

SUSTAINABILITY REPORT

20
20



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About this report

This Sustainability Report provides material information on PCL for the year ending 31 December, 2020, in alignment with the Annual Report and Accounts.

The scope of the report includes PCL activities which contribute to producing and selling paper.

Materiality is the principle of defining the environmental, social and governance (ESG) topics that matter most to the business and its stakeholders. We base materiality analysis on the SASB Materiality Map® list of material aspects and prioritization criteria and disclose the applicable sustainability disclosure topics and accounting metrics listed in the SASB Pulp & Paper Products Sustainability Accounting Standard, October 2018 version.

This Report was prepared using *TTR ESG Reporting Tool and Metrics* available at www.ttrecord.com.



FOREWORD

Founded in 1716, Prado Cartolinas da Lousã (PCL) has a rich legacy that spans the abolition of slavery, numerous natural disasters, the end of the Portuguese monarchy, the industrial revolution and two world wars, among many other major events that changed the course of history over more than three centuries.

It is with the same spirit and commitment to our mission that our Company's management and team members embrace the challenges and disruptions we face today. We all have a shared responsibility to contribute to a better world by protecting the environment and nurturing respect for individuals of all backgrounds and persuasions, and by creating the conditions to ensure the wellbeing of all our stakeholders, and society at large.

PCL has established guidelines over the years that govern the way we engage and interact with our team members, clients, suppliers, and the communities we serve, while safeguarding the environment and contributing to the world as a responsible and exemplary corporate citizen.

In 2021, PCL took the next step toward formalizing these established principles, policies and practices by adopting an environment, social and governance (ESG) framework and creating a reporting mechanism in the form of our first Sustainability Report. This Sustainability Report is a living document that will be updated regularly, allowing us to communicate our ESG policies and practices with our stakeholders on a regular basis, and benchmark our progress towards defined targets.

With the publication of this first Sustainability Report, we have embarked on an iterative journey that will allow us to reinforce and internalize our ESG framework and advance our goals in accordance with industry best practices. Our ESG framework covers matters related to diversity and inclusion, both within the Company and externally, and environmental protection, issues we consider critical to ensuring the resilience and longevity of PCL for generations to come. We are convinced that this initiative will create additional value, in all the many ways it can be measured.

Manuel Cavaco Guerreiro
CEO

Environment

CLIMATE CHANGE

25%

CO₂ emissions reduction target for 2022

WATER AND WASTEWATER

81%

of the water we use is recycled back into the local water course after being carefully purified in our treatment plant.

WASTE

100%

waste valorisation rate.

ESG HIGHLIGHTS

Business Model and Innovation

PRODUCT DESIGN & LIFECYCLE MANAGEMENT

100%

PCL uses only 100% certified wood fiber.

SUPPLY CHAIN MANAGEMENT

97%

of purchases are from certified responsible suppliers

Human capital

EMPLOYEE ENGAGEMENT

100%

of employees receive regular performance and career development reviews.

DIVERSITY AND INCLUSION

25%

Women in the workforce.

HEALTH AND SAFETY

28.5

Accident at work frequency index, showing a reduction of 47% in 2020.

Social Capital

PRODUCT QUALITY

92%

of our customers provided positive feedback about our products in 2020.

PRODUCT QUALITY AND SAFETY

0%

of the products we sold in 2020 contained substances of Very High Concern under Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) criteria.

COMMUNITY RELATIONS

PCL was a proud sponsor of the **2020 Cooperativa TREVIM Caricature Festival**.

Leadership & Governance

ORGANIZATION

2

committees in place, for audit (Deloitte) and remuneration.

BUSINESS ETHICS

0

monetary losses as a result of legal proceedings associated with bribery and corruption.

2020





COMPANY **PRESENTATION**

PRADO, CARTOLINAS DA LOUSÃ - PCL AT A GLANCE



ORGANIZATIONAL OVERVIEW

PCL's main purpose is to develop and produce a wide range of products for a variety of applications and market segments. The philosophy behind all our products is the same: *Papers you can trust*. It is a commitment to the market, but also an internal incentive for continuous improvement, design and development of products that satisfy our customers' needs.

Our Mission

Develop, produce and trade heavyweight paper products, ensuring value creation for all stakeholders and sustainable business development.

Our Vision

To be a reference of excellence in the heavyweight paper sector.

Our Values

Stakeholders satisfaction.

Appreciation and respect for everyone.

Act with ethics and respect for the community and the environment.

Company's Principal Activities

- **The Company's core activity** is the production of heavyweight paper with a product range tailored to the needs of the market.
- **The Company offers its clients** a wide range of bristol boards, office paper, packaging solutions and, more recently, art paper. Our heavyweight paper is used in the printing industry and for office, education, packaging, gift, art and technical applications.
- **The Company's primary raw materials** are pulp, chemicals and colorants.
- **The Company's primary outputs** are heavyweight paper with a wide range of grammage (grams per square meter) in a variety of form factors, namely, reels, sheets and packs.

Business Operating Environment

PCL's focus on people, throughout our history, has been central to our mission, and manifests in the way we nurture our team members, our most valuable assets. It is through their effort, motivation and commitment that we have consistently provided world class service and engendered the trust and confidence of our business partners and communities.

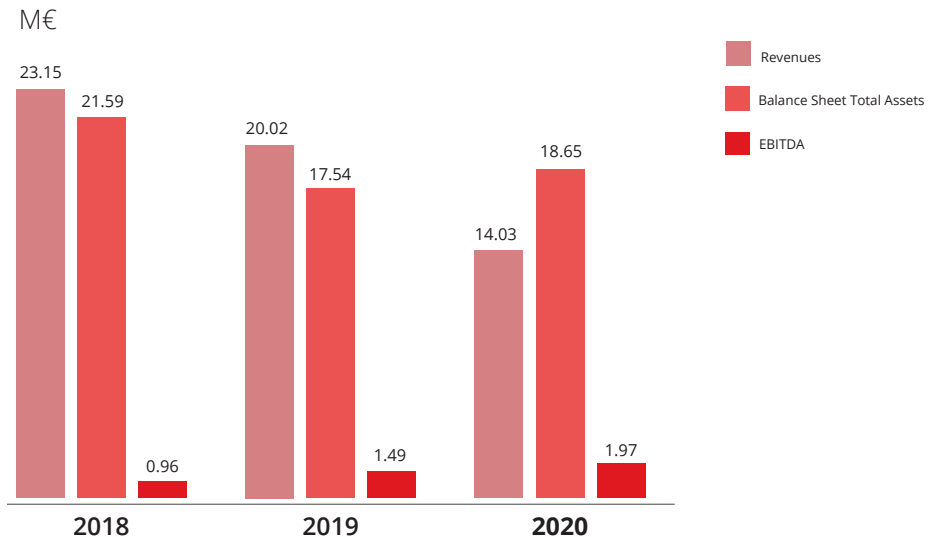
Our environmental impact, meanwhile, is a key factor influencing day-to-day decision-making, from how we manage waste, to how we source and consume energy.

PCL is driven to create value for all our stakeholders, a fundamental objective that extends far beyond the return on capital generated by the Company's core business activities. The Company not only provides dignified jobs, taxes and social security contributions; it also carries out countless voluntary initiatives that support our many diverse communities, supplying water to farms in collaboration with local authorities, hosting students to provide educational exposure, offering on-the-job training to interns, and sponsoring events.

We are committed to maintaining high levels of morale and engagement among our employees, protecting our strong reputation and building the value of our brand by ensuring customer satisfaction, complying with statutory obligations and upholding our commitment to society and the environment.

The restrictions on business activities and free movement imposed across the world in response to the threat of the Global COVID -19 pandemic, had a notable impact on PCL's sales, but the Company's recovery began almost immediately in 2Q20 and revenue had returned to pre-crisis levels within 12 months, thanks in large measure to our diverse end markets.

Our Key Financial Indicators



Competitive Landscape and Market Position

As a producer of specialized, niche products, PCL must constantly monitor and anticipate changes to stay relevant in national, regional and global markets. As consumption patterns change in more mature markets, the focus on new geographies and new applications for our products becomes increasingly important. Geographical diversification has helped the Company weather periods of economic stagnation and political instability, and we continue to expand our presence across the globe to build resilience and stabilize revenues over the long term.

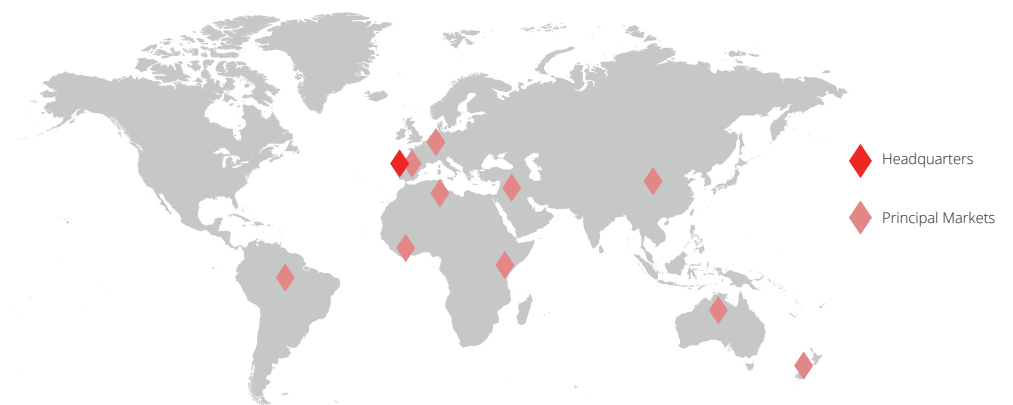
The paper industry is extremely capital intensive, which provides a natural barrier to entry, minimizing new competitors and disruptions in the market. We are not completely immune from competitive pressures, however, and the industry as a whole has been challenged to invest to keep pace with new printing technologies allowing for higher speed productions using less ink, which ultimately lowers costs and reduces environmental impact.

The printing and writing (P&W) paper market, which represents PCL's core product line, is facing a critical challenge as global demand falls year-over-year, putting pressure on producers to remain competitive by maintaining sales volumes at reduced prices. As a niche producer, PCL differentiates itself by commercializing sophisticated products of superior quality, a strategy that has proved successful over the years. We continue to expand our range of state-of-the-art P&W products, notwithstanding the negative impact the growing adoption of digital printing technology is having on the industry. In addition to our core P&W products, PCL is also well positioned to meet the growing demand for paper-based packaging, which is gaining market share relative to plastics.

By constantly taking the pulse of the market to anticipate changes, PCL has remained relevant and developed policies that protect the Company's market position and revenue, while allowing us to capitalize on opportunities to build strength within the organization. This routine exercise provides the primary inputs for each iteration of our five-year Capital Expenditure (CAPEX) Plan, which in turn, allows us to continuously improve the efficiency of our paper mill and meet the demands of a dynamic global market.

Our Principal Markets

Portugal, Spain, other EU countries, Asia-Pacific, Mediterranean Basin, Latin America, Australia & New Zealand, Africa and Magreb.



MITIGATING RISKS AND LEVERAGING OPPORTUNITIES

We identify main risks to our business and ensure that they are adequately managed. This analysis is part of our annual strategic review.

PCL takes a proactive approach to anticipate risks and opportunities, which allows us to mitigate destabilizing impacts on the Company's balance sheet, and plan for changing market conditions, often requiring significant capital outlays. Among the challenges we face currently is the replacement of staff, as a significant number of our employees are approaching retirement age, or have recently retired. This situation, which has been ongoing for the past five years, and will continue to pose a challenge for the next five, requires a tremendous focus on recruiting, onboarding and training, alongside the assimilation of our Company culture by a new generation of talent. We have already passed the 50% mark in this effort, without experiencing problems or disruptions, thanks to the implementation of well-designed programs that have enabled a smooth transition and transfer of knowledge.

We have taken this opportunity to improve our internal processes and our professional development practices, while ensuring new team members are prepared and motivated to implement new technologies and systems. This

generational shift comes at an opportune time, as we have many improvements to implement as part of our CAPEX plan over the next five years that will require talent with new skills and knowledge. We are in a strong position to stay abreast of changes in the market, including the growing demand for heavier grade paper products, by upgrading our equipment and human resource base, without resorting to layoffs and redundancies.

We are also improving the way we engage and communicate with our clients, while at the same time, implementing new technologies and practices to protect our planet. Sustainability is central to our ethos, and it is also an economic imperative, as regulations will soon limit the sale of products that do not comply with the most stringent environmental standards.

We are proud to share our first Sustainability Report, which represents yet another means of creating value for our stakeholders and safeguarding our shared future.

OUR APPROACH TO SUSTAINABILITY MANAGEMENT



SUSTAINABLE DEVELOPMENT GOALS (SDG)

The United Nations Sustainable Development Goals (SDGs) 2030 address social and economic development issues on a global scale. For each of the seventeen goals, a specific set of related targets were defined. All sectors of society are encouraged to work and collaborate on these goals, and SDGs recognise the key role business can and should play to achieve the outlined objectives. The UN asked corporate entities to assess impact, establish ambitious objectives and communicate their results in a transparent way.

We assessed the SDGs and identified the most strategic to the Company's business, for which we have identified the biggest impact on, or to which our KPIs and targets can contribute with the most positive impact. These Goals are: SDG 6, SDG 8, SDG 12 and SDG 15.

Minimising negative impacts and scaling up positive outcomes from our operations and value chain is key to our contribution. In 2021, we intend to put in place structural projects that will reduce the impact of our activities to achieve concrete results by 2022.

Our Priority SDGs

We support many of the SDGs, but the following were identified as the most strategic to our business.



STAKEHOLDERS

We identified our key stakeholders for eight different stakeholder groups analyzed.

We developed an internal assessment that allowed us to identify and understand our stakeholders' current and future needs and concerns.



1 Employees



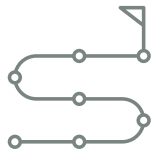
2 Shareholders / Investors



3 Government



4 Customers



5 Supply Chain



6 Community



7 Media



8 NGO, Sectorial Groups



MATERIALITY

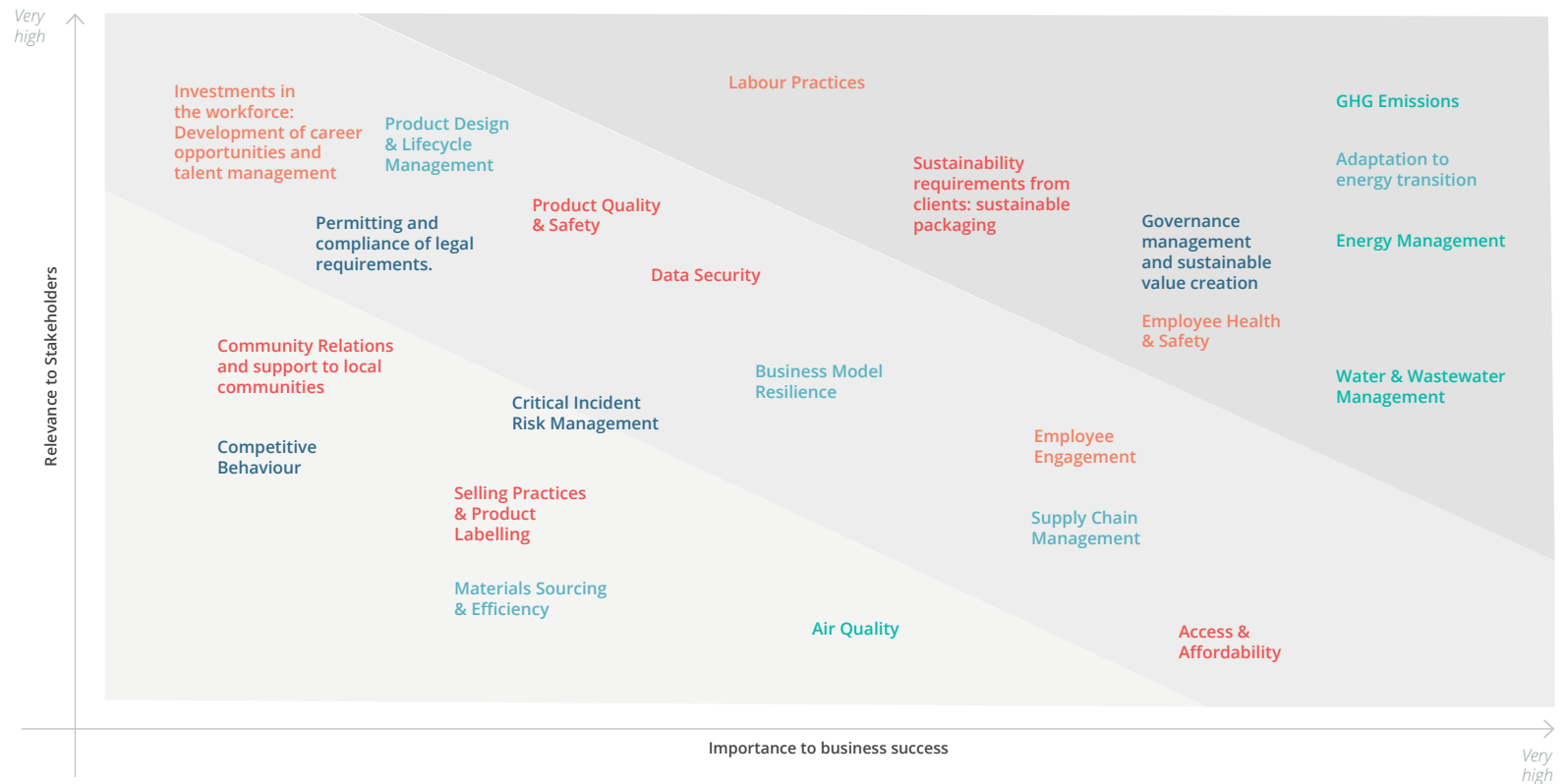
We analyzed the relevance of the sustainability topics for our different stakeholders, and the importance of the topics for the success of our business to generate our Sustainability Materiality Matrix.

The outcomes of the materiality assessment reflect environmental, social and governance focused material topics from our operations and across our value chain.

The placement of issues on the matrix provides insight into our priorities for short- and medium-term plans.

Considering the Company's activities, the most relevant topics are related to environment, the contribution and involvement of workers in the implementation of the ESG objectives, as well as the guarantee of the sustainability and future of the Company.

Our Materiality Matrix



The sustainability topics analyzed are aligned with SASB ESG Frameworks, organized under the following dimensions:

● Environment

- Water & Wastewater Management
- Energy Management
- GHG Emissions
- Air Quality

● Human Capital

- Employee Health & Safety
- Employee Engagement
- Labour Practices
- Investments in the Workforce: Development of Career Opportunities and Talent Management
- Investments in the Workforce: Opportunities of Wealth Creation

● Social Capital

- Product Quality & Safety
- Data Security
- Community Relations & Support to Local Communities
- Access & Affordability
- Selling Practices & Product Labelling
- Sustainability Requirements from Clients: Sustainable Packaging

● Leadership and Governance

- Governance Management and Sustainable Value Creation
- Competitive Behaviour
- Critical Incident Risk Management
- Permitting and Compliance of Legal Requirements

● Business Model and Innovation

- Supply Chain Management
- Adaptation to Energy Transition
- Product Design & Lifecycle Management
- Business Model Resilience
- Materials Sourcing & Efficiency

SUSTAINABILITY FOCUS AND STRATEGY

We consider the identification of our material sustainability topics, the stakeholder assessment results and the identification of our contribution to the SDGs to be at the center of an interconnected and interdependent system, influencing each other in a multidimensional way. We have defined our sustainability strategy and strategic objectives to focus our activities and efforts over the coming years.

For our Company, our strategy is based on seven key objectives.

In terms of **environment**, water management and achieving carbon neutrality are our key areas of focus.

In terms of managing **human capital**, our focus revolves around promoting a safe and healthy work environment and engaging and valuing the contributions of our employees.

Regarding **social capital**, our key focus is to continue providing reliable products produced with sustainable raw materials.

In terms of **governance**, our focus is to create sustainable value and exceed stakeholder expectations. In terms of **innovation**, and business model, we are guided by the pursuit of excellence through the adoption of the best available technologies that guarantee competitiveness and promote a circular economy.



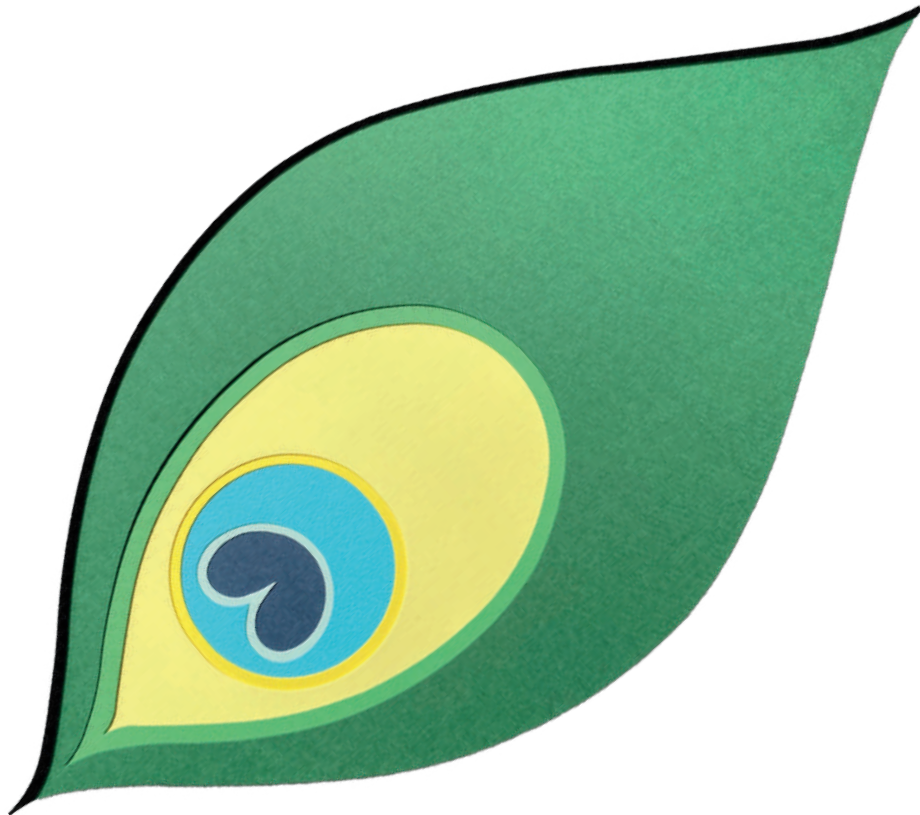
SUSTAINABILITY OBJECTIVES AND PLANS

For each of our sustainability strategy topics and strategic objectives, we defined detailed objectives, associated management programs and Key Performance Indicators (KPIs). We have been working on some of these strategic objectives over the past few years and the results are compiled in the table below jointly with our future plans.

ESG Dimension	ESG ambition	Objective	Management System	Key Performance Indicators	KPI - Unit	Results			Progress during 2020	Comment
						2018	2019	2020		
Environment	Sustainable water management	Reduction of water consumption	Environmental Management System	Water intensity	m ³ /ton production	4.68	4.57	4.46	■ ■ ■ Undergoing - Aligned	
Environment	Carbon neutrality	Reduction of CO ₂ eq. emissions	Environmental Management System & EU ETS	GHG emissions intensity	tonnes CO ₂ eq/ton product	0.31	0.33	0.33	■ ■ ■ Undergoing - Lagging	
Environment	Carbon neutrality	Green energy consumption increase	Environmental Management System	Self-production of energy from renewable sources	GJ	0	0	0	□ □ □ Planned	Contract signed for the construction of a biomass vapor production plant, to be operational 2Q22.
Human Capital	Promote Health and safety in the workplace	Reduction of work accidents and occupational diseases	Health and Safety Management System	Accidents at work frequency index	Number	63	52.6	28.5	■ ■ ■ Undergoing - Aligned	
Human Capital	Promote Health and safety in the workplace	Reduction of work accidents and occupational diseases	Health and Safety Management System	Severity index	Number	1,448	1,746	296	■ ■ ■ Undergoing - Aligned	
Human Capital	Workers engagement	Valuing employees contributions in the process of continuous improvement	Specific program to be defined	To be defined.	n.a.	n.a.	n.a.	n.a.	□ □ □ Planned	Plan being defined in 2021
Social Capital	Product Quality & Safety	Use of 100% certified pulp	Quality and Environment Management System	Percentage of wood fiber sourced from third-party certified forestlands and percentage to each standard	%	100	100	100	■ ■ ■ Achieved	
Social Capital	Product Quality & Safety	Increase the number of Ecolabel Certified products	Ecolabel	Percentage of products certified by Ecolabel	% of ecolabel product range	0	0	53	■ ■ ■ Undergoing - Aligned	
Leadership and Governance	Governance management and sustainable value creation	No environmental or legal processes	Quality and Environment Management System	Number of processes or fines applied by authorities regarding ESG, legal or operational issues	Number	0	0	0	■ ■ ■ Undergoing - Aligned	
Leadership and Governance	Governance management and sustainable value creation	Achieve budget	Quality and Environment Management System	EBITDA registered on the year vis a vis the budget.	%	-71	-34	-27	■ ■ ■ Undergoing	
Business Model and Innovation	Business Model Resilience	Decreasing tendency of unproductive time for non-programmed reasons	Quality and Environment Management System	Unproductive time	Hours	60	90	22	■ ■ ■ Undergoing	
Business Model and Innovation	Business Model Resilience	Increase of % water returned to the catchment	Quality and Environment Management System - Life Cycle Assessment	Percentage of water withdrawn recycled back after treatment	%	78	79	81	■ ■ ■ Undergoing - Aligned	
Business Model and Innovation	Business Model Resilience	100% paper wastes reintroduced in the process	Quality and Environment Management System - Life Cycle Assessment	Paper wastes recovery rate in the production	%	100	100	100	■ ■ ■ Undergoing - Aligned	
Business Model and Innovation	Business Model Resilience	Increase of % wastes recycled	Quality and Environment Management System - Life Cycle Assessment	Percentage of wastes recovered/reused/recycled by third party	%	99	100	100	■ ■ ■ Undergoing - Aligned	

In the following pages of this report, we have compiled detailed information on each of these ESG dimensions and our performance, among other sustainability topics.

CONTINUOUS SUSTAINABILITY IMPROVEMENT



LEADERSHIP & GOVERNANCE

In this chapter, we present the organisation and management of the Company, taking into consideration the various material sustainability aspects relevant to the Company and its stakeholders. These include regulatory compliance, risk management and practices in place to avoid conflicts of interest, anti-competitive behavior, corruption and bribery. It addresses the management of relationships with key external stakeholders, such as customers, local communities, the public and government.

BUSINESS ETHIC AND ORGANIZATION

To create long-term value, business ethic guides the Company's approach to managing risk and issues surrounding relevant business ethics considerations, including fraud, corruption, bribery and the facilitation of payments, fiduciary responsibilities, and other activities that may have ethical implications. We define and follow policies covering the aspects relevant to our operations.

PCL obtained its Environmental License on 30 October 2007. The Company is subject to external audits from environmental regulators to verify compliance.

PCL's Quality and Environmental System is an umbrella for the various matters pertaining to the Company's governance. This is complemented operationally by related documentation, including our Conduct Manual and Data Protection Manual. Our Performance Evaluation Manual, meanwhile, ensures fairness in conducting staff evaluations.

Since that time, we have focused on fulfilling our obligations to maintain this license.

Our Highlights

2

committees in place, for audit (Deloitte) and remuneration.



PCL's board of directors has no day-to-day functions, which is why the remuneration committee is comprised of the same individuals. PCL has a variable compensation scheme in place to reward management in accordance with individual performance and that of the Company.

0

monetary losses as a result of legal proceedings associated with bribery and corruption



PCL's Code of Conduct covers corruption and antibribery matters. We have also been including clauses covering these issues in our most recent contracts.



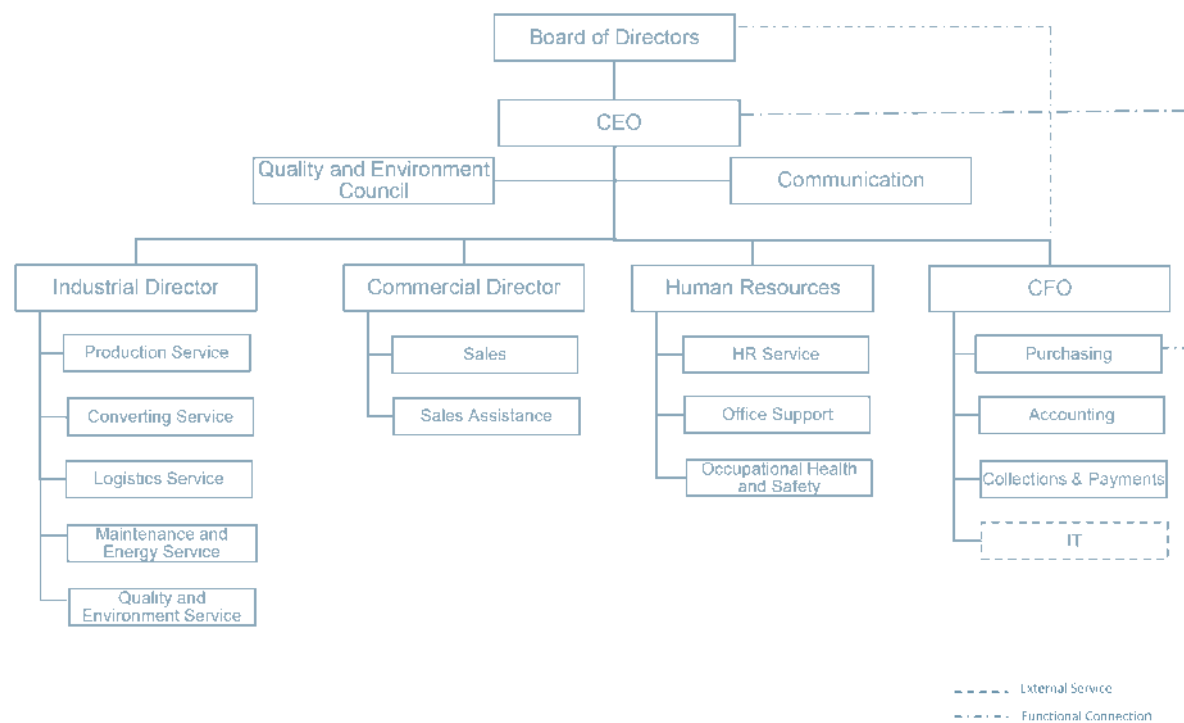
GOVERNANCE

Ownership Structure

- ▶ Prado Cartolinas da Lousã, S. A. is a private company owned by private equity fund, Atena, since 2016.

Leadership & Operating Structure

- ▶ Our leadership and operating structure is presented in our Organogram.



ENVIRONMENT

This section covers the impact of the Company's operations on the environment.

We have been managing environmental issues since the beginning of our operations. We have a dedicated team focused on complying with all applicable legal and environmental license requirements and implementing the Best Available Techniques for the sector. Our Environmental Management System complies with ISO 14001 Standard and we have been certified since 2010. We are constantly identifying and implementing innovative improvement plans with the aim of reducing our global environmental impact.



WASTE

Reducing the generation of waste and aligning our productivity with the circular economy by recycling and monetizing waste products is a key part of our holistic waste management strategy.

We measure and define objectives for the reduction of waste and waste recovery.

Our Highlights

100% waste valorisation rate

We have been working to reduce our waste production since the implementation of our Environment Management System. More than 95% of the waste produced is going to valorisation operations, and a significant part of it is used in a compostable unit to produce organic fertilizer. We also reuse waste materials generated in our paper machinery and by our converting process.

AIR EMISSIONS

When not properly managing air emissions, CO₂ contributes to global warming, while SO₂ and NO_x emissions affect air quality, causing acid rain and soil acidification.

We measure and define objectives for the strict control of our air emissions.

Our atmospheric emissions primarily result from the combustion of natural gas used to generate steam and energy. These emissions include CO₂, SO₂, NO_x and fine particles. We work to reduce our air emissions and comply with the strict requirements established in our Environmental Licence.

CLIMATE CHANGE

Managing climate change is one of the biggest environmental challenges of our time.

We measure and define objectives for our Scope 1 and 2 emissions. Scope 1 are direct emissions created and controlled by our activities, and Scope 2 are Indirect emissions from the production of the electricity we acquire.

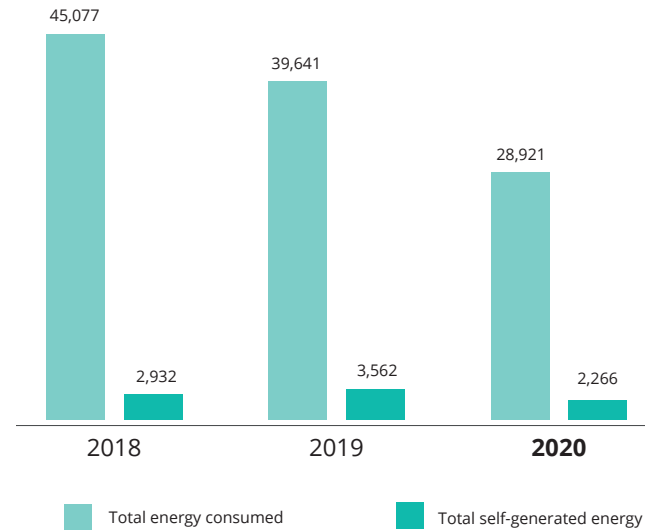
Our strategy and commitment

25% CO₂ emissions reduction target for 2022.

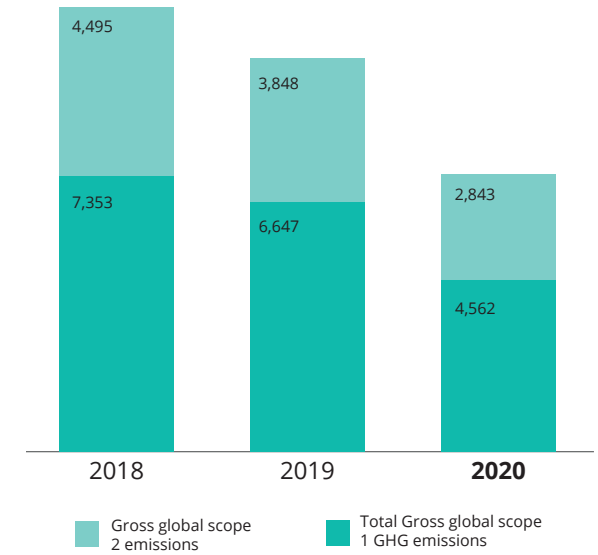


Our goal is to advance to carbon neutrality in the upcoming years. We have ongoing actions in the energy area to reduce the emission of greenhouse gases, namely by producing renewable energy using photovoltaic panels and by replacing natural gas with biomass for steam production.

Energy (GJ)



Greenhouse Gases (tonnes CO₂ eq)



WATER AND WASTEWATER

Reducing the use of water and treating wastewater to be returned to the environment with the best possible quality is key to maintaining good base conditions to sustain life on the planet.

We measure and define objectives for the water we consume, and we operate a wastewater treatment plant that allows us to discharge treated water in compliance with the most stringent legal standards required.

Our Highlights

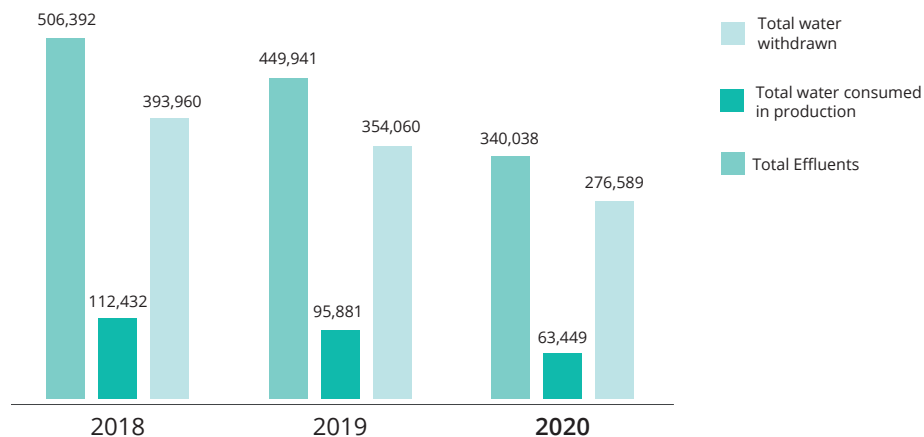
81%

of the water we withdraw is recycled back into the local water course after being carefully purified in our industrial wastewater treatment plant. ►

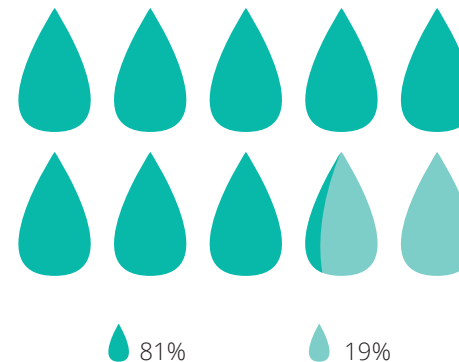
We have been treating wastewater in our wastewater treatment plant for more than 25 years. All water that we discharge is analysed on a daily basis to comply with the most stringent legal requirements. We are working to increase the amount of clean treated water returned to the environment, as we continuously recycle water during our production process. Around 80% of the water we use is returned to the catchment.



Water management (m³)



Water



Almost **81%** (💧) of the water we withdraw is recycled back into the local water course after being carefully purified.

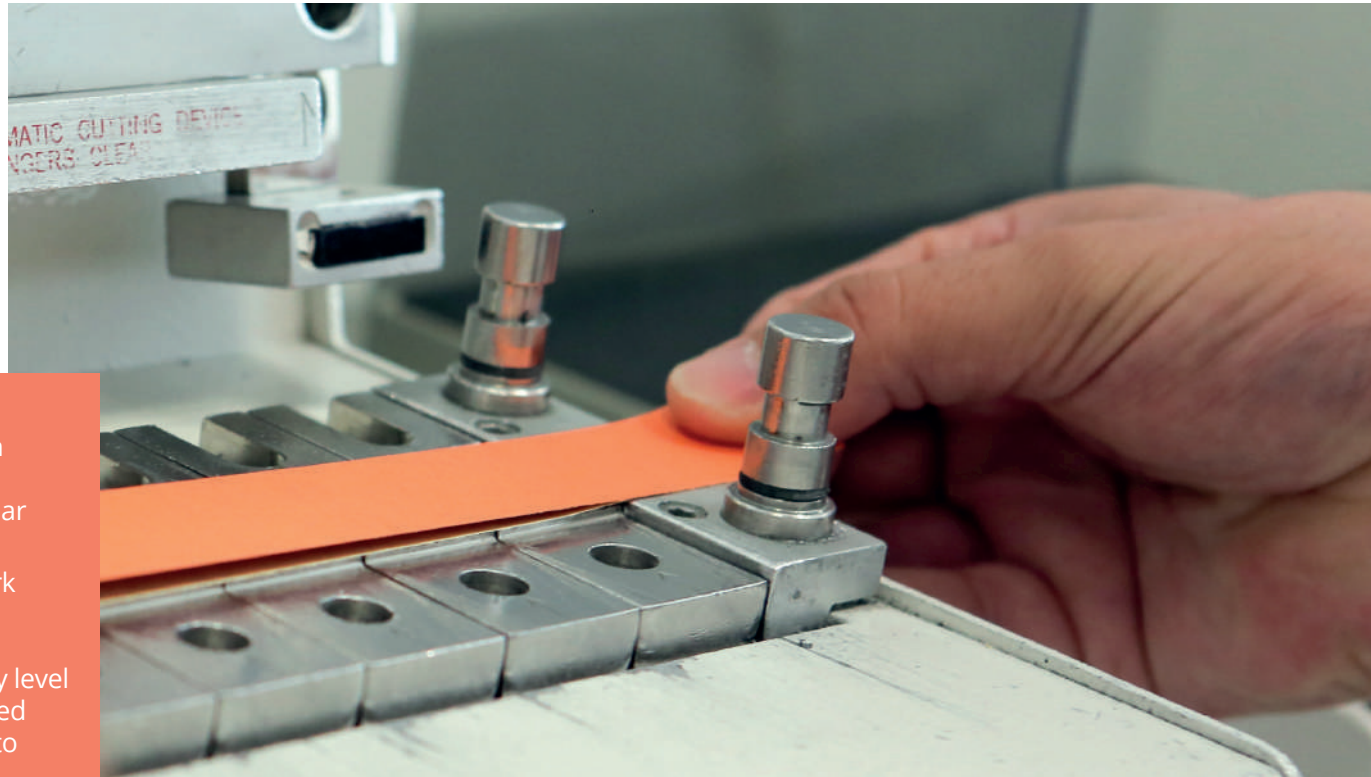
Some **19%** (💧) of the water we withdraw is consumed in our production.

HUMAN CAPITAL

This chapter addresses the management of the Company's human resources as a key asset for delivering long-term value. It includes factors that affect employee productivity, such as management of employee health and safety, promotion of a safe culture, employee engagement, diversity and inclusion and labor practices.

Human resources are key for our operations. We develop and mobilize skills and talent, providing cohesive teams open to innovation. We have launched initiatives and processes to improve health and safety outcomes, engagement, and regular performance reviews of our employees.

PCL recognizes the importance of a diverse and inclusive work culture, not only in terms of results, but also for employee satisfaction and engagement. PCL is committed to equal opportunities and encourages diversity and inclusion at every level of employment in the Company. This commitment is grounded in our principles of ethical behaviour and we are committed to improving the gender mix at all levels of the organization.



EMPLOYEE ENGAGEMENT

Cultivating and assessing the engagement and well-being of employees, including personal development, rewards and recognition, an inclusive culture, and work-life balance are key to developing an inclusive culture. This engagement is also fostered by freedom of association and collective bargaining.

We measure and define objectives for promoting employee engagement and professional development.

Our strategy and commitment

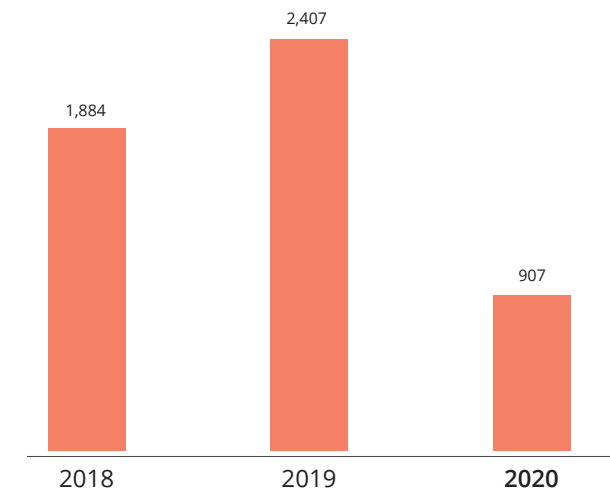
100%



of employees receive regular performance and career development reviews.

We have been promoting the professional development of our employees by implementing a variety of programs. We perform regular performance reviews and annual development reviews. Based on these results, we define the annual training program. During 2020 we provided 907 hours of training to our personnel.

Total hours of training provided to workers (Hours)



DIVERSITY AND INCLUSION

To create sustained value, companies need to ensure that their corporate culture and their hiring and promotion practices embrace the building of a diverse and inclusive workforce that reflects the local talent pool and customer base.

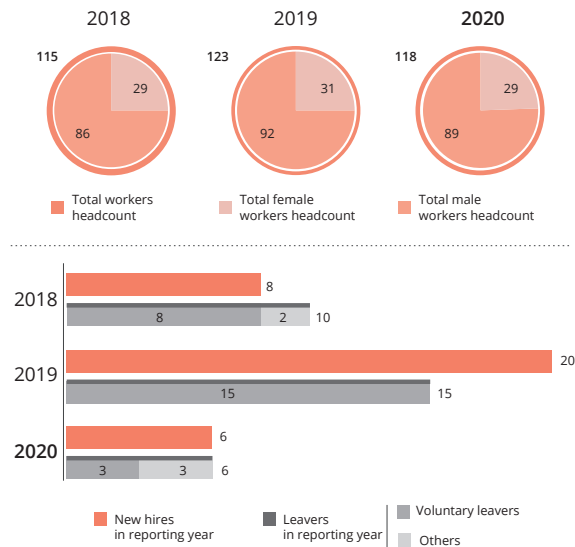
We measure and define objectives for having a diverse Company and avoiding discriminatory practices.

Our strategy and commitment

25% Women in the workforce

PCL is committed itself to equal opportunities and encourages diversity and inclusion at every level of employment in the Company. This commitment is grounded in our principles of ethical behavior and we are committed to improving the gender mix at all levels of the organization.

Job Creation (Headcount)



HEALTH AND SAFETY

By implementing safety management plans, developing training requirements for employees and contractors and conducting regular audits, companies advance the ability to create and maintain a safe and healthy workplace environment free of injuries, fatalities and illness (chronic and acute).

We measure and define objectives for fostering an accident-free working environment and a culture of safety.

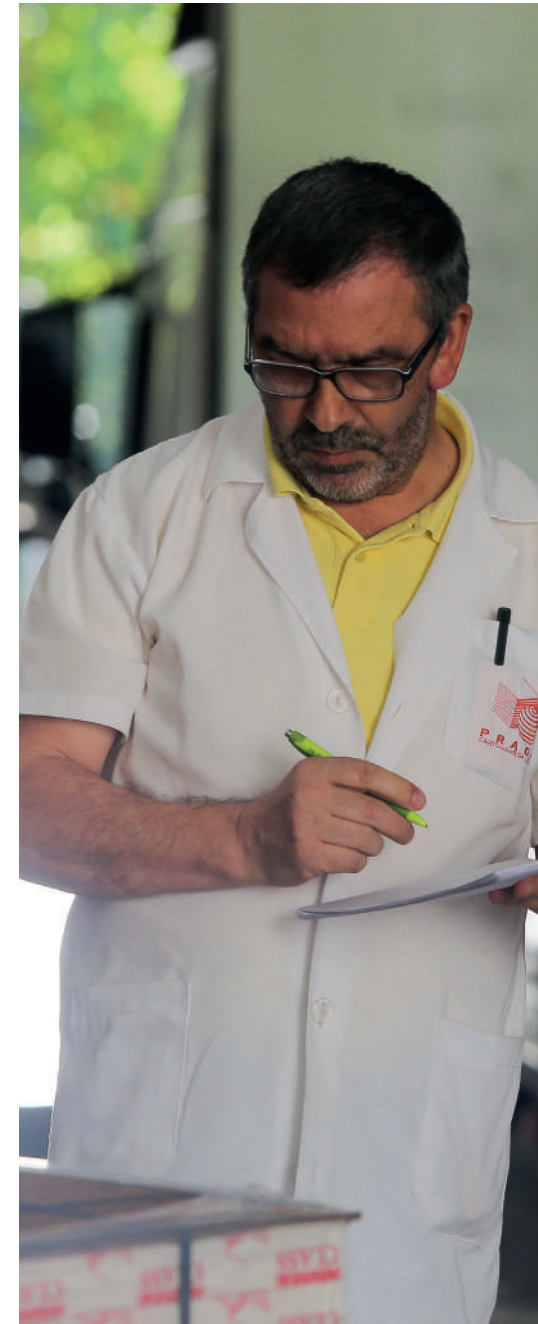
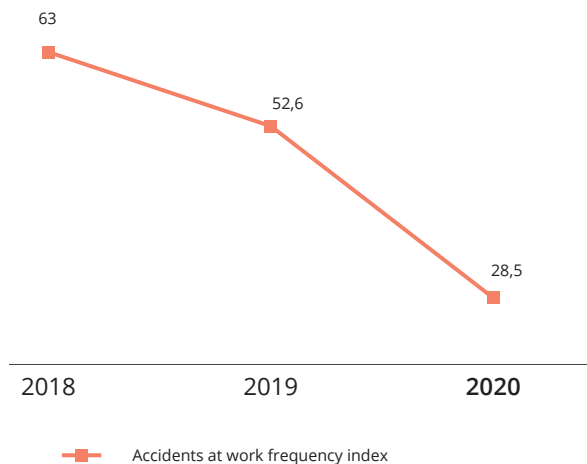
Our Highlights

28.5 Accident at work frequency index, showing a reduction of 47% in 2020

The issues related with health and safety are central to PCL's human resources policies. We are committed to a safe and healthy work environment, and plan to obtain an external health and safety standard certification. Our target is to reduce work accidents and occupational diseases by 25%.

Accidents at work frequency index *

* (Number of accidents at work leading to sick leave / Number of hours worked) x 1.000.000



SOCIAL CAPITAL

This chapter on social capital discusses the Company's perceived role in society and how it contributes to a sustainable future in exchange for its social license to operate. It addresses the management of relationships with key external stakeholders, such as customers, local communities and the public.

We manage social capital bearing in mind how we contribute to society in return for our social license to operate. Our key focus is on client satisfaction and the quality and safety of our products, even though we manage our relationships with other key stakeholders such as local communities, the general public and the government.

In 2020 we obtained Ecolabel certification, which is a label of environmental excellence that is awarded to products and services meeting high environmental standards throughout their life-cycle: from raw material extraction, to production, distribution and disposal.



PRODUCT QUALITY AND SAFETY

Long-term value grows alongside the capacity to offer products and services that meet and surpass customer expectations. When not carefully designed and produced, products may create health or safety risks to end-users.

We measure and define objectives for testing and guaranteeing the quality of our products and for assessing customer satisfaction.

Our Highlights

92%
of our customers
provided positive
feedback about our
products in 2020.



We measure customer satisfaction and welfare with a key focus on improving the quality of our product. We ask the opinion of our customers about the products and service we offer using annual surveys, with overwhelmingly positive responses on a consistent basis.

We aim for the target of client feedback to be Good and Very Good (higher than 90%), and we exceeded this in 2020.



PRODUCT QUALITY AND SAFETY

Strict adherence to regulations and best practices in the use of chemicals of concern is essential to offering products that protect the health and safety of our customers.

We define strict programs for chemical management, product testing and continuous improvement of green products.

Our Highlights

0%

of the products we sold in 2020 contained substances of Very High Concern under Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) criteria.



The safety and environmental profile of our products is paramount for us. We are in full compliance with the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) EU regulation aimed to control hazardous substances and Substances of Very High Concern (SVHC).



COMMUNITY RELATIONS

Establishing and maintaining mutually beneficial relationships with the communities in which we operate is key for long-term joint value creation.

We define actions to support our community, focusing on well-being and development.

Our Highlights

PCL was a proud sponsor of the 2020 Cooperativa TREVIM Caricature Festival.

Trevim



We have a close relationship with our local community, with which we have been collaborating since the Company was founded. We support key local institutions, including NGOs, schools and cultural and local media associations.

BUSINESS MODEL AND INNOVATION

In this chapter, we present the Company's value creation process and business model, including product innovation and management of our supply chain.

The resilience of our business model has been guiding PCL since the beginning of our operations more than 300 years ago. To thrive through so many years, we needed to innovate, which is part of our core values. We analyse the conditions and identify the key objectives necessary to continue operating and satisfying our clients' needs. Our strategy looking forward for the next 10 years revolves around operational efficiency and care for the environment.



PRODUCT DESIGN & LIFECYCLE MANAGEMENT

Managing the lifecycle impacts of products, such as those related to packaging, distribution, use-phase resource intensity, and other environmental and social externalities that may occur during their use-phase or at the end of life, is key to addressing customer and societal demand for more sustainable products, and to comply with evolving environmental and social regulations.

We measure and define objectives for increasing the number of sustainable products we offer.

Our strategy and commitment

100%

PCL uses only 100% certified wood fiber



PCL obtained FSC® and PEFC certification in 2012. We source 100% of wood fiber from third-party certified forest lands standard. This certification means the forests where we source our pulp are sustainably managed.



The mark of responsible forestry

SUPPLY CHAIN MANAGEMENT

Working with suppliers that are aligned with the Company's ESG principles and expectations is important to guarantee compliance throughout the value chain. Screening, selection, monitoring and engagement with suppliers are key to sustainably managing a supply chain.

We measure and define objectives for the management of ESG policies by our suppliers.

Our strategy and commitment

97%

purchases are from certified responsible suppliers.



We have a sustainable supply policy and a system to guarantee that our suppliers comply with key environmental, governance and social requirements. We have a pre-certification process in place to ensure our suppliers meet quality and environmental criteria.

KPIS TABLES

Environment		Unit	2018	2019	2020	SASB mapping code
Management	Environmental Policy	Yes/no	Yes	Yes	Yes	n.a.
	Certified environmental management System (ISO 14001)	Yes/no	Yes	Yes	Yes	n.a.
	Publication of Environmental Report	Yes/no	No	No	Yes	n.a.
Greenhouse Gases	Total Gross global scope 1 GHG emissions	tonnes CO ₂ eq/year	7,353	6,647	4,562	RR-PP-110a.1
	GHG emissions intensity	tonnes CO ₂ eq/ton product	0.31	0.33	0.33	n.a.
	Gross global scope 2 emissions	tonnes CO ₂ eq/year	4,495	3,848	2,843	n.a.
Energy	Total energy consumed	GJ	45,077	39,641	28,921	n.a.
	Percentage grid electricity	GJ	42,145	36,079	26,654	RR-PP-130a.1
	Percentage from biomass	GJ	0	0	0	RR-PP-130a.1
	Percentage from other renewable energy	GJ	0	0	0	RR-PP-130a.1
	Energy Intensity	GJ/ton	8.04	8.13	8.17	n.a.
	Total self-generated energy	GJ	2,932	3,562	2,266	RR-PP-130a.1
	Does the Company have a Energy management system certified?	Yes/no	No	No	No	n.a.
Water & wastewater	Total water withdrawn	m ³ /year	506,392	449,941	340,038	RR-PP-140a.1
	Total water consumed in production	m ³ /year	112,432	95,881	63,449	n.a.
	Total water consumed in regions with High or Extremely High Baseline Water Stress	m ³ /year	0	0	0	RR-PP-140a.1
	Water use intensity	m ³ /ton production	4.7	4.6	4.5	
	Total Effluents	m ³ /year	393.960	354.060	276.589	n.a.
	Percentage of water withdrawn recycled back after treatment	%	77.80	78.69	81.34	n.a.
Air emissions	Air Emissions of the following pollutant - NO _x (excluding N ₂ O)	ton/year	8.96	8.10	5.56	RR-PP-120a.1
	Air Emissions of the following pollutant - SO ₂	ton/year	0.05	0.05	0.03	RR-PP-120a.1
	Air Emissions of the following pollutant - Particulate Matter (PM 2,5)	ton/year	n.a.	n.a.	n.a.	RR-PP-120a.1
	Air Emissions of the following pollutant - Particulate Matter (PM 10)	ton/year	0.07	0.06	0.04	RR-PP-120a.1
	Air Emissions of the following pollutant - Volatile Organic Compounds (VOCs)	ton/year	0.26	0.24	0.16	RR-PP-120a.1
	Air Emissions of the applicable pollutants - Hazardous air Pollutants (HAPs)	ton/year	0	0	0	RR-PP-120a.1
Wastes	Total waste generated	ton/year	1,976	1,907	1,366	n.a.
	Total Hazardous wastes generated	ton/year	4	18	6	n.a.
	Paper waste valorization rate in the process	%	100	100	100	n.a.
	Total non-hazardous wastes recovered/reused/recycled	ton/year	1,972	1,888	1,342	n.a.
	Percentage of wastes recovered/reused/recycled by third party	%	99	100	100	n.a.

SOCIAL

Human Capital

		Unit	2018	2019	2020	SASB mapping code
Job Creation	Total workers headcount	Unit (head count)	115	123	118	n.a.
	New hires in reporting year	Unit (head count)	8	20	6	n.a.
	Leavers in reporting year	Unit (head count)	10	15	6	n.a.
	Voluntary leavers	Unit (head count)	8	15	3	n.a.
	Percentage workers on indefinite term contract	%	93	85	92	n.a.
Employee Engagement, Diversity & Inclusion	Does the Company have an Employee Engagement, Diversity & Inclusion Policy?	Yes/No	Yes	Yes	Yes	n.a.
	Total women workers headcount	Unit (head count)	29	31	29	n.a.
	Female to male ratio for workers	%	25	25	25	n.a.
	Female to male ratio for managers	%	38	33	33	n.a.
Labour practices	Total hours of training provided to workers ⁽⁶⁾	Unit (Hours)	1,884	2,407	907	n.a.
	Percentage of other workers receiving regular performance and career development reviews	%	100	100	100	n.a.
	Employee Consultation events	Number	3	2	3	n.a.
	Quantity of strikes and lockouts	Number	0	0	0	n.a.
Human Rights	Operations in at least one "Sensitive countries for human rights" ⁽⁵⁾	Yes/No	No	No	No	n.a.
	Human Rights policy?	Yes/No	Yes	Yes	Yes	n.a.
Workers Health and safety	Health and Safety Policy	Yes/No	Yes	Yes	Yes	n.a.
	Health and Safety Standard certified (OHSAS 18001/ ISO 45001)	Yes/No	No	No	No	n.a.
	Accidents at work frequency index ⁽¹⁾	Number	63	52.6	28.5	n.a.
	Fatality rate ⁽²⁾	Number	0	0	0	n.a.
	Severity index ⁽³⁾	Number	1,448	1,746	296	n.a.

Social Capital

		Unit	2018	2019	2020	SASB mapping code
Management	Identification and analysis of relevant stakeholders	Yes/No	Yes	Yes	Yes	n.a.
	Formal grievance reporting process available to stakeholders	Yes/No	No	No	No	n.a.
	Number of complaints by community due to companies' operation	Number	0	0	1	n.a.
Data Privacy	User Privacy Policy	Yes/No	Yes	Yes	Yes	n.a.
Product Quality	Quality Policy	Yes/No	Yes	Yes	Yes	n.a.
	ISO 9001 certification	Yes/No	Yes	Yes	Yes	n.a.
Product Safety	Assessment and management of risks and/or hazards associated with chemicals in products	Yes/No	Yes	Yes	Yes	n.a.
	Revenue from products that contain REACH substances of very high concern (SVHC)	€	0	0	0	n.a.

GOVERNANCE

Leadership & Governance

		Unit	2018	2019	2020	SASB mapping code
Permitting and compliance with regulation and legal requirements	All ESG related permits valid during the year	Yes/no	Yes	Yes	Yes	n.a.
	All operational permits valid during the year	Yes/no	Yes	Yes	Yes	n.a.
Governance management and sustainable value creation	ESG materiality assessment preparation or review	Yes/no	Yes	Yes	Yes	n.a.
	Top 5 ESG issues (risks or value creation opportunities) identified or reviewed	Yes/no	Yes	Yes	Yes	n.a.
	Strategy, objectives and plans defined for managing the top 5 ESG issues	Yes/no	Yes	Yes	Yes	n.a.
	Antibribery and corruption Policy	Yes/no	Yes	Yes	Yes	n.a.
	Cybersecurity Policy	Yes/no	Yes	Yes	Yes	n.a.
	Data protection and privacy Policy	Yes/no	Yes	Yes	Yes	n.a.
	Publication of Social and Governance information	Yes/no	No	No	No	n.a.
Top level governance	List of special committees (audit, etc)	Number	2	2	2	n.a.
	Executive compensation linked to performance indicators	Yes/no	Yes	Yes	Yes	n.a.
Business Ethics	Production in countries that are the most sensitive in the rankings of Transparency International Corruption Perception Index and Control of Corruption Index.	Yes/no	No	No	No	n.a.
	Acquisition of resources or services from countries that are the most sensitive in the rankings of Transparency International Corruption Perception Index ⁽⁴⁾ and Control of Corruption Index	Yes/no	No	No	No	n.a.
	Total amount of monetary losses as a result of legal proceedings associated with bribery and corruption	Monetary value (€)	0	0	0	n.a.
	System in place for employees notifying wrongdoing (unethical practices, discriminations, health and safety risks...)	Yes/no	No	No	No	n.a.
Critical Incident Risk Management	System in place to identify critical and systemic risks and management systems in place for critical incidents?	Yes/no	Yes	Yes	Yes	n.a.

Business Model and Innovation

		Unit	2018	2019	2020	SASB mapping code
Innovation	Total annual amount of wood fiber acquired	ton/year	17,865	13,846	10,194	n.a.
	Percentage of wood fiber sourced from third-party certified forestlands and percentage to each standard	Yes/no	100	100	100	RR-PP-430a.1
	Amount of recycled and recovered fiber procured	ton/year	0	0	0	RR-PP-430a.2
Supply Chain Management	Procurement Policy including ESG requirements	Yes/No	Yes	Yes	Yes	n.a.
	Acquisition of resources or services in at least one "Sensitive country for human rights"	Yes/No	No	No	No	n.a.

NOTES

(1).- Accidents at work frequency index = (Number of accidents at work leading to sick leave / Number of hours worked) x 1.000.000

(2).- Fatality rate = (Number of accidents at work leading to fatality / Number of hours worked) x 1.000.000

(3).- Severity index = (Number of days lost through accidents / Number of hours worked) x 1.000.000

(4).- UNIVERSAL HUMAN RIGHTS INDEX - Human Rights Recommendations (ohchr.org)

(5).- <https://www.transparency.org/en/cpi/2020/index/nzl#>

(6).- 2020 is affected by pandemic situation

