



VELVET CARE GROUP  
2023 ESG Report



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# PRESIDENT'S LETTER

## [GRI 2-22]

Ladies and Gentlemen,

I am delighted to present you with the Velvet CARE Group's 2023 ESG Report. We are truly proud to present a summary of our sustainability efforts for responsible and transparent business practices. Unlike last year's publication, in 2023 we opted for group treatment – we report for the entire Velvet CARE Group, i.e. two companies – Velvet CARE operating in Poland and MORACELL based in the Czech Republic. The report is prepared in accordance with the best market standards of the Global Reporting Initiative (GRI Standards 2021).

Sustainable development is our Group's conscious long-term decision and commitment to wise and responsible management of our impact on the environment and social stakeholders. Across the Group, we have integrated ESG standards into the business strategy, and the experience of 2023 shows that skillful implementation of such an approach can bring spectacular results simultaneously in the business dimension and positive future growth prospects.

As a Group, we have been investing for years in modern technologies and infrastructure to help protect our environment. The details and results of Velvet CARE and MORACELL'S solutions in this regard will be described in this report. We are also constantly taking many actions in the social area and implementing management standards that responds to the challenges of the modern world. Our corporate culture in Poland and the Czech Republic is underpinned by diversity, equality and inclusiveness – we prove within the Group that diversity is wealth and a diverse team does not prevent integration and effectiveness at work at all.

I am proud to announce that the integration of ESG aspects into our activities and processes has been recognized by independent external experts. In 2023, we were certified as B Corp and won EcoVadis gold medal. These are extremely prestigious distinctions and we regard them in the Group as an incentive to continue our commitment to sustainability and to act for the benefit of people and the planet.



In Poland and the Czech Republic, we are ready for the challenges that the future will bring. I am convinced that ESG activities provide a solid foundation for long-term business success.

You are more than welcome to read the report, as well as to comment and ask questions about the ESG of the Velvet CARE Group. I can assure you that every feedback will be considered as valuable information in the next reports.

Yours sincerely,

**Artur Pielak**

**President of the Management Board of Velvet CARE**



# 1. ABOUT THE VELVET CARE GROUP





# 1.1. HIGHLIGHTS

## SCALE AND SCOPE OF OPERATIONS

[GRI 2-1, 2-2]


The Velvet CARE Group is a leading manufacturer and distributor of hygiene products in Central Europe. It offers quality products, including toilet paper, paper towels, facial tissues and handkerchiefs. The Group owns and manufactures Velvet, Veltie, Apsik and Big Soft products. It also has an offer targeted at the

Away From Home / Horeca segment – these products are sold under the VelvetCARE Professional brand. The Velvet CARE Group also has a significant share in the production and sale of private label products manufactured for retail chains.

The Group is present in 27 markets, most of which are European. Apart from the Polish and Czech markets, where the factories are located, Germany, Scandinavia and the Baltic countries are also important for the Group's export sales.

The Velvet CARE Group consists of:

 **Velvet CARE sp. z o.o.** – a company with a tradition of nearly 130 years, whose registered office and factory is located in Poland, in Klucze near Olkusz, in the Małopolskie Province. Most of the Group's products are manufactured there. Velvet CARE's sales office is located in Warsaw, Poland. Velvet CARE employs around 800 workers.

 **MORACELL** s.r.o. – a company in the Czech Republic, with its registered office and factory in Žabčice, that manufactures paper hygiene products. Since 2020, Velvet CARE is the sole shareholder of MORACELL. The company employs around 100 workers.







## 1897-1939

– a factory in Klucze is established where the first tissue machine was launched and the official sign of Kluczewska Fabryka Papieru (*Klucze Paper Factory*) was put up. The factory's work was halted for the duration of the First World War, but after the war, the factory was awarded a gold medal at the Paris International Exhibition in 1924.



## 1945-1974

– is the time of worker solidarity in removing damage in the factory and taking over the factory by the State. The company was given a new name: Fabryka Celulozy i Papieru im. Jarosława Dąbrowskiego (*Jarosław Dąbrowski Memorial Cellulose and Paper Factory*) and provided, among other things, printing paper for the issue of 12-volume Great Universal Encyclopedia PWN. The factory also manufactured characteristic notebooks with a multiplication table on the cover. This is the time when the first line for toilet paper production was set up at the plant.

## 1975-1995

– was a breakthrough period related to the launch of the first tissue machine by Voith of Austria in Poland for the production of cellulose hygienic tissue. It allowed to manufacture high-quality products, including tissues, paper towels and toilet paper, which were exported to a large extent. This event set a further direction of the company's development. In 1991, the state-owned enterprise was transformed into a single-member joint-stock »

cont. on p.7

## 2013-2018

– Velvet CARE was established, a company formed as a result of the buyout by the Polish managerial team and the investment fund, Avallon MBO Fund II. Since the beginning, the company has set a strategic development direction with an investment plan worth over PLN 200 million. The factory's processing capacity was increased, the machinery fleet was extended by five modern lines, the offer was expanded with private label products and institutional market products, the so-called Away From Home (AFH) products. In addition, the Klucze plant was included in the Krakow Economic Zone, a modern distribution center (M1 warehouse) and a new TM7 tissue machine were constructed. Finally, in the five years since its inception, Velvet CARE doubled its turnover, balanced processing and manufacturing, and increased its workforce by almost 2.5 times, from 260 to 600 workers.



## 1996-2012

– the US corporation, International Paper, the world's largest manufacturer of offset paper, became the main shareholder of Kluczewskie Zakłady Papiernicze S.A. The Velvet brand was launched and quickly became the leader in the hygiene category. In 2003, the Klucze paper mill was incorporated into another US company, Kimberly-Clark, one of the world's largest manufacturers of hygiene products. The plant gained international know-how.



» company of the State Treasury, thus forming Kluczewskie Zakłady Papiernicze S.A. (*Klucze Paper Mills Joint Stock Company*)

## History of Velvet CARE cont.

### 2018-2023

– a majority stake in Velvet CARE sp. z o.o. was purchased by VLET Holdings S. a. r. l. (a subsidiary of Abris CEE Mid-Market III LP fund managed by Abris Capital Partners Ltd.). A five-year development plan was launched as part of 2025 Velvet CARE Strategy. The aim of the plan is to double turnover, introduce the company into the group of companies with a turnover in excess of one billion zlotys and achieve the leading position in Central and Eastern Europe. Three new converting lines were established between 2018 and 2020, while 100% of MORACELL, the largest manufacturer of paper hygiene products in the Czech Republic, was purchased in 2020. Another development step was the construction and launch of a modern TM8 tissue machine (2021), which resulted in an increase in the company's production capacity and thus allowed to build further ambitious plans.



### 2023

– a preliminary agreement was signed in December for the acquisition of Velvet CARE shares by Partners Group, a global investment firm based in Switzerland and listed on Zurich Stock Exchange, acting on behalf of its clients. This provides Velvet CARE with new growth prospects and global opportunities. As at the date of publication of this report, a final agreement for the acquisition of shares by Partners Group was signed (on 4 March 2024).

## History of MORACELL



### 2000

– MORACELL is established whose main activity is the wholesale of personal care products.

### 2005

– as a result of the fire, the company's registered office had to be moved from warehouses rented in Zaječí to Pohořelice, where the company continued its wholesale activity.

### 2008-2010

– the construction of own warehouses began on the plot of land purchased by the company in Žabčice. The first one, including the company's registered office, was ready in 2009 and a new production hall was established in 2010.

### 2011

– the company purchased an automated line for the production of toilet paper and paper towels.

**2023** – a new converting line and additional warehouses are developed.

**2020** – an important moment for the company due to a change in its ownership structure – 100% of shares were purchased by Velvet CARE sp. z o.o. Since then, the integration of the Velvet CARE Group and the building of its leading position in Central and Eastern Europe has begun.

**2016-2019** – is a time of focus on strategic investment development and production potential increase. The first step in this direction was to start another expansion of the warehouses with an area of approx. 50 thousand square meters in 2016. This allowed to reduce logistics and rental costs as the company could vacate the leased warehouses in Nové Bránice and store the products in its own new facilities. In 2019, production capacity doubled due to a strategic investment, the launch of a second processing line.



## PRODUCTS, CUSTOMERS AND CLIENTS, SCALE AND SCOPE OF OPERATIONS

### [GRI 2-6]

Final recipients of the products manufactured by the Velvet CARE Group are individual customers and, in the case of VelvetCARE Professional, institutional clients. The products reach both groups through different distribution channels. The Velvet CARE Group conducts directly only wholesale sale and distribution, and offers its products in the retail channel through cooperation with distributors. Velvet CARE does not have its own physical stores.

### Main categories of the Velvet CARE Group products sold in 2023:

- Toilet papers (dry and moist)
- Paper towels
- Facial tissues and handkerchiefs
- Cotton pads
- Cotton buds

### Velvet CARE Group brands:

- Velvet (Velvet CARE)
- A...psik! (Velvet CARE)
- Veltie (Velvet CARE)
- Big Soft (MORACELL)
- VelvetCARE Professional (Velvet CARE)

### Private labels:

- The recipients are retail chains mainly in Europe, including in Poland, the Czech Republic, Slovakia, Germany, and in the Baltic States – in Latvia, Lithuania and Estonia
- The private label offer includes toilet paper, paper towels, handkerchiefs and facial tissues
- Products are developed in partnership with clients under contracts concluded between both parties

### VelvetCARE Professional:

- The recipients are business and institutional clients, including hotels, restaurants, hospitals
- The offer includes, among others, toilet papers, rolled and folded paper towels, wiper rolls, disposable sheets and facial tissues.

### VelvetCARE Professional is:



Industry knowledge



Category knowledge



Product design



Innovation



Product quality



Certificates



Eco philosophy



Production in Poland



## Velvet products



### Toilet papers

are distinguished by their high quality, velvety softness, elegant embossing and strength. Customers may choose between papers of different lengths, varying in the number of plies, fragrance or non-fragrance, with extract, diverse embossing and different quantities of rolls in a consumer package.



### Moist paper

is a new standard of hygiene and cleanliness. When combined with traditional dry toilet paper, it provides a refreshing and clean feeling after using the toilet. The flip-top packaging is convenient to use and made of mono laminate to facilitate recycling. The non-woven fabric used in the sheets is biodegradable and flushable, so the product can be disposed of in the toilet after use.



### Paper towels

are extremely useful products at home, especially in the bathroom and kitchen. Velvet towels are extremely absorbent, durable and nice looking due to special embossing. Customers can opt for standard smaller rolls packed in twos or for so-called GIGA rolls, which last longer.



### Facial tissues

are useful, soft and nice looking – colorful boxes in a variety of designs can be easily incorporated into your interior design. They are also very absorbent and durable due to the use of three or four plies of soft tissue paper. The boxes are coated with a biodegradable water lacquer and do not have a foil liner which facilitates waste segregation.



### Handkerchiefs

are particularly soft and delicate, while also absorbent and durable. They can be used in different situations, even unexpected ones, and it is good to always have them with you.

### Big Soft products



### Toilet papers

available in two - and three-ply versions, white or with color printing. Customers can also choose between fragrance-free or fragranced versions.

### Paper towels

– extremely durable and very useful at home. They are available both in a standard option – packed in twos and as a single large roll.

### Napkins

are useful in many situations: on school trips, during meals and events. It is good to always have them with you.

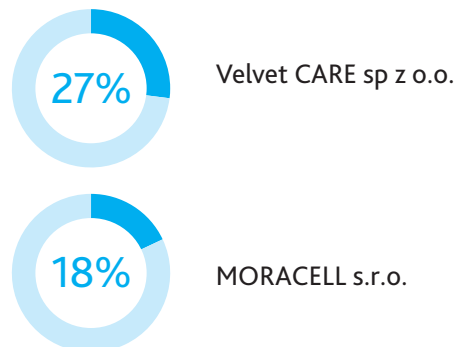
The Velvet CARE Group's product availability map



The Velvet CARE Group is:



Share of exports in sales of each of the companies:



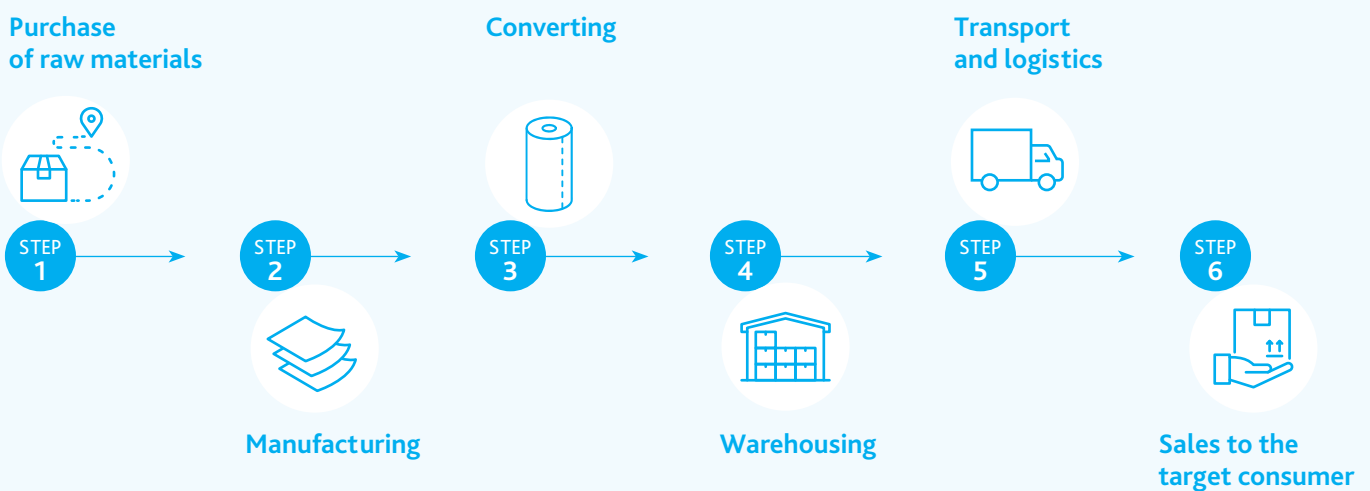


## VALUE CHAIN, SUPPLY CHAIN AND BUSINESS RELATIONSHIPS

### [GRI 2-6]

The Velvet CARE Group's value chain consists of manufacturing, processing, warehousing, sales and transportation processes. Velvet CARE is a participant in each of these processes, while MORACELL is not involved in the tissue making process and the Czech company's value chain starts with purchasing the tissue paper as a semi-finished product and focuses on its converting and further steps.

Information on the production process at the Velvet CARE factory in Klucze:



### STEP 1 Purchase of raw materials

Main raw materials purchased in the Velvet CARE Group include:

- cellulose – the main raw material used to manufacture tissue paper, purchased solely by Velvet CARE, as it is only at its factory in Klucze that manufacturing is carried out
- ready-made tissue paper – MORACELL buys all the tissue paper it needs for its activities, and Velvet CARE buys this raw material as needed, usually to a small extent to supplement its own tissue stock
- packaging raw materials, including but not limited to films, stretch wraps, carton boxes, paper packs, tops, etc.
- non-woven fabrics, cosmetic formulations and chemical reagents necessary for the production of moist toilet paper – raw materials purchased solely by Velvet CARE
- other raw materials and substances necessary for the technological processes carried out

Raw materials are delivered to both plants mostly by land. They are transported by truck, while at earlier stages, sea transport may be used for some raw materials.

### STEP 2 Manufacturing

This stage occurs solely at Velvet CARE. From the cellulose delivered to the plant in Klucze, three tissue machines manufacture tissue paper, a semi-finished product from which finished goods are produced at the next stage.

### STEP 3 Converting

At this stage, more than a dozen converting lines at both plants (Velvet CARE and MORACELL) produce finished products from tissue paper: toilet papers, paper towels and facial tissues and handkerchiefs.

STEP  
4

## Warehousing

The Velvet CARE Group uses its own finished goods warehouses in both plants. If necessary, from time to time Group companies also use additional space leased in third party warehouses.

STEP  
5

## Transport and logistics

The transport of finished goods is carried directly by clients or through third party freight forwarders with which Group companies cooperate. Finished goods are usually transported to central warehouses or distribution centers of retail chains and to distributors of the traditional market.

STEP  
6

## Sales to the target consumer

This step is not directly controlled by the Velvet CARE Group. Clients who purchased the goods further distribute the goods on their own, in their own supply chains. Ultimately, however, products manufactured by the Velvet CARE Group's plants are delivered to retail stores where they are available to individual consumers (except for AFH products intended for institutional clients).



### Downstream entities within the Velvet CARE Group's value chain:

Buyers of the Velvet CARE Group products are international and local retail chains (the so-called modern market) and distributors supplying the so-called traditional market, i.e. small, non-chain retail stores. The proportion of sales to the modern and traditional market is approximately 80/20 in Velvet CARE and approximately 70/30 in MORACELL. The Velvet CARE Group sells its goods to clients mainly on a contract basis. Some of the volume is also sold under so-called "in-out" actions, i.e. one-off promotions. The Velvet CARE Group's goods range from branded products (Velvet, Veltie, Apsik and Big Soft brands) to private label products of chain clients.

### Supply chain

The main group of suppliers for the Velvet CARE Group are cellulose suppliers – this type of raw material accounts for about 80% of purchases in volume. Cellulose is purchased mostly on the basis of contracts concluded with suppliers from all over the world, and purchases are made taking account of:

- location of the raw material,
- its availability,
- required specification,
- quality,
- pricing and other commercial criteria,
- supplier diversification strategy,
- assessment of credibility of the potential partner,
- security of delivery.

Raw materials in the form of packaging, bulk cardboard boxes and other elements of recycled cardboard (such as sleeves, spacers) as well as stretch wraps and chemicals needed for manufacturing and processing are also important in the purchase and supply process.



## Important business relationships

Apart from direct commercial relationships with clients, the Velvet CARE Group's key business relationships are in the area of financing the expansion, development of the two sites and acquisition.

In 2023, Velvet CARE collaborated with the European Bank for Reconstruction and Development (EBRD), BNP Paribas Polska (where the Sustainability Linked Loan Agreement was signed), mBank, ING and Pekao, among others. Also important for the company is its

long-standing cooperation with Krakow Technology Park, which manages the Polish Investment Zone. The company implements the so-called "zone projects", which are aimed at expanding and developing the Klucze plant. In 2023, a decision was granted to support another investment project of the company, which will be implemented in the following years.

The main financial partners of MORACELL are Československá Obchodní Banka (ČSOB) and UniCredit Bank.



## Development of the company, machinery fleet and automation

### **[GRI 3-3, own indicator]**

The development of plants, expansion and automation of the machinery fleet is one of the Velvet CARE Group's priorities. In 2023, another new tissue processing line was commissioned at Velvet CARE. Preparations for several other strategically important projects have also been started – both at the Velvet CARE plant and at MORACELL.

In 2023, works were started in the Velvet CARE factory in Klucze on the project of construction of a co-generation unit. As of the date of publication of this report, the company decided to leave the tender unresolved. As part of preparing the site for new machines,

Velvet CARE started the construction of two new office buildings in 2023 in connection with the investment in another tissue machine planned at that plant. The investment plans for Klucze also include the construction of a modern automated warehouse. For the implementation of the above historically large investment project, in 2023 Velvet CARE received a decision on support in the form of a CIT credit from the Krakow Technology Park within the Polish Investment Zone.

In 2023, steps were also taken to expand the MORACELL plant. In 2024, a new warehouse and production hall will be established in Žabčice, and two new converting lines are planned to be launched by 2028.

## Key financial figures of the Velvet CARE Group

[GRI 3-3, 201-1]

### Direct economic value generated and distributed

#### A. Direct economic value generated:

A1. Revenue: PLN 1,553,604,945

#### B. Economic value distributed:

PLN 1,290,268,686

B1. Operating costs: PLN 1,069,622,443

B2. Employee wages and benefits: PLN 111,000,165

B3. Payments to providers of capital: PLN 86,135,848

B4. Payments to government: PLN 23,510,230

B5. Community investments: PLN 0

#### C. Economic value retained:

PLN 262,336,259

Economic value distributed consists of: operating costs, employee wages and benefits, payments to providers of capital, payments to government, community investments.

## Financial assistance received from government

[GRI 3-3, GRI 201-4]

Forms of financial assistance used by Velvet CARE in 2023 include:

#### Tax credits – amount in 2023:

PLN 44,913,069

The Company benefits from the income tax credit within the Polish Investment Zone (previously Special Economic Zone).

#### Grants – amount in 2023:

PLN 36,283,523

As an energy-intensive enterprise, the Company benefits from compensations for its electricity costs and benefited from the "aid to energy-intensive sectors due to sudden increases in the prices of natural gas and electricity".

#### Investment grants, R&D grants, other similar types of grants – amount in 2023:

PLN 2,000,000

It refers to a cogeneration investment project subsidized by the National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej, NFOŚiGW).

The company did not benefit from awards, financial assistance from the Export Credit Agency (ECA), investment incentives or other financial benefits from the government.

In 2023, MORACELL did not benefit from financial assistance in the form of grants, subsidies or tax exemptions.



## FINANCIAL IMPLICATIONS, OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

### [GRI 3-3, 201-2]

The Velvet CARE Group makes strategic decisions taking account of climate risks and opportunities. In both companies, they were identified and assessed together with their impact on the Group's financial performance. The above process referred to the TCFD rec-

ommendations, but did not include the development of climate scenarios. Climate risks and opportunities are reviewed and revised on an annual basis.

The table provides information on the most important identified climate risks for Velvet CARE, i.e. those with the highest probability of materialization and the biggest financial impact.

| Risk description   | Type of risk     | Location of risk factors | Main potential financial impact                                 | Time horizon             | Probability | Impact volume                 |
|--|------------------|--------------------------|---|--------------------------|-------------|-------------------------------|
| Higher costs of production due to higher costs of raw materials and utilities  | Market           | Organization             | Increased direct costs  | Short-term: up to 1 year | Very likely | Large<br>over 2%<br>of EBITDA |
| Purchase of certificates at high prices due to fluctuations in their prices over time, possible unavailability of certificates in the market | Applicable laws  |                          | Increased indirect (operating) costs                            |                          |             |                               |
| No free certificate allocation   | Expected laws    |                          | Increased direct costs  | Long-term: 5+ years      | Likely      |                               |
| Increase in utilities consumption due to unforeseen failures and technical problems of the machinery fleet                                   | Technology       |                          | Increased direct costs  | Mid-term: 1-5 years      |             |                               |
| Increasing customer expectations in the environmental area   | Market           |                          | Reduced revenue due to reduced demand for products and services | Long-term: 5+ years      | Very likely |                               |
| Production interruptions due to physical destruction of infrastructure and machinery   | Sudden physical  | Upstream                 | Reduced revenue due to capacity reduction                       | Short-term: up to 1 year | Likely      | Large<br>over 2%<br>of EBITDA |
| Limited supply of utilities, raw materials, services caused by severe weather events   |                  |                          |   |                          |             |                               |
| Transport disruption due to severe weather events  |                  |                          |   |                          |             |                               |
| Interruptions in the supply chain of raw materials, utilities, services  | Chronic physical | Upstream                 | Increased capital expenditure                                   | Long-term: 5+ years      | Likely      | Large<br>over 2%<br>of EBITDA |
| Interruptions in the supply chain of goods to clients, disruptions in waste and wastewater collection from the plant                         |                  | Downstream               |   |                          |             |                               |
| Inability to produce as a result of extreme weather events   |                  | Organization             | Reduced revenue due to capacity reduction                       |                          |             |                               |

Similarly, significant climate risk for MORACELL:

| Risk description                    | Type of risk    | Location of risk factors | Main potential financial impact | Time horizon             | Probability | Impact volume           |
|-------------------------------------|-----------------|--------------------------|---------------------------------|--------------------------|-------------|-------------------------|
| Higher costs of emission allowances | Applicable laws | Upstream                 | Increased direct costs          | Short-term: up to 1 year | Very likely | Large over 2% of EBITDA |



Each identified risk and opportunity has been appropriately managed by the companies. For each risk, they also estimated the amount of funds necessary to perform the management activities.

[Resilience of companies' strategies to climate change](#)

The companies' strategy may be affected by the risks and opportunities associated with global warming in the short, medium and long term. It may also change due to, among others, current legislative changes, new technologies and the actual development of the climate situation and its impact on business.

In 2020, the Velvet CARE Group introduced the sustainable development strategy, Eco Agenda 2025, which includes environmental issues. Details on the strategy are presented in the Environmental Impact of the Velvet CARE Group section.

Additionally, the Velvet CARE Group's activities with impact on the climate are included, among others, in the Integrated Quality, Environment, OHS and Product Safety Management System Policy implemented at both companies.

The Group plans to achieve climate neutrality in stages by launching possible and adequate new decarbonization projects, including the cogeneration at the Velvet CARE plant in Klucze. Possible steps to achieve climate neutrality include the purchase of offset or shares in sequestration projects, as well as the purchase of renewable energy with certificates of origin.



## CERTIFICATES AND AWARDS

### Certificates

#### Certificates held by Velvet CARE:

- product safety management system according to IFS HPC and BRC CP,
- quality management system according to ISO 9001:2015,
- environmental management system according to ISO 14001:2015, FSC®, PEFC, EU Ecolabel standard,
- occupational health and safety management system according to ISO 45001:2018,
- energy management system according to ISO 50001:2018.

Velvet CARE also has the customs status of authorized economic operator (AEO), which demonstrates its credibility as a business partner.

#### Certificates implemented by MORACELL:

- in the quality management area  
ČSN EN ISO 9001:2016
- in the environmental area:  
ČSN EN ISO 14001:2016, PEFC ST 2002:2020
- in the product safety and quality area:  
BRC GLOBAL STANDARD for CONSUMER PRODUCTS, IFS Household and Personal Care Products

The above standards are regularly certified by reputable and specialized entities.

Velvet CARE is also subject to additional inspections in the area of sanitation and environment, product safety and appropriate working conditions, carried out, among others, by the State Sanitary Inspectorate (Państwowa Inspekcja Sanitarna, Sanepid) or the Provincial Inspectorate of Environmental Protection (Wojewódzki Inspektorat Ochrony Środowiska, WIOŚ).

In 2023, the Velvet CARE Group (both companies) received a prestigious B Corp certificate. In the same year, Velvet CARE achieved the gold medal in EcoVadis rating. Both hallmarks confirm and appreciate effective management of the sustainability area.

### Certified



### Corporation

B Corp certificate – the Velvet CARE Group obtained the certificate in 2023, which is an independent confirmation of compliance with stringent standards in the sustainability area. A detailed assessment included, among others, corporate governance, employee management, and impact on the community, environment and clients. The Group has also signed a declaration of interdependence, committing to be a creator and inspirator in the area of sustainable activities. There are now more than eight thousand companies in the world certified as B Corps. In Poland, nine companies - including the Velvet CARE Group – exceeded the audit threshold in 2023. In the Czech Republic, only three companies are certified as B Corp (MORACELL is certified together with its parent company, Velvet CARE).



EcoVadis – Velvet CARE earned the EcoVadis Gold Medal and was among the best, top 5%, organizations in the world in its category, which in 2023 were assessed for 21 sustainability criteria. A high score in

this independent and prestigious ranking confirms a well-chosen and implemented strategy in the sustainability area. EcoVadis assesses companies in four thematic areas:

- environment,
- human and labor rights,
- business ethics,
- sustainable supply chains.

The assessment consists of an analysis in three areas - policies, actions, results, and any information provided by the company must be supported by relevant evidence. According to EcoVadis regulations, to receive a medal, the company must exceed the threshold of 50 points in the audit. The score of Velvet CARE is 71 points and the Gold Medal.

## Awards

In 2023, Velvet CARE received a number of significant awards, not just in the area of sustainability.

- **Superbrands for the Velvet brand** – a prestigious emblem that rewards the best brands in their category. This is a recognition of quality and a confirmation of trust in the brand and its products. The contest is accompanied by a survey on the strength of brands in Poland, which is carried out every two years and participated by around three thousand respondents. Two thousand brands in 100 categories are assessed during the survey. In addition to the results of the survey, the opinions of experts in marketing, advertising and PR are taken into account in the contest.
- **Forbes Diamonds** – a ranking indicating the fastest growing Polish companies that have fastest increased their value over the last three years. Velvet CARE was recognized in the category of the largest enterprises with sales over PLN 250 million.
- **Polish Association of Capital Investors (Polskie Stowarzyszenie Inwestorów Kapitałowych, PSIK) Award** for ESG activities. The annual PSIK awards are granted to honor the achievements of Private Equity and Venture Capital funds, their portfolio companies, as well as the industry's contribution to the development of Polish companies.
- **Abris Capital Partners ESG Awards** – CSR category award for consistent and effective running of the "Velvet. 5 for the Nature" ("Velvet. Piątka dla natury") educational program organized to protect the environment, with participation of local communities. The contest is organized by Abris Capital Partners and is addressed to all of its portfolio companies.
- **Lidl Fair Pay** – a distinction in a contest that promotes companies engaged in equal pay for men and women. Applications for the Lidl Fair Pay Award were evaluated by Korn Ferry, an independent consulting firm specializing, among others, in remuneration surveys. The factors taken into account included: equal pay for the same job category, women's participation in the management and women's participation in management teams.
- **Krakow Technology Park Award** for the largest investment project in 2023.

## MEMBERSHIP ASSOCIATIONS

### [GRI 2-28]

Velvet CARE and its representatives are members of the following industry and business organizations and associations:

- **Polish Papermakers Association (Stowarzyszenie Papierników Polskich, SPP)** – an organization that associates individuals and business entities engaged in paper making and related fields. The Association operates in the area of science, technology and management. On the part of Velvet CARE, the following persons are engaged in the activities of the Association: Artur Pielak, President of the Management Board, is a member of the Association and Marek Ściążko, Member of the Supervisory Board of Velvet CARE and former long-term director of the Klucze factory, is the Vice President of the SPP and Head of the Paper Section. The SPP is a member of the Confederation of European Paper Industries (CEPI), an organization that represents the wood fiber and paper industry on the European level.
- **Polish Association of Cosmetic Industries (Polski Związek Przemysłu Kosmetycznego, PZPK)** – an industry association of cosmetic producers. Having moist papers (that are a cosmetic product) in its offering, Velvet CARE, as a member of PZPK, has access to current information on the industry, uses expert advice and participates in industry consultations and events.
- **Business Centre Club (BCC)** – a business club that associates enterprises and at the same time the largest statutory organization of individual employers in Poland. Velvet CARE is represented in the BCC by: Artur Pielak, President of Management Board, Rafał Curyło, Vice-President of Management Board and Marek Ściążko, Member of the Supervisory Board of Velvet CARE.
- **CEO Round Table** – a platform for top executives of leading Eastern European companies, aimed to develop leadership skills, expand business networking and inspire each other. Artur Pielak, President of the Management Board of Velvet CARE, is a member of the organization.

MORACELL is not a member of organizations or industry and business associations.



## 1.2. GOVERNANCE

### ORGANIZATIONAL AND GOVERNANCE STRUCTURE (MANAGEMENT BOARD, SUPERVISORY BOARD)

[GRI 2-9]

Velvet CARE sp. z o.o.

#### The Management Board of Velvet CARE is composed of:



- **Artur Pielak**  
– President of the Management Board, CEO



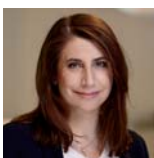
- **Rafał Curyło**  
– Vice President of the Management Board, CFO



- **Marcin Grabowski**  
– Vice President of the Management Board, Commercial Director



- **Wanda Ciesielczuk**  
– Vice President of the Management Board, Production and Technology Director



- **Aleksandra Jankowska**  
– Member of the Management Board, HR Director

The gender parity in the Management Board is 2:3 (women:men).

The activities of the Management Board are supervised by the Supervisory Board, which was composed of five members in 2023:

- **Monika Nachyła** – Chair of the Supervisory Board
- **Tomasz Kujawa** – Member of the Supervisory Board
- **Marcus Popkowitz** – Member of the Supervisory Board
- **Marek Ściążko** – Member of the Supervisory Board
- **Helen Pettersson** – Member of the Supervisory Board

In 2023, gender parity in the Supervisory Board was 2:3 (women:men). In 2023, there was also a representation of the local community in the Supervisory Board – one Member of the Supervisory Board residing within a radius of up to 10 km from the Velvet CARE factory in Klucze.

**MORACELL s.r.o.**

The Management Board of MORACELL s.r.o. is composed of two members. The company's highest body is the Supervisory Board, composed of two members.

#### The Management Board:



- **Andrej Zimányi**  
– Executive Director, President of the Management Board, CEO



- **Tomáš Kadlec**  
– Executive Director, CFO

The activities of the Management Board are supervised by the Supervisory Board, which was composed of three members in 2023:

- **Tomasz Kujawa**, Chair of the Supervisory Board
- **Artur Pielak**, Member of the Supervisory Board
- **Wanda Ciesielczuk**, Member of the Supervisory Board

#### [Information on Members of the Management Boards of the companies](#)

[GRI 2-11]

Velvet CARE sp. z o.o.

- **Artur Pielak**, President of the Management Board and CEO of Velvet CARE since its formation in August 2013. Before that, he was the Country Manager of Kimberly-Clark Poland and the Baltic States. He also managed Hero Poland and Hungary as President. Throughout his career, he worked in many business areas: marketing, sales, commerce, on the regional CEE and local level in FMCG companies such as Nestle, Gillette, Novartis, International Paper, Unilever, Coca-Cola. He has 28 years of professional experience, including 15 years in Velvet CARE (and other companies formerly managing the Klucze paper mill).

- **Rafał Curyło**, Vice President of the Management Board and CFO, is responsible for finance, procurement, investment, IT and logistics. Before that, he was a long-term Head of Business Analysis for Central Europe in Kimberly-Clark. He served for almost two years as Customer Business Unit Manager for the hypermarket channel. He has 24 years of professional experience, all of which has been associated with the Klucze paper mill.
- **Marcin Grabowski**, Vice President of the Management Board and Commercial Director, has 30 years of experience in the business. Before taking his current function, he managed the sales area at the company; he was the Customer Business Unit Manager for the traditional channel; he was responsible for cooperation with international chains such as Carrefour and Kaufland; and he was the Regional Sales Manager. He has been with Velvet CARE, and previously Kimberly-Clark and International Paper, for 25 years.
- **Wanda Ciesielczuk**, Vice President of the Management Board and Production and Technology Director. She has been working for the Klucze paper plant since 2001. In 2015, she took the position of the Head of Strategic Investments in charge of the processing department, manufacturing department and strategic projects as part of her responsibilities. Since 2019, as the Production and Technology Director, she has been managing the largest team of more than 400 workers at Velvet CARE. She has 24 years of professional experience and has been working at the Klucze factory for 23 years.
- **Aleksandra Jankowska**, Member of the Management Board, HR Director, working for the company since 2019. For more than 20 years, she has gained experience in various industries such as finance, consulting and biotechnology, finally fulfilling her aspirations as the HR Director in the FMCG industry. The experience and belief that people are the most important asset and key to the success of any organization allows her to optimize her capability management activities. Her involvement in key strategic projects has contributed to the company's growth and transformation of the employee development management system. She has 27 years of professional experience, including 5 years at Velvet CARE.

#### MORACELL s.r.o.

- **Andrej Zimányi**, President of the Management Board and CEO, with 20 years of experience in managing MORACELL. He joined the company in 2004, when it was a small distribution entity with 20 workers. He has played an important role in the development of the company, which has become a key manufacturer of paper towels and toilet paper in the Czech Republic.
- **Tomáš Kadlec**, CFO, working for MORACELL since 2017. Already then he was supporting the CEO in the development of the company. He is responsible for finance and HR in the company. Before joining MORACELL, he was the CFO at AGROTEC since 2006, where he previously held other positions related to finance.

#### Nomination and selection of the highest supervisory body

##### [GRI 2-10]

In Velvet CARE, members of the Management Board are appointed by the Supervisory Board and members of the Supervisory Board are appointed by the company's shareholders. In 2023, two members of the Supervisory Board were nominated by the majority shareholder (VLET HOLDINGS / Abris Capital Partners), one by the minority shareholder (Betz Holding / Pantos), one by the Management Board of Velvet CARE, and one member of the Supervisory Board was an independent industry expert.

The members of the Management Board of MORACELL are nominated by the Supervisory Board and the members of the Supervisory Board of MORACELL are associated with Velvet CARE. In 2023, two members of the Supervisory Board of MORACELL were members of the Management Board of Velvet CARE and one member of the Supervisory Board was appointed by the majority owner of Velvet CARE (VLET Holding / Abris Capital Partners).

In the Velvet CARE Group, the following factors are taken into account when appointing the highest governance body: competence relevant to the impact of the organization, stakeholder views, diversity, independence.





### Chair of the highest governance body

#### [GRI 2-11]

In both Velvet CARE Group companies, the chair of the highest governance body (President of the Management Board) is also a representative of the C-level executives (CEO). At Velvet CARE, Artur Pielak is the President of the Management Board and its CEO. At MORACELL, the President of the Management Board and its CEO is Andrej Zimányi. In both companies, supervision over the activities of the Management Boards is exercised by the Supervisory Boards – none of the members of Supervisory Boards performs management functions in the supervised organization.

### CONFLICTS OF INTEREST

#### [GRI 2-15]

In the Velvet CARE Group, members of the Management Boards sign declarations of potential conflicts of interest each year. In the event of conflicts of interest involving Management Board members, the Management Boards of both companies are obliged to report this fact to their Supervisory Boards.

At Velvet CARE, the process of signing conflict of interest declarations is additionally extended to mid-level and senior managers, with a special focus on the em-

ployees of the procurement department, sales department and the management team (MTM).

### COMMUNICATION OF CRITICAL CONCERNS

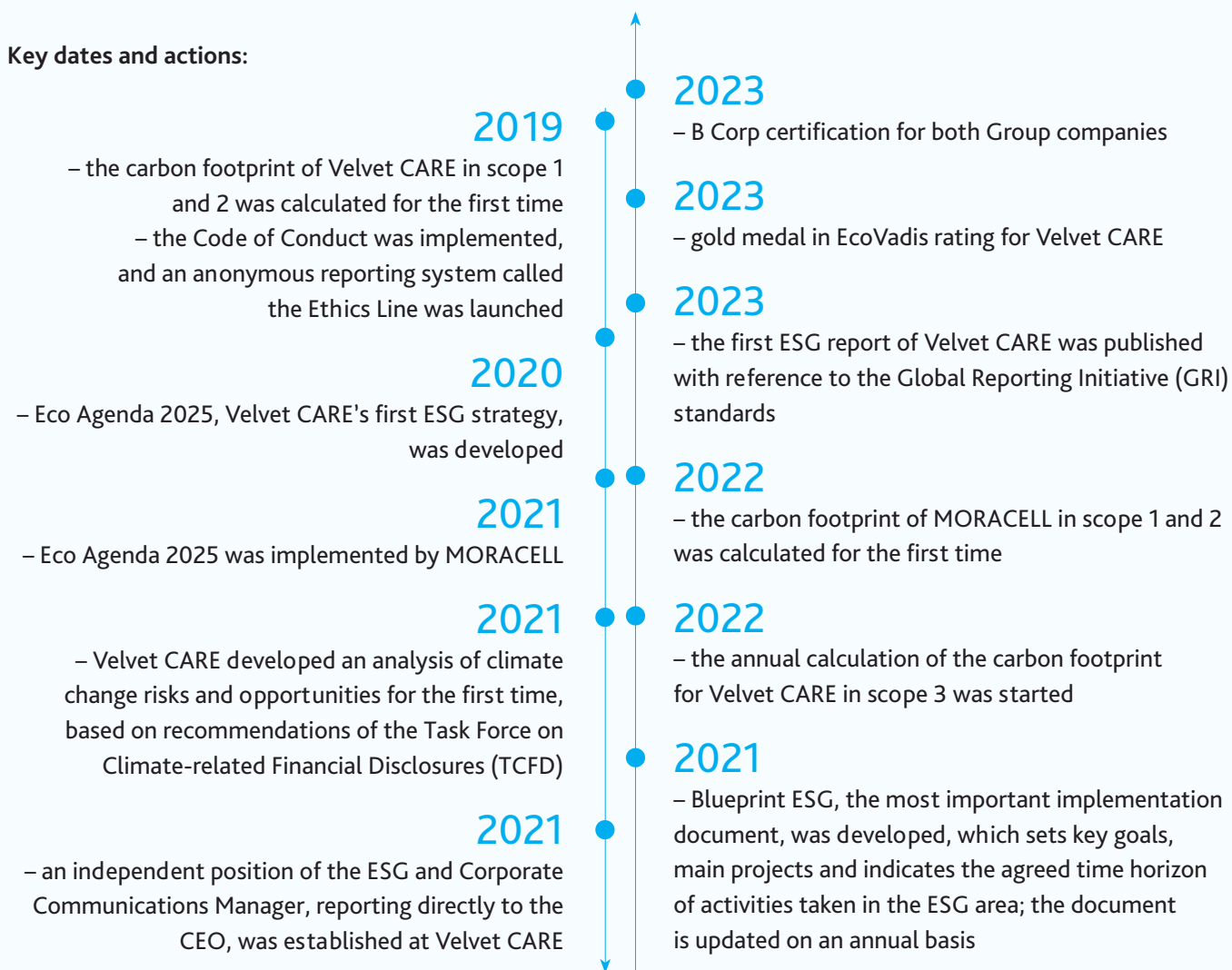
#### [GRI 2-16]

Critical concerns, i.e. concerns relevant to the activities of the Velvet CARE Group companies, are discussed during the management team meetings (MTM) attended by the company's Management Board members and key managers from across the organization. At Velvet CARE, MTMs are held biweekly. At MORACELL, a small group of key managers meets with the Management Board of the company every two weeks and a larger MTM with the Management Board is held once a month. In urgent situations, management team meetings are convened more frequently, even on a daily basis. Critical concerns are reported to the Supervisory Board, both on financial and non-financial topics, normally on a monthly basis, unless an urgent action is required. On the other hand, key decisions are taken during the Supervisory Board meeting, on a quarterly basis. There were no critical situations during the reporting period that would require extraordinary decisions to be made at the Supervisory Board level.

## SUSTAINABLE DEVELOPMENT IN THE VELVET CARE GROUP

The topic of sustainable development has been present in the Velvet CARE Group for many years.

### Key dates and actions:





The Velvet Group complies with the 2030 Agenda by pursuing initiatives and activities that contribute to the achievement of 11 of the 17 Sustainable Development Goals (SDGs). The Velvet Group has identified four key Sustainable Development Goals (SDGs) on which it has the greatest impact. These goals were selected taking account of the business model and nature of the activities, as well as the specific actions taken by the Group.

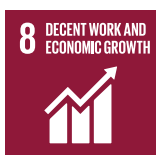


### Actions of the Velvet CARE Group



**Goal 6:** Ensure access to water and sanitation for all through sustainable management of water resources

- Optimization of water consumption, including closing the water cycle and reusing it in the Velvet CARE factory in Klucze
- Implementation of state-of-the-art technologies for the paper industry, which significantly reduce water consumption per ton of tissue paper produced
- Operation of the on-site effluent treatment facility in Klucze, which serves both the needs of the factory and the local community, contributing to improving water quality and protecting water resources



**Goal 8:** Promote stable, sustainable and inclusive economic growth, full and productive employment and decent work for all

- Creation of new jobs and ensuring adequate working conditions for employees
- Support to the national economy by engaging with local suppliers and subcontractors



**Goal 12:** Ensure sustainable consumption and production patterns

- Implementation of Eco Agenda 2025 sustainable production and consumption strategy, which is based on the "Achieve more with less" principle
- Commitment to use 30% of plastics recycle in toilet paper packaging
- Consumer education to raise environmental awareness and encourage more sustainable choices and behaviors



**Goal 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainable forest management, combat desertification, halt and reverse soil degradation and halt biodiversity loss

- Sustainable management of natural resources, use of cellulose exclusively from sustainable, certified and controlled, sources)
- Reuse of waste referred to as "mill broke" in the production process, whereby the Group to minimize waste and increase the efficiency of the use of raw materials

## Group's sustainability management, including ESG risk

### Responsibilities of the Management Board, including ESG responsibilities

#### [GRI 2-12]

Each of the companies – both Velvet CARE and MORACELL – has its own Blueprint, i.e. a strategic document containing the goals of the organization. Management boards and key senior managers of the companies annually develop, update and approve the goals of the organization, and monitor metrics performance. These teams also set the mission, vision and values of the company, including key strategies and policies. In Velvet CARE and MORACELL, the ESG manager, as part of the key management team, is also involved in sustainability matters, including Eco Agenda 2025, the sustainable development strategy.

### DUE DILIGENCE

Strategic decisions are made in the Velvet CARE Group based on the following principles:

- Strategic decisions for companies are never made by one person, they are always made by several-member management boards in Velvet CARE and MORACELL, respectively.
- For decisions that require expertise from outside the organization, experts and reputable third party advisors are invited to cooperate and consult
- Key projects are presented to, and must be approved by, the Supervisory Board
- At all key meetings (including negotiations) and in the process of signing the agreements, the Velvet CARE Group companies are represented by at least two persons

The Management Boards of both companies are responsible for implementing the strategy, goals and objectives. Meetings of the Supervisory Boards are held on a quarterly basis, where Management Boards report on results achieved and progress of work.

### STAKEHOLDER ENGAGEMENT

In both companies of the Group, strategic decisions must be consulted with their Supervisory Boards. Since members of the Management Board of Velvet CARE sit on the Supervisory Board of the Czech company, strategic decisions of MORACELL are also considered by the Supervisory Board of Velvet CARE. Velvet CARE is also obliged to submit annual reports, including on sustainability matters, under loan agreements with banks providing financing.

### DELEGATION OF RESPONSIBILITY FOR MANAGING IMPACTS

#### [GRI 2-13, 2-14]

Three members of the Velvet CARE Management Board are responsible for ESG matters:

- Artur Pielak, President of the Management Board and CEO, who supervises the sustainability development area
- Wanda Ciesielczuk, Vice-President of the Management Board, Production and Technology Director, who supervises not only the production, technical and technological areas, but also is responsible for environmental issues, quality control and OHS
- Aleksandra Jankowska, Member of the Management Board and HR Director, who is responsible for social and ethical matters.

The Management Board of the company participates in the process of selecting significant topics and supervises the reported content on an ongoing basis.

At Velvet CARE, a team of four persons is responsible for managing the impact and leading the processes in all aspects of ESG:

- Anna Lewandowska, ESG and Corporate Communications Manager
- Wanda Ciesielczuk, Vice President of the Management Board, Production and Technology Director
- Aleksandra Jankowska, Member of the Management Board, HR Director
- Andrzej Ożóg, Financial Controller, the company proxy.

As part of the ESG strategy, there are a number of projects that involve different people, including top management and senior executives, depending on the sub-





ject of the project. The President of the Management Board and CEO participates on an ongoing basis in the definition and implementation of the ESG strategy.

Every quarter, ESG issues are presented at the meeting of the Supervisory Board of Velvet CARE.

### **COLLECTIVE KNOWLEDGE OF THE HIGHEST GOVERNANCE BODY**

#### **[GRI 2-17]**

Members of the management body of Velvet CARE Group companies, ESG manager and selected senior executives participate annually in "Abris Academy" meetings organized by the majority shareholder, Abris Capital Partners Fund. In 2023, the meeting focused on the DEI strategy and its importance in organizations.

Moreover, in 2023 the Management Boards of both Velvet CARE Group companies were involved in preparation and audit related to B Corp certification, and additionally in Velvet CARE, in obtaining EcoVadis scoring.

Upon B Corp certification, in November 2023 the Velvet CARE Group organized a workshop addressed to the Management Board members of both companies and a broad team of managers to provide knowledge and inspire further actions in the area of sustainable development.

On an ongoing basis, the Management Boards of both Velvet CARE Group companies receive sustainability management information from ESG managers.

### **EVALUATION OF THE PERFORMANCE OF THE HIGHEST GOVERNANCE BODY**

#### **[GRI 2-18]**

In the Velvet CARE Group, Supervisory Boards formally and independently evaluate the ESG activities of the Management Boards on an annual basis. The degree of achievement of these goals is also taken into account in when making decisions on the next term of office of the Management Boards. In 2023, Supervisory Boards set goals for 2024, and there were no changes in the composition of Management Boards due to the results of the evaluation of previous goals achievement.

## PROCESSES TO REMEDIATE NEGATIVE IMPACTS

### [GRI 2-25, 2-26]

The Group ensures that it can responsibly and quickly respond to any negative impacts. In the area of environment, in line with Eco Agenda, the organization is making efforts to combat harmful practices by setting the goals of its own organization and inspiring others in the fight for environmental protection. Both Velvet CARE Group companies have an Ethics Line in place, operated by an independent third party company, through which employees can anonymously report irregularities and concerns.

#### Contact details for Velvet CARE employees:

- Ethics Ombudsperson:  
rzecznik.etyki@velvetcare.pl, +48 664 997 000
- Ethics Line: velvet.liniaetyki.com,  
velvet@liniaetyki.pl, 22 290 67 88

#### Contact details for MORACELL employees:

- Ethics Line: moracell.liniaetyki.com

Besides, at Velvet CARE there are duty hours of the Management Board members and a mailbox that can be used to communicate information and ask questions directly to the President of the Management Board (napiszdoprezesa@velvetcare.com).

Both Velvet CARE Group companies hold quarterly meetings with the Management Board to which all employees are invited. The meetings are aimed at ongoing communication related to current events, projects carried out by the company and exchange of information with employees. There are boxes available, at the MORACELL plant on a permanent basis, and at the Velvet CARE office and plant before quarterly meetings with the Management Board, where employees can anonymously drop in cards with information, concerns and questions. These messages are examined prior to each meeting, and issues raised by employees are answered publicly during the meetings.

Individuals from outside the organization can file complaints by email through a contact form on the website: <https://www.velvetcare.com/kontakt> (in Velvet CARE) or directly to email addresses of the employees and Management Board in MORACELL (<https://www.moracell.cz/cs/kontakt>).

In both companies, questions, complaints, information may also be addressed in writing to the corporate secretariat.





# 2. ENVIRONMENTAL IMPACT OF THE VELVET CARE GROUP





The Velvet CARE Group is taking steps to reduce its environmental impact. When managing the environmental area, the Group monitors emissions, fuel and energy consumption, water resources and introduces circular economy solutions. The impact of activities on biodiversity is also monitored. The Group has identified, examined and evaluated climate risks and opportunities in the short, medium and long term.



Velvet CARE adopted Eco Agenda 2025 in 2020 and MORACELL in 2021 while adapting it to its own conditions and local market.

The Group's ESG strategy consists of three pillars:

- Product
- Organization
- Inspiration

Within each area, the Group has entered into certain commitments.

## Product

the Group strives for the highest quality and usability of its products, with reduced environmental impact during both product creation and transportation. In this area, it focuses on environmentally friendly solutions in the areas of technology, packaging and raw materials. Velvet CARE products are certified as FSC® (C119667), PEFC (PEFC/32-31-086); selected Veltie branded products have EU Ecolabel license: PL/004/002. MORACELL products are certified as FSC® (C135826) and PEFC (PEFC/08-33-0013). Furthermore, Velvet CARE minimizes the share of plastics in the raw materials used – in 2023, this reduction was as high as 44% in relation to the company's first year of operation. In addition, film packaging contains as much as 30% of recycled raw material (so-called recycle) in some of the Velvet CARE Group's product range. Reduction of the share of plastic and work to increase the share of recycled raw material are continuous projects. MORACELL is also engaged in manufacturing activities that minimize negative environmental impacts. In 2023, in addition to reducing the thickness of packaging films, the company's activities also focused on optimization of technology and standardization of the production process, which significantly reduced adhesives and packaging materials consumption. With consumption of more than 130 tons of adhesive, the savings exceeded 10% compared to 2022, and 20% for adhesives to glue the "last sheet". In the case of stretch films, the savings were 37%.



### Velvet CARE Eco-products

We have incorporated a number of solutions to minimize environmental impacts of our eco-products, including optimal packaging and wrapping, a more environmentally friendly dispersion varnish that dissolves in water, recycled cardboard, less plastic, more efficient transportation.

Example? Velvet ecoROLL toilet paper with the SAVE NATURE label is four tightly wrapped rolls that contain as much paper as a standard eight-roll pack!

- Four rolls instead of eight – this means saving space in the bathroom and efficient transport, which reduces emissions and pollution
- Smaller packaging and less cardboard tubes – this reduces waste by as much as 43%
- To pack four rolls, instead of the standard eight, up to 28% less plastic is used.

## Organization

The Group is aware of its environmental impacts and therefore takes steps to reduce impacts, improve production and business practices, and share knowledge in this area. Velvet CARE aims to be carbon neutral across all 3 scopes (scope 1, 2, 3) by 2050. The Group monitors utilities consumption on an ongoing basis and takes steps to achieve greater efficiency in the area of energy consumption, as well as monitors pollution in order to reduce it systematically. In the Velvet CARE Group, the assumptions of the so-called Circular Economy are implemented, the aim of which is to save raw materials, reprocess materials and reduce waste.

## Inspiration

The Velvet CARE Group undertakes educational and communication activities related to sustainable development and environmental sustainability. These activities are addressed to Group employees and customers as well as final consumers.



### Environmental education

Our flagship nationwide CSR program, which we have been running since 2020, is "Velvet. 5 for the Nature" ("Velvet, Piątka dla Natury") ([www.piatkadlanatury.edu.pl](http://www.piatkadlanatury.edu.pl)). We focus on the education of the youngest – school and kindergarten children, providing teachers registered in the program with ready-to-use lesson scenarios in line with the applicable core curriculum. The program also contains elements of gamification – encouraging children to engage and use the knowledge gained in practice.

The program is designed to activate children and their carers to change their immediate environment. Our aim is to make participants aware that every action, even the smallest one, can have a real positive impact. The program addresses topics that respond to contemporary environmental challenges, such as saving water and other resources, giving objects a second life or reducing waste generation.

In 2023, the fourth edition of the program was held, which attracted 13 thousand pupils from 740 classes (grades 1 to 3), and 110 of them were winners of a prize competition. New for 2023 was a calendar of educational activities that makes it easier for children's caregivers to navigate the program.

# 2.1. EMISSIONS AND ENVIRONMENTAL POLLUTION

## FUEL AND ENERGY CONSUMPTION

[GRI 302-4]

In 2023, as a result of optimization activities such as: improving the efficiency and effectiveness of production on tissue machines, modernizing the lighting of

the external finished goods warehouse, optimizing the supply of tissue machines and others, the electricity consumption indicator at Velvet CARE fell from 1.017 MWh/t to 1.011 MWh/t compared to 2022. The total energy consumption indicator fell from 9.912 GJ/t to 9.351 GJ/t during the year.

The electricity consumption intensity and total energy consumption indicators at MORACELL did not change significantly compared to 2022.

## Energy consumption within the organization

[GRI 302-1]

|  | Velvet CARE                         | MORACELL                        | Velvet CARE Group                   |
|--|-------------------------------------|---------------------------------|-------------------------------------|
| <b>A. Non-renewable fuel consumption</b> | 250.89 Mg                           | 28.24 Mg                        | 12,770.25 GJ                        |
| <i>of which:</i>                         | 11,553.64 GJ                        | 1,216.61 GJ                     |                                     |
| Diesel oil                               | 9.56 Mg<br>411.01 GJ                | 13.35 Mg<br>634.16 GJ           | 1,045.17 GJ                         |
| Motor petrol                             | 90.82 Mg<br>4,023.36 GJ             | 14.89 Mg<br>582.45 GJ           | 4,605.81 GJ                         |
| LPG                                      | 150.51 Mg<br>7,119.12 GJ            | 0.00 GJ                         | 7,119.12 GJ                         |
| <b>B. Renewable fuel consumption</b>     | 0.00 GJ                             | 0.00 GJ                         | 0.00 GJ                             |
| <b>C. Energy</b>                         | 1,324,663.41 GJ                     | 7,970.45 GJ                     | 1,332,633.86 GJ                     |
| <i>of which:</i>                         |                                     |                                 |                                     |
| Electricity                              | 143,144,902.45 kWh<br>515,321.65 GJ | 2,214,015.00 kWh<br>7,970.45 GJ | 145,358,917.45 kWh<br>523,292.10 GJ |
| Thermal energy                           | 809,341.73 GJ                       | 0.00 GJ                         | 809,341.73 GJ                       |
| <b>Total energy consumption (A+B+C)</b>  | <b>1,336,216.95 GJ</b>              | <b>9,187.07 GJ</b>              | <b>1,345,404.11 GJ</b>              |

The above data are derived from cost invoices and fuel reports.

For Velvet CARE, Mg was converted to GJ according to indicators published by the National Centre for Emissions Management (Krajowy Ośrodek Bilansowania i Zarządzania Emisjami, KOBIZE). For MORACELL, the conversion of Mg to GJ was made according to the UK government GHG Conversion Factors 2022 (Defra).

## Energy intensity at Velvet CARE

[GRI 302-3]

|   | 2022  | 2023  |
|---|-------|-------|
| Energy intensity ratio [MWh/t]*                   | 1.017 | 1.011 |
| Total energy (electricity and heat) ratio [GJ/t]* | 9.912 | 9.351 |

\* Indicators converted as sum of electricity and heat (1,324,663.41 GJ) per 1 ton of tissue paper produced. The production of tissue paper in 2023 amounted to 141,658 tons.

## Energy consumption intensity at MORACELL

|   | 2022  | 2023  |
|---|-------|-------|
| Energy intensity ratio [MWh/t]*                   | 0.098 | 0.104 |
| Total energy (electricity and heat) ratio [GJ/t]* | 0.354 | 0.373 |

\* Indicators converted as sum of electricity and heat (7,970.45 GJ) per 1 ton of finished goods produced. In 2023, the production volume of MORACELL was 21,391 tons.



## ENVIRONMENTAL POLLUTION

### Annual emissions of dust and gases in 2023, Velvet CARE [GRI 3-3, 305-7]

| Type of pollution      | Measured emissions [Mg/year] |                   |
|------------------------|------------------------------|-------------------|
|                        | Velvet CARE                  | MORACELL          |
| Total dust             | 11.499                       | No data available |
| <i>of which</i> PM 10  | 1.242                        | No data available |
| <i>of which</i> PM 2.5 | 0.606                        | No data available |
| Sulphur dioxide        | 2.854                        | No data available |
| Nitrogen dioxide       | 16.336                       | 273.00            |

### Carbon footprint calculations

#### [GRI 3-3, 305-1, 305-2, 305-3, 305-5]

The Velvet CARE Group has determined the overall carbon footprint in accordance with the GHG Protocol guidelines. The carbon footprint for MORACELL was calculated by a third party advisor and Velvet CARE made the calculations itself. In both cases, the calculations were prepared in carbon dioxide equivalent. The calculations used, among others, indicators published by the Department for Environment Food and Rural Affairs (DEFRA) and other country-specific GHG emission indicators.

### What is included in individual scopes?

- **Scope 1:** fuel consumption: diesel, petrol, LPG, gas, air conditioner emissions
- **Scope 2:** electricity consumption
- **Scope 3:** for Velvet CARE: purchased goods and services (category 1), energy-related emissions (category 3), transport and distribution of purchased goods (category 4), transport of employees to work (category 7), transport and distribution of sold products (category 9), for MORACELL: energy-related emissions (category 3), transport and distribution of purchased goods (category 4).

### CO<sub>2</sub> emissions for Scopes 1, 2 and 3 for the Velvet CARE Group

|      |                                    | Scope 1                 | Scope 2               | Scope 2               | Scope 3    |
|------|------------------------------------|-------------------------|-----------------------|-----------------------|------------|
|      |                                    | (location-based method) | (market-based method) | (market-based method) |            |
| 2022 | Velvet CARE [Mg CO <sub>2</sub> e] | 49,040.25               | 101,649.38            |                       | 105,266.14 |
|      | MORACELL [Mg CO <sub>2</sub> e]    | 88.40                   | 881.71                |                       | 23,127.88  |
| 2023 | Velvet CARE [Mg CO <sub>2</sub> e] | 45,550.44               | 98,054.26             | 98,738.16             | 114,844.35 |
|      | MORACELL [Mg CO <sub>2</sub> e]    | 89.72                   | 819.19                | data not available    | 26,555.77  |

\* Calculations of the Group's carbon footprint were based on the GHG Protocol methodology, data were collected and reported on an annual basis. A consolidation approach of operational control was adopted.

### Total carbon footprint of the Velvet CARE Group (Scope 1, 2, 3)

- 2022: 280,053.76 Mg CO<sub>2</sub>e
- 2023: 285,913.72 Mg CO<sub>2</sub>e
- YoY growth: 5,859.96 Mg CO<sub>2</sub>e

### Reduction levels in individual scopes

- Scope 1: -3,495.20 Mg CO<sub>2</sub>e
- Scope 2: -3,562.45 Mg CO<sub>2</sub>e
- Scope 3: increase by 13,017.55 Mg CO<sub>2</sub>e

## GHG emissions intensity in the Velvet CARE Group

[GRI 305-4]

|      |  | Scope 1 | Scope 2<br>(location-based method) | Scope 3 |
|------|--|---------|------------------------------------|---------|
| 2022 | Velvet CARE [Mg CO <sub>2</sub> e/ton] | 0.35    | 0.73                               | 0.76    |
|      | MORACELL [Mg CO <sub>2</sub> e/ton]    | 0.04    | 0.45                               | 11.72   |
| 2023 | Velvet CARE [Mg CO <sub>2</sub> e/ton] | 0.32    | 0.69                               | 0.81    |
|      | MORACELL [Mg CO <sub>2</sub> e/ton]    | 0.004   | 0.038                              | 9.49    |

The GHG emissions intensity indicator was calculated per ton of tissue paper produced for Velvet CARE and per ton of finished goods produced for MORACELL.

Only CO<sub>2</sub> was included in the calculations. The reduction in GHG emissions intensity achieved is the result of all changes related to process optimization.

## WATER WITHDRAWAL AND CONSUMPTION IN THE VELVET CARE GROUP

[GRI 3-3, 303-1, 303-2, 303-3, 303-5]

Velvet CARE Group's Klucze plant has two own deep-water intakes, which make it independent from external water supplies. Groundwater levels are steadily increasing, hence no negative water-related impact on the local community is identified. The site of the Velvet CARE plant and the well water withdrawal points for Velvet CARE outside the plant are not at risk of water shortage. The company holds the relevant Environmental Decisions (Water Permits) for water withdrawal, monitors the amount and quality of water withdrawn

on an ongoing basis through installed meters, the intakes are metered, and the amount of water withdrawn and wastewater is balanced. The water withdrawn by the Klucze plant is consumed for production purposes and its amount is minimized due to a modern machinery fleet with maximally closed water circuits. Water consumed in other locations of the Group – in Warsaw and Żabčice – originates from local water supply networks and is consumed for social and in-house purposes. Therefore, no "water stress" analyses are carried out for these sites.

|      |             | Total water withdrawal [ML/year] | Average daily water withdrawal [ML/day] | Fresh water [ML] (≤ 1,000 mg/l of total dissolved solids) | Total water consumption [ML/year] | Water consumption per ton of tissue paper produced [m <sup>3</sup> /ton] |
|------|-------------|----------------------------------|---|---|-----------------------------------|--|
| 2022 | Velvet CARE | 969.751                          | 2.657                                   | 969.751   | 969.751                           | 6.22   |
|      | MORACELL    | 1.021                            | 0.0028                                  | 1.021   | 1.021                             | The company does not collect data  |
| 2023 | Velvet CARE | 921.704                          | 2.525                                   | 921.704   | 921.704                           | 5.82   |
|      | MORACELL    | 1.179                            | 0.00324                                 | 1.179   | 1.179                             | The company does not collect data  |

## Wastewater management in the Velvet CARE Group

[GRI 303-4]

All wastewater generated by the Klucze plant is treated in the on-site biological treatment facility and then discharged into the Biała Przemysza River, in accordance with the provisions of the Water Permit. The

amount of wastewater discharged depends on water withdrawal, both fully metered. Wastewater generated in other locations (Warsaw, Żabčice) is discharged to local treatment facilities.

|  | Velvet CARE [ML] | MORACELL [ML] |
|--|------------------|---------------|
| Water discharged                             | 1.069369         | 0.001179      |
| Wastewater received from outside             | 0.147665         | 0.00          |
| Wastewater generated within the organization | 0.921704         | 0.001179      |



## 2.2. IMPACT ON BIODIVERSITY

### [GRI 3-3, 304-1, 304-2]

The activity of the Velvet CARE Group does not have a significant impact on biodiversity. The Group does not operate in protected sites. For each major investment project, the Group obtains relevant environmental permits and decisions. As an example, it is worth mentioning the construction of a new production and warehouse hall by MORACELL, which started in 2023.

It is implemented in accordance with applicable laws that require very fertile soil to be moved from the project site to another site.

The Klucze production plant is located in the near distance from several protected sites.

There are no protected sites in the immediate vicinity of the MORACELL plant, the closest protected landscape site is Paláva, about 25 km away. The activity of MORACELL does not affect or encumber protected sites in any way.

| Protected site   | Distance from the Klucze plant in kilometers |
|--|--|
| <b>Nature reserves</b>   |  |
| Pazurek  | 4.53   |
| Góra Chełm (Chełm Mountain)  | 7.46   |
| Ruskie Góry (Ruskie Mountains)                                       | 7.73   |
| Michałowiec  | 8.93   |
| <b>Landscape parks</b>   |  |
| Park Krajobrazowy Orlich Gniazd (Eagles' Nests Landscape Park)       | 0.56   |
| Park Krajobrazowy Dolinki Krakowskie (Kraków Valleys Landscape Park) | 11.58  |
| <b>National parks</b>  |  |
| Ojcowski Park Narodowy (Ojców National Park)– buffer zone            | 15.84  |
| Ojcowski Park Narodowy (Ojców National Park)                         | 18.69  |
| <b>Natura 2000 sites</b>   |  |
| Pustynia Błędowska (Błędowska Desert)                                | 0.43   |
| Jaroszowiec  | 2.21   |
| Ostoja Środkowojurajska (Central Jurassic Refuge)                    | 5.58   |
| Documentation site: Srocza Góra (Srocza Mountain)                    | 18.56  |



## 2.3. CIRCULAR ECONOMY

### [GRI 3-3]

The Velvet CARE Group supports the assumptions of the circular economy by saving natural resources, managing waste and reducing its number.

### WASTE MANAGEMENT

#### [GRI 306-1, 306-2, 306-3, 306-5]

The Velvet CARE Group is aware that due to its type of activity, it contributes to waste generation both within the organization, as well as in the upstream and downstream value chain. The aim of the entire Group is to manage waste in such a way as to minimize as much as possible its impact on humans and the environment.

The Group's actions for efficient waste management and reduction include:

- proper waste segregation and monitoring
- use of 100% recyclable packaging
- minimizing the amount of plastic used in products, packaging or logistics processes
- cooperation with packaging recovery organization
- educating consumers and employees in this area
- Velvet CARE additionally uses the so-called "mill broke", which means that goods or production waste (for example, so-called "trimmings") – that are defective, of substandard quality but fully recyclable - are "returned" for reprocessing as part of the tissue paper production.

Both Group companies have a waste management system in place. PZŚ-064 "Waste Monitoring" Environmental Procedure is in place at the Klucze plant, where the largest amount of the Group's waste is generated. According to the Procedure, waste generated at the plant is first sent for processing using the recovery or recycling method, and it is sent for disposal only if it cannot be recovered.

#### Step-by-step waste management at the Klucze plant:

- identification,
- selective collection,
- storage in specific places,
- recording,
- recovery or disposal of waste by authorized companies.

Regular weekly waste audits are also held at the plant, the results of which are summarized in reports.

At MORACELL, waste is stored in accordance with applicable laws and, depending on their type, raw materials are recovered or waste is disposed of.

### Waste generated and diverted from disposal in the Velvet CARE Group in 2023

|                        | Waste generated in tons | Waste directed to disposal in tons | Waste diverted from disposal in tons |
|------------------------|-------------------------|------------------------------------|--------------------------------------|
| Velvet CARE sp. z o.o. | 4,777.186               | 27.568                             | 2,475.033                            |
| MORACELL s.r.o.        | 312.257                 | 183.274                            | 128.982                              |
| <b>Total</b>           | <b>5,089.443</b>        | <b>210.842</b>                     | <b>2,604.015</b>                     |

### Hazardous waste directed to disposal and diverted from disposal in 2023

|                        | Hazardous waste directed to disposal in tones | Hazardous waste diverted from disposal in tones |
|------------------------|---|---|
| Velvet CARE sp. z o.o. | 9.296   | 22.008  |
| MORACELL s.r.o.        | 0.040   | 0.040   |
| <b>Total</b>           | <b>9.336</b>                                  | <b>22.048</b>                                   |

## Types and amounts of waste generated at Velvet CARE

| No. | Waste code             | Type  | Mass of waste generated [Mg] |           |
|-----|------------------------|---|------------------------------|-----------|
|     |                        |   | 2022                         | 2023      |
| 1.  | 03 03 11               | Sludges from on-site effluent treatment other than those mentioned in 03 03 10  | 558.761                      | 758.195   |
|     |                        |   | 3,104.23 ADW                 | 3,032.780 |
| 2.  | 03 03 99               | Wastes not otherwise specified  | -                            | 0.590     |
| 3.  | 07 02 13               | Waste plastic   | 2.420                        | 2.952     |
| 4.  | 08 04 10               | Waste adhesives and sealants other than those mentioned in 08 04 09   | 0.860                        | 0.160     |
| 5.  | 08 01 20               | Aqueous suspensions containing paint or varnish other than those mentioned in 08 01 19                                    | 0.020                        | 0.000     |
| 6.  | 12 01 02               | Ferrous metal dust and particles  | 0.300                        | 0.000     |
| 7.  | 12 01 03               | Non-ferrous metal filings and turnings  | -                            | 0.200     |
| 8.  | 12 01 09*              | Machining emulsions and solutions free of halogens  | -                            | 0.295     |
| 9.  | 12 01 21               | Spent grinding bodies and grinding materials other than those mentioned in 12 01 20                                       | 0.160                        | 0.070     |
| 10. | 13 01 10*              | Mineral based non-chlorinated hydraulic oils  | 5.890                        | 2.980     |
| 11. | 13 02 08*              | Other engine, gear and lubricating oils   | 1.850                        | 1.150     |
| 12. | 15 01 01               | Paper and cardboard packaging   | 821.885                      | 884.910   |
| 13. | 15 01 02               | Plastic packaging   | 310.820                      | 331.368   |
| 14. | 15 01 03               | Wooden packaging - waste and damaged pallets  | 95.520                       | 68.912    |
| 15. | 15 01 10*              | Packaging containing residues of or contaminated by hazardous substances  | 21.860                       | 17.878    |
| 16. | 15 01 11               | Metallic packaging containing a hazardous solid porous matrix (for example asbestos), including empty pressure containers | -                            | 0.009     |
| 17. | 15 02 02*              | Absorbents, filter materials (including oil filters), wiping cloths   | 11.680                       | 6.080     |
| 18. | 15 02 03               | Absorbents, filter materials (including oil filters), wiping cloths other than those mentioned in 15 02 02                | 8.000                        | 11.390    |
| 19. | 16 01 03               | End-of-life tires   | 0.720                        | 0.950     |
| 20. | 16 02 14               | Discarded equipment other than those mentioned in 16 02 09 to 16 02 13  | 0.420                        | 0.970     |
| 21. | 16 05 06*              | Laboratory chemicals and mixtures of laboratory chemicals   | 1.860                        | 2.094     |
| 22. | 16 06 01*              | Lead batteries  | 3.594                        | 0.000     |
| 23. | 17 04 02               | Aluminum  | 0.000                        | 0.000     |
| 24. | 17 04 05               | Iron and steel  | 127.660                      | 117.420   |
| 25. | 17 04 07               | Mixed metals  | 242.560                      | 289.510   |
| 26. | 17 04 11               | Cables other than those mentioned in 17 04 10   | 0.000                        | 0.000     |
| 27. | 17 06 04               | Insulation materials  | 0.160                        | 0.700     |
| 28. | 16 03 05*<br>18 01 03* | Other   | 1.885                        | 0.818     |
| 29. | 19 08 01               | Screenings  | 0.920                        | 3.000     |

\* the code in accordance with the Regulation of the Minister of Climate of 2 January 2020 on the list of waste "Types and Amounts of Waste Generated".

\*\* ADW – absolute dry weight

With respect to waste management, Velvet CARE uses specialized companies to collect the generated waste and then recycle or dispose it in accordance with applicable laws.

## Types and amounts of waste generated at MORACELL

| No. | Waste code | Type   | Mass of waste generated [Mg] |        |
|-----|------------|--|------------------------------|--------|
|     |            |  | 2022                         | 2023   |
| 1.  | 08 04 10   | Waste adhesives and sealants other than those mentioned in 08 04 09      | 50.160                       | 55.520 |
| 2.  | 15 01 01   | Paper and cardboard packaging  | 91.377                       | 82.045 |
| 3.  | 15 01 02   | Plastic packaging  | No data available            | 39.846 |
| 4.  | 15 01 03   | Wooden packaging   | No data available            | 6.980  |
| 5.  | 15 01 06   | Mixed packaging  | 71.490                       | 91.130 |
| 6.  | 15 01 10   | Packaging containing residues of or contaminated by hazardous substances | 0.390                        | 0.040  |
| 7.  | 20 01 01   | Paper and cardboard  | 2.900                        | 0.052  |
| 8.  | 20 01 39   | Plastics   | No data available            | 0.060  |
| 9.  | 20 03 01   | Mixed municipal waste  | 20.520                       | 35.494 |
| 10. | 20 03 07   | Bulky waste  | 1.040                        | 1.090  |





**[GRI 301-1]**

**Total weight of materials used to manufacture and package key products in 2023**

| <b>Velvet CARE</b>   | <b>2022</b> | <b>2023</b> |
|--|-------------|-------------|
| Materials used to make the tissue paper (tissue machines)              |             |             |
| Renewable materials<br><i>of which:</i>                                |             |             |
| Cellulose  | 140,141 Mg  | 142,500 Mg  |
| Sleeves (guilds)   | 38,197 mb   | 34,746 mb   |
| Non-renewable materials<br><i>of which:</i>                            |             |             |
| Cylinder protection  | 415 Mg      | 429 Mg      |
| Waterproofing agents   | 1,429 Mg    | 1,661 Mg    |
| Softeners  | 66 Mg       | 56 Mg       |
| Anti-foam products   | 30 Mg       | 36 Mg       |
| PH stabilizers   | 140 Mg      | 85 Mg       |
| Materials used in processing (to manufacture and package key products) |             |             |
| Renewable materials<br><i>of which:</i>                                |             |             |
| Cardboard - for sleeves, guilds, ends and others                       | 9,798 Mg    | 9,523 Mg    |
| Non-renewable materials<br><i>of which:</i>                            |             |             |
| Polypropylene film   | 2,273 Mg    | 2,037 Mg    |
| Polyethylene film  | 236 Mg      | 164 Mg      |
| Stretch film   | 245 Mg      | 299 Mg      |
| Printing inks  | 59 Mg       | 58 Mg       |
| Fragrance compositions   | 10 Mg       | 8 Mg        |
| Cleaning agents  | 2 Mg        | 2 Mg        |
| <b>MORACELL</b>  |             |             |
| <b>2022</b>  |             |             |
| <b>2023</b>  |             |             |
| Materials used in processing (to manufacture and package key products) |             |             |
| Renewable materials<br><i>of which:</i>                                |             |             |
| Cardboard - for sleeves, guilds, ends                                  | 1,365 Mg    | 1,405 Mg    |
| Non-renewable materials<br><i>of which:</i>                            |             |             |
| Polypropylene film   | 0 Mg        | 0 Mg        |
| Polyethylene film  | 2,893.8 Mg  | 692.1 Mg    |
| Stretch film   | 62.5 Mg     | 37.3 Mg     |
| Printing inks  | 1.2 Mg      | 0.9 Mg      |
| Fragrance compositions   | 2.7 Mg      | 2.7 Mg      |
| Cleaning agents  | 1.75 Mg     | 1.4 Mg      |

The consumption of polyethylene film was reduced as a result of the reduction in its thickness (basis weight).

# 3. VELVET CARE GROUP EMPLOYEES



## 3.1.EMPLOYEE SATISFACTION

### HEADCOUNT AND TURNOVER RATE

#### [GRI 2-7, 3-3]

In 2023<sup>1</sup>, the Velvet CARE Group had 918 employees, of which 813 in Poland and 105 in the Czech Republic.

The vast majority, i.e. 776 people in total, are permanent employees employed under indefinite-term contracts.

The above results for Velvet CARE are presented as full-time equivalents (FTE) and for MORACELL for full-time employment of 40 hours per week or equivalent of 37.5 weeks in the context of continuous and shift work.

#### Total number of employees by gender

|              | Velvet CARE | MORACELL   | Velvet CARE Group |
|--------------|-------------|------------|-------------------|
| Women        | 218         | 36         | 254               |
| Men          | 595         | 69         | 664               |
| <b>Total</b> | <b>813</b>  | <b>105</b> | <b>918</b>        |

#### Total number of employees by type of employment

|                    | Form of employment  |                     | Type of employment  |                     |
|--------------------|---------------------|---------------------|---------------------|---------------------|
|                    | Permanent employees | Temporary employees | Full-time employees | Part time employees |
| <b>Velvet CARE</b> |                     |                     |                     |                     |
| Women              | 174                 | 44                  | 216                 | 2                   |
| Men                | 506                 | 89                  | 595                 | 0                   |
| <b>Total</b>       | <b>680</b>          | <b>133</b>          | <b>811</b>          | <b>2</b>            |
| <b>MORACELL</b>    |                     |                     |                     |                     |
| Women              | 35                  | 1                   | 34                  | 2                   |
| Men                | 61                  | 8                   | 69                  | 0                   |
| <b>Total</b>       | <b>96</b>           | <b>9</b>            | <b>103</b>          | <b>2</b>            |



At Velvet CARE, the number of employees increased by 6.27% in 2023 compared to the previous year: from 765 people (31 December 2022) to 813 (31 December 2023). At MORACELL, the number of employees went down by 4 people in 2023 and amounted to 105.

#### [GRI 2-8]

**Total number of workers who are not employees but provide contract and employment agency services**

| Velvet CARE | MORACELL | Velvet CARE Group |
|-------------|----------|-------------------|
| 67          | 4        | 71                |

For Velvet CARE, those are, among others, cleaning and security employees, and for MORACELL – contract employees and employees from employment agencies.

<sup>1</sup> na dzień 31.12.2023



## New employee hires and employee turnover in 2023

[GRI 401-1]

### Total number and rate of new employee hires by gender

|              | Velvet CARE |               | MORACELL  |               | Velvet CARE Group |               |
|--------------|-------------|---------------|-----------|---------------|-------------------|---------------|
| Women        | 38          | 4.67%         | 6         | 5.71%         | 44                | 4.79%         |
| Men          | 115         | 14.15%        | 26        | 24.76%        | 141               | 15.36%        |
| <b>Total</b> | <b>153</b>  | <b>18.82%</b> | <b>32</b> | <b>30.48%</b> | <b>185</b>        | <b>20.15%</b> |

### Total number and rate of new employee hires by age:

|                       | Velvet CARE |               | MORACELL  |               | Velvet CARE Group |               |
|-----------------------|-------------|---------------|-----------|---------------|-------------------|---------------|
| Under 30 years of age | 82          | 10.09%        | 6         | 5.71%         | 88                | 9.59%         |
| 30-50 years of age    | 63          | 7.75%         | 19        | 18.10%        | 82                | 8.93%         |
| 50+ years of age      | 8           | 0.98%         | 7         | 6.67%         | 15                | 1.63%         |
| <b>Total</b>          | <b>153</b>  | <b>18.82%</b> | <b>32</b> | <b>30.48%</b> | <b>185</b>        | <b>20.15%</b> |

### Total number and rate of new employee hires by region:

| VELVET CARE                              |            |               |
|--|------------|---------------|
| Klucze                                   |            | 144 17.71%    |
| Warsaw (including field representatives) |            | 9 1.11%       |
| <b>Total</b>                             | <b>153</b> | <b>18.82%</b> |
| MORACELL                                 |            |               |
| Žabčice                                  |            | 32 30.48%     |
| <b>Total</b>                             | <b>32</b>  | <b>30.48%</b> |



**Total number and rate of employees who left the organization in 2023 by gender:**

|              | Velvet CARE |               | MORACELL  |               | Velvet CARE Group |               |
|--------------|-------------|---------------|-----------|---------------|-------------------|---------------|
| Women        | 28          | 3.44%         | 6         | 5.71%         | 34                | 3.70%         |
| Men          | 83          | 10.21%        | 21        | 20.00%        | 104               | 11.33%        |
| <b>Total</b> | <b>111</b>  | <b>13.65%</b> | <b>27</b> | <b>25.71%</b> | <b>138</b>        | <b>15.03%</b> |

**Total number and rate of employees who left the organization in 2023 by age:**

|                       | Velvet CARE |               | MORACELL  |               | Velvet CARE Group |               |
|-----------------------|-------------|---------------|-----------|---------------|-------------------|---------------|
| Under 30 years of age | 38          | 4.67%         | 10        | 9.52%         | 48                | 5.23%         |
| 30-50 years of age    | 53          | 6.52%         | 13        | 12.38%        | 66                | 7.19%         |
| 50+ years of age      | 20          | 2.46%         | 4         | 3.81%         | 24                | 2.61%         |
| <b>Total</b>          | <b>111</b>  | <b>13.65%</b> | <b>27</b> | <b>25.71%</b> | <b>138</b>        | <b>15.03%</b> |

**Total number and rate of employees who left the organization in 2023 by region:**

| VELVET CARE                              |            |               |
|--|------------|---------------|
| Klucze                                   | 107        | 13.16%        |
| Warsaw (including field representatives) | 4          | 0.49%         |
| <b>Total</b>                             | <b>111</b> | <b>13.65%</b> |
| MORACELL                                 |            |               |
| Žabčice                                  | 27         | 25.71%        |
| <b>Total</b>                             | <b>27</b>  | <b>25.71%</b> |

**DIALOGUE WITH EMPLOYEES**

**[GRI 2-30]**

Ongoing dialogue with employees of the Velvet CARE Group is conducted through traditional and electronic channels tailored to the needs of the employees – Velvet CARE also has a Mattermost internal messenger, which is used on mobile phones mainly by employees who do not have access to the business email. Employees can contact every employee of the company without restrictions through this channel, including managers and executives, which we encourage. In addition, employees at Velvet CARE are able to meet with senior management representatives during periodic duty hours set for this purpose. Meetings with the Management Board are held on a quarterly basis at both companies, open to all employees. Before the quarterly meetings, questions are collected and then answered.

An additional form of dialogue with employees in the Group was the Employee Satisfaction Survey conducted in the fourth quarter of 2023. It was coordinated by a third party research agency to ensure anonymity and a secure information exchange environment. During the survey, employees commented on various aspects of the organization's operation, and based on the results and findings, next steps and directions are planned by the Velvet CARE Group and its individual companies.

## WORK-LIFE BALANCE AND EMPLOYEE BENEFITS

[GRI 3-3, 401-3]

The Velvet CARE Group strives to balance the work and private life of its employees.

### Total number of employees entitled to parental leave in 2023

|              | Velvet CARE | MORACELL   | Velvet CARE Group |
|--------------|-------------|------------|-------------------|
| Women        | 218         | 36         | 254               |
| Men          | 595         | 69         | 664               |
| <b>Total</b> | <b>813</b>  | <b>105</b> | <b>918</b>        |

For Velvet CARE, the data refer to maternity, parental and paternity leave.

### Total number of employees who took parental leave in 2023

|              | Velvet CARE | MORACELL | Velvet CARE Group |
|--------------|-------------|----------|-------------------|
| Women        | 10          | 2        | 12                |
| Men          | 21          | 0        | 21                |
| <b>Total</b> | <b>31</b>   | <b>2</b> | <b>33</b>         |

### Total number of employees who returned to work after parental leave in 2023

|              | Velvet CARE | MORACELL | Velvet CARE Group |
|--------------|-------------|----------|-------------------|
| Women        | 2           | 0        | 2                 |
| Men          | 20          | 0        | 20                |
| <b>Total</b> | <b>22</b>   | <b>0</b> | <b>22</b>         |

### Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work

|              | Velvet CARE | MORACELL | Velvet CARE Group |
|--------------|-------------|----------|-------------------|
| Women        | 6           | 0        | 6                 |
| Men          | 14          | 0        | 14                |
| <b>Total</b> | <b>20</b>   | <b>0</b> | <b>20</b>         |

### Return-to-work rate for employees who took parental leave in 2023

|              | Velvet CARE Group |
|--------------|-------------------|
| Women        | 20.00             |
| Men          | 95.24             |
| <b>Total</b> | <b>70.97</b>      |

### Retention rate for employees who took parental leave

|              | Velvet CARE Group |
|--------------|-------------------|
| Women        | 100               |
| Men          | 100               |
| <b>Total</b> | <b>100</b>        |

In the case of MORACELL, no employee returned to work after parental leave during the period monitored by the company.





### Fringe and other benefits

#### **[GRI 401-2]**

All employees of the Velvet CARE Group have access to a package of fringe and other benefits. The Group considers Poland (for Velvet CARE) and the Czech Republic (for MORACELL) as significant places of business.

At Velvet CARE, any person employed under a contract of employment, contract of mandate or contract for specific work, regardless of whether employed on a full-time or part-time basis, is entitled, among others, to:

- subsidies for private healthcare
- additional life insurance
- subsidies for sports cards
- commuting allowance for employees who live more than 10 km from their place of work and do not have a company car
- in-kind benefit – twice a year (during Christmas and Easter) employees receive a set of company products free of charge
- once every two to three months, employees can buy company products in the employee shop at competitive prices.

Under the Company Social Benefits Fund (Zakładowy Fundusz Świadczeń Socjalnych, ZFŚS), employees of Velvet CARE are entitled to occasional benefits, subsidies to summer holidays and housing loans, as well as emergency benefits. In accordance with applicable laws, employees at Velvet CARE are entitled to Employee Capital Plans (Pracownicze Plany Kapitałowe, PPK).

Contractors and persons employed by the temporary work agency are not covered by the aforesaid fringe benefits available to employees of Velvet CARE.

At MORACELL, employees are entitled, among others, to:

- healthcare
- cards with funds that can be used freely, e.g. for social or cultural activities, pharmacy purchases
- additional holidays
- paid meals
- possibility to buy company products at competitive prices

## EMPLOYEE DEVELOPMENT AND TRAINING – KEY ACTIVITIES AND PROGRAMS

### [GRI 3-3, 404-2]

In both Velvet CARE Group companies, employees can improve their qualifications and skills.

Employee development opportunities at Velvet CARE include both internal and external trainings and are implemented, among others, through:

- Dolineo e-learning platform offering unlimited access to soft skills training – 121 employees took at least one training in 2023, and many of them took as many as a dozen
- Moodle training platform with proprietary courses, mainly on OHS topics, procedures, equipment operation, quality and product safety standards, as well as requirements of norms and standards – 300 people took at least one training on Moodle in 2023
- improvement courses
- post-graduate studies
- external specialist trainings
- mentoring programs
- development programs
- language courses
- cybersecurity trainings

The training offering of MORACELL includes:

- diverse trainings on the SEDUO platform, on soft and hard skills as well as personal development, personal finance, life balance – attended by 40 employees in 2023
- group and individual language courses – attended by around 40 employees in 2023
- trainings for team managers on communication, team work and task delegation – attended by around 25 people in 2023
- safety and fire protection training in accordance with legal regulations throughout the company
- trainings tailored to individual needs of employees, e.g. on software operation
- cybersecurity trainings

### [GRI 404-3]

Velvet CARE runs a program of development paths for production, warehouse and maintenance employees, as well as development activities tailored to individual plans related to vertical and horizontal development. In 2023, as a result of the aforesaid activities, 149 employees were promoted, representing 18% of the entire company's staff.

Every Velvet CARE Group employee takes part in the annual appraisal process, and part of the employee summary interview is an area for development, resulting in the planning of short- and long-term development activities.





### Recognition awards

Velvet CARE runs a program to reward outstanding employees. Every quarter, under the so-called "Recognition", employees who, through their actions, have demonstrated one of the five company competences in a special way in the last three months are nominated and rewarded. There are several dozen such people every quarter. The most frequently rewarded categories are "goal orientation" and "cooperation and communication".

### Number of Velvet CARE employees promoted in 2022-2023

|  | 2022 | 2023 |
|--|------|------|
|  | 191  | 149  |

### Number of training hours per year per employee [GRI 404-1]

In the below summary, for Velvet CARE, only external trainings were included (the company does not collect information on internal trainings hours), and for MORACELL, internal trainings were also included.

|               | Velvet CARE | MORACELL |
|---------------|-------------|----------|
| Women         | 0.4         | 21.52    |
| Men           | 0.8         | 4.73     |
| White collars | 0.6         | 27.70    |
| Blue collars  | 0.6         | 3.61     |





## 3.2. HEALTH AND SAFETY

### OHS MANAGEMENT SYSTEM

#### [GRI 3-3, 403-1, 403-8]

The OHS matters are managed in both Velvet CARE Group companies based on an implemented and legally compliant system of employee health and safety management. Velvet CARE has an ISO 45001:2018 occupational health and safety management system in place, which is reviewed on an annual basis. In Velvet CARE, it covers all employees.

Both companies of the Velvet CARE Group also implemented the "Integrated Quality, Environment, OHS and Product Safety Management System Policy" in connection with their ISO 9001 certifications. It applies to all employees of the companies and those who perform work on the premises of the plants.

#### [GRI 403-2]

At Velvet CARE, the hazard identification process is governed by the internal procedure "Hazard Identification and Assessment" compliant with Polish Standard N-18002. It defines the procedure and responsibilities for risk assessment planning, risk estimation, risk assessment and hazard identification. The Procedure also specifies how non-conformities in the system should be reported and employees informed about existing risks.

The assessment of occupational risks involves employees of the OHS department and other persons appointed for that purpose, including the Social Labor Inspector. Surveys and measurements of the working environment are carried out. OSH managers have the requisite competence related to their duties and many years of experience.

Employees may at any time report potential work-related hazards to their immediate superior, the Social Labor Inspector, to the OHS department. A dedicated OHS channel is launched on the Mattermost internal messenger; notifications can also be sent in an e-mail addressed directly to OHS employees. Potential hazards in the area of production are also reported at daily production meetings attended by the leaders and managers of these departments and support services (including OSH, Environmental Protection, Site Logistics, Maintenance). OHS and Environmental Protection services report and record comments in weekly non-compliance reports and corrective actions are planned for them. A record of these activities is kept at the company, including information on those responsible for their performance within the specified time limit.

The hazard identification process is regularly audited and updated in accordance with applicable laws. The findings of internal audits – both ad-hoc and annual ones – are analyzed in individual departments and by the project management group "OHS Culture Building". The findings of these analyses are then used to continuously improve the occupational health and safety management system.

At MORACELL, work and processes related to hazard identification, risk assessment and accident investigation are managed based on applicable laws and internal policies. A weekly inspection of the entire site is carried out, covering the production hall and the warehouse. Heads of the departments check potential hazards and possible non-compliance with applicable laws and internal regulations. In 2023, a position dedicated to risk prevention was established.

All situations that are unsafe or do not comply with OHS regulations in the Czech company should – according to internal procedures – be immediately reported to the supervisor, who notifies the employee responsible for corrective actions. All reports on potential and actual hazards and non-compliance are delivered to the OHS specialist and fire protection employee.

Both companies of the Group have an occupational accident investigation process in place (Velvet CARE has an internal "Procedure for Investigating the Causes of Non-compliance and Planning Corrective and Preventive Actions"). As a standard, both companies have a post-accident team to analyze the incident, its potential causes and possible corrective or preventive actions. After an accident, employees receive relevant information and the team where the accident occurred is given additional training. "Near-miss", i.e. cases where a potential accident occurred but fortunately no accident happened, are also examined.

The Group also adheres to the legal principle that allows employees to withdraw from work if they believe it may pose a risk of accident. In such a situation, the employee reports the hazard to his/her superior and/or the OHS department. No disciplinary sanctions are imposed on these employees.

**[GRI 403-3]**

Velvet CARE managerial staff are formally responsible for the site safety conditions in accordance with applicable laws. The OHS department, managed by the Head of the OHS and Environmental Protection, is in charge of OHS consulting and control. There is a Social Labor Inspection (Společná Inspekce Pracy, SIP) in place at the plant, in charge of the control of working conditions. In 2023, elections were held in which the Company Social OHS Labor Inspector and eight departmental OHS Inspectors were elected. At

MORACELL, the OHS area is handled by a third party company and responsibility in the organization rests with the prevention specialist.

**[GRI 403-4]**

Velvet CARE has the OHS Committee in place, which meets at least once every three months. The Committee's tasks include:

- review of working conditions
- safety assessment
- evaluation of measures to prevent accidents at work and occupational diseases
- formulating proposals for improving working conditions.

The area of employee health management is the responsibility of the OHS department, which measures the working environment and identifies harmful factors, and the HR department, which is responsible for employee medical examinations and management of medical subscription packages. The person representing the employer during the inspections carried by the State Labor Inspectorate (Państwowa Inspekcja Pracy, PIP), State Sanitary Inspectorate (Państwowa Inspekcja Sanitarna, SANEPID) or the State Fire Service (Państwowa Straż Pożarna) is the OHS manager.

At MORACELL, an OHS inspection and meeting is held on a weekly basis. Significant concerns are resolved immediately and other safety issues are discussed at the Management Board meetings.

In the Velvet CARE Group, each employee is required to undergo an initial health check to assess work-related risks before commencing work. Both companies also conduct periodic medical examinations and additional examinations in case of suspicion of occupational diseases and work-related accidents. Employers work with occupational medicine units, which perform preliminary, control and periodic examinations of employees and subsidize the voluntary private medical package.



## Health-promoting programs at Velvet CARE in 2023

- **Pink October** – a project to raise our employees' awareness and to encourage regular examinations into breast cancer. Brochures with information about the disease and preventive tips, i.e. how to get properly examined, where to do it and why prevention is so important, were available throughout the plant. We closed the campaign with additional electronic communication, via email and messenger, to all employees.
- **November (Blue November)** – a project dedicated to support men in prostate and testis cancer. Under the campaign, we provided employees at the plant with brochures on the above diseases and their prevention, and also provided preventative tips in electronic form.
- **Velvet CARE Sport Challenge** – the fifth edition of the program encouraging employees to engage in sports activities and rivalry in the following categories: walking, running, cycling. In 2023, the fifth edition of the program was attended by 90 people, who in total crossed more than 76 thousand kilometers, i.e. twice as many as in the previous year.
- **The Velvet CARE Board Cup Football Tournament** was attended by eight teams of employees from Klucze and Warsaw.
- During the period of a potential increase in influenza, there is an option of **free preventive vaccination** in medical packages, while supplements and vitamins are distributed to all employees.



### [GRI 403-5]

The Velvet CARE Group attaches great importance to occupational safety. Numerous trainings are provided to employees in this respect, starting from initial and periodic training provided in accordance with applicable laws (applicable to all employees), to specialist training on procedures, OHS standards, hazardous works and fire safety training. The types, kinds and frequency of specialist training are tailored to the position held and the potential hazards associated with it.

In Velvet CARE, 170 new employees completed initial training related to occupational safety in 2023. Periodic trainings were attended by 160 employees. In addition, 18 people completed first-aid training and 73 people from the WMP department completed a stationary course to refresh OHS standards. The company also conducts OHS e-courses for contractors, which were completed by 1,152 people. In addition, specialized training, improvement training and refresher training are organized at the company, which are conducted each time an accident occurs at the workplace.



At MORACELL, the main OHS training is conducted at least once a year. Other training is subject to occupational classification.

**[GRI 403-6]**

As part of health-promoting initiatives and benefits, employees of the Velvet CARE Group can benefit from health-promoting fringe benefits, including: private medical care, sports cards, flu vaccinations, vitamins in the autumn, participation in the Velvet CARE Sport Challenge initiative. In addition, the company's employees participate in local sports events, such as a football tournament in Klucze or in the case of MORACELL, the Urban Race and swimming pool competitions.

**[GRI 403-7]**

Safety measures are being taken at both companies of the Velvet CARE Group, such as:

- OHS training
- OHS examinations and audits

- near miss reporting system - reporting of potential accident
- posters, markings, information boards
- fire drills

In addition, behavioral audits are carried out at Velvet CARE and an "OHS Question to Operator" initiative has been launched to improve operational safety. There are also regular "OHS Culture Building" meetings at which current indicators (accidents, near miss, non-compliance) are analyzed and options to introduce so-called OHS benchmarks are discussed.

**[GRI 403-8]**



100% of Velvet CARE's employees are covered by the occupational safety management system.



**Employees covered by the occupational safety management system**

|             | Number of employees | Percentage of employees |
|-------------|---------------------|-------------------------|
| Velvet Care | 813                 | 100%                    |
| MORACELL    | 109                 | 100%                    |

**Non-employees whose work and/or workplace is controlled by the organization, covered by the occupational safety management system**

|             | Number of non-employees whose work and/or workplace is controlled by the organization | Percentage of non-employees whose work and/or workplace is controlled by the organization* |
|-------------|---|--|
| Velvet CARE | 20  | 29.85%   |
| MORACELL    | 2   | 50.00%   |

\* The percentage calculated for non-employees whose work and/or workplace is controlled by the organization

Since the number of subcontractors is changing, it is not possible to give the absolute single number of all non-employees who are covered by the system. The number of these people varies depending on the variable scope of work and projects implemented by the companies.

**[GRI 403-9, 403-10]**

Each of the Velvet CARE Group companies maintains its own statutory accident register. Besides, the companies perform an analysis of accidents and potential hazards.

At Velvet CARE, all workplace hazards are detailed in the occupational risk assessment process. Accidents, near misses and reports made by employees are also analyzed. Several major hazards have been identified in the Klucze plant, which pose a risk of serious injury. These include work with sharp tools, machines, heavy components, the risk of traffic accidents involving forklifts.

**To minimize all hazards, the company monitors:**

- working environment factors
- employee activity and health
- parameters of the machinery fleet
- adaptation to changing conditions

The company also takes warning and information measures towards employees. Training tailored to the individual profile of the employee, regardless of his/her position, is also important in the process of ensuring the safety of work.

In 2023, there were no threats within the Velvet CARE Group that contributed to occupational diseases.

In 2023, the Velvet CARE Group did not record any severe accidents or cases of occupational diseases. The injuries reported at Velvet CARE were mostly sprains or fractures of the limbs and upper limb injuries, while at MORACELL they were mostly cuts and bruises.

**214 days without accident in 2023**

In 2023, we reached the record of 214 days without accident at Velvet CARE, and the total number of accidents was half the number in 2022 – a change from 14 accidents to 7 accidents.

This is the result of many years of building a safety culture at our company, employee engagement and responsibility, as well as implemented processes, procedures and trainings.

**Accidents**

|                    | Total | of which severe |
|--------------------|-------|-----------------|
| <b>VELVET CARE</b> |       |                 |
| 2022               | 14    | 1               |
| 2023               | 7     | 0               |
| <b>MORACELL</b>    |       |                 |
| 2022               | 15    | 0               |
| 2023               | 16    | 0               |

In 2023, Velvet CARE employees worked 1,346,522 hours.

In 2023, MORACELL employees worked 221,055 hours.

## 3.3. EMPLOYEE RIGHTS

### HUMAN RIGHTS, EMPLOYEE RIGHTS, ETHICAL PRINCIPLES

#### [GRI 3-3, 2-25, 406-1]

The Velvet CARE Group follows international ethical principles, UN Global Compact principles and local laws. The Group firmly opposes human rights violations, while the ethical principles and preferred behaviors have been gathered in the Codes of Conduct applicable in both companies. They indicate, among others, that the Group is guided by the principles of fair competition, applies financial security measures to its clients, monitors, analyzes and records transactions conducted in the context of the risk of money laundering. It ensures the transparency of processes, transactions and investments, including the reliability of documentation and defined flow of information. The Group protects all personal data it has acquired.

Within the Velvet CARE Group, in addition to the Code of Conduct, ethical issues are also governed by area-specific policies and procedures: Anti-corruption and Anti-mobbing Policy, Procedure for Identifying Potential Fraud in Finance, Declaration of Conflict of Interest and Compliance Clauses for Business Partners.

The Group makes it easier for employees to report fraud and any behavior that does not comply with the values and adopted regulations. Any person providing information is protected from negative consequences of reporting. The way in which the employees provide information is described in Section 1.

In 2023, no cases of discrimination or human rights violations were reported in any of the Velvet CARE Group companies.

### TRADE UNIONS

#### [GRI 2-30]

At the end of 2023, Velvet CARE had two trade unions – ZZ Papierników and ZZ Solidarność. 16.7% of employees were covered by collective bargaining agreements. The company maintains ongoing dialogue with trade unions. Regular meetings are held with Management Board representatives, during which all material

issues concerning not only regulation but also subjects raised by employees are discussed. There are no trade unions at MORACELL.

### REMUNERATION POLICY

#### [GRI 2-19, 2-20]

The remuneration policies adopted at the Velvet CARE Group companies assume a level of remuneration adequate to the scope of duties and responsibilities in positions and to the median of the remuneration market for individual positions. The companies regularly monitor the market in this respect and participate in the remuneration market survey.

#### The remuneration policies define:

- base remuneration
- performance bonuses
- allowances related to the type of work performed (e.g. foreman allowance)
- fringe benefits

Policies also define the cases where it is possible to change remuneration.

At Velvet CARE, all jobs are valued and classified into 10 categories for white collar jobs and four categories for blue collar jobs. Individual categories are described in the Remuneration Regulations. Besides, when determining the amount of remuneration, the company uses an external pay benchmark – ManaHR payroll report. The company's remuneration budget is approved by the Management Board and submitted to the Supervisory Board for approval. The budget is based on market conditions, cooperation with the social partner and the company's situation. Framework conditions for remuneration adjustments are agreed and the budget for the following year is negotiated under the negotiations with the trade unions.

At MORACELL, remuneration consists of fixed remuneration, a personal bonus and, for blue collar workers, an attendance and turnover component. Senior executives and senior managers are contractually covered by an annual additional bonus.

At both companies of the Group, there are referral bonuses for new employees.



Velvet CARE employees who meet the requirements for a disability pension due to incapacity to work or for a retirement pension are entitled to a one-off severance pay. The amount of the severance pay may depend on the length of service with the company. MORACELL employees are paid severance pay in the event of termination of their contract, in accordance with applicable laws.

The remuneration of the highest governance body and senior executives of Velvet CARE consists of a fixed portion and an annual bonus depending on the achievement of corporate goals. Management Board members are also rewarded according to the achievement of ESG-related objectives.

**[GRI 2-21]**

Ratio of the total annual remuneration of the highest-paid individual in the organization in each country where the organization has a substantial business operation to the median of the total annual remuneration for all employees (excluding the highest-paid individual).

**Velvet CARE: 11.64**  
**MORACELL: 8.7**

**EQUALITY AND DIVERSITY ACTIONS**

**[GRI 3-3, 405-1]**

Velvet CARE employs a diverse team representing as many as four generations of the labor market. The number of generations X and Y representatives is the largest, but every fifth employee is a representative of generation Z. Most of the company's employees are men, due to the specific nature of production processes, but it is worth noting that women make up more than 40% of the company's managerial staff and Management Board.

Velvet CARE, as an employer, has long taken initiatives to promote equality, diversity and inclusion in the workplace. There are meetings with employees, competitions, e-learning platform trainings, workshops for leaders, and the subject of diversity is also addressed in internal communication. At the end of 2023, a team of employees was established to work together on diversity initiatives. In the same year, Velvet CARE was recognized in the Lidl Fair Pay competition for promoting equal pay for men and women.

**Percentage of persons on the Management Boards of the Velvet CARE Group companies by gender**

|       | Velvet CARE | MORACELL |
|-------|-------------|----------|
| Women | 40%         | 0%       |
| Men   | 60%         | 100%     |

**Percentage of persons on the Management Boards of the Velvet CARE Group companies by age**

|                       | Velvet CARE | MORACELL |
|-----------------------|-------------|----------|
| Under 30 years of age | 0%          | 0%       |
| 30-50 years of age    | 80%         | 100%     |
| 50+ years of age      | 20%         | 0%       |

Employees by employee category by gender, age, minority group and other diversity indicators

|                       | Women         | Men           | Under 30<br>years of age | 30-50<br>years of age | 50+<br>years of age | Total          |
|-----------------------|---------------|---------------|--------------------------|-----------------------|---------------------|----------------|
| <b>VELVET CARE</b>    |               |               |                          |                       |                     |                |
| MTM (management team) | 0.62%         | 1.11%         | 0.00%                    | 1.23%                 | 0.49%               | 1.72%          |
| Manager               | 3.08%         | 8.36%         | 0.37%                    | 8.73%                 | 2.34%               | 11.44%         |
| Specialist            | 9.35%         | 8.98%         | 4.67%                    | 10.58%                | 3.08%               | 18.33%         |
| Manual worker         | 13.78%        | 54.74%        | 17.59%                   | 35.18%                | 15.74%              | 68.51%         |
| <b>Total</b>          | <b>26.81%</b> | <b>73.19%</b> | <b>22.63%</b>            | <b>55.72%</b>         | <b>21.65%</b>       | <b>100.00%</b> |
| <b>MORACELL</b>       |               |               |                          |                       |                     |                |
| MTM (management team) | 2.86%         | 1.90%         | 0.00%                    | 0.95%                 | 3.81%               | 4.76%          |
| Manager               | 6.67%         | 8.57%         | 0.95%                    | 9.52%                 | 4.76%               | 15.24%         |
| Specialist            | 16.19%        | 4.76%         | 2.86%                    | 15.24%                | 2.86%               | 20.95%         |
| Manual worker         | 8.57%         | 50.48%        | 13.33%                   | 34.29%                | 11.43%              | 59.05%         |
| <b>Total</b>          | <b>34.29%</b> | <b>65.71%</b> | <b>17.14%</b>            | <b>60.00%</b>         | <b>22.86%</b>       | <b>100.00%</b> |

**[GRI 405-2]**

Ratio of the base remuneration of women to the base remuneration of men by job category in the organizational structure of Velvet CARE:

|                                | Velvet CARE |
|--------------------------------|-------------|
| MTM (management team)          | 1.00        |
| Manager                        | 1.02        |
| Specialist Expert              | 0.97        |
| Senior Specialist              | 0.96        |
| Junior Specialist              | 0.98        |
| Highly qualified manual worker | 0.91        |
| Operational manual worker      | 1.00        |

Ratio of the total remuneration of women to the remuneration of men by job category in the organizational structure:

|                                | Velvet CARE |
|--------------------------------|-------------|
| MTM (management team)          | 1.00        |
| Manager                        | 1.02        |
| Specialist Expert              | 0.97        |
| Senior Specialist              | 0.96        |
| Junior Specialist              | 0.98        |
| Highly qualified manual worker | 0.88        |
| Operational manual worker      | 1.00        |

Since MORACELL does not collect data to calculate the ratio of the base remuneration and the total remuneration of women and men by job category in the organizational structure, it is not possible to present such data for the company. Only the ratio of remuneration of women to men for manual workers, where there is no pay gap, is monitored.

**[GRI 402-1]**

In all Group companies, employees are notified of operational changes at least two weeks in advance.



# 4. VELVET CARE GROUP'S IMPACT ON THE ENVIRONMENT





## 4.1. STAKEHOLDERS

### [GRI 2-29]

The Velvet CARE Group reviews and updates the map of its stakeholders on an ongoing basis. It also examines its impact on them, their interest in and expectations of the company's business.

Additionally, in 2023, a dialogue was held with stakeholders of the entire Velvet CARE Group, during which participants assessed the Group's impact on issues related to 18 environmental, social and governance top-

ics. The role of the respondents was to assess whether the Group has an impact on individual issues and, if so, whether it is positive, negative or both.

The dialogue was held as an online survey with the total of 184 respondents representing key stakeholder groups.










The survey questions were compared to the topics of the new ESRS reporting standards. The survey identified ten key reporting topics.






### Material topics identified in the survey included:

1. Customers and end users (responsible marketing, responsible sales, quality of services and products)
2. Employees: working conditions and wellbeing of employees (stable employment, health and safety, remuneration, benefits, work-life balance)
3. Local communities: living conditions (adequate housing, impact on safety, noise, job creation, support for local communities)
4. Employees: development (training and skills development)
5. Cybersecurity
6. Employees: diversity and equal opportunities (equality in age and gender, equal pay for men and women, diversity in the workplace)
7. Health and quality of life of the society (healthy lifestyle, well-being and quality of life)
8. Circular economy (amount of waste generated, percentage of raw materials reused)
9. Governance (corporate culture and ethics, compliance, reporting, anti-corruption behaviors, protection of whistleblowers)
10. Employees in the value chain (Velvet CARE's subcontractors/suppliers respectful of human rights)







## Velvet CARE's stakeholders with the highest impact and level of interest

| Stakeholder  | Stakeholders' expectations   | Methods of communication, stakeholder engagement   |
|--|--|--|
|  <b>Shareholders, business partners</b>               | governance standards   | <ul style="list-style-type: none"> <li>day-to-day contacts: email, phone, meetings, corporate communication (website, social media, PR activities)</li> </ul>  |
|  <b>Banks, financial and insurance institutions</b>   | formal requirements for financial products   | <ul style="list-style-type: none"> <li>day-to-day contacts: email, phone, meetings and reporting in line with the obligations</li> </ul>   |
|  <b>Suppliers of raw materials/goods and services</b> | material/product requirements (specifications), financial requirements (timely payment)      | <ul style="list-style-type: none"> <li>day-to-day contacts: email, phone, meetings, corporate communication (website, social media, PR activities)</li> </ul>  |
|  <b>Clients</b>                                       | product requirements, financial requirements   | <ul style="list-style-type: none"> <li>day-to-day contacts: email, phone, meetings, corporate communication (website, social media, PR activities)</li> <li>media and commercial communication (TV, press, outdoor, Internet, stores – POS materials and trade leaflets)</li> </ul>  |
|  <b>Competitors</b>                                   | requirements for the marketing of and trade in goods   | <ul style="list-style-type: none"> <li>participation in industry associations: the Polish Papermakers Association (Stowarzyszenie Papierników Polskich) and the Polish Cosmetics Industry Association (Polski Związek Przemysłu Kosmetycznego)</li> <li>monitoring competitors' positions and activities through market data and face-to-face discussions with customers, corporate communication (website, social media, PR activities)</li> <li>media and commercial communication (TV, press, outdoor, Internet, stores – POS materials and trade leaflets)</li> </ul>  |
|  <b>Consumers</b>                                   | product requirements (including quality and safety), financial requirements (product prices) | <ul style="list-style-type: none"> <li>media and commercial communication (TV, press, outdoor, Internet, stores – POS materials and trade leaflets), direct contacts through available communication channels, including social media</li> <li>market research (product research, brand positioning and communication)</li> <li>participation in competitions for brands and products</li> <li>corporate communication (website, social media, PR activities)</li> </ul>   |
|  <b>Krakow Technology Park</b>                      | formal and organizational requirements   | <ul style="list-style-type: none"> <li>day-to-day contacts: email, phone, meetings</li> </ul>  |
|  <b>Employees</b>                                   | legal and social requirements  | <ul style="list-style-type: none"> <li>face-to-face meetings (including quarterly meetings of employees with the Management Board and duty hours of managerial staff)</li> <li>employee survey, regular meetings in teams for middle and senior managerial staff, after which information is sent to subordinates in individual departments</li> <li>available channels for reporting potential breaches: Ethics Line (phone and web service), ethics advocates</li> <li>day-to-day contacts: email, phone, meetings</li> </ul> <p>In addition, at Velvet CARE:</p> <ul style="list-style-type: none"> <li>Mattermost internal messenger (Velvet CARE) with thematic and general information exchange channels, an internal Velvet CARE newsletter issued on a semi-annual basis in electronic and print format</li> </ul> |
|  <b>Local authorities</b>                           | legal requirements/ compliance obligations   | <ul style="list-style-type: none"> <li>day-to-day contacts: email, phone, meetings</li> </ul>  |


## Stakeholders with high influence and little interest

| Stakeholder   | Stakeholders' expectations                    | Methods of communication, stakeholder engagement  |
|---|---|---|
|  National Labor Inspectorate (Poland)/Labor Inspectorate (Czech Republic)  | legal requirements                            | <ul style="list-style-type: none"> <li>• phone, email, meetings as needed</li> </ul>                                |
|  Local/regional offices and authorities (Poland: Municipal Office, State Sanitary Inspectorate (SANEPID), Provincial Inspectorate of Environmental Protection (WIOŚ); Czech Republic: Regional Office, State Health Institute, State Inspectorate of Environmental Protection) | legal requirements/<br>compliance obligations | <ul style="list-style-type: none"> <li>• phone, email contact, reporting as required, meetings as needed</li> </ul> |
|  Technical and environmental offices (Chief Inspectorate of Environmental Protection (GIOŚ), National Centre for Emissions Management (KOBIZE), District Inspectorate of Construction Supervision (PINB), Technical Supervision Office (UDT))                                  | legal requirements/<br>compliance obligations | <ul style="list-style-type: none"> <li>• phone, email contact, reporting as required, meetings as needed</li> </ul> |

## Stakeholders with low influence and little interest

| Stakeholder  | Stakeholders' expectations                           | Methods of communication, stakeholder engagement  |
|--|--|---|
|  Neighboring companies                                      | legal requirements                                   | <ul style="list-style-type: none"> <li>• media monitoring, meetings with local administration as needed</li> </ul>  |
|  Media/public opinion                                       | social and cultural requirements                     | <ul style="list-style-type: none"> <li>• media monitoring, corporate communication (website, social media, PR activities)</li> <li>• media and commercial communication (TV, press, outdoor, Internet, stores – POS materials and trade leaflets)</li> <li>• meetings with local administration as needed</li> <li>• public consultations as needed (meetings on local community issues)</li> </ul> |
|  Social/ecological organizations                            | social and cultural requirements                     | <ul style="list-style-type: none"> <li>• media monitoring, corporate communication (website, social media, PR activities)</li> <li>• consultations as needed (meetings on local community issues)</li> </ul>  |
|  Public services (ambulance services, police, fire brigade) | legal requirements/<br>compliance obligations        | <ul style="list-style-type: none"> <li>• phone, email contact, face-to-face meetings as needed</li> </ul>   |
|  Local community  | jobs, good neighborhood, donations/financial support | <ul style="list-style-type: none"> <li>• available phone contact with the Management Board Secretariat, written/email correspondence, face-to-face meetings as needed</li> </ul>  |
|  Labor Office   | legal requirements                                   | <ul style="list-style-type: none"> <li>• email, phone as needed</li> </ul>  |

## Stockholders with low influence and high interest

| Stakeholder  | Stakeholders' expectations    | Methods of communication, stakeholder engagement  |
|--|-------------------------------|---|
|  Trade unions | legal and social requirements | <ul style="list-style-type: none"> <li>• day-to-day contacts and consultations as needed: email, phone, meetings</li> </ul> |



## 4.2. SUPPLIERS AND EMPLOYEES IN THE VALUE CHAIN

### [GRI 2-6, 3-3]

Every supplier working with the Velvet CARE Group must satisfy the Group's requirements, including environmental and ethical ones, and guarantee the quality and safety of the products and services supplied, as well as compliance with applicable laws and established rules of cooperation. When selecting suppliers, the Group analyses the risks associated with cooperation in the procurement area in terms of general conditions, costs, quality, environment and OHS.

Since 2020, key suppliers of the Group have signed so-called compliance clauses which contain, among others, anti-corruption and human rights provisions.



Key suppliers of Velvet CARE are suppliers of strategic raw materials. Through a diversified supply chain, the company mitigates business continuity risk. The company's suppliers are audited and every new and qualified supplier fills out the Supplier Self-assessment Questionnaire every three years. The document covers not only quality issues, the norms and standards in place, but also those related to respect for human rights, the prohibition of child labor and forced labor. The questionnaire also asks about activities related to environmental protection and climate risks.

### Cellulose suppliers are required to:

- deliver raw materials with required certification
- send annual declarations on the species and origin of timber
- send all necessary documentation that allows the Velvet CARE Group to manufacture FSC® and PEFC certified tissue paper and EU Ecolabel PL/004/002 products
- make self-assessment through the Supplier Self-assessment Form

### [GRI 308-1, GRI 308-2]

Supplier selection is governed by an internal procedure which defines the supplier selection rules and the supplier evaluation method. A positive result is the basis for entering a supplier on the Qualified Supplier List. In accordance with the procedure, all entities with whom the cooperation lasts less than six months are considered new suppliers.

All new suppliers working with the Velvet CARE Group were screened for compliance with environmental requirements. At Velvet CARE, the following criteria are examined in the Supplier Self-assessment Form: whether the supplier assesses the significance of the environmental impact of its activities, determines environmental aspects, takes actions to reduce potential adverse environmental impacts or adequately manages waste. Additionally, before entering into cooperation, there is a check of certificates held, e.g. related to the sustainable origin of raw materials (for cellulose).

No suppliers with a significant negative impact on the environment were identified within the Velvet CARE Group in 2023.



**[GRI 3-3, 407-1, 408-1, 409-1, 414-1, 414-2]**

In 2023, all new suppliers of the Velvet CARE Group were screened for their social impact. By signing the so-called compliance clauses, they confirmed, among others, that they do not use child labor, youth labor in hazardous conditions and forced labor. Supplier self-assessment, which is conducted at the beginning of cooperation and then every three years, additionally includes the following criteria: supplier's compliance with international human rights conventions, potential legal disputes concerning human rights violations, potential human rights violations concerning child labor, forced labor or human trafficking. In addition, the Group assessed and verified the validity of documents and certificates held by suppliers. No suppliers with actual or potential negative social impact were identified.

**[GRI 3-3, 204-1]**

The main raw material used by the Velvet CARE Group is cellulose imported mainly from the European Union and South America. It is purchased exclusively by Velvet CARE, as only the Klucze plant manufactures tissue paper. At Velvet CARE, cellulose accounted for 68% of all purchases in 2023. On the local level, the Group sources mainly paperboard and foil. At Velvet CARE, 20.5% of purchases came from a local source in 2023. For Velvet CARE, local suppliers are Polish suppliers. At MORACELL, local suppliers are Czech suppliers and 4% of purchases came from a local source.

## 4.3. CONSUMERS AND END USERS

### [GRI 3-3, 416-1, 416-2]

Velvet CARE guarantees the safety of its products to consumers. The company's product safety policies and activities are provided for in the Integrated Quality, Environment, OHS and Product Safety Management System Policy. All product categories (toilet papers, paper towels, facial tissues, handkerchiefs and moist papers) are continuously reviewed for consumer safety. The safety of hygiene products is confirmed by the results of tests on products from third party laboratories and by certificates of the National Institute of Hygiene (Państwowy Zakład Higieny, PZH). In accordance with applicable laws, cosmetic products in the form of moist toilet papers have cosmetic product safety reports prepared by qualified Safety Assessors.

Multi-stage quality controls are implemented at the company and performed on a regular basis. In 2023, 13 internal quality audits were conducted, which revealed 30 non-conformities. There were also five external audits and corrective actions were planned for all non-conformities and potential for improvement identified during such audits. Besides, two traceability tests and simulation of a dangerous product recall were performed. During the tests, all tested products and raw materials were fully identified. There were no product safety crises or incidents resulting in the need to recall products from the market. There were no complaints related to the company's environmental activities, either. In 2023, consumers filed 89 quality complaints, most of which concerned toilet papers. The company recognized 54 of them.

Velvet CARE has implemented and improves the IFS HPC and BRC CP product safety management system and the ISO 9001 quality management system. In 2023, there were no incidents of non-compliance concerning the consumer health and safety impacts of products.

MORACELL guarantees the safety of its products to consumers and end users. The product safety policies and activities are provided for in the Integrated Quality, Environment, OHS and Product Safety Management System Policy. The company implements mul-

ti-stage quality controls and all product categories are continuously reviewed for consumer safety. There were no incidents of non-compliance with regulations and/or voluntary codes regarding the health and/or safety impact of products or services in 2023.

### Product labelling

#### [GRI 417-1, 417-2, 417-3]

The Velvet CARE Group labels its branded products in such a way that the consumer can easily read their specifications. Important product information, such as the number of sheets, plies and rolls, is displayed in a visible place. The conditions for the labelling of certified products are governed by the external procedures of the certification bodies.

For cosmetic products, there is a legal requirement to indicate the INCI composition on the packaging. In 2023, the Velvet CARE Group offered four such moist toilet paper products.



All Velvet branded products are marked with the Save Nature icon. All Velvet brand toilet papers are labelled with a 30% recycled content in the packaging and have the product composition (100% cellulose) indicated on the packaging.

In 2023, there were no incidents of non-compliance regarding labelling, product information and marketing communication within the Velvet CARE Group.



## 4.4. LOCAL COMMUNITIES

### [GRI 3-3, 202-2]

In the Velvet CARE Group, the vast majority of executives are representatives of the local community. At Velvet CARE, 100% of the Management Board is from Poland and two out of five Management Board members live within a radius of no more than 10 km from the Klucze factory. At MORACELL, 90% of managers live no more than 20 km from the company. The Group considers its key places of business to be: Poland, Czech Republic.

### [GRI 203-1]

In 2023, the Velvet CARE Group did not support significant infrastructural investments. Velvet CARE, specifically the Klucze plant, supports the local community on an ongoing basis by treating not only its own wastewater, but also municipal wastewater from nearby housing estates in its own mechanical and biological treatment facility.

All wastewater from the housing estate adjacent directly to the plant and from the canalized parts of Klucze and Jaroszewiec villages, which are within 1 km and 3 km from the plant, respectively, are sent to the company's treatment facility. The treatment facility began receiving wastewater from the housing estates at the end of the 1970s, so the cooperation with the local community in this regard has been ongoing for decades.

### Amount of wastewater received from housing estates (per annum) in m<sup>3</sup>

| 2022    | 2023    |
|---------|---------|
| 150,379 | 147,665 |

### [GRI 2-26]

The Velvet CARE Group is involved in the local community, provides financial and in-kind support to regional educational and health institutions as well as non-profit organizations. It also takes part in local cultural and sports events.

Representatives of the local community have the possibility to file complaints to the Velvet CARE Group companies by contacting the Management Board Secretariat directly by phone or by letter and, in the case of the Velvet CARE, via the contact form on the website.

The contact details are available at:

- [www.velvetcare.com/en/contact-us/](http://www.velvetcare.com/en/contact-us/) (Velvet CARE),
- [www.moracell.cz/en/contact](http://www.moracell.cz/en/contact) (MORACELL).



### "Mów Do Mnie – #TokTuMi" program

This program is an initiative of the Institute for Mental Health, which we have patronized, together with the Olkusz District Office. It aims to draw attention to the importance of young people's mental health and the need for preventive action in this area. An important element of the program is to provide genuine and appropriate psychoeducation for pupils, as well as their family and school environment. This is why, throughout 2023, "Weekly Class Meetings with Mental Health" ("Godziny wychowawcze ze zdrowiem psychicznym") were held in six secondary schools in the Olkusz District, during which young people had the opportunity to meet with and talk to experienced psychologists about topics relevant to them.

As Velvet CARE, we have a sense of responsibility and concern for our environment, including the younger generations. We are therefore happy to engage in programs that help solve real social problems.

## "Year with Velvet Hygiene" educational program

Physical activity, healthy eating and personal hygiene – these are the guiding themes of our nationwide program, which we address to kindergarten and early school children. The guide to the right principles is Velvetuś the Bear, and the program focuses on:

- raising awareness among adult carers about the importance of personal hygiene in young children
- providing concrete solutions to help put the right principles into practice

Participants of the "Year with Velvet Hygiene" ("Rok z higieną Velvet") are provided with:

- scenarios of classes to be used at home, kindergartens or schools
- educational materials for learning through play
- contests with awards funded by sponsors and partners

Institutions that joined the program are offered meetings with specialists, such as child psychologists, nurses or pediatricians, at which valuable advice is given and the practical knowledge gained from many years of experience is shared.

Teachers and educators who take part in the program with their pupils receive a certificate confirming their participation.



The program is designed for children under 10 years of age – kindergarten and early school age (classes 1-3), as well as for their teachers, educators and parents. It is part of the nationwide "Healthy and Sporty" program by Kids & Sport, which we have been supporting since 2019.

For more information on the program go to:  
<https://rokzhigienavelvet.edu.pl/>



## "Five for Nature" educational program

Since 2020, as Velvet CARE, we have been running a nationwide CSR program "Velvet. Piątka dla Natury", which focuses on the ecological education of children in schools and kindergartens. The program aims to inspire green change and raise awareness of the environmental impact of everyday activities.

For more information on the program go to:  
Environmental impact of the Velvet CARE Group  
<https://piatkadlanatury.edu.pl/>

## Papermaking Technical School

Under the auspices of Velvet CARE, the Papermaking Technical School was opened in 2023 as part of the Secondary Schools Complex No. 4 in Olkusz. It is a new vocational education profile that has not previously been available to students in this region. The Papermaking Technical School educates future graduates of papermaking and the practical classes take place under the guidance of specialists at the Velvet CARE plant in Klucze. Students in lessons learn about developing the composition of pulp



and cellulose, selecting raw materials and products for the manufacture of paper products, operating and maintaining machinery and equipment used in paper production. Upon completion of their education, graduates of this course have the opportunity to work for Velvet CARE.

## Impact of the Velvet CARE Group on the environment

**Company-wide impact** – occurring at the level of the entire company. It may relate to the nature of the activity or appear in individual elements on a case-by-case basis.

- Jobs and employment with suppliers and subcontractors
- Local community support, charity activities
- Value creation – support to the economic development of the region through tax revenues and job creation

### Supplies of raw materials

- Imports of cellulose
- Purchase of packaging materials (including cardboard, film)
- Cooperation with suppliers

### Transport and storage

- Greenhouse gas and pollution emissions
- Noise emission
- Landscape change (buildings, plant development)
- Road use (traffic volume)

### Production

- Water intake for production purposes
- Impact on surface waters, deep waters

- Emissions of gases, dust and noise from production
- Urban wastewater treatment

### Management and administration

- Employee satisfaction and motivation
- Development and training
- Growth of the labor market (provision of jobs)
- Investments in the plant (production capacity, buildings, infrastructure)
- Economic growth of the region (revenue from taxes to the municipality, development of road infrastructure, etc.)
- Management standards / system of policies and applicable processes
- Ensuring compliance with legal standards/ requirements
- Development of employees' awareness of digital security

### Marketing and sales

- Meeting consumer and customer needs
- Consumer and customer communication and education
- Product category development – shared responsibility for market growth
- Product quality and safety

## [GRI 413-2]

In 2023, Velvet CARE did not have any significant negative impact on the local community.

MORACELL did not have any significant negative impact on the local community in 2023. The company has received unofficial complaints about noise at night due to rail traffic and increased truck traffic. However, this does not affect the functioning of the village, as the company is separated from Żabčice by a railway line.



# 5. CORPORATE GOVERNANCE IN THE VELVET CARE GROUP



## 5.1. CORPORATE CULTURE

### [GRI 3-3, 2-23, 2-24]

The Velvet CARE Group has documents in place governing its commitments in the areas of, among others, compliance with the principles of fair competition, legal regulations, including human rights, financial security, transparency of processes, transactions and investments. Key regulations include the Code of Conduct (both companies have their own Codes) and the Human Rights Policy (only in Velvet CARE). Their provisions are approved by the Management Boards and communicated to employees by email or on notice boards.

The aforesaid commitments include carrying out a due diligence process. Suppliers of the Velvet CARE Group are bound by the Good Conduct Policies relating to three areas: compliance, ethical integrity and respect for human rights. These Policies are signed together with agreements as the so-called compliance clauses.

### [GRI 2-26]

In both Velvet CARE Group companies, employees have the opportunity to raise questions and concerns about the organization's activities. How to report irregularities is described in Section 1.

### [GRI 2-27]

In 2023, there were no significant incidents of non-compliance within the Velvet CARE Group.

### [GRI 3-3, 205-1, 205-3]

The Velvet CARE Group effectively counteracts corruption. All employees are familiarized with the anti-corruption rules and additionally, in accordance with the procedure for identifying potential frauds, tests are carried out every six months to verify the financial data from the systems. Velvet CARE company has also implemented the Anti-corruption Policy. In 2023, Velvet CARE company reviewed processes where there is a potential risk of corruption. One area in need of improvement was identified, for which necessary changes were planned to be made. There were no incidents of corruption in the Velvet CARE Group in 2023.

### [GRI 205-2]

Velvet CARE did not hold separate anti-corruption trainings in 2023 – the company communicated the anti-corruption policy to its employees at the time of its implementation. Elements of the anti-corruption policy are also included in the Code of Conduct and each employee undergoes training in this respect during the hiring process.

In MORACELL, all employees and Management Board members participated in anti-corruption training in 2023. The company's policy in this respect is also known to its business partners.

### [GRI 207-1]

Velvet CARE's approach to taxation – information is available at:

[www.velvetcare.com/strategie-podatkowe/](http://www.velvetcare.com/strategie-podatkowe/)

## 5.2. CYBERSECURITY

### [GRI 3-3, own indicator]

The Velvet CARE Group ensures secure storage and circulation of information, while cybersecurity matters are regulated in both companies by the IT Systems Security Policy. The companies are regularly inspecting IT systems and the Group reminds about the security policy through trainings and information campaigns. Mail filters, advanced security programs and a variety of authentication systems are standard in the Group and their complexity depends on the function and access level of the employee.

In all sites of the Velvet CARE Group, there is a backup satellite connection that ensures the continuity of the company's operations, also in the event of emergencies and lack of Internet access on a standard connection. There is an integrated video surveillance management system in place at both companies of the Group, which helps supervise the physical security of the plant.

# 6. ABOUT THE REPORT





**[GRI 2-2, 2-3, 2-4]**

This ESG Report covers the period from 1 January to 31 December 2023, unless otherwise stated in the text. The previous report, published in October 2022, was the first report prepared with reference to the GRI Standards Guidelines and included data for Velvet CARE sp. z o.o. only.

**The 2023 report is the first report prepared in accordance with the requirements of the Global Reporting Initiative Standards (GRI Standards). It is also the first ESG report that takes into account the group approach** – the publication contains information on the Polish company, Velvet CARE sp. z o.o., and the Czech company, MORACELL s.r.o. From now on, both companies will report on an annual basis. This approach is in line with the principles relating to financial reporting.

This report does not include any information adjustments to the 2022 report.

The representative of the Velvet CARE Group responsible for contacts on all matters relating to this report is:

**Anna Lewandowska**  
**ESG and Corporate Communications Manager**  
email: [anna.lewandowska@velvetcare.com](mailto:anna.lewandowska@velvetcare.com)

## 6.1. MATERIALITY DEFINITION PROCESS AND LIST OF MATERIAL TOPICS

**[GRI 3-1]**

For the purpose of identifying material topics for the Velvet CARE Group, a process was conducted to review the topics that were assessed as material in preparation for the 2022 reporting.

At that time, the activities of Velvet CARE sp. z o.o. were carefully examined, with a detailed review of its impact on the environment, including natural environment, society and corporate governance.

This year, in order to ensure that the approach is complete and take into account various perspectives, the process has been enriched to include stakeholder engagement, including external stakeholders. Representatives of key stakeholder groups – employees, shareholders, business partners, suppliers, clients, financial institutions, local governments and scientific institutions – were surveyed for assessing Velvet CARE Group's environmental impact. Responses received from 184 people identified areas of the Group's impact on the environment. Based on the results of the survey (described in detail in Section 4), a list of 10 key areas of impact was prepared, to be taken into account in the further stages of the review of the key topics identification.

The next step was to discuss and present the survey results during workshops attended by employees of Velvet CARE and MORACELL, who formed the project team responsible for the preparation of this report, as well as members of the Management Boards of both companies and members of MTM teams. During workshops, the list of areas of importance from a stakeholder perspective was collated with the material topics identified for 2022.

As a result of discussions with a third party advisor, a list of material topics of the Velvet CARE Group was created, which formed the basis for the structure and then the content of this report.

[GRI 3-2]

List of material topics of the Velvet CARE Group:

| Material topic  | Specific issues  | Section of the report |
|---|--|-----------------------|
| Greenhouse gas emissions and environmental pollution        | <ul style="list-style-type: none"> <li>• emission scope 1,2, 3</li> <li>• pollution</li> <li>• energy intensity</li> <li>• renewable energy</li> </ul>   | p. 15-16, 30-32       |
| Working conditions, employee wellbeing and development      | <ul style="list-style-type: none"> <li>• occupational health and safety</li> <li>• employment security</li> <li>• remuneration</li> <li>• fringe benefits</li> <li>• work-life balance</li> <li>• employee satisfaction</li> <li>• training and development</li> </ul> | p. 39-50              |
| Nature and biodiversity                                     | <ul style="list-style-type: none"> <li>• circular economy</li> <li>• water intake and consumption</li> </ul>   | p. 32-37              |
| Cybersecurity   | <ul style="list-style-type: none"> <li>• cybersecurity</li> </ul>  | p. 65                 |
| Respect for employee rights                                 | <ul style="list-style-type: none"> <li>• diversity and equal opportunities</li> <li>• employee privacy at work</li> <li>• human rights incidents among employees</li> <li>• trade unions</li> </ul>  | p. 51-53              |
| Cooperation with suppliers and employees in the value chain | <ul style="list-style-type: none"> <li>• supply chain management</li> <li>• respect for human rights</li> <li>• assessment of suppliers for environmental and social criteria</li> </ul>   | p. 58-59              |
| Corporate governance  | <ul style="list-style-type: none"> <li>• corporate culture and ethics</li> <li>• compliance</li> <li>• reporting</li> <li>• anti-corruption behavior</li> <li>• protection of whistleblowers</li> <li>• third party audits</li> </ul>                                  | p. 65                 |
| Consumer and end user safety                                | <ul style="list-style-type: none"> <li>• product safety</li> <li>• responsible marketing</li> <li>• consumer education</li> <li>• tailoring products to consumer needs</li> </ul>  | p. 60                 |
| Local community – living conditions and dialogue            | <ul style="list-style-type: none"> <li>• impact on safety</li> <li>• noise level</li> <li>• job creation</li> <li>• support for local communities</li> <li>• dialogue and engagement</li> </ul>  | p. 59, 61-63          |
| Plant investments   | <ul style="list-style-type: none"> <li>• plant investments</li> <li>• automation</li> </ul>  | p. 13-14              |

## 6.2. THIRD PARTY VERIFICATION

### [GRI 2-5]

ESG Report of the Velvet CARE Group was independently reviewed by a third party.

The verification was made by KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k..

The report on the independent assurance engagement is presented below.



## Independent Limited Assurance Report on Selected Sustainability Parameters

### To the Management Board of Velvet CARE Sp. z o.o.

#### Scope of the Service

We were engaged by the Management Board of Velvet CARE S.A. with its registered office in Klucze, Osada 3 Street (the "Company"), to report on selected sustainability parameters (disclosures) presented in the VELVET CARE GROUP 2023 ESG Report for the fiscal year ended 31 December 2023 (the "Report"). We were engaged to report in the form of an independent limited assurance conclusion that based on our work performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected sustainability parameters included in the Report are not calculated and presented, in all material respects, in accordance with the criteria contained in the GRI Standards issued by Global Reporting Initiative (the "GRI Standards").

Included in the scope of our assessment were the following parameters: for Velvet CARE Sp. z o.o. and the Velvet CARE Group:

- General disclosures for the year 2023: 2-7;
- Topic specific disclosures for the year 2023: 201-1, 201-4, 301-1, 302-1, 302-3, 303-1, 303-3, 303-5, 304-1, 305-1, 305-2, 305-4 (in the part regarding emission scope 1 and emission scope 2), 306-1, 306-2, 306-3, 308-1, 401-1, 401-2, 401-3, 403-1, 403-2, 403-5, 405-1, 414-1, 416-1;

(hereinafter, „Parameters”)

The scope of our service excluded other parameters and other information contained in the Report.

#### Management Board's Responsibilities

The Company's Management Board is responsible for the preparation of the Report, including the calculation and presentation of the Parameters therein, in all material respects, in accordance with the criteria contained in the GRI Standards. This responsibility includes designing, implementing and maintaining such internal controls as management determines are necessary to enable the preparation of the Report in accordance with the criteria contained in the GRI Standards and the calculation and presentation of the Parameters that are free from material misstatement whether due to fraud or error.

KPMG Advisory spółka z ograniczoną odpowiedzialnością sp.k.

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KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k., a Polish limited partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Company registered at the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Business Register.

KRS 0000265070  
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REGON: 141054713





The Company's Management Board is also responsible for ensuring that staff involved with the preparation of the Report and calculation and presentation of the Parameters are properly trained and that appropriate information systems are applied that are properly updated.

#### Responsibilities of the Practitioner

Our responsibility is to examine the Parameters calculated and presented by the Company and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board ("IAASB"). That standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Parameters are calculated and presented in accordance with the criteria contained in the GRI Standards, in all material respects, as the basis for our limited assurance conclusion.

This firm applies International Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagement", developed by IAASB, which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

#### Procedures Performed

The procedures selected depend on our judgment and understanding of the underlying subject matter and other engagement circumstances, and our assessment of the risk of a material misstatement of the Parameters. In obtaining an understanding of the Report and the Parameters therein, and other engagement circumstances, we have considered the process used to prepare the Report and to calculate and present the Parameters in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's process of internal control over the preparation of the Report and calculation and presentation of the Parameters.

Our engagement also included assessing the appropriateness of the subject matter and the suitability of the criteria used by the Company.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



Our procedures included in particular:

- Based on interviews with selected members of the Company's management responsible for the design, implementation and maintenance of its system of internal control and for the preparation of the Report, obtaining an understanding of the system of internal control enabling the preparation of the Report and the calculation and presentation of the Parameters;
- Based on interviews with individuals responsible for the calculation and presentation of the Parameters, obtaining an understanding of the methods of collecting source data and of the assumptions used in calculating the Parameters;
- Comparing the data and information used in the calculation and presentation of the Parameters to relevant underlying documents, reports or other sources of information provided by the Company;
- Checking the correctness of the calculation of the Parameters to the criteria contained in the GRI Standards, and also checking the mathematical correctness of the calculation of the Parameters of a numerical (quantitative) nature.

#### Criteria

The applicable criteria against which the Parameters were evaluated are included in the GRI Standards.

#### Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Parameters included in the Report, are not calculated and presented, in all material respects, in accordance with the criteria contained in the GRI Standards.

*KPMG Advisory Spółka z ograniczoną odpowiedzialnością s. k.*

Warszawa, 3 December 2024

# GRI CONTENT INDEX

|                                 |  |
|---------------------------------|--|
| Statement of use                | The Velvet CARE Group submitted its report in accordance with the GRI Standards for the period from 1 January 2023 to 31 December 2023 |
| Use of GRI 1                    | GRI 1: Foundation 2021   |
| Applicable GRI Sector Standards | Not applicable   |

| GRI standard / other source     | Disclosure   | Location    | Omissions   |                              |   |
|---------------------------------|--|-------------|---|------------------------------|---|
|                                 |  |             | Requirements (omitted)  | Reasons                      | Explanation   |
| GRI 2: General Disclosures 2021 | 2-1 Organizational details   | 5           |   |                              |   |
|                                 | 2-2 Entities included in the organization's sustainability reporting             | 5, 67       |   |                              |   |
|                                 | 2-3 Reporting period, frequency and contact point                                | 67          |   |                              |   |
|                                 | 2-4 Restatements of information  | 67          |   |                              |   |
|                                 | 2-5 External assurance   | 69-71       |   |                              |   |
|                                 | 2-6 Activities, value chain and other business relationships                     | 8-12, 58-59 |   |                              |   |
|                                 | 2-7 Employees  | 39          |   |                              |   |
|                                 | 2-8 Workers who are not employees  | 39          |   |                              |   |
|                                 | 2-9 Governance structure and composition   | 19          |   |                              |   |
|                                 | 2-10 Nomination and selection of the highest governance body                     | 20          |   |                              |   |
|                                 | 2-11 Chair of the highest governance body  | 19, 20-21   |   |                              |   |
|                                 | 2-12 Role of the highest governance body in overseeing the management of impacts | 24          |   |                              |   |
|                                 | 2-13 Delegation of responsibility for managing impacts                           | 24-25       |   |                              |   |
|                                 | 2-14 Role of the highest governance body in sustainability reporting             | 24-25       |   |                              |   |
|                                 | 2-15 Conflicts of interest   | 21          |   |                              |   |
|                                 | 2-16 Communication of critical concerns  | 21          |   |                              |   |
|                                 | 2-17 Collective knowledge of the highest governance body                         | 25          |   |                              |   |
|                                 | 2-18 Evaluation of the performance of the highest governance body                | 25          |   |                              |   |
|                                 | 2-19 Remuneration policies   | 51-52       |   |                              |   |
|                                 | 2-20 Process to determine remuneration   | 51-52       |   |                              |   |
|                                 | 2-21 Annual total compensation ratio   | 52          | No disclosure was made of the ratio of percentage increase in the total annual compensation of the highest-paid individual in the organization in each country to the median percentage increase in the total annual compensation for all employees (excluding the highest-paid individual) | Confidentiality restrictions | Reporting entity treats information as confidential |



| GRI standard / other source                   | Disclosure  | Location      | Omissions              |         |             |
|---|---|---------------|------------------------|---------|-------------|
|   |   |               | Requirements (omitted) | Reasons | Explanation |
| GRI 2: General Disclosures 2021               | 2-22 Statement on sustainable development strategy  | 3             |                        |         |             |
|   | 2-23 Policy commitments   | 65            |                        |         |             |
|   | 2-24 Embedding policy commitments   | 65            |                        |         |             |
|   | 2-25 Processes to remediate negative impacts  | 26, 51        |                        |         |             |
|   | 2-26 Mechanisms for seeking advice and raising concerns   | 26, 61-63, 65 |                        |         |             |
|   | 2-27 Compliance with laws and regulations   | 65            |                        |         |             |
|   | 2-28 Membership associations  | 18            |                        |         |             |
|   | 2-29 Approach to stakeholder engagement   | 55-57         |                        |         |             |
| GRI 3: Material Topics 2021                   | 3-1 Process to determine material topics  | 67            |                        |         |             |
|   | 3-2 List of material topics   | 68            |                        |         |             |
| <b>Greenhouse gas emissions and pollution</b> |   |               |                        |         |             |
| GRI 3: Material Topics 2021                   | 3-3 Management of material topics   | 15-16, 30-32  |                        |         |             |
| GRI 201: Economic Performance 2016            | 201-2 Financial implications, other risks and opportunities due to climate change   | 15-16         |                        |         |             |
| GRI 302: Energy 2016                          | 302-1 Energy consumption within the organization  | 30            |                        |         |             |
|   | 302-3 Energy intensity  | 30            |                        |         |             |
|   | 302-4 Reduction of energy consumption   | 30            |                        |         |             |
|   | 305-1 Direct (Scope 1) GHG emissions  | 31            |                        |         |             |
|   | 305-2 Energy indirect (Scope 2) GHG emissions   | 31            |                        |         |             |
|   | 305-3 Other indirect (Scope 3) GHG emissions  | 31            |                        |         |             |
|   | 305-4 GHG emissions intensity   | 32            |                        |         |             |
|   | 305-5 GHG emissions reduction   | 31-32         |                        |         |             |
|   | 305-7 Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions                                 | 31            |                        |         |             |
| <b>Nature and biodiversity</b>                |   |               |                        |         |             |
| GRI 3: Material Topics 2021                   | 3-3 Management of material topics   | 32-37         |                        |         |             |
| GRI 301: Resources 2016                       | 301-1 Materials used by weight or volume  | 37            |                        |         |             |
| GRI 303: Water and Effluents 2018             | 303-1 Interactions with water as a shared resource  | 32            |                        |         |             |
|   | 303-2 Management of water discharge-related impacts   | 32            |                        |         |             |
|   | 303-3 Water withdrawal  | 32            |                        |         |             |
|   | 303-4 Water discharge   | 32            |                        |         |             |
|   | 303-5 Water consumption   | 32            |                        |         |             |
| GRI 304: Biodiversity 2016                    | 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 33            |                        |         |             |
|   | 304-2 Significant impacts of activities, products and services on biodiversity  | 33            |                        |         |             |

| GRI standard / other source                                   | Disclosure   | Location  | Omissions              |         |             |
|---|--|-----------|------------------------|---------|-------------|
|   |  |           | Requirements (omitted) | Reasons | Explanation |
| <b>GRI 306: Effluents and Waste 2020</b>                      | 306-1 Waste generation and significant waste-related impacts   | 34-36     |                        |         |             |
|   | 306-2 Management of significant waste-related impacts  | 34-35     |                        |         |             |
|   | 306-3 Waste generated  | 34-36     |                        |         |             |
|   | 306-5 Waste directed to disposal   | 34        |                        |         |             |
| <b>Working conditions, employee wellbeing and development</b> |  |           |                        |         |             |
| <b>GRI 3: Material Topics 2021</b>                            | 3-3 Management of material topics  | 39-50     |                        |         |             |
| <b>GRI 401: Employment 2016</b>                               | 401-1 New employee hires and employee turnover in the reporting period   | 40-41     |                        |         |             |
|   | 401-2 Benefits provided to full-time employees   | 43        |                        |         |             |
|   | 401-3 Parental leave   | 42        |                        |         |             |
| <b>GRI 403: Occupational Health and Safety 2018</b>           | 403-1 Occupational health and safety management system   | 46        |                        |         |             |
|   | 403-2 Hazard identification, risk assessment, and incident investigation   | 46-47     |                        |         |             |
|   | 403-3 Occupational health services   | 47        |                        |         |             |
|   | 403-4 Worker participation, consultation, and communication on occupational health and safety  | 47        |                        |         |             |
|   | 403-5 Worker training on occupational health and safety  | 48-49     |                        |         |             |
|   | 403-6 Promotion of worker health   | 49        |                        |         |             |
|   | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships                              | 49        |                        |         |             |
|   | 403-8 Workers covered by an occupational health and safety management system   | 46, 49-50 |                        |         |             |
|   | 403-9 Work-related injuries  | 50        |                        |         |             |
|   | 403-10 Work-related ill health   | 50        |                        |         |             |
|   | 404-2 Programs for upgrading employee skills   | 44        |                        |         |             |
|   | 404-3 Percentage of employees subject to regular job performance appraisals and career development reviews, by gender and category of employment | 44-45     |                        |         |             |
|   | <b>Respect for employee rights</b>   |           |                        |         |             |
| <b>GRI 3: Material Topics 2021</b>                            | 3-3 Management of material topics  | 51-53     |                        |         |             |
| <b>GRI 402: Labor/ Management Relations 2016</b>              | 402-1 Minimum notice periods regarding operational changes   | 53        |                        |         |             |
| <b>GRI 405: Diversity and Equal Opportunity 2016</b>          | 405-1 Diversity of governance bodies and employees   | 52-53     |                        |         |             |
|   | 405-2 Ratio of basic salary and remuneration of women to men   | 53        |                        |         |             |
| <b>GRI 406: Non-discrimination</b>                            | 406-1 Incidents of discrimination and corrective actions taken   | 51        |                        |         |             |
| <b>Consumer and end user safety</b>                           |  |           |                        |         |             |
| <b>GRI 3: Material Topics 2021</b>                            | 3-3 Management of material topics  | 60        |                        |         |             |

| GRI standard / other source  | Disclosure   | Location  | Omissions              |         |             |
|--|--|-----------|------------------------|---------|-------------|
|  |  |           | Requirements (omitted) | Reasons | Explanation |
| GRI 416: Customer Health and Safety 2016                           | 416-1 Assessment of the health and safety impacts of product and service categories                                  | 60        |                        |         |             |
|  | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services                  | 60        |                        |         |             |
| GRI 417: Marketing and Labeling 2016                               | 417-1 Requirements for product and service information and labeling  | 60        |                        |         |             |
|  | 417-2 Incidents of non-compliance concerning product and service information and labeling                            | 60        |                        |         |             |
|  | 417-3 Incidents of non-compliance concerning marketing communications  | 60        |                        |         |             |
| <b>Local community – living conditions and dialogue</b>            |  |           |                        |         |             |
| GRI 3: Material Topics 2021  | 3-3 Management of material topics  | 59, 61-63 |                        |         |             |
| GRI 202: Market Presence 2016                                      | 202-2 Proportion of senior management hired from the local community   | 61        |                        |         |             |
| GRI 203: Indirect Economic Impacts 2016                            | 203-1 Infrastructure investments and services supported  | 61        |                        |         |             |
| GRI 204: Procurement Practices 2016                                | 204-1 Proportion of spending on local suppliers  | 59        |                        |         |             |
| GRI 413: Local Communities 2016                                    | 413-2 Operations with significant actual and potential negative impacts on local communities                         | 63        |                        |         |             |
| <b>Cooperation with suppliers and employees in the value chain</b> |  |           |                        |         |             |
| GRI 3: Material Topics 2021  | 3-3 Management of material topics  | 58-59     |                        |         |             |
| GRI 308: Supplier Environmental Assessment 2016                    | 308-1 New suppliers that were screened using environmental criteria  | 58        |                        |         |             |
|  | 308-2 Negative environmental impacts in the supply chain and actions taken   | 58        |                        |         |             |
| GRI 407: Freedom of Association and Collective Bargaining 2016     | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 59        |                        |         |             |
| GRI 408: Child Labor 2016  | 408-1 Operations and suppliers at significant risk for incidents of child labor                                      | 59        |                        |         |             |
| GRI 409: Forced or Compulsory Labor 2016                           | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor                       | 59        |                        |         |             |
| GRI 414: Supplier Social Assessment 2016                           | 414-1 New suppliers that were screened using social criteria   | 59        |                        |         |             |
|  | 414-2 Negative social impacts in the supply chain and actions taken  | 59        |                        |         |             |
| <b>Corporate governance</b>  |  |           |                        |         |             |
| GRI 3: Material Topics 2021  | 3-3 Management of material topics  | 65        |                        |         |             |

| GRI standard / other source        | Disclosure   | Location | Omissions              |         |             |
|------------------------------------|--|----------|------------------------|---------|-------------|
|                                    |  |          | Requirements (omitted) | Reasons | Explanation |
| GRI 205: Anti-corruption 2016      | 205-1 Operations assessed for risks related to corruption                      | 65       |                        |         |             |
|                                    | 205-2 Communication and training about anti-corruption policies and procedures | 65       |                        |         |             |
|                                    | 205-3 Confirmed incidents of corruption and actions taken                      | 65       |                        |         |             |
| GRI 207: Tax 2019                  | 207-1 Approach to tax  | 65       |                        |         |             |
| <b>Cybersecurity</b>               |  |          |                        |         |             |
| GRI 3: Material Topics 2021        | 3-3 Management of material topics  | 65       |                        |         |             |
| Own indicator                      | Own indicator  | 65       |                        |         |             |
| <b>Plant investments</b>           |  |          |                        |         |             |
| GRI 3: Material Topics 2021        | 3-3 Management of material topics  | 13-14    |                        |         |             |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed                          | 14       |                        |         |             |
|                                    | 201-4 Financial assistance received from government                            | 14       |                        |         |             |
| Own indicator                      | Own indicator  | 13       |                        |         |             |



