400,000
Avezzano (AQ)	Burgo Group S.p.A.	1 BM	-	200,000	-	200,000
Sora (FR)	Burgo Group S.p.A.	2 PM	317,000	-	-	317,000
Duino (TS)	Burgo Group S.p.A.	1 PM + 1 PML	200,000	-	-	200,000
Villorba (TV)	Burgo Group S.p.A.	1 PM	204,000	-	-	204,000
Sarego (VI)	Burgo Group S.p.A.	1 PM	152,000	-	-	152,000
Lugo (VI)	Mosaico S.r.l.	2 PM	11,000	-	42,000	53,000
Toscolano (BS)	Mosaico S.r.l.	1 PM	44,000	-	80,000	124,000
Tolmezzo (UD)	Mosaico S.r.l.	2 PM + 1 PL	-	-	172,000	172,000
Treviso (TV)	Mosaico S.r.l.	1 PM	-	-	62,000	62,000
Chiampo (VI)	Mosaico S.r.l.	1 PM	-	-	56,000	56,000
12			1,304,000	600,000	412,000	2,316,000

Cellulose	Lignin sulphonate	Wood pulp	Total other materials
360,000	-	-	360,000
-	-	-	0
-	-	-	0
-	-	-	0
-	-	110,000	110,000
-	-	-	0
-	-	-	0
-	-	-	0
-	-	-	0
40,000	45,000	-	85,000
-	-	-	0
-	-	-	0
400,000	45,000	110,000	555,000

Paper machine (PM): production line
Pulp line (PL): cellulose production line
Pulp mechanical line (PML): wood pulp production line Board machine (BM): production line







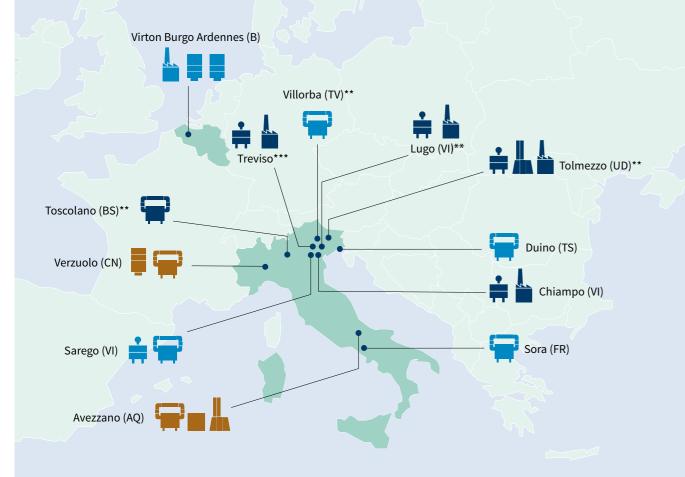


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**ENERGY SOURCES** 

## BURGO GROUP PLANTS AND ALTERNATIVE

The plants are equipped with systems to produce electricity through the use of biomass mainly derived from production cycles. The plants ensure the energy self-sufficiency of the entire Group.



- Graphic papers for the publishing sector
- bcb Burgo Containerboard
- Mosaico range Specialty papers

- \*\* The Tolmezzo, Toscolano, Lugo and Villorba plants produce papers for the Burgo and Mosaico ranges.
  \*\*\* There is a thermal plant installed at the Treviso plant that produces steam, and an endothermic cogeneration generator that produces electricity and thermal energy.

#### PLANTS THAT USE BIOMASS



- Virton (Burgo Ardennes) The recovery boilers use the residue from the production of cellulose, paper and the wood debarking process
- Verzuolo (CN) The bark-boiler uses production waste from the paper production process (sludge) and wood chips

#### HYDROELECTRIC POWER STATIONS



- Avezzano (AQ) (Canistro hydroelectric plant)
- Tolmezzo (UD) (Ambiesta hydroelectric plant)

#### PHOTOVOLTAIC PLANT



• Avezzano (AQ)

### COMBINED CYCLE COGENERATION PLANTS



- Avezzano (AQ)
- Duino (TS)
- Sarego (VI)
- Sora (FR)
- Toscolano (BR)
- Verzuolo (CN, site managed by Gever)
- Villorba (TV)

#### STEAM CYCLE COGENERATION PLANTS



- Virton, Burgo Ardennes (Belgium)
- Chiampo (VI)
- Lugo di Vicenza (VI)
- Tolmezzo (UD)
- Treviso (production of steam only)

#### **ENDOTHERMIC ENGINES**



- Chiampo (VI)
- Lugo di Vicenza (VI)
- Sarego (VI)
- Treviso (TV)
- Tolmezzo (UD)

### 2.7 The products of the Burgo Group

Paper production is the Group's core activity and is divided into three macro-categories of products: graphic and publishing papers, packaging papers and specialty papers.

**Burgo range:** Graphic papers and paper for the publishing sector

Containerboard

**Mosaico range:** Specialty papers

# BURGO RANGE: GRAPHIC PAPERS AND PAPER FOR THE PUBLISHING SECTOR

The Burgo Group meets the various types of printing requirements with an extensive range of targeted products able to satisfy any specific communication need, guaranteeing the best print quality.

As a paper manufacturer, the Burgo Group is a vessel for communication and plays a fundamental role in promoting the conveyance of human thought, whether this be an idea, a story or an emotion.

PAPER IS STILL
A MEDIUM ABLE TO
PROMOTE CULTURAL,
SOCIAL AND ECONOMIC
DEVELOPMENT.

### **⇔**burgo

Burgo range - Graphic papers for the publishing sector

Family	Sub-family	Certifications
Coated papers	Pure cellulose wood-free paper Pure cellulose wood-free paper (produced by Burgo Ardennes) Post consumer recycled paper Premium paper Digital paper Medium weight coated paper (MWC) Light weight coated paper (LWC)	PEFC™, FSC® Ecolabel, PEFC™, FSC® PEFC™, FSC® PEFC™, FSC® FSC® Ecolabel, PEFC™, FSC® Ecolabel, PEFC™, FSC®
Uncoated papers	Uncoated offset print, pure cellulose wood-free Copier paper, pure cellulose wood-free Thin papers (medicine leaflets), pure cellulose wood-free Inkjet paper, pure cellulose wood-free	FSC®* Ecolabel, PEFC™, FSC® FSC®* FSC®*

Note

#### BURGO RANGE: CONTAINERBOARD

THE
AVEZZANO
AND VERZUOLO
PLANTS MEET HIGH
TECHNOLOGICAL
STANDARDS IN ORDER TO
PRODUCE HIGH-QUALITY
PACKAGING
PAPER.

The conversion of the Avezzano and Verzuolo paper mills enabled the creation of a new production hub entirely devoted to paper for the packaging sector (containerboard).

The production of containerboard reflects the Group's commitment to meeting high quality standards, obtained through the use of innovative production technologies, and to protecting the environment through ecologically sustainable production processes. There is a broad range of products on offer, with different weights and various production methods, with raw materials chosen to suit any type of application.



#### Burgo Range - Containerboard

Family	Sub-family		Certifications
Containerboard	BCB Testliner	Brown	FSC®, PEFC™
derived from recycled fibres		White	FSC®, PEFC™
,	BCB Flutting		FSC®, PEFC™
	BCB Flutting	HS	FSC®, PEFC™
		Aqua	FSC®, PEFC™
		Dual	FSC®, PEFC™



#### BCB: PRODUCTS THAT SUPPORT THE CIRCULAR ECONOMY

BCB, the Burgo Group's new production centre, uses recycled fibres obtained from waste paper, recovered packaging and processing offcuts.

The paper is used for corrugated cardboard packaging solutions. Once it has served its purpose, if it is sent for recycling it can be used again as a raw material.

The end product - a cardboard box - is a natural, recyclable and reusable packaging solution: the paper is given new life as a new type of packaging thanks to this virtuous and never-ending cycle, as encapsulated in the famous three Rs: Reduce, Reuse, Recycle.

<sup>\*</sup> PEFC™-certified products are available on request.

#### MOSAICO RANGE: SPECIALTY PAPERS

Mosaico is the Burgo Group company devoted to the Specialty Papers market.

It designs, develops and sells specialty papers, mediums with a broad range of applications and different markets that require highly specialised skills.

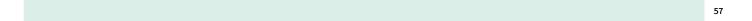
"Specialty Papers" are characterised by the use of particular raw materials and production technologies, and are designed to respond to the evolution of communications systems (associated with the world of packaging and labelling) and printing techniques.

MOSAICO'S MOTTO
IS "THINK SPECIAL":
THINK, INNOVATE,
CREATE

# MOSAICO: DEVELOPMENT OF SAFE AND ENVIRONMENTALLY FRIENDLY PRODUCTS SUITABLE FOR FOOD CONTACT USE

The research aimed at designing new products is divided into two sectors: papers and paperboards for the food & beverage industry and papers for special applications.

Research & Development is concentrated on the triple aim of developing new technologies aimed at greater competitiveness, developing new products, and ensuring environmental sustainability by increasing the number of certified products. For new technologies, the R&D activities are focused on fibrous raw materials, in particular on new compositions with a high qualitative and environmental value. The focus on products destined for food use is concentrated on developing papers treated with bio-polymers, a raw material with a high content of components derived from renewable sources which are 100% biodegradable, capable of offering an excellent level of resistance to water, fats and aromas and therefore preserving the foods contained from contaminating agents.









































































### MOSAICO

Mosaico Range: Specialty papers

Family	Sub-family	Superficial finish	Certifications
Packaging	Flexible packaging	Uncoated wood-free	FSC®, PEFC™, Food contact, Recyclability
		Impermeability	FSC®, PEFC™, Contatto alimentare, Riciclabilità
		Silicon	FSC®, PEFC™, Food Contact
		Single coated	FSC®, PEFC™, Food Contact
		Natural extruded bio	FSC®, PEFC™, Food contact, Recyclability, Compostability
		Natural extruded pe/pp	FSC®, PEFC™, Food Contact
		Single coated extruded pe/pp	FSC®, PEFC™, Food Contact
	Rigid packaging	Uncoated wood-free	FSC®, PEFC™, Food Contact
		Single coated	FSC®, PEFC™, Food Contact
		Impermeability	FSC®, PEFC™, Food contact, Recyclability, Compostability
et glue labels	Standard labels	Uncoated wood-free	FSC®, PEFC™
		Single coated	FSC®, PEFC™
		Single coated with recycled fibres	Recyclability, FSC®
	Water-resistant labels	Uncoated wood-free	FSC®, PEFC™
		Single coated	FSC®, PEFC™
	CCK silicon coating liner	Single coated	FSC®, PEFC™
		Double coated	FSC®, PEFC™
et glue labels	Standard labels	Single coated	FSC®, PEFC™
		Single coated embossed	FSC®, PEFC™
		Double coated	FSC®, PEFC™
	Water-resistant labels	Single coated	FSC®, PEFC™
		Single coated embossed	FSC®, PEFC™
		Single coated recycled	FSC®
raphic papers	Paperboards	Single coated	FSC®, PEFC™
		Double coated	FSC®, PEFC™
pecialty graphic papers	Billboards	Retro blue	FSC®, PEFC™
		Retro white	FSC®, PEFC™
	Playing cards	Glossy	FSC®, PEFC™
		Embossed	FSC®, PEFC™
	Flame-retardant papers	Double coated	FSC®, PEFC™
- Functional papers	Casting release	Silicon-treated	FSC®, PEFC™
	Metallisation	Single coated	FSC®, PEFC™, Food contact

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### MARKETS SERVED BY THE GROUP

The main markets served by the Burgo Group are the Italian and European markets, as well as a presence on international markets.



#### ITALY

The **Italian market** is managed through two sales channels:

- firstly, through direct relations with major Italian clients, printers and publishers;
- secondly, through Burgo Distribuzione which, thanks to its network of sales offices and warehouses, can deliver the Group's products and other products that the Group purchases for resale (which are not in direct competition with the Group's own production) to all of its clients. The use of two sales channels enables the Group to maintain an extensive presence throughout Italy. As regards the Containerboard market, in 2020 the production capacity of the Avezzano (AQ) and Verzuolo (CN) sites was predominantly focused on serving a proportion of the Italian market through direct relations with clients.

Mosaico operates on the Italian market through the Group's distribution channel (Burgo Distribuzione) and the direct sales network of agents specialising in the flexible packaging sector.

#### **EUROPE**

The **European market** is served through the Group's commercial branches and enables the Group to have a strong presence among leading European printers and editors. For the distribution of coated paper sheets, the Group is a partner of leading continental distributors through specific supply agreements for each market.

> The Group is a European leader for coated wood-free paper reels or sheet and non-wood-free paper for graphic and publishing use.

The launch of the containerboard production line at the Verzuolo

plant increased the Group's production capacity and enabled it to serve part of the European market by establishing relations with leading supply chain partners that have successfully introduced the Group's products onto the market.

Mosaico serves the European network through the Group's commercial branches and a capillary network of specialised agents with expertise in various product categories.

#### **OVERSEAS**

THE GROUP

SELLS ITS

PRODUCTS IN OVER

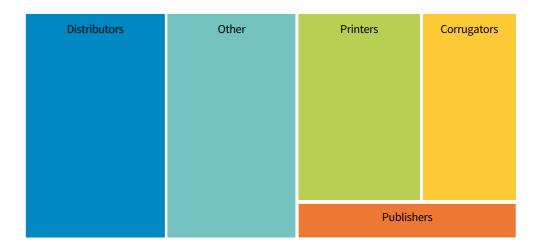
99 COUNTRIES

The Group has several sales channels on overseas markets, including the Burgo North America branch, traders, agents and direct relations with clients.

Considering the marked orientation towards the development of exports by Mosaico, with regard to technical products the international market is served by the company's commercial department as well as by a network of agents specialising in various sectors, working in close collaboration with the product development team.

#### CUSTOMER BREAKDOWN BY CATEGORY

The Group has gradually diversified its client portfolio and entered the corrugated cardboard sector (in 2020 this sector represented 16% of sales volumes by quantity).





### 3.1 Commitments and responsibility

When pursuing its objectives, the Group aims to reconcile its strategic decisions with its commitment to achieve the Sustainable Development Goals (SDGs) defined by the United Nations.

The corporate governance strategy, core business and management policies adopted by the Burgo Group are aimed at achieving the Group's main objectives, many of which correspond with the SDGs. The goals that we actively work towards are described below.



### Protect people's occupational health and safety in the workplace

We engage with and train our employees to improve health, safety and environmental conditions



#### Investments in the production cycle

We have invested over € 100 million at the Avezzano and Verzuolo sites to improve and modernise our facilities with a view to improving sustainability



## Promote inclusive and quality education and learning opportunities

We invest in training, promoting skills development



#### **Consumption and production**

We pursue the rational use of natural resources and raw materials.



#### Sustainable water management

We use water resources responsibly and monitor waste water quality



#### Climate change

We invest in energy efficiency programmes with a view to reducing gas emissions. Over the next two years we have planned investments of over € 20 million to improve our plants.



#### Sustainable energy management

We use energy resources responsibly and pursue a consumption reduction policy



### Sustainable management of resources

We pursue a policy to procure certified fibres, and around 73% of all fibres acquired are FSC® mix and PEFC™ certified.



#### **Employment and opportunities**

We employ more than 3,000 people, adopting contractual policies in line with national collective bargaining agreements

### 3.2 Mission, Vision & Values

The Burgo Group is one of the leading European producers of graphic papers, specialty papers, packaging paper and paper for the packaging sector.

The Group's dynamic approach and robust growth strategy is reflected in its broad range of high quality graphic papers, the development of new solutions, and its drive towards research and innovation with the development of new products.

The Group adopts a production policy that unites the needs of the client with those of the environment, rejecting the traditional "throwaway" economic model in favour of a circular model. This sustainable principle runs throughout the Group's processes, from procurement to the use of resources, from restoring wastewater to optimising the reuse of waste materials to produce energy.

The Burgo Group is committed to expanding its business and transforming its expertise with a view to applying it to other strategic sectors such as the development of new products for the paper packaging market, the distribution of paper products and energy management.



The Group expresses its mission by pursuing innovation with a focus on the environment, reducing its environmental impacts and supporting research with a view to identifying more sustainable solutions.

Creating value for stakeholders, serving its reference market and, at the same time, meeting its corporate and environmental responsibilities - many objectives met with a single solution: **responsible innovation**.

### 3.3 Values and code of conduct

#### CODE OF ETHICS

The Burgo Group pursues its commitment to good corporate governance through the top-down adoption of a set of values, codes of conduct and procedures. One of the fundamental elements of the Corporate Governance system is the Code of Ethics adopted by Group companies in 2003 and last updated in 2020.

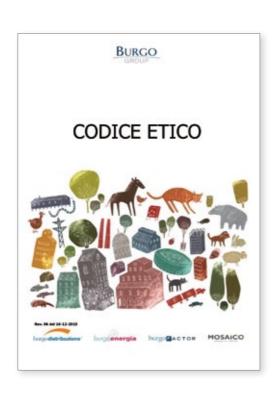
The Code of Ethics is aimed at all Group employees and all those who directly or indirectly engage in business relations with the Group, without exception, and provides for - as basic principles - compliance with the laws and regulations of the reference countries, as well as internal regulations, in a context of integrity, fairness and the protection of privacy.

The Group is also committed to balancing its drive for competitiveness on the market with compliance with competition laws and to promoting, in the context of corporate responsibility and environmental protection, the fair and appropriate use of resources.

The Code of Ethics is part of an internal control model aimed at providing all of the tools necessary to guide the Group towards the achievement of its economic and management objectives, guaranteeing the prevention of offences in line with the provisions of Italian Legislative Decree no. 231/01 concerning the corporate responsibility of legal persons, companies and associations, as amended.

The commitment of the Burgo Group centres on reaching the highest possible standards of "best practice" with regard to its corporate, ethical and social responsibilities to its shareholders, directors, employees, collaborators, clients, suppliers and partners.

The Code of Ethics can be viewed on the Group's website and is provided and illustrated to all newly hired employees.



#### THE PRINCIPLES OF THE GROUP'S CODE OF ETHICS

#### **Ethics and Code of Conduct:**

- General principle
- Principle of loyalty and trust
- Principle of impartiality and conflict of interest
- Principle of confidential information and the protection of privacy
- Principle of employee protection
- Principle of environmental protection
- Protection of company assets
- Principle of control processes

#### ETHICAL PRINCIPLES TOWARDS THIRD PARTIES

#### **Customers**

in line with internal procedures, the primary objective is to ensure maximum customer satisfaction while enabling them to make conscious choices.

#### **Suppliers**

Supplier selection and the determination of procurement conditions must be done on the basis of an objective and transparent analysis, considering the price, the capacity to provide and guarantee services of an appropriate quality, and the integrity of the supplier.

## Political parties and trade unions

Group companies do not make donations or contributions to political parties, committees, organisations or trade unions. Contributions, in compliance with the law, may be considered where deemed important to the public interest.

#### The Media

relations between the Burgo Group and the mass media must be conducted in line with the communications policy defined by the Parent Company.

# Relations with local authorities and public institutions

Commitments are undertaken exclusively by those authorised to do so. It is prohibited to promise or offer goods and/or other benefits to promote or further the interests of the Burgo Group except in the case of gifts or services of modest value.

#### REFERENCE VALUES

In addition to technical expertise and professional ability, commitment and passion are required in all daily activities. It is essential to have a close relationship with clients in order to promptly understand their needs and respond in the most appropriate way.

Respect for the environment and the awareness of its impacts on the community promote a sense of responsibility among all Group personnel.

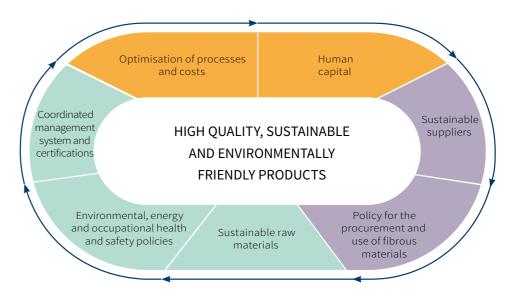
The people who work with the Burgo Group recognise and uphold a number of important reference values.



### 3.4 Sustainability model

The Group's strategies and management and production processes aim to create value in the medium and long term, protecting the environment with a strong focus on sustainability.

The Sustainability Model is perfectly compatible with the Business Model and serves as its guarantee. The Model is inspired by the Code of Ethics and the various policies issued by Senior Management for the productivity of its sites. One of the Group's prerogatives is to ensure objectivity and impartiality in the preventive analysis, monitoring and reporting of the production chain.



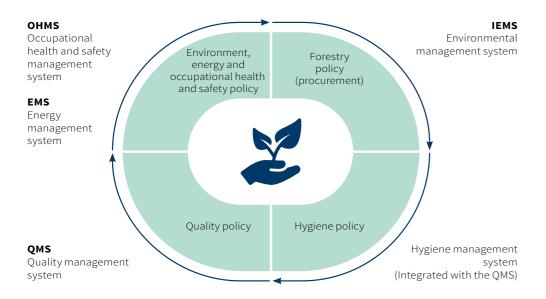
#### SUSTAINABILITY MODEL

Our aim to offer high quality, sustainable and environmentally friendly products is pursued through the application of a sustainability model that centres around:

- a select group of sustainable suppliers which the Group collaborates with in order to develop increasingly innovative and circular solutions.
- procurement policies that promote the procurement of certified fibrous raw materials (FSC\*, PEFC™).
- the minimisation of waste, adopting methods to reuse production waste and minimising the production of non-recyclable waste.
- the reduction of energy consumption to protect the environment, and the implementation of occupational health and safety policies.
- an approach to optimise processes and costs, and the certification of the production process and the products.
- promoting awareness of sustainable conduct among its human capital.

# 3.5 Company policies and management systems

Sustainability is the key element of all Group processes and is expressed through a constant commitment to improving quality, safety, and the protection of the environment. The Burgo Group has adopted Management Systems based on the achievement of international standards to be used as monitoring tools and to guarantee continuous improvement. The strategic policies issued by Senior Management are reflected in the various Management Systems adopted in the Group.



## ENVIRONMENT, ENERGY, OCCUPATIONAL HEALTH AND SAFE-TY POLICY FOR RESEARCH, DEVELOPMENT AND TECHNO-LOGICAL INNOVATION

The Burgo Group, conscious of its role and responsibility in relation to the community and the environment in which it operates, and to ensure a healthy and safe working environment for all its collaborators and for all other parties involved, has defined the Policy outlined in this document and is committed to making it operational, keeping it up-to-date, distributing it to all personnel and making it available to the public and to anyone who requests it.

The protection of the environment, natural resources and occupational health and safety regards the entire organisation and constitutes the foundation of the Company's operating and market strategies and its environmental commitment.

The fundamental prerequisites of our activities, products and their development are:

- Compatibility with the environment that hosts them and protection of the staff and the public from adverse environmental effects.
- Prevention and protection, for employees and other parties involved, against the risks to occupational health and safety to which they may be exposed.
- Compliance with current legislation and with any other provisions laid down in relation to environmental impact factors and/or to dangers to occupational health and safety identified, as well as to voluntary regulations adopted by the organisation.
- The clear definition, in the context of the entire organisation, of responsibilities in the management of environmental protection and occupational health and safety.
- Drive towards the continuous improvement of preventive measures and environmental and occupational health and safety performance.
- The availability of the necessary human, technical/instrumental and economic resources.

All of the above translates into specific improvement objectives and targets established on an annual basis and managed in the context of systems compliant with the requirements of the EMAS Regulation, the ISO 14001 Standard, the ISO 50001 Standard and the ISO 45001 Standard.

## **Guiding principles**

## A - Products, Processes, Technologies and Management of Resources

We develop and manufacture products with a focus on quality in order to minimise the environmental impact, maximise energy efficiency and prevent injuries and illnesses for all parties involved.

We implement new activities, processes and systems after assessing the risk factors and the associated environmental, energy-related and occupational health and safety issues. We use the best available, economically viable technologies, including the most energy efficient products and services.

We are committed to the careful management of energy and to optimising the use of natural resources and raw materials.

B - Minimisation of environmental impact and the risk to occupational health and safety. We aim to assess, control, eliminate and reduce the effects of our activities on the various components of the Environment and of Occupational Health and Safety, considering the nature and scale of the environmental impact, our energy intensity and the risk factors identified.

## C - Training, Involvement and Consultation

We plan and carry out documented activities so that our employees are trained, informed and able to perform and monitor their duties in a safe and responsible manner (in order to avoid dangerous behaviour, awareness is also raised among external personnel who work for the Burgo Group at its sites).

To encourage the involvement and participation of all workers, regular information meetings are planned and held, supplemented by adequate communication. In addition, the procedures carried out ensure that employees are promptly consulted, including through their representatives.

## **D** - Suppliers

Suppliers are involved in the improvement targets for the protection of the environment and occupational health and safety associated with the products and/or services requested. For the procurement of fibrous raw materials, the Group prioritises suppliers who practice Sustainable Forest Management policies to ensure that the condition of the forest ecosystem is maintained and enhanced.

## E - Emergencies

To respond to potential accidents and other unforeseen events, appropriate emergency procedures have been established, emphasising the concept of prevention through risk analysis and the adoption of adequate measures to limit their effects. These measures are re-examined and modified in response to events recorded and/or in the case of the development of new activities, products and processes.

## F - Information and Communication

We inform our staff systematically with regard to environmental aspects, significant en-

ergy use and risks to health and safety associated with the activities carried out, so that they understand the implications as far as their role and conduct at work are concerned.

We are committed to pursuing an open and constructive dialogue with all of the parties involved, ensuring transparency and reliability of the data and information.

Where applicable, the Environmental Declaration is made available together with its updates, in order to give transparent disclosure of the results obtained and of the new objectives to be achieved.

## POLICY FOR THE PROCUREMENT AND USE OF FIBROUS MATERIALS

The Burgo Group undertakes to promote forest resource management consistent with full respect for the highest ethical and environmental values in all of its activities. In keeping with the commitment to quality, safety and the environment pursued for some time, we want to make sustainability the key element of all our processes. With this in mind we select the fibrous raw materials and guide our suppliers towards full ecological and social responsibility with a view to safeguarding and conserving the biodiversity of the forestry assets of the planet. We want, therefore, through careful assessment and selection of the suppliers of fibrous raw materials:

- to use only fibrous raw materials from certified, legal sources;
- to avoid the use of fibrous raw materials from areas where civil or traditional rights are not protected, avoiding in particular any breaches of the fundamental principles set out in the "ILO Declaration (1998)";
- to avoid the use of raw materials originating from forest areas with high conservation value;
- to protect the forest to guarantee its functions of environmental and social benefit;
- to use raw materials originating from plantations only if managed in a way that guarantees the maintenance of biodiversity, in keeping with the characteristics of the environment and such to guarantee the development of internationally recognised forestry certifications;
- to avoid the use of fibres originating from genetically modified plants;
- to increase the use of recycled pulps in our papers.

## Therefore, it is Company policy to:

- implement and maintain an adequate Management and Control system at Group level to ensure the correct implementation and management of the Chain of Custody of the products on sale, making reference to principles of good forest management;
- to only procure products from non-controversial sources;
- to establish business relations with Suppliers who hold or aim to hold recognised forestry certifications.

We are committed to sharing and promoting this vision to all of our employees, customers and all the other parties involved: information, training and control are the key elements of our systems.

## THE MAIN MANAGEMENT SYSTEMS INVOLVED IN THE IMPLEMENTATION OF HEALTH, SAFETY AND THE ENVIRONMENT POLICIES



## **IEMS Integrated Environmental Management** System

operator and otherwise - have an im- UNI EN ISO, the Energy Manage- used to identify, within the Group's pact on the surrounding environment ment System enables the rational organisational structure, the responthrough the consumption of raw ma- management of the Group's energy sibilities, processes and resources terials and energy and the production requirements and consumption, at for the definition of company preof waste. Through the adoption of the same time implementing acvention policies in order to comply the IEMS, regulated by Standard ISO tions aimed at the continuous im- with health and safety standards, 14001, the Group undertakes to iden- provement of energy performance. aimed at making them more efficient tify, measure, monitor and reduce This system requires the company and integrated into general compathe environmental impact of its ac- to quantify and monitor its energy ny activities with a view to continutivities, meet compliance standards usage (energy analysis). Further- ous improvement. and define risks and opportunities. more, it requires the definition of a The IEMS is implemented through a medium-term energy policy, with procedure structured into a number defined energy efficiency targets. of stages: Analysis and Planning: Pe- The system promotes continuous riodic analysis of the activities and of improvement under the direction of the interaction between facilities and the Energy Manager. environment to identify the legal obligations to be observed and the improvement measures to be adopted. Implementation: Definition and implementation of Action Plans for the improvement of performance that respond to the objectives defined in the analysis and planning stage. Auditing: Periodic audits on compliance with legal provisions, obligations and the agreed corporate objectives of the actions planned.



## **EMS Energy Management System**

Through a structured set of rules Our activities - both as an economic and actions set out by Standard This system defines the methods



## **OHSMS Occupational Health** and Safety Management **System**

Environmental topics are of primary importance to the Burgo Group, as proven by the establishment of a dedicated department, the Integrated Environmental Management System (IEMS / S.G.A.) composed of professionals selected from among the Group's employees who are responsible for developing the company's sustainability policies.

## **QUALITY POLICY**

The Quality Policy defined by the Management is received, developed and implemented by the management departments of the individual plants and by the Company Departments involved, according to their responsibilities and roles.

Customer satisfaction is pursued through organisational structures and processes suited to the product quality and service standards expected: the Customer plays a central role in the strategies and activities of the Burgo Group.

The Group companies aim to reach their quality objectives by:

- Constantly updating the range of products to meet evolving market demands.
- Improving the level and consistency of product quality through the effective monitoring of production processes, the relationship with suppliers and the continuous search for advanced technological solutions.
- Improving services in terms of reliability, delivery speed and reduction in market response times.
- Developing the understanding of market demands by consolidating technical support.
- Promoting collective commitment to quality through the training, communication, engagement and contribution of all human resources.
- Defining and sharing measurable objectives aimed at the continuous improvement of quality and business performance.

#### HYGIENE POLICY

## for the research, development and production of various types of paper aimed at the food product packaging market

The policy defined by Management is received, developed and implemented by the Management teams of individual plants and by the Head Office units involved, in line with their responsibilities and roles.

Therefore, it is Company policy to:

- Provide the market with safe products compliant with the hygiene standards regulated by applicable law or regulations as well as any agreed directly with the Customer in regard to the intended use.
- Guarantee food safety and compliance with regulations for the production of packaging intended for food contact use.
- Provide all parties involved with sufficient evidence of its ability to identify and control, in an appropriate manner, the dangers with regard to the hygiene of the manufactured products.
- Ensure the traceability of the materials/products used and of each stage of the production process for each batch of products manufactured and supplied.
- Pursue the continuous improvement of performance in terms of the quality and reliability of the products and services provided.

- Plan, establish, implement and update a risk analysis and risk assessment system (including a glass and fragile plastics policy) that ensures all products produced and supplied meet the relevant hygiene standards.
- Develop and integrate into the Group's Quality Management System an effective Hygiene Management System that meets the requirements of Standard UNI EN 15593 and applicable GMP, also considering the provisions set out by Standard EN ISO 22000
- Implement this System at the Group's sites that produce paper for the food product packaging market.
- Make available to the relevant sites the human, technical, instrumental and economic resources necessary for the effective management of the system and for the progressive elimination of potential sources of pollution.
- Maintain a collective commitment to hygiene safety through the training, communication, engagement and contribution of all human resources.
- Obtain and maintain the certification of the Group's Hygiene Management System by a certified external body.

Senior Management affirms its commitment in this regard and undertakes to ensure that this policy is distributed to all relevant staff and made available to other interested parties who may request it.

With regard to the production sites that manufacture paper for the food packaging market, the main goal of the Burgo Group is to guarantee safe products that comply with the hygiene standards defined by the applicable law and regulations, or any requirements agreed with the Customer in relation to the intended use of the product.

Food safety and compliance with regulations governing the production of packaging is ensured through the disclosure to all interested parties of sufficient evidence of the ability to identify and control any hygiene risks in an appropriate manner.

Furthermore, customers are guaranteed the prompt traceability of the materials/products used in each stage of the production process for each batch of products produced and supplied.

## **QUALITY - HYGIENE**



## QMS Quality Management System

The application of the Quality Management System involves putting a formal system in operation to govern all company processes and promote a culture of quality to achieve the best possible performance (efficacy) at the lowest cost (efficiency) while guaranteeing customer satisfaction. The continuous improvement of this system forms the basis of the Quality Management System.



## EMS HYGIENE MANAGEMENT SYSTEM

The certification guarantees the quality of the Group's management systems in the implementation of the "Good Manufacturing Practice" (GMP) for the production of materials for food contact use. It certifies product conformity with the applicable food safety laws, contributing to protecting the image of those who supply the food products market and ensuring safety during this phase of the supply chain. The Hygiene Management System has been integrated with the Quality Management System (QMS).

Good Manufacturing Practice regarding food contact materials is defined as: "those aspects of quality assurance which ensure that materials and articles are consistently produced and controlled to ensure conformity with the rules applicable to them and with the quality standards appropriate to their intended use by not endangering human health or causing an unacceptable change in the composition of the food or causing a deterioration in the organoleptic characteristics thereof".

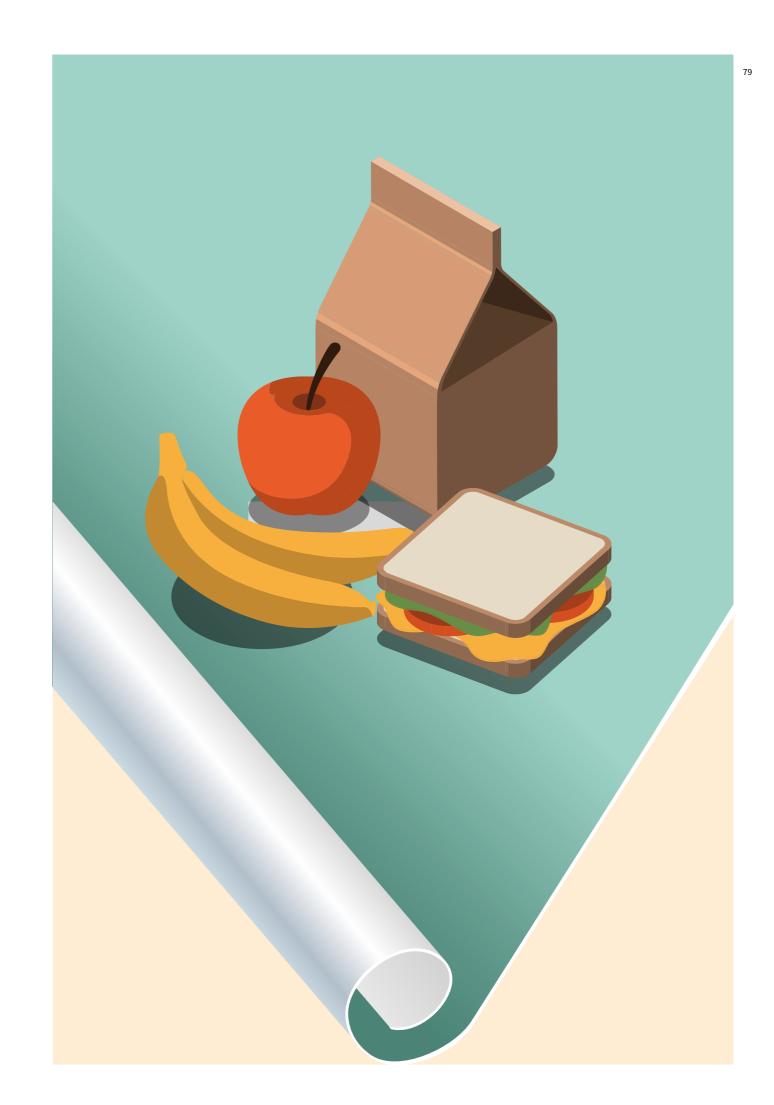


Good Manufacturing Practices must be applied to all aspects of the relative processes, from the selection and use of chemical products and pulp for paper and recycled paper to the continuous operation of the machinery and preparation, development and transportation activities.

Currently all of the factories operated by the company Mosaico are certified according to Standard UNI EN 15593: Treviso, Tolmezzo, Lugo, Toscolano and Chiampo. These production sites have already adopted the guidelines set out by EC Regulation 2023/2006 with regard to GMP.

The Group is currently working to extend this certification to other production facilities:

- Villorba (TV) facility, for the production of single-coated paper for the labelling market.
- Avezzano (AQ) and Verzuolo (CN) facilities, for the conversion of production to containerboard. The possible applications of the manufactured paper (secondary food contact) require the plants to guarantee hygiene standards in line with the GMP.



# 3.6 Compliance with international standards and certifications

## OVERVIEW OF CERTIFICATIONS HELD BY THE BURGO GROUP

With a view to continuous improvement, the Burgo Group has adopted a proactive approach that considers certain international standards and certifications to be an effective tool to providing an increasingly high level of performance.

#### **Certifications scheduled for 2020**

		Quality	Health a	nd Safety	Hygiene GMP	Energy		Enviro	nment		
Company	Plants	ISO 9001	OHSAS 18001	ISO 45001: 2018	UNI EN 15593	ISO 50001	FSC®	PFEC™	ISO 14001	EMAS	
<b>Altavilla Vicentina</b> headquarters		•						•			
Burgo Ardennes S.A.	Ardennes	•	•*				•	•	•		
Burgo Group S.p.A.	Sarego	•				•	•	•	•		
Burgo Group S.p.A.	Sora	•				•	•	•	•		
Burgo Group S.p.A.	Avezzano	•					•	•	•		
Burgo Group S.p.A.	Verzuolo	•				•	•	•	•	•	
Burgo Group S.p.A.	Duino	•				•	•	•	•		
Burgo Group S.p.A.	Villorba	•			•	•	•	•	•	•	
Mosaico S.p.A.	Lugo	•			•		•	•	•		
Mosaico S.p.A.	Tolmezzo	•			•		•	•	•		
Mosaico S.p.A.	Toscolano	•			•	•	•	•	•	•	
Mosaico S.p.A.	Treviso	•			•		•	•	•		
Mosaico S.p.A.	Chiampo	•			•		•	•	•		
<b>Burgo Distribuzione</b> S.r.l.		•			•						
Gever S.p.A.				•					•	•	

**Burgo Energia** S.r.l.

This company is a certified **Energy Service Company** (E.S.Co.) specialising in energy efficiency and energy savings.

This specialisation is certified by the external certification body SGS which verifies the expertise according to Standard UNI
CEI 11352. One of the specific requirements of this standard is the appointment of an Energy Management Expert (EME). The company has two EMEs.

#### Note

## MAIN ENVIRONMENTAL CERTIFICATIONS

## **Integrated Pollution Prevention And Control**

At all of its sites, the Burgo Group complies with the I.P.P.C. (Integrated Pollution Prevention and Control) Directive (EC), adopted into Italian law by Italian Legislative Decree no. 59 of 18/02/2005 and then absorbed into Italian Legislative Decree no. 152/2006 regulating the issue, control and review of the Integrated Environmental Authorisation (IEA), which supersedes any other permit, opinion or authorisation on environmental matters.

## **EMAS Environmental Registration**

The Burgo Group has adopted the Eco-Management and Audit Scheme (EMAS). The Toscolano paper mill was the first of the Group's plants to receive EMAS registration, followed by the Verzuolo and Villorba facilities and the subsidiary Gever. The registration process is currently ongoing for the Treviso plant.

EMAS is a European Union regulation through which industries can, on a voluntary basis, adopt a system of responsible environment and audit policy management. Accredited private bodies verify conformity with the requirements while registration is handled by the Ecolabel-Ecoaudit interministerial committee. Currently, the more restrictive version, EMAS III registration, is in force in Italy, providing for the introduction of new environmental indicators.

## **Reach Regulation**

As a paper manufacturer, the Burgo Group is subject to the REACH (Registration, Evaluation, Authorisation of Chemicals) regulation, as a "downstream" user of chemicals only. Burgo has implemented management procedures and systems with the suppliers of such substances to ensure full compliance with the legal requirements.

## **EU Ecolabel Certification**

"Ecolabel" is the mark of environmental quality of the European Union which certifies and guarantees compliance with environmental criteria and a low environmental impact throughout the product life cycle (EC Regulation no. 1980/2000). It is a selective voluntary tool and is recognised at European level. Burgo has obtained the Ecolabel mark for:

- Coated LWC papers for offset and rotogravure printing in the UNO range produced at the Duino plant;
- Coated wood-free CWF R4 Chorus papers produced at the Virton plant in Belgium for the company Burgo Ardennes;
- Office papers in the REPRO range produced at the Tolmezzo plant.

<sup>\*</sup> The company Burgo Ardennes, which operates the Virton plant in Belgium, has not yet completed the transition to Standard ISO 45001:2018. The ISO 50001 certification is currently being extended to all of the facilities operated by Mosaico S.p.A.; currently only the Toscolano Maderno site holds the certification.

## **OK Compost Certification**

The OK Compost certification is divided into two branches:

- Ok Compost Industrial
- Ok Compost Home

## Ok Compost Industrial

Packaging and products bearing the OK Compost INDUSTRIAL mark are certifiably biodegradable in industrial composting systems. This applies to all of their components, ink and additives. The only reference standard for the certification programme is the harmonised standard EN 13432:2000. In any case, any product bearing the OK Compost INDUSTRIAL logo conforms to the requirements of the European Directive on packaging and packaging waste (94/62/CE).

## **Ok Compost Home**

The OK Compost HOME certification system guarantees complete biodegradability in the specific conditions of home composting systems which, considering the reduced volume of waste involved, operate at a significantly lower and less consistent temperature to industrial composting facilities, making domestic composting a slower and more difficult process.





## MAIN FORESTRY CERTIFICATIONS

Forest Management Certifications refer to a statement issued by a third party, or an independent body, that verities and affirms that the products, services and production systems conform to established parameters of "good and proper" management.

The aim of this certification is to ensure that the forest is protected, preserving and enhancing it whenever possible, according to principles of environmental, economic and social sustainability in order to leave it in the same or better condition for future generations.

Forestry certifications are voluntary and ensure that the processes and products associated with the use of forests are controlled and monitored.

A certified chain of custody is a way of proving that a business has a system to trace products sourced from forests throughout all stages of the production process, from the certified forest to the sawmill, the factory and the consumers. In this case the certification is issued and periodically reviewed by accredited third party bodies.

Burgo is a member of **FSC**<sup>®</sup> (Forest Stewardship Council<sup>®</sup>) and **PEFC**<sup>™</sup> (Programme for the Endorsement of Forest Certification scheme), which represent the most widely recognised forest and chain of custody certifications at a global level.

The Burgo Group has obtained FSC® and PEFC™ forest certifications for all of its production facilities (Burgo and Mosaico), its head offices, and the companies Burgo Ardennes and Burgo Distribuzione.

## **FSC® CERTIFICATION**

The FSC® mark identifies products 
The PEFC™ mark guarantees the use containing wood sourced from responsibly managed forests and sources according to international controlled sources. (www.fsc.org)



## **PEFC™ CERTIFICATION**

of fibres from legal and sustainable standards. (www.pefc.org)



#### **ASSOCIATIONS**

The Burgo Group promotes associations and partnerships with other bodies and nonprofit organisations with which it has shared values and interests.















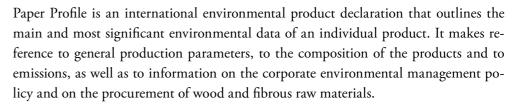






## THE BURGO GROUP JOINS PAPER PROFILE

The Burgo Group has adopted the Paper Profile, the voluntary international environmental product declaration for paper mills designed to inform paper buyers.



The Paper Profile of a paper is therefore its "ecological identity card" and is based on parameters shared by the main international producers.

With a view to its commitment to environmental protection and transparency in communication, the Burgo Group makes the paper profiles of its products available to its customers. These are available on request by writing to paperprofile@burgogroup.com The Burgo Group has chosen to become an active partner in two major European sector initiatives aimed at promoting the use of printed paper as a means of effective and sustainable communication:







## 3.7 Materiality analysis

The Materiality analysis aims to identify the most significant topics for the Burgo Group and its Stakeholders.

In the first edition of the Sustainability Report produced by the Burgo Group, the report content was identified by observing the following technical and methodological principles recommended by the Global Reporting Initiative Standards<sup>2</sup> (hereinafter the "GRI Standards):

- stakeholder inclusivity;
- sustainability context;
- materiality;
- completeness.

When identifying the structure and content of the Report, Burgo therefore considered its business activities and how these impact the environment and society (Group sustainability context analysis) and the potential interests of stakeholders, as well as their potential expectations.

In order to identify the most relevant or "material" topics to be included and developed in this Report, a document analysis was conducted based on the content of the GRI guidelines. This led to the definition of an initial panel of topics to be assessed and explored.

Subsequently, "internal" documents representing the material topics of the Burgo Group were selected and analysed: the Code of Ethics, previous Financial, Economic and Environmental Reports, statements from Senior Management regarding Group policies, the Consolidated Financial Statements from previous years, and other available corporate reporting documents.

## THE MAIN PHASES OF THE MATERIALITY ANALYSIS

The materiality analysis was developed in multiple stages with the main objective of providing a general map of the most important material topics to report, with a view to achieving the Group's objectives.

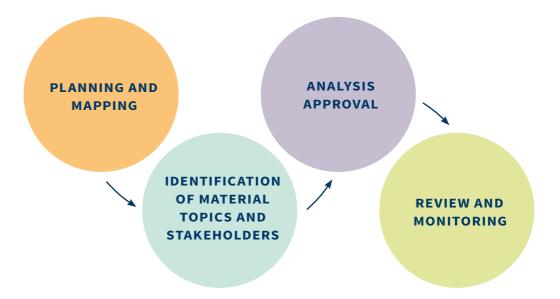
The phases of the materiality analysis are as follows:

During the *planning and identification phases*, meetings were organised with the people involved (directors and department managers) with the aim of identifying the most important material topics from those deemed potentially relevant to the reporting process.

Once the *material topics* were defined, the next phase was to identify the various **stakeholders** involved, the methods of communication, and the relative information provided by the Group.

The *approval* phase involved sharing and approving the analysis with Management in order to definitively validate the analysis.

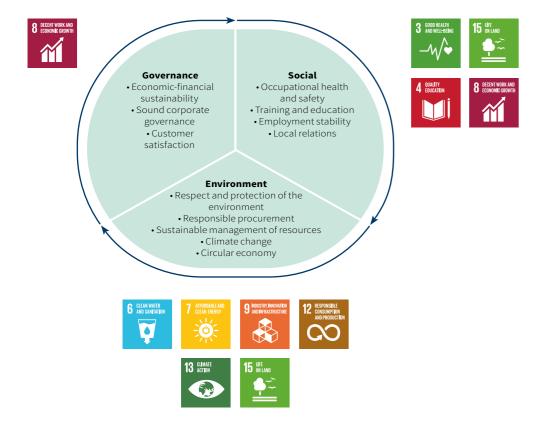
The final phase will begin following the publication of the report and aims to implement the materiality analysis with engagement from the identified Stakeholders, with a view to collecting feedback and identifying, where present, any potential new material topics to be reported.



<sup>&</sup>lt;sup>2</sup> The *GRI Standards* represent the *best practices* for *sustainability reporting* at a global level. For the purposes of this report the 2016 edition of the Standards were used.

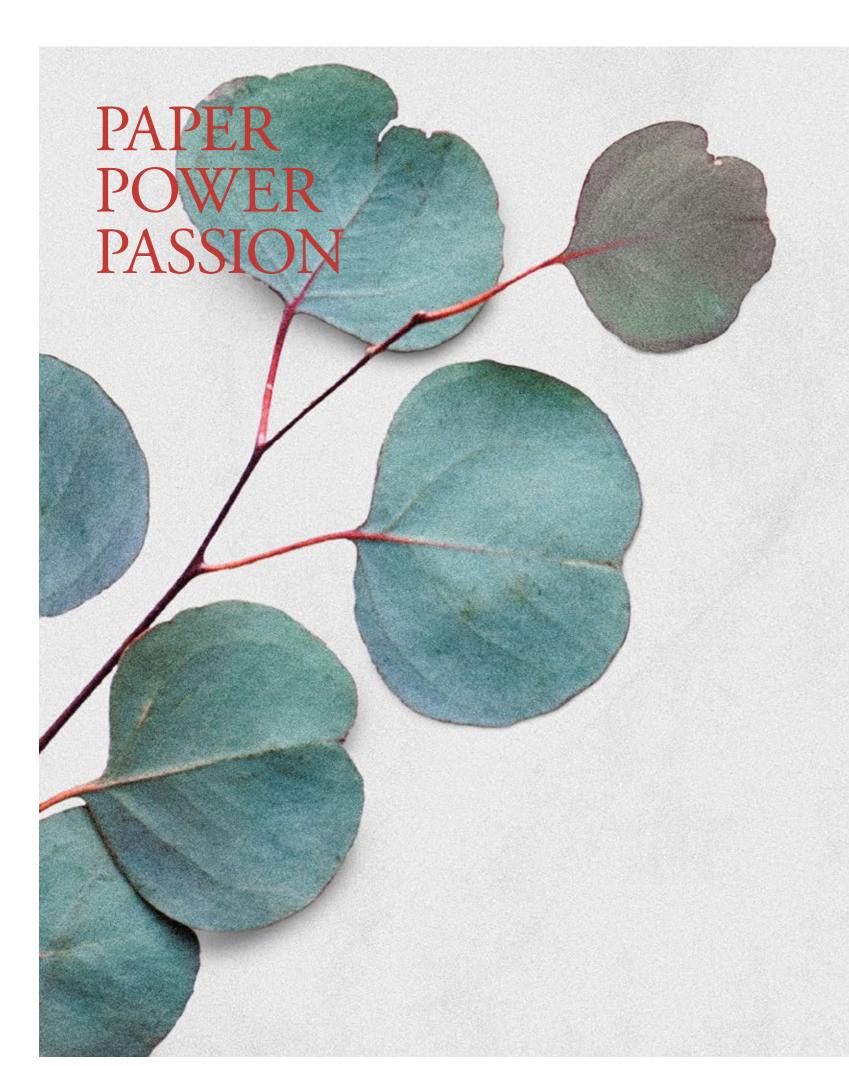
## MATERIAL TOPICS IDENTIFIED

The materiality analysis identified the most significant material topics to be reported, without measuring in detail their relevance for the Burgo Group and its stakeholders. Next, the main categories and relative material topics identified were then reported.



The next step was to identify the various stakeholders involved, their interests and the communication plan to be adopted.

Stakeholders	Potential Interests	Methods of communication	Frequency
Shareholders	Change management, remuneration, investment	Website	Continuous
	transparency	Dedicated meetings	Various/Quarterly
		Statement of Financial Position	Quarterly
		Sustainability Report	Annual
		Social Networks	Continuous
Institutions	Compliance with law, regulations and	Website	Continuous
(Provincial and regional bodies, national and European	industry standards, transparent conduct and communication, socially responsible	Dedicated meetings	Various
governments, local authorities)	ents, local authorities) management, contributions and social security contributions		Various
Environment and	Focus on environmental impacts, reduced	Website	Continuous
biodiversity	consumption of natural resources, energy efficiency, waste and industrial waste	Social Networks	Continuous
(Ecosystem, associations and environmental institutions)	management, sustainable mobility	Dedicated meetings	Various
Customers and suppliers	Continuity of relationship, contractual	Sustainability Report	Annual
	conditions, product and business sustainability, development of partnerships	Statement of Financial Position	Quarterly
		Website	Continuous
		Dedicated meetings	Various
		Social Networks	Continuous
Community	Protection of local area, collaborations with	Sustainability Report	Annual
(Local relations, Associations and Environmental	associations and universities, protection and safety of local communities, innovation and	Website	Continuous
institutions)	opportunities for the community, support for	Dedicated meetings	Various
	local initiatives	Social Networks	Continuous
Burgo Group Employees	Identity and values, motivation, development,	Sustainability Report	Annual
(Employees, external collaborators, and trade	contractual stability, training, health and safety, quality of life, equal opportunities	Website	Continuous
union representatives and	quality of fire, equal opportunities	Dedicated meetings	Various
organisations)		Message boards	Various
		Newsletter	Various
		Social networks	Continuous
Financial community	Market transparency, financial stability and	Sustainability Report	Annual
	sustainability, corporate governance, relations with investors	Statement of Financial Position	Quarterly
		Website	Continuous
		Social Networks	Continuous



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4 Economic responsibility

"It is every man's obligation to put back into the world at least the equivalent of what he takes out of it."

Albert Einstein

## 4.1 2020 Financial Data<sup>4</sup>

In 2020, total operating revenues and income fell from  $\in$  1,698.2 million to  $\in$  1,331.6 million. The Group's gross operating margin (EBITDA) fell to  $\in$  72.6 million compared to  $\in$  134.1 million in 2019, mainly due to the sharp decrease in the demand for graphic papers caused by the Covid-19 pandemic.

The Group's medium term industrial decision to increase the focus on the specialty papers and containerboard sectors and reduce the emphasis on graphic papers enabled the Group to reduce the negative impact on its overall margins by maintaining its performance in these two categories.

<b>Business sectors</b> €/mln	2019	2020	% Change
Paper revenues % of total revenues	1,441 87.9%	<b>1,127</b> 88.4%	- 21.8%
Cellulose revenues % of total revenues	78 4.8%	<b>56</b> 4.4%	- 29.1%
Energy revenues % of total revenues	100 6.1%	<b>68</b> 5.3%	- 31.5%
Other revenues % of total revenues	20 1.2%	<b>24</b> 1.9%	20.4%
	1,639	1,275	- 22.2%



 $<sup>^4</sup>$  For more detail on the economic data please refer to the 2020 Consolidated Financial Statements approved on 12/05/2021

Other income  Total operating revenues and income Costs for materials and external services Staff costs Other operating costs Changes to surplus stock	1,639,222 59,027 <b>1,698,249</b> (1,307,224) (197,776)	1,274,717 56,915- <b>1,331,631</b> (1,006,737)	-22.2% -21.6%
Total operating revenues and income  Costs for materials and external services  Staff costs  Other operating costs	<b>1,698,249</b> (1,307,224) (197,776)	1,331,631	-21.6%
Costs for materials and external services Staff costs Other operating costs	(1,307,224) (197,776)		-21.6%
Staff costs Other operating costs	(197,776)	(1,006,737)	
Other operating costs	, , ,		
		(176,424)	
Changes to surplus stock	(49,090)	(34,208)	
	(10,860)	(43,513)	
Costs for capitalised internal works	821	1,910	
Total operating costs	(1,564,128)	(1,258,971)	-19.5%
Gross operating margin before amortisation,			
depreciation and non-recurring expenses (EBITDA)	134,121	72,660	-45.8%
Depreciation and amortisation	(79,195)	(72,246)	
Capital gains/losses on disposal of non-current assets	(1,482)	(664)	
Operating profit before non-recurring expenses	53,444	(250)	
Writebacks/writedowns of non-current assets	(10,805)	-	
Income/expenses of a non-recurring nature / for restructuring	(2,644)	(22,399)	
Operating profit (EBIT)	39,994	(22,649)	
Financial expenses	(30,948)	(27,553)	
Financial income	6,142	3,225	
Profit/(loss) before taxes	15,189	(46,977)	
Income taxes	(5,463)	(4,050)	
Profit/(loss) for the period	9,726	(51,027)	

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Overall, total operating revenue and income came to € 1,332 million, compared to € 1,698 million in 2019 (-21.6%).

Revenues from ordinary operations in 2020 amounted to € 1,275 million, down by € 364 million (-22.2%) compared to € 1,639 million in 2019. The decrease was mainly due to the fall in sales due to the pandemic which resulted in a reduction in sales volumes and lower prices of paper products and energy.

Paper sales fell by € 314 million mainly due to the fall in demand for graphic papers.

Other income totalled € 56.9 million (€ 59 million in the previous year) due in particular to environmental certificates and interruptibility agreements. Overall, total operating revenue and income came to € 1,331.6 million, compared to € 1,698.2 million in 2019 (-21.6%).

Operating costs totalled € 1,259 million compared to € 1,564.1 million in the previous year, a decrease of -19.5%. Operating costs included € 176.4 million f0r staff costs, compared to € 197.8 million the previous year.

The gross operating margin before amortisation, depreciation and non-recurring expenses was € 72.7 million, compared to € 134.1 million in 2019.

Amortisation and depreciation came to € 72.2 million (€ 79.2 million in 2019).

Operating income before non-recurring transactions amounted to € -0.25 million, compared to € 53.4 million the previous year.

In terms of net non-recurring expenses, no writedowns were allocated following the impairment tests. The Group classifies as non-recurring events or facts which do not occur frequently or derive from operations not representative of normal business, such as restructuring costs or writedowns of non-current assets.

Financial expense fell from € 30.9 million in 2019 to € 27.5 million in 2020. Financial income came to  $\in$  3.2 million, compared to  $\in$  6.1 million in 2019.

As a consequence, net revenues after tax payable for the year of € 4.1 million for the year recorded a loss of € 51 million, compared to revenues of € 9.7 million the previous year.

<b>Statement of equity/financial position: Assets</b> €/mln	31 Dec 2019	31 Dec 2020	Change
Non-current assets	844.6	833.3	(11.3)
Property, plant and equipment	728.1	711.8	(16.3)
Intangible assets	24.8	30.9	6.0
Other non-current assets	22.8	23.8	1.0
Deferred tax assets	68.9	66.8	(2.0)
Current assets	634.5	529.2	(105.3)
Total assets	1,479.1	1,362.5	(116.6)

Statement of equity/financial position: Liabilities €/mln 3:	L Dec 2019	31 Dec 2020	Change
Shareholders' equity	314.3	334.4	20.1
Shareholders' equity attributable to the Group	310.9	330.7	19.9
Shareholders' equity attributable to non-controlling interests	3.4	3.6	0.2
Non-current liabilities	669.1	494.6	(174.4)
Current liabilities	495.7	533.5	37.8
Total shareholders' equity and liabilities	1,479.1	1,362.5	(116.6)

The most significant data of the Burgo Group's capital and financial structure are:

Net tangible and intangible fixed assets fell from € 752.9 million to € 742.7 million, mainly due to the effects of the difference between investments and other intangible capitalisations totalling € 73.5 million, disposals totalling € 11.5 million and amortisation/depreciation totalling € 72.2 million. In 2020 the Group continued its projects at the Verzuolo, Avezzano and Ardennes sites and pursued investments to renew the cogeneration plants at the Toscolano and Tolmezzo facilities.

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Warehouse inventories and trade receivables due from customers fell respectively by  $\in$  43.5 million and  $\in$  29.8 million while trade payables due to suppliers fell by  $\in$  50.4 million, resulting in a positive cash flow of  $\in$  22.9 million.

Working capital therefore fell by  $\in$  22.9 million, while net financial debt decreased from  $\in$  491.7 million to  $\in$  454.3 million at the end of 2020, a reduction of  $\in$  37.4 million. Shareholders' equity increased from  $\in$  314.3 million to  $\in$  334.4 million due to the profit for the year and the  $\in$  70 million share capital increase<sup>5</sup>.

## **INVESTMENTS**

Investments in property, plant and equipment in 2020 totalled € 56 million (€ 94.4 in 2019), while strictly technical investments came to € 51.2 million.

In line with the approved Business Plan, the investments plan was pursued in all of the Group's facilities with projects focused on plant maintenance, maintaining quality and improving production efficiency.

At the Verzuolo site the containerboard production line was launched, while at the Avezzano plant a system was designed to enable the production of a new white top paper product.

In the "Mosaico" division the initiatives to develop the paper production line mainly focused on plant maintenance and product quality, while in the energy sector a project was launched to update the plants with new technology in order to increase the efficiency of plant production and reduce the environmental impact.

At the Ardennes plant the project to install new machine components to modernise the cellulose processing was completed, with the aim of increasing production volume. As regards the paper production line, works continued to maintain the plants and guarantee product quality.

Meanwhile, actions required to maintain production efficiency were performed and possible future investments to reduce energy costs and increase energy efficiency were analysed, with a particular focus on reducing the use of fossil fuels.

Environmental and safety investments continued at all Group locations, in compliance with occupational health and safety prevention and improvement programmes, as well as relative to environmental protection and regulatory developments.

## **GLOBAL DISTRIBUTION OF SALES**

In the three-year reporting period the Group adopted a policy to increase its presence in developing continents characterised by high growth potential.

In certain areas, particularly in Asia, sales have recorded a more significant increase. The Group's paper sales are mainly aimed at the European market and represent approximately 89% of the total.

Total	100.0%	100.0%	100.0%
Italy	36.2%	36.8%	40.8%
Oceania	1.6%	0.6%	0.2%
North America	2.6%	1.9%	1.9%
Europe	53.6%	53.2%	48.5%
Central America	1.0%	0.8%	0.6%
Asia	3.2%	4.7%	6.2%
Latin America	0.6%	0.6%	0.5%
Africa	1.2%	1.4%	1.2%
	2018	2019	2020



 $<sup>^5</sup>$  For more details on the financial data in paragraph 4.1 please refer to the Burgo Group's Statement of Financial Position as at 31/12/2020, approved at the meeting of the BoA on 12/05/2021.

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## 4.2 Distribution of added value

## DIRECTLY GENERATED AND DISTRIBUTED ECONOMIC VALUE

Generated and distributed economic value			
Items	2018	2019	2020
Net sales revenues	1,797,622	1,624,247	1,263,504
Other revenues	70,423	59,027	56,915
Revenues from financial investments	7,284	6,142	3,225
Sales of goods	2,041	187	67
Generated economic value (total revenues)	1,877,370	1,689,603	1,323,711
Operating costs	(1,545,214)	(1,369,734)	(1,094,097)
Employee salaries and benefits	(190,759)	(188,298)	(176,481)
Payments to equity providers	(15,515)	(15,051)	(16,283)
Payments to local authorities	(19,160)	(16,506)	(14,310)
Investments in the community	(142)	(83)	(200)
<b>Distributed economic value</b> (total costs)	(1,770,790)	(1,589,672)	(1,301,372)
Economic value withheld	106,580	99,931	22,339
of which:			
Amortisation, depreciation and writedowns	(103,519)	(90,360)	(72,606)
Remuneration withheld in the company			
(Profit/(loss) for the year and deferred taxes)	(3,061)	(9,571)	50,268

The Group's economic value generated (EVG) in 2020 was € 1,324 million. The fall in value compared to 2019 is mainly due to the reduction in revenues caused by the pandemic. Economic value generated is divided into economic value distributed and economic value withheld. The details of the three-year period are given below, subdivided into the various subcategories.

Economi	ic value genera	ited						
				Economic value distributed				
	Economic value withheld		Operating costs	Employee salaries and benefits	Payments to equity providers	Payments to local authorities	Investments in the community	
2018	106	1,877	1,545	191	16	19	0.14	
	6%		87%	11%	1%	1%	-	
2019	100	1,690	1,370	188	15	17	0.08	
	6%		46%	12%	1%	1%	-	
2020	22	1,324	1.094	176	16	14	0.2	
	2%		84%	14%	1%	1%	-	

## PAYMENTS TO LOCAL AUTHORITIES BY COUNTRY

The main tax categories identified for the purposes of reporting are:

- <u>Corporate taxes</u>: mainly referring to taxes on revenues (e.g. IRES in Italy) and, where provided for, taxes of production activities (e.g. IRAP in Italy), applicable in the various countries where the Group operates;
- <u>Property taxes</u>: mainly referring to the Single Municipal Tax (Imposta Municipale Unica IMU) applicable in Italy, and the Real Estate Tax (Precompte immobilier) applicable in Belgium;
- Other taxes: these mainly refer to taxes on motive power, water rates, use of public soil, and other less significant categories, applicable in the countries where the Group's companies operate.

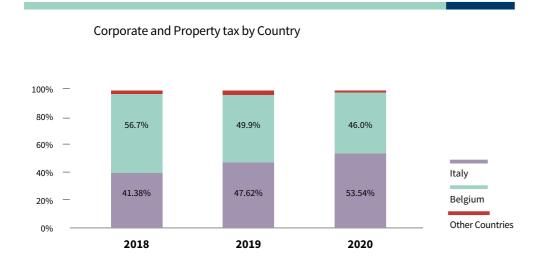
 Total	19,160	16,506	14,310
Others taxes	3,831	3,767	3,672
Property taxes	7,141	7,162	7,348
Corporate taxes	8,188	5,577	3,290
Taxes by category Items:	2018	2019	2020

The figure shows the breakdown of the countries where Burgo Group companies pay corporation and property taxes.

The figure demonstrates that Belgium and Italy are the countries in which the Group is most exposed to tax payments to local authorities (on average, over 99% of taxes are paid in these countries).

The Burgo Group pays taxes in the countries in which its production facilities are located (Italy and Belgium), and therefore in the countries in which it has helped to distribute value to local economies, such as through the payment of suppliers of goods and services or salaries to employees.

Note: The countries listed under the item "Other Countries" include: France, Germany, Spain, Poland, United Kingdom and United States.



In line with the reporting principles adopted, the Group has indicated any financial subsidies received from local authorities during the reporting period.

The contributions received in 2019 and 2020 are divided into:

- grants totalling € 476,000
- subsidised rate loans totalling € 4,933,000.

In 2018 local authorities did not issue any financial support.

The details of subsidies reached each year are shown below.

All contributions were obtained through participation in tenders and research and development projects promoted by regional and national bodies.

Company	Plant	Granting body	Grant amount
2020 ———			
Burgo	Sora	Italian Ministry of Economic Development	366,000.00€
Mosaico	Tolmezzo	FVG Region through Mediocredito	1,462,456.00€
2019 —			
Burgo	Verzuolo	FinPiemonte	110,000.00€
Burgo	Sora	Italian Ministry of Economic Development	2,963,000.00€
Burgo	Sora	Italian Ministry of Economic Development	329,000.00€
2018 —			
Burgo Ardennes	Ardennes	Aide a l'investissement de la Region Wallonne	179,000.00€



## 5.1 Raw materials and procurement

The Group's approach has become increasingly focused on environmental sustainability throughout its production and distribution lines, with the adoption of internal policies, the implementation of environmental management systems and the adoption of occupational health and safety policies for partners and third parties.

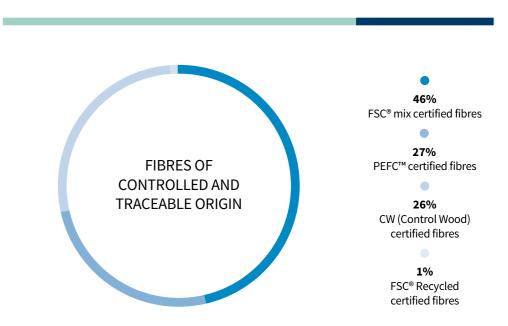
The Group's constant commitment to guarantee environmental sustainability is aimed at all sectors of its activities and over the years has become an integral component of the Group's commitments.

## **OUR COMMITMENTS:**

- We select and process certified raw materials.
- We adopt production processes aimed at optimising water and resources.
- We invest in projects to limit and reduce emissions.
- We implement a waste disposal system to reduce the amount of material sent to landfill.
- We focus on sustainable logistics and use a multimodal transport system.

## **FOCUS ON PROCUREMENT**

The Group promotes the procurement of fibrous raw material sourced from responsibly and sustainably managed forests to guarantee the renewability of resources, to protect biodiversity and to maintain habitats. It prioritises the procurement of wood and fibrous raw materials from FSC\* and PEFC $^{\text{TM}}$  certified forests and controlled sources.



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## STRATEGIC MATERIALS

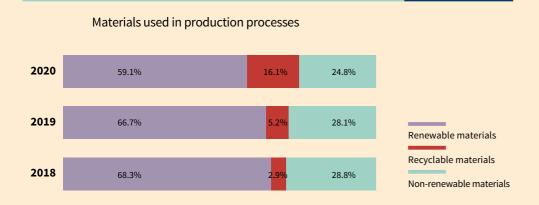
Various types of material are used throughout the production cycle: as well as the raw materials mentioned above (wood and fibrous materials), the materials used can be grouped into three main categories:

- Recycled material
- Renewable material
- Non-renewable material

The quantities of the main raw materials used by the Group are shown below.

## Materials used in production processes

		2018			2019			2020	
Category	Recyclable	Renewable	Non-renewable	Recyclable	Renewable	Non-renewable	Recyclable	Renewable	Non-renewable
Cellulose	-	651,125	-	-	647,528	-	-	516,047	-
Timber	-	2,145,157	-	-	1,937,353	-	-	1,417,623	-
Kaolin	-	-	154,850	-	-	127,778	-	-	71,564
Carbonates	-	-	783,225	-	-	746,902	-	-	531,996
Other chemicals	-	-	177,561	-	-	159,950	-	-	178,725
Latex	-	-	79,449	-	-	74,018	-	-	53,090
Starches	-	38,980	-	-	45,304	-	-	59,296	-
Waste paper	119,004	-	-	204,033	-	-	544,578	-	-
Total by category	119,004	2,835,261	1,195,085	204,033	2,630,185	1,108,648	544,578	1,992,966	835,375
Total		4,149,350			3,942,866			3,372,919	
% of total	2.9%	68.3%	28.8%	5.2%	66.7%	28.1%	16.1%	59.1%	24.8%



The company began to increase its use of recyclable raw materials in 2018 thanks to the conversion of its plants in Verzuolo and Avezzano to produce containerboard, leading to a reduction in the use of non-renewable material and renewable material.

+10.3%

RECYCLABLE

MATERIAL

USED\*

 $<sup>^{\</sup>star}$  Increase in proportion of recycled materials out of total production materials used.

## **FOCUS ON COVID-19 CONTINUITY OF SUPPLY**

The activities of the Burgo Group's plants were considered "essential" during the first phases of the pandemic. The Group's products are aimed at various critical sectors (e.g. food, pharmaceutical) and are thus very important for the community.

Steps were taken at various sites to restructure production activities to protect the health and safety of the workforce while also maintain production continuity, operating safely and guaranteeing continuous supply to clients.

## The pandemic and sustainable development

The pandemic was a huge challenge, and the recovery process will be just as difficult. This challenge also represents a major opportunity for the Burgo Group to build a truly sustainable future through the adoption of an integrated approach centred around sustainability. This approach is guided by the 17 sustainable development goals, those development is also a global and integrated process, where one need (the economy or employment, for example) does not take priority over another (such as the environment or social welfare).

The need to stay in our own homes to help contain the spread of the virus also generated some new ideas on how we can redesign the future, including the organisation of our business. For example, the possibility of using remote working more widely than before not only represents a method of continuing social distancing during the recovery period, but also a chance to gain a healthier work-life balance. The situation also highlighted the need for a more integrated relationship with the supply chain, the importance of protecting occupational health and safety, and the need to be increasingly resilient in the face of change.

## 5.2 Waste management

Paper is comprised of 90% renewable raw materials and natural resources. The paper industry is therefore constantly committed to prolonging the product lifecycle by integrating reuse and recycling systems into its production processes.

In this regard the Burgo Group has sent 95% of the sludge generated by the paper production process for recovery.

Other types of residues such as inert mineral fillers (carbonates and kaolins), as well as metal, wood and plastic waste, waste oils, and waste deriving from plant maintenance are instead regularly passed on to authorised service companies for their correct disposal. At all of the Group's sites, waste management follows rigorous procedures defined by the environmental management system and duly monitored by regular internal audits.

These procedures are applied at Group level.

## THE CIRCULAR ECONOMY

As regards the circular economy, following the conversion of the Avezzano and Verzuolo production lines from graphic papers to containerboard, in 2020 over 500,000 tonnes of waste paper was used as a secondary raw material.

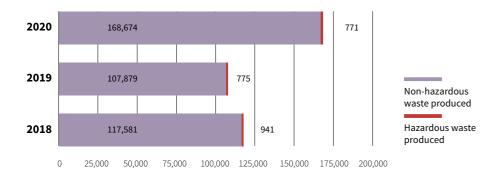
Since 2018 various projects aimed the re-use of certain by-products of process waste from the cellulose, wood pulp and paper production processes have been in constant development with a view to promoting a circular economy. For example, a project to implement a plant to clean and re-use the plastic fibres and beads produced from recovered wasted is being development, aimed at improving the management of plastic waste.



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	ИМ	2018	2019	2020
Non-hazardous waste produced	tonnes	117,581	107,581	168,674
Hazardous waste produced	tonnes	941	775	771

## Waste produced (tonnes)

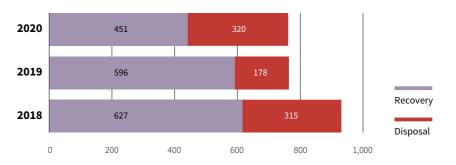


The increase in the production of non-hazardous waste in 2020 related to the conversion of production line 9 at the Verzuolo plant from graphic papers to containerboard. This conversion involved the transition from the use of cellulose and wood pulp to waste paper, a secondary raw material. Waste paper processing generated a certain amount of pulper waste which is non-hazardous, increasingly the total amount of non-hazardous waste produced in 2020 compared to other years.

## HAZARDOUS WASTE PRODUCED

	UM	2018	2019	2020
Recovery	tonnes	562	596	451
Disposal	tonnes	315	178	320

## Hazardous waste produced (tonnes)

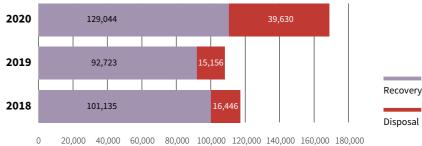


The fluctuating trend in the quantity of hazardous waste produced is due to the periodic maintenance of production plants. In the 2018-2020 three-year period, the percentage of hazardous waste sent for recovery averaged 67%.

## NON-HAZARDOUS WASTE PRODUCED

	UM	2018	2019	2020
Recovery	tonnes	101,135	92,723	129,044
Disposal	tonnes	16,446	15,156	39,630

## Non-hazardous waste produced (tonnes)



The fluctuating trend in the amount of non-hazardous waste send for disposal is due the decreasing availability of recovery plants.

Furthermore, the increase in the production of non-hazardous waste in 2020 related to the conversion of production line 9 at the Verzuolo plant from graphic papers to containerboard.

## 5.3 Energy consumption and efficiency

## **ENERGY RESOURCES**

The Group now has a generation system with an installed power of just below 500MW. In 2020, its plants produced nearly 0.7% of Italy's total electricity production.

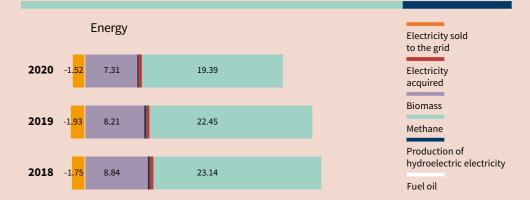
The energy is produced using cogeneration plants, a well-established technology that rates highly as a best practice within the industry. Most of the Group's plants are classed as "high yield co-generation", synonymous with high efficiency thanks to the efficient use of fuel.

The fuel used is predominantly methane gas, although biomass is also used thanks to the systems at Verzuolo and especially at Burgo Ardennes in Belgium. At these two sites, energy is produced using a mix of sludge and bark (at the Gever facility at the Verzuolo site) and black liqueur (lignin) and bark (at Burgo Ardennes). A certain amount of hydroelectric electricity is also produced.

The use of fuel oil was zeroed in 2018 thanks to the plant gasification works at Burgo Ardennes that concluded in 2015. Fuel oil connections were converted to natural gas, which not only brought technical advantages but also reduced the environmental impact.

30% OF TOTAL ENERGY **USED IS** RENEWABLE

Items201820192020MethaneGJ23,140,05422,449,90019,385,620Fuel oilGJ000BiomassGJ8,841,3738,209,6687,307,664Electricity acquiredGJ455,940492,846494,012Production of hydroelectric electricityGJ103,121129,70095,198Electricity sold to the gridGJ(1,749,864)(1,927,329)(1,524,671)	Total energy used	GJ	30,790,623	29,354,786	25,757,824
Methane       GJ       23,140,054       22,449,900       19,385,620         Fuel oil       GJ       0       0       0         Biomass       GJ       8,841,373       8,209,668       7,307,664         Electricity acquired       GJ       455,940       492,846       494,012	Electricity sold to the grid	GJ	(1,749,864)	(1,927,329)	(1,524,671)
Methane       GJ       23,140,054       22,449,900       19,385,620         Fuel oil       GJ       0       0       0         Biomass       GJ       8,841,373       8,209,668       7,307,664	Production of hydroelectric electricity	GJ	103,121	129,700	95,198
Methane GJ 23,140,054 22,449,900 19,385,620 Fuel oil GJ 0 0 0	Electricity acquired	GJ	455,940	492,846	494,012
Methane GJ 23,140,054 22,449,900 19,385,620	Biomass	GJ	8,841,373	8,209,668	7,307,664
	Fuel oil	GJ	0	0	0
Items 2018 2019 2020	Methane	GJ	23,140,054	22,449,900	19,385,620
	Items		2018	2019	2020



Energy consumption is closely linked to the types and quantities of product produced and the trends have been affected by various strategic events over the years: in 2017 Gever S.p.A. was acquired; in 2018 the Avezzano plant recommenced production following investments to produce containerboard; in 2020 a containerboard production line was implemented at Verzuolo which is intrinsically less energy intensive than its previous coasted paper production lines. While these factors have influenced the energy consumption of the Group in different ways, in 2020 the most significant impacts related to the effects of the Covid-19 pandemic. The many periods of suspension to the production of certain types of product had a tangible impact on energy performance: in absolute terms there was a sharp decline in energy consumption, down -15% compared to the average for the 2018-2019 period. However, consumption was generally stable overall.

After a generally stable trend in previous years, where was a slight increase in consumption (+4%) due to the more significant impact of fixed consumption.

Energy intensity is an indicator of the Group's energy efficiency and is the ratio of GJ of energy used to tonnes of paper and cellulose produced.



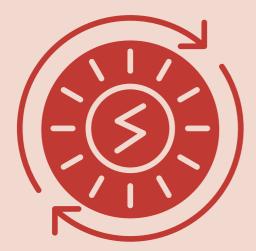
## **ENERGY EFFICIENCY**

The Group has always been committed to reducing its energy consumption, which represents the first and most important step towards decarbonisation. The Group's performance in this regard has been proven by the continuous award of energy efficiency certificates to several projects carried out over the years with the aim of reducing the energy intensity of its plants.

In the last four years, Burgo has made energy savings equivalent to 15,000 tonnes of CO<sub>2</sub> thanks to projects developed in the last few years. The effects of these existing projects continue to be monitored, and various other projects that have either recently been completed or are nearing completion will also bear fruit in the coming years.

The aim is not only to constantly improve energy consumption, but also to increase the efficiency of the Group's cogeneration plants, producing the energy needed with methods and returns that prioritise the more efficient use of primary resources.

In this regard, 20,000 tonnes of CO, have been avoided and certified according to recognised white certificates (TEE) for high yield cogeneration systems. Current initiatives include major works on the cogeneration systems, including the installation of a new plant at Tolmezzo and the modernisation of the Toscolano system, with both projects due to enter into service in 2022.



## 5.4 Emissions and climate change

#### **EMISSIONS**

The Burgo Group's strategic decision to pursue energy self-sufficiency has directed its investments towards the production of energy from cogeneration systems, gradually reducing the use of fossil fuels and CO, emissions.

Furthermore, the use of natural gas (methane) means that the emissions produced are almost entirely free from sulphur-containing substances (SO, and H2S), dusts or particulates, with lower greenhouse gas emissions (only CO, is released). Cogeneration is also one of the most efficient systems with a lower environmental impact able to meet the consistent demand for electricity and steam at the paper mills.

Currently the main source of CO<sub>2</sub> emissions, as well as nitrogen oxide (NO<sub>2</sub>) and carbon monoxide (CO) emissions, is the production of energy at cogeneration plants for the production of paper.

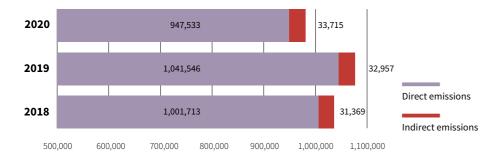
The actions carried out by the Group to keep CO<sub>2</sub> emissions under control and, more generally, to improve its energy efficiency include:

- The use of raw materials with low energy impact
- The adoption of technologies that minimise energy consumption
- The adoption of combined heat + power generation systems ("cogeneration")
- The implementation of an integrated strategy coordinated among all the Group's Facilities
- Compliance with international directives (primarily the Kyoto Protocol);
- The monitoring of usage levels at all plants to monitor their energy efficiency.

## 2020 SUSTAINABILITY REPORT | ENVIRONMENTAL RESPONSIBILITY

	ИМ	2018	2019	2020
Direct emissions	tonnes of CO <sub>2</sub> eq.	1,001,713	1,041,546	947,533
Indirect emissions	tonnes of CO <sub>2</sub> eq.	31,369	32,957	33,715
<b>Total emissions</b>	tonnes of CO <sub>2</sub> eq.	<b>1,033,082</b>	<b>1,074,503</b>	<b>981,248</b>

## CO<sub>2</sub> emissions (tonnes of CO<sub>2</sub> eq.)



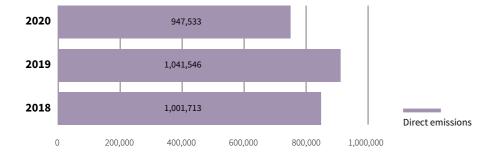
Total CO<sub>2</sub> emissions in 2020 were generally stable. The slight decrease in direct emissions is mainly due to the production shutdowns caused by the Covid-19 pandemic.

The increase in the amount of CO<sub>2</sub> due to indirect emissions is due to the higher quantity of electricity acquired from the grid.

The data on direct CO<sub>2</sub> emissions was validated by an external control body according to the provisions of the Emission Trading Scheme (ETS).

	UM	2018	2019	2020
Direct CO <sub>2</sub> emissions	tonnes CO <sub>2</sub> eq.	1,001,713	1,041,546	947,533

## Direct CO<sub>2</sub> emissions (tonnes of CO<sub>2</sub> eq.)



## INDIRECT CO, EMISSIONS

These are the emissions associated with electricity acquired from the grid.

## Italy:

2018:  $\rm CO_2$  emissions associated with gross thermoelectric production: 281.4 g  $\rm CO_2$ /kWh (Coefficient taken from Report no. 317/2020 ISPRA "Atmospheric emission factors of greenhouse gases from power sector in Italy and in the main European countries", Table 2.4 — Emission factors of Italian electricity production and consumption (g  $\rm CO_2$ /kWh) on page 31.

2019:  $\rm CO_2$  emissions associated with gross thermoelectric production: 276.3 g  $\rm CO_2$ /kWh (Coefficient taken from Report no. 317/2020 ISPRA "Atmospheric emission factors of greenhouse gases from power sector in Italy and in the main European countries", Table 2.4 — Emission factors of Italian electricity production and consumption (g  $\rm CO_3$ /kWh) on page 31.

2020:  $\rm CO_2$  emissions associated with gross thermoelectric production: 276.3 g  $\rm CO_2$ /kWh (Coefficient taken from Report no. 317/2020 ISPRA "Atmospheric emission factors of greenhouse gases from power sector in Italy and in the main European countries", Table 2.4 — Emission factors of Italian electricity production and consumption (g  $\rm CO_2$ /kWh) on page 31. NOTE: at the time of writing the 2021 ISPRA Report was not yet available; therefore the 2019 data was used.

## Belgium:

2018:  $\rm CO_2$  emissions associated with gross thermoelectric production: 211.5 g  $\rm CO_2$ /kWh (Coefficient taken from Report no. 317/2020 ISPRA "Atmospheric emission factors of greenhouse gases from power sector in Italy and in the main European countries", Table AI.16 — Greenhouse gas emission factors of thermoelectric plants for the production of electricity and heat (g  $\rm CO_2$ /kWh) on page 101.

2019:  $\rm CO_2$  emissions associated with gross thermoelectric production: 211.5 g  $\rm CO_2$ /kWh (Coefficient taken from Report no. 317/2020 ISPRA "Atmospheric emission factors of greenhouse gases from power sector in Italy and in the main European countries", Table AI.16 — Greenhouse gas emission factors of thermoelectric plants for the production of electricity and heat (g  $\rm CO_2$ /kWh) on page 101. NOTE: at the time of writing the 2021 ISPRA Report was not yet available; therefore the 2018 data was used.

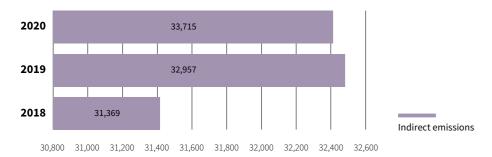
2020:  $\rm CO_2$  emissions associated with gross thermoelectric production: 211.5 g  $\rm CO_2$ /kWh (Coefficient taken from Report no. 317/2020 ISPRA "Atmospheric emission factors of greenhouse gases from power sector in Italy and in the main European countries", Table AI.16 — Greenhouse gas emission factors of thermoelectric plants for the production of electricity and heat (g  $\rm CO_2$ /kWh) on page 101. NOTE: at the time of writing the 2021 ISPRA Report was not yet available; therefore the 2018 data was used.

BURGO GROUP

2020 SUSTAINABILITY REPORT | ENVIRONMENTAL RESPONSIBILITY

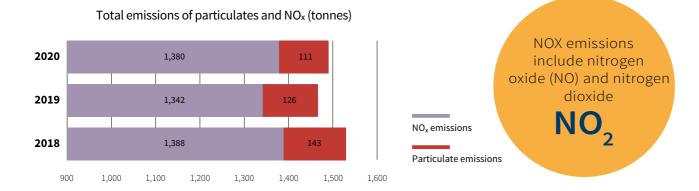
# UM 2018 2019 2020 Indirect CO<sub>2</sub> emissions tonnes CO<sub>2</sub> eq 31,369 32,957 33,715

## Indirect CO<sub>2</sub> emissions (tonnes of CO<sub>2</sub> eq.)



## EMISSIONS OF NO, AND PARTICULATES

	UM	2018	2019	2020
NO <sub>x</sub> emissions	tonnes	1,388	1,342	1,380
Particulate emissions	tonnes	143	126	111



Total NO<sub>x</sub> emissions in 2020 were generally stable.

## 5.5 Water resources

## **SUPPLY**

The production of paper requires large quantities of water, a particularly precious raw material required by all of the planet's ecosystems.

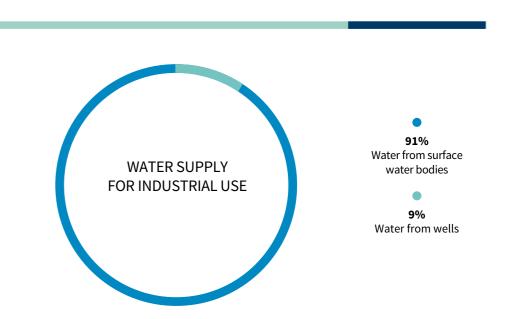
Over the years, the Burgo Group has invested in optimising its water usage process, gradually reducing fresh water withdrawals and prioritising the use of recycled water.

90% of total water demand is met by recycled water.

The supply of water is permitted by the Competent Authorities through the allocation of specific permits. The Burgo Group's Management System monitors the entire water management system, minimising the risk of waste or contamination. The cycle concludes with the management the waste water so that water which has already been used multiple times in the systems is sent for purification, initially by chemical and physical processes and then by biological treatments.

The purification process is divided into three stages:

- The preliminary treatment, to eliminate coarse materials;
- The chemical-physical plant, to separate and eliminate the finer particles by sedimentation or floatation;
- The activated sludge biological plant, within which the micro-organisms metabolise the substances.



**OPTIMISATION** 

#### 2020 SUSTAINABILITY REPORT | ENVIRONMENTAL RESPONSIBILITY

Two optimisation projects have been pursued over the years:

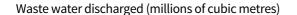
- the increase in the use of recycled water in the production process;
- the reduction of demand in the production process.

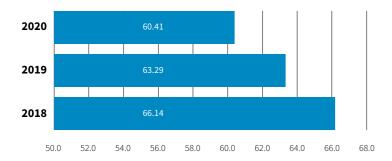
The Group's management strategies have been essential in selecting the most efficient technologies and systems.

Most of the Group's plants, including those where there is no direct discharge to surface water but which are connected to consortium facilities, feature a waste water treatment system aimed at recovering the water used in the paper mill. The purification phase enables water used in the paper production process to be reused while still meeting the purity and quality levels required by current regulations.

The table shows the volumes of water (in millions of cubic metres) discharged for all of the Group's production units.

The quality levels for waste water discharge are determined according to the provisions set out by national and local regulations.





The volumes of waste water fell in 2019 and 2020. The data for 2020 was affected by the plant shutdowns caused by the Covid-19 pandemic.

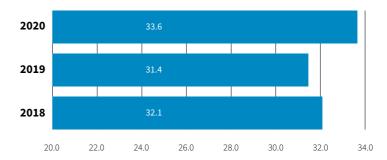
## **WATER REUSE**

Reusing water contributes to ensuring a lower environmental impact and, in particular:

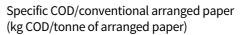
- reduction in water withdrawn from aquifers;
- reduction in water withdrawn from surface water;
- consistency and reliability of resources thanks to the continuous availability of treated water;
- reduction in waste of natural resources.

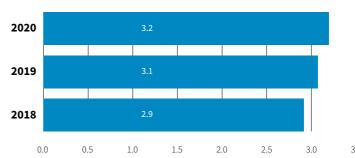
## SPECIFIC WATER CONSUMPTION

Specific water discharged from treatment plants/conventional arranged paper (m³/t conventional arranged paper)



The data for specific water consumption in the 2018-2020 period is generally in line with the overall data, highlighting the Group's constant drive to optimise its plants at all levels. The data for 2020 bucks the trend slightly due to the reduction in overall paper production caused by the plant shutdowns during the Covid-19 pandemic.





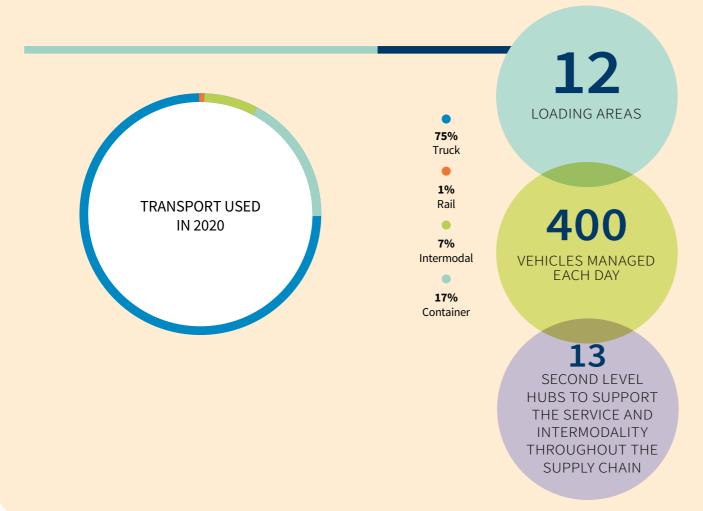
Despite the launch of the Avezzano production line in 2018 and the conversion of production line 9 at Verzuolo in 2020, COD (Chemical Oxygen Demand) remained stable.

## 5.6 Sustainable logistics

Respect for the environment is one of the main drivers guiding the Group's supply chain and its operating decisions. Environmental responsibility is not only extended to production activities but is also integrated both up and downstream of those processes.

Careful monitoring of goods entering and leaving the facilities has enabled the Group to optimise the logistics process, helping to mitigate the associated environmental impacts.

The "Sustainable logistics" policy plays a decisive role in the Group's decisions and, for its implementation, cross-departmental coordination between Logistics, Customer Services and the Group's sales branches across Europe is essential.



In 2020, the Group's distribution strategy was based on the use, for 100% of the volumes destined for the Iberian peninsula, of the RO/RO (Roll-On Roll-Off) method, which uses ferries equipped with ramps that enable the wagons to board (Roll-on) and disembark (Roll-off) without the use of any external mechanical equipment such as cranes.

As regards rail freight, the Group continued its commitment to distribute LWC (Light Weight Coated) and RTC paper in Europe using logistics based on the use of second-level warehouses for the final mile.

Environmental protection is a commitment shared by the Logistics department and Supply & Procurement department. With regard to the procurement of raw materials, the Group asks its transport service providers for an assessment of the amount of  $CO_2$  saved.

This analysis concludes with the issue of "CO<sub>2</sub> Reduction Certificates" by the suppliers, attesting to the annual reduction in CO emissions (in tonnes) achieved thanks to an efficient distribution strategy.

An example CO<sub>2</sub> Reduction Certificate, in this case issued by the provider Ambrogio Trasporti S.p.A., is given below.

In the context of "Sustainable logistics", the reduction in "empty" miles travelled has been the key driver in the organisation of the collection of raw materials (pulp balls) and the delivery of the end product.

The sites where this logic has been applied are the Verzuolo and Avezzano plants, which need to receive raw materials (pulp balls) to produce containerboard.

With a view to optimising the supply chain and reducing the number of "empty runs", a central hub was established for the vehicles collecting the finished products and the vehicles delivering the finished products.





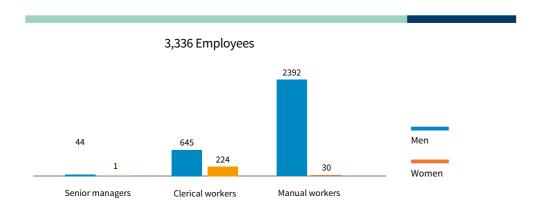
## 6.1 Human resource management

The correct management of the Group's human resources has always been a core com-

Our employees are a precious resource and the Group is committed to ensuring personal respect and providing an inclusive working environment free from discrimination.

Indeed, one of Group's key aims is to effectively engage its employees and integrate a broad range of different skills and professional backgrounds.

The Group is committed to constantly bringing new specialist technicians or new graduates into the company, with the aim of stimulating and cultivating potential to enable them to take on leading roles within the organisation. The Burgo Group also aims to provide a working environment that protects employee health and safety and complies with all applicable safety standards.



THE GROUP'S **WORKFORCE IS** COMPRISED OF 8% **WOMEN AND 92%** MEN

There are two main employment categories at the Group: production activities and clerical work. Generally, there is a more pronounced male presence within the Group while female employees, although fewer in number, have a significant presence in clerical positions.

Manual workers are most representative of the Group's workforce and comprise 73% of total employees.

Clerical workers represent 26% of the workforce and are located at the Group's Headquarters, at plant offices, in the Group's commercial offices and in commercial branches located overseas.

The Group's female workers are generally concentrated in this category and represent 23% of total clerical staff.

81% OF THE WORKFORCE IS LOCATED IN ITALY

nercial branches (Abroad)	62	59	54
Plants (Abroad)	578	587	577
Plants (Italy)	2,631	2,507	2,476
ministrative offices (Italy)	84	71	53
Headquarters (Italy)	182	183	176
Total	3,537	3,407	3,336
Manual workers	2,600	2,467	2,422
Clerical workers	891	894	869
Senior managers	46	46	45
	2018	2019	2020
	Clerical workers Manual workers  Total  Headquarters (Italy) ministrative offices (Italy) Plants (Italy)	Senior managers 46 Clerical workers 891 Manual workers 2,600  Total 3,537  Headquarters (Italy) 182 ministrative offices (Italy) 84 Plants (Italy) 2,631 Plants (Abroad) 578	Senior managers       46       46         Clerical workers       891       894         Manual workers       2,600       2,467         Total 3,537       3,407         Headquarters (Italy)       182       183         ministrative offices (Italy)       84       71         Plants (Italy)       2,631       2,507         Plants (Abroad)       578       587



# EMPLOYEE BREAKDOWN BY QUALIFICATION, GENDER, AGE AND SENIORITY

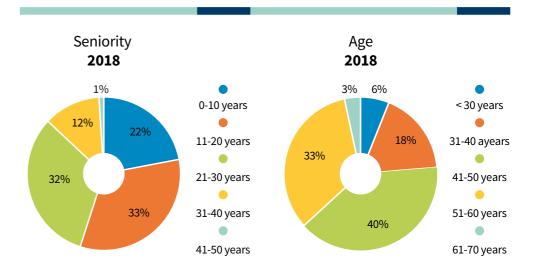
F         M         F         M         F         M         F         M         F         M           Clerical workers         75         115         68         207         63         259         22         118         2         8         93           Manual workers         6         590         16         891         13         807         1         269         0         7         2,60	Total	786		1	1,182		1,142	410		17		3,537
F M F M F M F M F M  Clerical workers 75 115 68 207 63 259 22 118 2 8 93	Total by category	81	705	84	1,098	76	1,066	23	387	2	15	3,537
F M F M F M F M	Manual workers	6	590	16	891	13	807	1	269	0	7	2,600
	Clerical workers	75	115	68	207	63	259	22	118	2	8	937
Seniority 0-10 years 11-20 years 21-30 years 31-40 years 41-50 years lotal		F	М	F	М	F	М	F	М	F	М	
Curiodia	Seniority	0-10 years		11-2	0 years	21-3	0 years	31-40 years		41-50 years		Total

Age	< 30	years	31-40 years		41-50 years		51-60 years		61-70 years		Total
	F	М	F	М	F	М	F	М	F	М	
Clerical workers	12	17	52	70	92	268	68	303	6	49	937
Manual workers	3	182	5	496	12	1,026	15	797	1	63	2,600
Total by category	15	199	57	566	104	1,294	83	1,100	7	112	3,537
Total	2:	14	(	523	1,	398	1,	,183	1	.19	3,537

In 2018 around 45% of employees had worked at the company for over 20 years, while 33% had worked at Burgo for between 11 and 20 years.

22% of employees had been at the company for less than 10 years.

73% were aged between 41 and 60, while 6% were under 30.



Total by category

Total

2019											
Seniority	0-10 years		11-2	0 years	21-30	) years	31-40 years		41-50 years		Total
	F	М	F	М	F	М	F	М	F	М	
Clerical workers	80	160	66	180	62	255	21	106	1	9	940
Manual workers	15	808	6	696	11	664	1	262	0	4	2,467
Total by category	95	968	72	876	73	919	22	368	1	13	3,407
Total	1,0	)63	9	948	9	92	3	90	1	.4	3,407
Age	< 30	years	31-4	0 years	41-50	) years	51-60	) years	61-70	) years	Total
	F	М	F	М	F	М	F	М	F	М	
Clerical workers	9	24	51	62	77	254	90	314	5	55	941
Manual workers	3	204	4	437	8	960	15	778	1	56	2,466

85

1,299

1,214 105

1,092 6

1,197

111

117

3,407

3,407

In 2019 41% of employees had worked at the company for over 20 years, while 28% had worked at Burgo for between 11 and 20 years.

499

554

31% of employees had been at the company for less than 10 years.

55

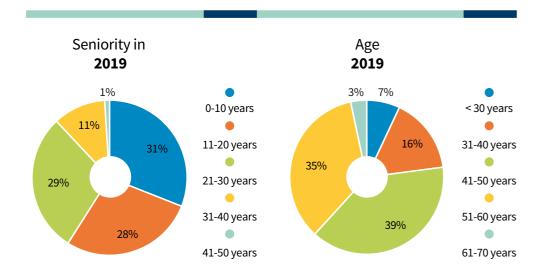
74% were aged between 41 and 60.

12

240

228

The number of employees aged under 30 grew to 7%, a 1% increase on 2018.

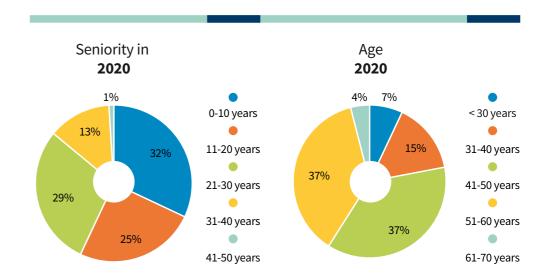


Total	1,0	84	8	321	9	84	4	30	1	.7	3,336
Total by category	88	996	73	748	66	918	28	402	0	17	3,336
Manual workers	12	832	7	590	10	685	1	279	0	6	2,422
Clerical workers	76	164	66	158	56	233	27	123	0	11	914
	F	М	F	М	F	М	F	M	F	M	
Seniority	0-10	years	11-20	0 years	21-30	) years	31-40	31-40 years		) years	Total
2020											

Age	< 30	years	31-40	0 years	41-5	0 years	51-60	) years	61-7	0 years	Total
	F	М	F	М	F	М	F	М	F	М	
Clerical workers	13	26	41	56	77	230	88	310	6	67	914
Manual workers	3	200	1	402	8	929	18	810	0	51	2,422
Total by category	16	226	42	458	85	1,159	106	1,120	6	118	3,336
Total	24	42		500	1,	244	1,	226	1	.24	3,336

In 2020 around 43% of employees had worked at the company for over 20 years. The number of workers who had worked at the company for less than 10 years also continued to growth (32%).

The number of employees aged under 30 remained stable at 7% while the number of employees aged between 41 and 60 rose to 74%.



## **ALLOCATION OF CONTRACTS**

With a view to ensuring secure and stable employment, the Group aims to establish long-term working relationships with its employees, as shown by high number of employees who have worked at the company for between 10 and 30 years.

In 2020 fewer contract renewals were made compared to previous years (65.17%, down -16.20% on 2019), due to the decline in production caused by the pandemic.

The analysis below refers to the Burgo Group, Mosaico and Burgo Distribuzione only. The reporting period for the data below is January to December 2020.

2020							
Company	<b>Expiring contracts</b>			Confirmed contracts			Percentage
	F	М	Tot	F	М	Tot	of confirmed contracts
Burgo Group SpA	1	38	39	1	23	24	61.54%
Clerical workers	1	4	5	1	4	5	100.00%
Manual workers	-	34	34	-	19	19	55.88%
Mosaico SpA	1	48	49	1	32	33	67.35%
Clerical workers	-	1	1	-	1	1	100.00%
Manual workers	1	47	48	1	31	32	66.67%
Burgo Distribuzione Srl	1	0	1	1	0	1	100.00%
Clerical workers	1	-	1	1	-	1	100.00%
Manual workers	-	-	0	-	-	0	0.00%
Total	3	86	89	3	55	58	65.17%

## 6.2 Training and education

"I never teach my pupils, I only attempt to provide the conditions in which they can learn"

(Albert Einstein)

Providing training within a company means investing in human capital and increasing the skills of individual workers and the workforce as a whole. This process not only ensures individual professional progression but also helps the business to grow.

In fact, we support the principle that training, if delivered in the right way, can prove to be an excellent business investment, as better qualified and more stimulated employees lead to increased productivity and a higher standard of work, in addition to higher levels of employee satisfaction.

For the Burgo Group, training is a growth opportunity that involves every single level of the corporate hierarchy and concerns technical aspects as well as management and interpersonal skills. In fact, for some years our managers have had the opportunity to design their own individual growth plan as part of the seminars organised by the group "The European House - Ambrosetti", while the annual courses organised by Scuola Cartaria in San Zeno also provide growth opportunities for the specialist workers who operate at our industrial sites.

Furthermore, we provide training to effectively teach our employees to recognise, prevent and manage incidents, providing them with a complex system of concepts and procedures aimed at developing the skills that enable them to work safely while reducing risks and protecting the personal safety of all employees.

The training programmes organised and delivered by the Group are part of a process that enables each worker to acquire a greater awareness of their role and to adopt conduct that transforms safety into an integral part of their working experience.

The events of 2020 caused by the pandemic unfortunately delayed regular training activities, but there was nonetheless a considerable drive to provide training on the ground, aimed at furthering the professional development of employees within the organisation both in terms of improving existing skills and, in particular, developing other skills aimed at taking on new roles.

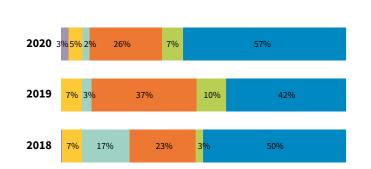
Average hours of training	2018	2019	2020
Total hours of training delivered	113,908	69,586	71,059
Number of employees	3,537	3,407	3,336
Total average hours	32.2	20.4	21.3
Hours by topic	2018	2019	2020
Paper Technology	500	130	2,060
Maintenance and Plants	7,867	5,015	3,276
Quality, Environment and Certifications	19,050	2,400	1,762
Safety	26,462	25,634	18,141
Role-Specific Courses	3,013	7,083	5,260
Coaching and Support (New Roles)	57,017	29,324	40,560
Total average hours	113,909	69,589	71,059





#### 2020 SUSTAINABILITY REPORT | CORPORATE RESPONSIBILITY

% TREND BY TOPIC



Paper Technology

Quality, Environment and Certifications

Role-Specific Courses

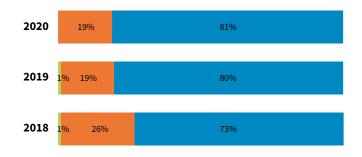
Maintenance and Plants

Safety

Coaching and Support

(New Roles)

## % TREND BY PROFESSIONAL LEVEL



Participation of senior managers

Participation of middle managers and clerical

Participation of manual workers

workers

## 6.3 Industrial relations

The changes to the Group's organisation and the evolving economic conditions of the paper sector have led to the need to closely monitor and continually update the Group's approach to industrial relations.

The model adopted by the Group was formalised by a Group Trade Union Agreement signed at Confindustria Vicenza on 08/10/2013. The agreement reached consolidates the structure of the "Executive" body, to whom the Parties allocated a senior management role both with regard to the areas of expertise assigned to it and as the main vehicle of collective information.

The Executive Body is responsible for the Group's system of industrial relations. The body is governed by the representatives appointed by the Burgo Group S.p.A. and the representatives appointed by the Trade Union signatories of the Collective Labour Agreement (CCNL for Companies operating in the paper and cardboard industry).

The topics brought into debate and discussion at this level include and are not limited to:

- the Group's industrial relations guidelines;
- the second-level collective bargaining guidelines, based on the provisions of the relevant Collective Labour Agreement (CCNL) in force and National multi-industry agreements adopted over time;
- the definition of group performance-linked variable bonus schemes;
- the management of business, restructuring and labour reorganisation plans that involve multiple plants belonging to the same "industrial/commercial division";
- the training programmes that require specific agreements;
- the organisational flexibility system and the group's flexible working hours system;
- the standardisation of conduct, regulations and treatment at Group level;
- the adoption/adjustment of company contracts based on any new regulations/changes to contracts, including problems regarding the interpretation and application of Group agreements;
- the standardised application of frameworks based on contractual declarations;
- periodic monitoring of industry trends and market dynamics;
- other topics that involve or affect the Group.

2020 SUSTAINABILITY REPORT | CORPORATE RESPONSIBILITY

At a local and regional level, negotiations regarding topics pertinent to individual business units are handled as defined by the Collective Labour Agreement in place and by the Group Agreements.

The Trade Union Representative (R.S.U.) is the first point of contact for negotiation as well as the principal vehicle for the promotion of broad employee engagement and participation within the corporate environment.

The Burgo Group, in agreement with the Trade Union, has reaffirmed the importance of maintaining civil and constructive dialogue at all levels and has stated that a positive solution to possible disputes must be sought by placing respect for the rules and active engagement with the arguments presented by others at the centre of the debate.

In the case of workforce reorganisation following conversions to new production lines, before resorting to social benefits and other tools to manage surplus resources, the company implemented active labour policies that aimed to offer employees alternative work in other departments, aiming to protect and retain professional roles while simultaneously enhancing the professional experience of individual workers.

The Parties in question, in view of the provisions of the Consolidated Law on Representation of 20 January 2014, have determined the procedures aimed at preventing and managing conflicts.

In this regard, a Group procedure was defined aimed at managing and positively resolving disputes on a local level. The procedure includes a system of sanctions that can be adopted in the event of non-compliance with the rules, principles and values described in the agreements.

A European Works Council has been active within the Burgo Group for many years. The council meets once a year and the meetings are attended by the National Secretaries for the sector and the Italian and Belgium trade union representatives belonging to the committee.

Thanks to the Group's long-standing commitment to respecting roles and engaging in constructive dialogue, in 2020 the Plant/Site Management, in concert with local Trade Union Representatives, determined the measures and signed the Protocols to regulate and limit the spread of the Covid-19 virus in the workplace.

## 6.4 Health and Safety

The protection of occupational health and safety is one of the founding principles of the Burgo Group's business. The HSE (Health, Safety and Environment) Department was established with the aim of defining the relative measures, monitoring their application and coordinating the activities carried out at the Group's various sites. This centralised Department is responsible for managing the activities of the Group's HSE Management System. At each site, specially trained resources are appointed to manage HSE activities. For the Burgo Group, HSE management means protecting the safety of all of its employees and stakeholders, and this is ensured through risk assessment, management and mitigation models that aim to analyse potential threats and identify the measures required to prevent or mitigate them.

The Burgo Group aims to prevent work-related injuries and illnesses by providing a safe and hygienic working environment for all employees and collaborators at its sites. To reach this objective the Group has adopted integrated and structured systems, within which the "Company Safety Policy" is defined, implemented and monitored.

HSE meetings are held periodically and are attended by all the key figures involved, including the Employer and the Prevention and Protection Service Manager (RSPP). The purpose of the meetings is to discuss the results and compare them with the objectives in order to determine the necessary strategic actions and operational measures.

Accidents are monitored at all of the Group's sites using the relative indices, recording the NUMBER of INJURIES in the year and calculating the FREQUENCY and SEVERI-TY INDICES.

In 2020, 272 near misses were recorded at the Group's Italian sites. Near misses are recorded and analysed in detail in order to determine the corrective measures necessary to prevent the actual occurrence of accidents and injuries following a preventive approach. All of the above activities are carried out in close collaboration with the Supervisory Body, pursuant to Italian Legislative Decree 231/2011.

The Group is also committed to developing coaching, information and training plans on workplace safety and health to promote a culture of safety and prevention.

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The Burgo Group has incorporated specific procedures into its management system to analyse accidents, identify the enabling factors (e.g. circumstance, technical fault, human factors and conduct/organisation) and to identify any corrective and/or preventative measures necessary to reduce or remove the possibility of similar events in the future. The collection of accident data enables the HSE department to produce records that are distributed at company level in order to share experiences and prevent or reduce the occurrence of potential incidents more effectively, with a view to protecting employee health and safety, the environment and company assets. As regards accidents that occurred in 2020, most injuries concerned impacts and trips/slips, resulting mainly in superficial injuries or small wounds. The analysis of causes showed that a high proportion of accidents were due to conduct-related causes. In order to reduce the frequency of accidents, the Burgo Group is currently implementing additional information, training and engagement tools aimed at employees, with a view to reducing unsafe conduct and promoting safe conduct, thus acting on the main cause of accidents at the company.

The trends of the frequency index and severity index in 2020 for all of the Group's production facilities are shown below. The data refers to injuries lasting for more than 3 days.

2020	Frequency index	Severity index
Ardennes	12	1
Avezzano	4	0
Chiampo	41	1
Duino	22	1
Lugo	11	0
Sarego	16	1
Sora	12	0
Tolmezzo	27	1
Toscolano	20	0
Treviso	28	2
Verzuolo	11	1
Villorba	40	11

**Group total (including head offices)** 

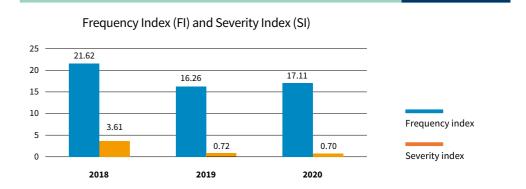
17.11

0.70

In 2020 a total of 87 injuries were recorded, compared to 89 in 2019. The Group's frequency index in 2020 was 17.11 compared with 16.26 of 2019, while the severity index was 0.70 (0.72 in 2019)<sup>4</sup>.

## GROUP TOTAL (including Head Offices)

	2018	2019	2020
Frequency index	22	16	17
Severity index	4	1	1



The indicators for 2020 were generally in line with the 2019 data, demonstrating the Group's constant commitment to implementing the improvement measures defined and to developing and implementing coaching, training, information programmes on occupational health and safety, with a view to promoting culture of safety and prevention.

 $<sup>^4</sup>$  Standard used to calculate severity and frequency indices: UNI 7249:2007 "Statistics on occupational injuries".

## **FOCUS ON COVID-19** THE UNIVERSAL ANTI-CONTAGION PROTOCOL

All of the Burgo Group's employees have proven their ability to adapt to challenging situations and to apply their values, passion and skills in order to continue their work, defining, implementing and reviewing anti-contagion protocols involving all relevant parties and thus guaranteeing continuous supply to our clients. The correct application of company protocols has proven to be an effective tool in preventing the spread of the virus. Specific Covid-19 committees were established at each of the Group's sites to define and monitor the prevention and protection measures necessary to contain the virus.

Each site adopted a variety of measures:

- training and information activities;
- effective communication about the risks;
- provision of surgical face masks and face coverings with filters;
- temperature monitoring at site entrances;
- definition of specific rules for shared spaces (e.g. cafeteria, changing rooms, offices, control panels);
- cleaning protocols using disinfectants and regular sanitising of equipment.

While all of the measures were important, their successful application depended on one fundamental protective measure with regard to Covid-19: the SENSE OF RE-SPONSIBILITY shown by all of the Group's workforce. Never before has safety been so dependent on shared responsibility.

The Covid-19 pandemic may have changed many aspects of the Group's operation, but the mission of the HSE Department remained constant: to enforce compliance with regulations and monitor conduct but, most importantly, to promote a culture of safety.

## 6.5 Marketing, communications and local relations

## CHARITABLE DONATIONS

426,000€ **DONATIONS MADE** IN 2018-2020

The Group has always been conscious of the needs of the regions in which it operates. Charitable donations are made to support social promotion associations, parish associations, foundations and associations whose purpose is the protection, promotion and enhancement of assets of artistic, historical and scenic interest, and recognised foundations and associations whose purpose is to conduct or promote scientific research

## **EMPLOYEE DONATIONS**

As well as donations by the Group, Burgo employees also provided support to colleagues and local communities experiencing hardship

## MARKETING AND COMMUNICATION ACTIVITIES

One of the Group's missions is to pursue a business model that aims to balance economic development with social and environmental responsibility. Consequently, the Burgo Group works actively to diversify its business and reduce its environmental impact. Moreover, the Group communicates its actions in this regard, deeming this essential to supporting policies that remain in line with the market on the topic of sustainability and employee welfare. The Group is committed to being in constant contact with its stakeholders and leading the way in business communication. With this in mind, as well as traditional communication on printed media, the Group also implements an integrated digital communication system based around its website, promoting its strategies through various social channels.

## **Social Communication**

One of the targets of the Group's digital communication strategy on the main social networking sites (Facebook, Instagram, LinkedIn, Twitter, YouTube) is to increase the Group's online reputation. This involves positioning the business to increase the Group's visibility and consolidating the image of a constantly evolving business. Another important element of the communication strategy is to promote better brand awareness at a global level, consequently increasing engagement and the fanbase. The publishing plan (PED) is therefore designed to develop various different streams of information differentiated by channel, transforming the Group's payoff "Paper, Power, Passion" into a storytelling tool to promote the Group and its products.

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facebook @BurgoGroup
instagram @burgogroup
linkedin Burgo Group
twitter @burgo\_group
youtube BurgoGroup

As regards the topics covered on social media, the main area of focus is naturally the broad range of products offered by the Group. Ample space is devoted to the topic of the environment and the circular economy, with a view to raising awareness of the environmental focus in the paper and cardboard manufacturing sector, as well as promoting events and initiatives in which the Group has participated as a partner.

## The Burgo Group Website

In 2020 the Group's website was redesigned with a more streamlined and intentionally market-orientated graphic design. Particular focus was given to the redevelopment of the product selector function and on increasing the site's communication potential, with a view to providing users with a more immediate and effective experience. The new, optimised **burgo.com** will guarantee an intuitive and rapid user experience accessible from any device. In fact, the website now includes an updated gallery, aiming to simultaneously provide a description of the Group's values and business model both in brief and in depth, while also promoting the product catalogue and the related services. The technical infor-

mation sheets and main sales channels can be easily and intuitively accessed. The design is characterised by its simplicity and the dynamic use of colours, with particular focus on the balanced distribution of content and the constant integration of text, infographics and other visual and multimedia elements. The new layout has been designed to promote accessibility and usability. The redesign and launch of the site was strategically scheduled to take place in the second half of January 2021.

## House Organ magazine

*GoMagazine*, the informative internal magazine that updates stakeholders on all of the news relative to Burgo's world, continues to be published, covering topics such as activities, products, new technologies and services, projects, events, collaborations and partnerships. The magazine is an indispensable tool in promoting the Burgo culture to all of its 3400 workers, and from this year features a new design and layout.



#### Circonomia 2020

The Burgo Group has supported the initiatives of CIRCONOMIA for a number of years. The festival, which in 2020 ran from 20 May to 1 October, featured a series of conferences, webinars and events to debate the economy in the aftermath of Covid-19 and beyond. The event is aimed at a broad audience, not simply industry workers, and



aims to promote ideas, entrepreneurial and administrative practices, social and cultural change with a focus on ecology, and the relationship between human actions and healthy ecosystems.

## Community integration projects

The Burgo Group is not only focused on the environment; it is also particularly devoted to supporting projects to promote community integration in its areas of operation.

The most significant initiatives in this regard are:

## Toscolano:

- founding member, along with the Municipality of Toscolano Maderno and the "Gruppo Lavoratori anziani della Cartiera" of the Maina Inferiore Museum.

  Located in the valley of the Toscolano river, the museum organises educational workshops, conferences and exhibitions, temporary exhibitions and events, and collaborates with Instituto San Zeno di Verona, the interregional school of technology for paper manufacturers.
- research and study of paper manufacturing techniques (dating to the mid-14th century) and reporting of findings in prestigious publications;
- support for various local non-profit associations.

#### Verzuolo

• collaboration with Turin Polytechnic University (Engineering Department) on environmental aspects.

#### Villorba:

 active collaboration with external laboratories for the organisation of practical tests in the paper mill aimed at training lab technicians on correct waste sampling techniques. 2020 SUSTAINABILITY REPORT | CORPORATE RESPONSIBILITY

## Museo della Carta – Valle delle Cartiere – Toscolano Maderno (BS)

An exhibition space devoted to the Burgo Group and Mosaico, redesigned as one large room. For those who have not yet discovered the Valle delle Cartiere in Toscolono Maderno, it is a magical place where nature melds seamlessly with human history. Since the 14th century, the valley has been the site of a renowned and prolific paper industry that has endured throughout history to present day.

The tale of this centuries-old history is retold at the Museo della Carta, the Paper Museum, in the heart of the Valle delle Cartiere. Located in the former Maina Inferiore paper mill, which was entirely restored in 2007 and operated from the 14th century to 1962, the museum guides visitors on an authentic journey through time to discover the history of paper, from the centuries-old traditional craft, when paper was made using rags turned to pulp using hammers powered by hydraulic wheels, to industrialisation, which led to the development of new technology and the gradual yet inevitable abandonment of the paper mills in the valley. And yet Toscolano's part in the history of paper did not end with the closure of the final mill; it continues to this day.

At the reopening of the Museo della Carta on 1 June 2021, one of the many new features that await visitors includes a new section that recounts this contemporary part of history, with an exhibition dedicated to the Burgo Group, one of the founding members of Fondazione Valle delle Cartiere and a supporter of the initiative. Working with the museum's management, the decision was made to locate this new section in the large hall where the continuous machine is located, alongside the exhibit that describes the modern paper production method. The new exhibit concludes the visitor experience, uniting Toscolano's past and present. The story of the Toscolano plant is told through information panels, videos,

historical documents and contemporary products, describing its history from its origins in 1906 to the modern era under the direction of the Marchi family and the Burgo Group. The new feature, which we hope will enrich the visitor experience, is the result of a collaboration between the Museum and the Marketing Department of the Burgo Group, with the aim of reuniting the current activities of the Toscolano paper mill with its roots run beneath the centuries-old history of the Valle delle Cartiere.







BOOKCITY

## Burgo supports the "Bambini cardiopatici" association

The Burgo Group has supported the Bambini Cardiopatici nel Mondo association since 2014. The association is a secular and independent non-profit organisation which, through the voluntary collaboration of more than 150 surgeons, doctors, nurses and technicians from leading cardiology departments, works in countries in need to provide a chance of life for children with serious heart conditions.

Founded in Milan in 1993, each month it organises missions of hope in various countries (currently 19), trains medical professionals and establishes paediatric heart surgery centres in the most deprived areas, developing the local health system and reducing the infant mortality rate.

## **Bookcity Milano**

Burgo participated in BookCity Milano for the third consecutive year with its Cartaceo #03 project, an initiative conceived to celebrate paper as a meeting point between words and images. In 2020, due to the Covid-19 pandemic it was not possible to hold the event in the prestigious Sala d'Onore della Triennale, but the online presence of authors led to record numbers of playbacks and views.

## Cartaceo #03 Paper: Turn the Page

The project was carried out by Associazione Illustri and ArtsFor and paid tribute to the Group's over 20-year commitment to establishing partnerships with Italian and international artists (such as the Burgo illustrated calendar), confirming the symbiotic link between paper, art, words, culture and beauty.

The key feature of this year's event was Turn the Page, a concept that unites the words of Massimo Recalcati with the illustrations of Sarah Mazzetti.

"Is it too contrived to present human life as a book? A multilayered surface upon which all the marks that have shaped it have been written? Are we not all printed pages? Is our story not a book written in our wake?"

These are the opening words of a reflection on the analogy between the printed word and human life, an obstacle course through the unforgettable marks of the past. The words of Massimo Recalcati and the images of Sarah Mazzetti lead us on a journey through the pages of a book and memory itself, both individual and collective, searching for the most intimate meaning in a gesture that is as mundane as it is outrageous. **Turn the Page** For booklovers, there is nothing more natural. A small gesture, requiring only the slightest effort, but one that can open the door to new worlds and bring chapters to a close.

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So it is with books as it is with life.

Only by continuing to read do the previous pages reveal their meaning, and vice versa: turning the page is both a symbol of strength and of free will, of the unshakeable link with the past and the tension of the future.

The texts by Recalcati and the visionary images by Mazzetti are celebrated in Burgo's new illustrated calendar for 2021, printed entirely on the Group's own paper:

Cover: Prisma Up Silk 2SC 400 g/m² – FSC® Mix Credit certified

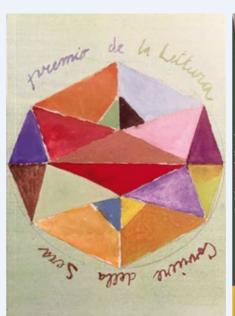
Illustrations and text: Respecta 100 Satin 250 g/m<sup>2</sup> – FSC<sup>®</sup> Recycled Credit certified.



The collaboration launched in 2018 between Burgo and Fondazione Corriere della Sera continues.

In 2020 two initiatives were conducted; the first as the "Literature Award" for the best book of 2019 and the second was the "Poetry Evening". Despite the suspension of events due to the lockdown, the Corriere della Sera devoted several pages to the projects, citing the collaboration with the Burgo Group.

Indeed, the relationship between the Burgo Group and Fondazione Corriere della Sera goes beyond a single evening or event, and in fact represents a much deeper and more structured cultural collaboration.







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BURGO GROUP

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**Containerboard**: a type of paper produced specifically for the production of corrugated cardboard, predominantly for use in the packaging sector.

**BCB** (**Burgo containerboard**): the Group's vast new production centre devoted entirely to paper for the packaging sector.

UWF (Uncoated WoodFree): Uncoated wood-free papers.

**CWF** (Coated WoodFree): Coated wood-free papers.

LWC (Light Weighted coated): Lightweight coated papers.

RCCM (Recycled containerboard): Paper for recycled packaging.

RTC: Coated wood-free papers with high printing performance.

White top liner: Double-layer paper comprising a paperboard back and a white top, ideal for printing.

**Waste paper**: formed of used card or cardboard which can be recycled to create new paper as an end product.

**High yield cogeneration system:** A cogeneration system is classified as high yield when the PES (primary energy saving) is at least 10%.

**Carbon footprint**: quantification of greenhouse gas emissions of an activity or product.



**Interruptibility**: The interruptibility service is an electricity management method offered by electricity providers that enables the user to modify electricity supply through the deliberate disconnection of certain grid connections.

**EMAS** (**Eco-Management and Audit Scheme**): a voluntary system open to EU and non-EU private and public businesses and organisations, under which subscribing members commit to assessing and improving their environmental performance.

**Specialty papers**: type of paper ideal for offset and digital printing, greetings cards, poster paper, self-adhesive labels and shopping bags.

White certificates: introduced in 2005, these are the main tools used to promote energy efficiency in Italy. The certificates are tradeable documents that certify the achievement of savings in end energy use through interventions and projects to increase energy efficiency. One certificate equates to a saving on one Tonne of Oil Equivalent (TOE).

**European Union Emissions Trading System (EU ETS)**: the European greenhouse gas emissions trading system. It is the main tool adopted by the EU to achieve its CO<sub>2</sub> targets in the main industrial sectors.



## Assurance Statement

SGS Italia S.p.A. has been commissioned by Burgo Group Management to conduct an independent assurance review of the Burgo Group Sustainability Report 2020 ('Report'), with the objective of providing conclusions regarding the accuracy and quality of the information disclosed about its performance.

Our responsibility in carrying out the work commissioned to us, in accordance with the terms agreed with the organization, is solely to Burgo Group management.

This Independent Assurance Statement is intended solely for the Group's stakeholders and is not intended to be and should not be used by anyone other than them.

#### DIRECTORS' RESPONSIBILITY FOR THE SUSTAINABILITY REPORT

Burgo Group directors are responsible for preparing the Social Report and for defining objectives in relation to sustainability performance and reporting on the results achieved.

Burgo Group directors are also responsible for identifying stakeholders and significant aspects to be reported, and for implementing and maintaining adequate management and internal control processes for the data and information presented in the Report.

#### INDEPENDENCE OF THE AUDITORS AND QUALITY CONTROL

SGS Italia S.p.A. affirms its independence from Burgo Group and believes that no conflict of interest exists with the Organization, its subsidiaries and Interested Parties.

SGS Italia S.p.A. maintains a quality control system that includes guidelines and documented procedures on compliance with ethical principles and professional principles.

## **AUDITOR'S RESPONSABILITY**

The responsibility of SGS Italia S.p.A. is to express an opinion concerning the reliability and accuracy of the information, data and statements contained in the 2020 Sustainability Report.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the IAASB (International Auditing and Assurance Standards Board) for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement.

The audit of the activities and data relating to the period January to December 2020 (as reported in the Report), was conducted as a Limited Assurance under ISAE 3000.



#### ASSURANCE METHODOLOGY

The assessment was conducted through the random application of audit techniques, including:

- · review of policies, mission, values, commitments;
- review of documents, data, and information collection methods;
- interviews with members of the working group for the drafting of the Report;
- interviews with company representatives from various functions and services, as well as members of senior management;
- overall verification of information and general review of the contents of the Report.

The audit team was assembled based on their technical know-how, experience and qualification of each member in relation to the various dimensions assessed.

The audit activities took place in May 2021 at the company's headquarters in Via Piave,1 Altavilla Vicentina (VI) Italy.

We believe that we have obtained sufficient and adequate evidence to support our conclusions.

The audit covered the entire Sustainability Report, with the following clarifications: for information of an economic-financial nature, SGS Italia limited itself to verifying consistency with the Annual Report and the Consolidated Financial Statements as at 31/12/2020, which were not subject to audit.

#### CONCLUSIONS

As a result of the audit activities conducted and described above, no negative indications emerged regarding the reliability, accuracy and correctness of the information and data reported in the Sustainability Report 2020.

In our opinion, the Report provides a reliable representation of the activities carried out by Burgo Group during the year and the main results achieved. The information is presented in a generally clear, comprehensible, and balanced manner.

Milan, 28 June 2021

SGS Italia S.p.A.

Paola Santarelli Certification & Business Enhancement Business Manager M. Laura Ligi Certification & Business Enhancement

Project Leader

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