

WEPA Sustainability Report

2020



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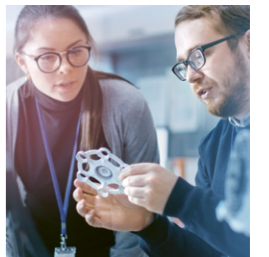
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To us, long-term environmental success, the conservation of natural resources and social commitment are closely linked.

Dear readers,

As a future-oriented and responsible European family business, the WEPA Group is taking large steps towards the future. Our guides on this path are respect and commitment and, most notably, our core value of sustainability. To us, long-term economic success, the preservation of natural resources and social commitment are closely linked and form the basis of our actions. Sustainability is also key for us as an owner family – our thinking does not follow short-term management cycles, but spans generations and even goes beyond them.

Accordingly, we are happy to publish an overview of our company's long-time activities in our Sustainability Report. We have defined five strategic fields of action for our sustainable future orientation: our foundation to start, future fibre, operational efficiency, our sustainable hygiene paper portfolio and its extension through innovation. These fields are reflected in our Sustainability Strategy, which is aligned with our "Perform & Transform – WEPA 2023" strategy programme.

Our mission is to provide sustainable hygiene solutions to improve well-being every day, everywhere. This is the standard that defines the ambitious goals we set to improve the lives of millions of people across Europe bit by bit, day by day, together with our partners. Just as our purpose says: "Together for a better life". This is how we realise our vision – being "the most sustainable and first class partner for personal and professional hygiene solutions".



Yours, Martin Krengel
WEPA Group CEO



Summary

Since the company's foundation, sustainability has been one of WEPA's three core values. It is also becoming increasingly important for customers, employees and other stakeholders. For us, this is an additional incentive to build on our position as a leader in the field of sustainability. On the one hand, this is how we live up to our central ideal of being a value-oriented family business, and on the other, it gives us the opportunity to tap new growth potential in line with our sustainability targets.

Our Sustainability Strategy and our five fields of action enable us to achieve our goal of offering the most sustainable portfolio of personal and professional hygiene solutions. We have set ambitious and measurable targets for each field of action. This report presents these fields of action, our targets and our current status. Going forward, we will report on our progress annually.

Fields of action and targets

Our Sustainability Strategy features five fields of action: foundation, future fibres, operational efficiency, our sustainable hygiene paper portfolio and its extension through innovation.

- 01 **Our foundation** for the four other fields of action is to follow our values and to care about our stakeholders and the environment beyond legal requirements. Through our transformation target "Best place to work", we ensure diversity, engagement and opportunities for qualification. Our employees guarantee maximum product quality, which we seamlessly assure through our quality management. As a family business, we also value long-term partnerships and take care to ensure that our high requirements and standards are fulfilled along the entire supply chain. In addition, we ensure the health and safety of our employees and pursue the objective of zero accidents. Beyond that, we strive to continuously expand our social commitment.
- 02 **For our future fibres**, we aim to achieve the best operational efficiency on the basis of circular economy. Cellulose fibres are the most important raw material in the paper industry. We utilise wood-based virgin fibres as well as recycled fibres based on recovered paper. The use of recycled paper fibres is the most sustainable option of the two. Our target is to reduce the environmental footprint of our fibre raw materials by 25% until 2030, partly by using at least 60% recycled fibres and virgin fibre alternatives. For the remaining wood-based virgin fibres, we ensure 100% certification by FSC and PEFC until 2025 and work with suppliers on additional measures to promote sustainable forestry and biodiversity.

- 03 **To improve operational efficiency**, we strive for CO₂ neutrality and a sustainable water footprint, and we follow the zero-waste approach. Our ambition is to achieve climate neutrality by 2040, and we have set a target for 2030 that is compatible with 1.5 °C. Currently, our reduction target of -52% CO₂eq by 2030 in Scopes 1, 2 and 3 is under review with the Science Based Target initiative (SBTi). Our climate targets are flanked by continuous efficiency improvements and the increasing use of renewable energy. Based on the WWF Water Stewardship project, we will reduce water risks and define concrete water targets by 2030. By 2025, we will recycle 100 % of our production waste materially or energetically. In doing so, we maximise material recycling.
- 04 **To offer the most sustainable hygiene paper portfolio**, we are currently developing a system that supports our commercial partners in achieving their own sustainability goals and also helps consumers incorporate sustainability in their everyday lives. Currently, our focus is also on innovative packaging solutions. Among other things, we have set the target of using recycled material for 60% of our packaging material by 2025 and saving 8,000 tons of primary plastics in our packaging every year.
- 05 **To extend our portfolio**, we invest in in-house innovation, start-ups and partnerships. This is how we develop our existing product portfolio to include sustainable hygiene solutions. Sustainability criteria are naturally included in the evaluation of any potential portfolio extension.

Outlook

We pursue ambitious goals in order to become the number one in sustainability in our industry. This way, we contribute to making the entire hygiene market more sustainable. Our goals only become effective through implementation – and all specialist departments in the WEPA Group are working together to this end. In the coming years, we will provide our stakeholders with transparent reporting on our successes and learning experiences on this challenging journey.

Together for a better life.

Facts & figures

The WEPA Group is a future-oriented European family business specialising in the production and distribution of sustainable hygiene paper. WEPA offers sustainable and innovative hygiene solutions that provide a safe feeling of hygiene and contribute daily to the well-being of millions of people. WEPA is among the three largest European manufacturers and leading the market in the production of hygiene paper from recycled fibre. The WEPA Group has its registered office in Arnsberg, North Rhine-Westphalia, Germany.



Products

Toilet paper, kitchen towels, tissues, facial tissues, paper towels, napkins, centrefeed rolls, cleaning rolls, medical rolls, dispensers, de-inked pulp

1.3 bn

Euro turnover

Supervisory Board

Friedrich Merz (Chairman)
Dr. Hans-Joachim Körber
Wilken von Hodenberg
Dr. Hartmut Wurster

1948

Foundation of WEPA (Westfälische Papierfabrik) by Paul Krengel

Management Board

Martin Krengel (CEO)
Harm Bergmann-Kramer
Ralph Dihlmann
Andreas Krengel
Dr. Hendrik Otto

780,000 t

Paper production capacity

Top-1

→ Private label specialist in Europe

→ Manufacturer in the recycled and hybrid paper sector in Europe



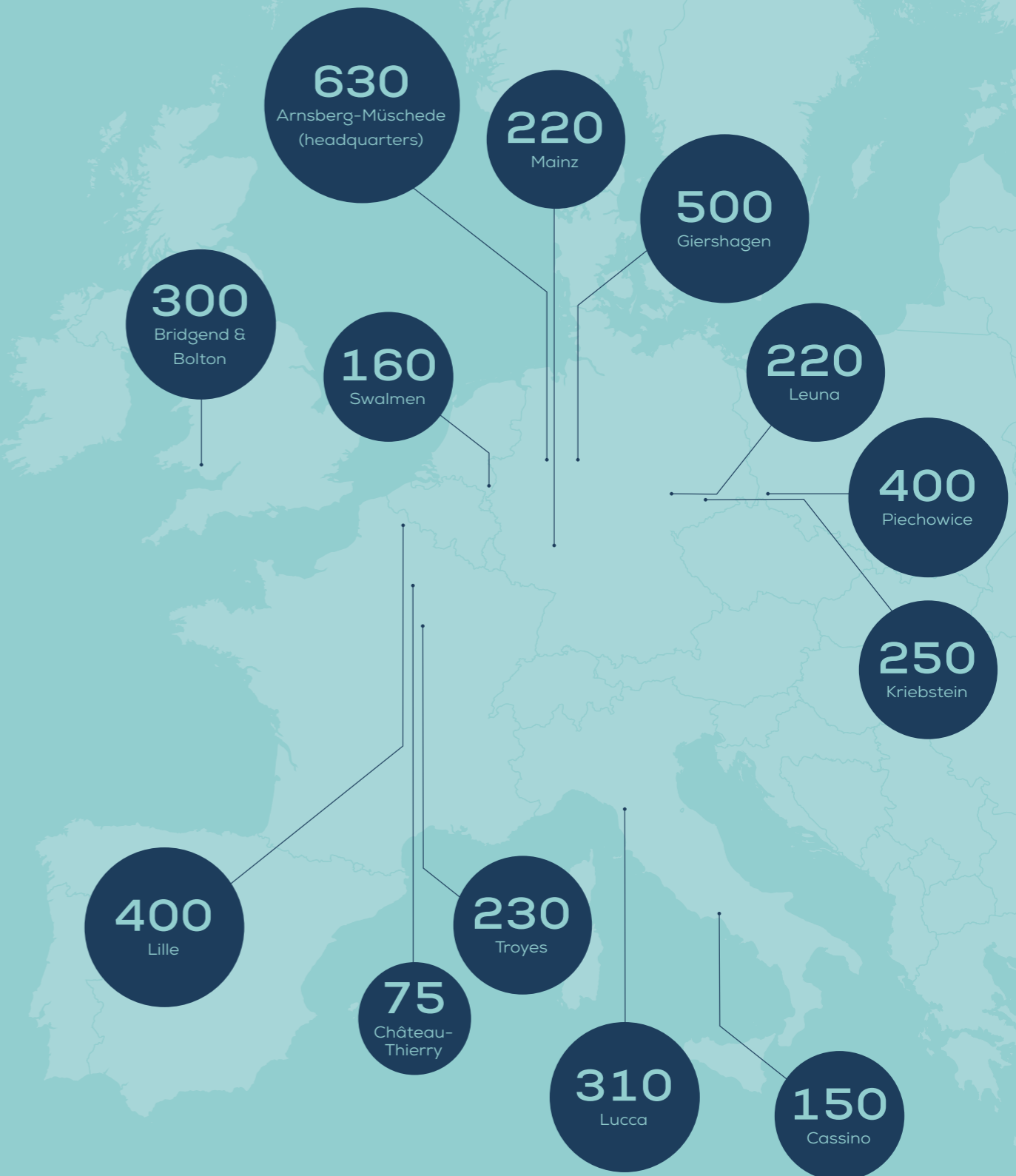
100%

Family business

≈4,000

Employees

Number of employees at our sites



WEPA Group values

The values of respect, commitment and sustainability form the basis of all actions of the WEPA Group – both within our company and in contact with business partners and other stakeholders. This value orientation has always shaped our entrepreneurial family and therefore the WEPA Group. Our family shareholders, managers and employees identify with these values, which is an essential contributor to our success.



Respect

Humanity, appreciation, recognition and tolerance shape our view of humankind and determine our actions. This applies within the company as well as in relation to all external partners. Accordingly, we treat each individual with the appreciation that we ourselves expect.



Commitment

Together as well as individually, we are passionately committed to the objectives of the family business while preserving its values. We share responsibility for the success of the company and the well-being of all employees, and we act accordingly – not only in our respective ranges of duty.



Sustainability

Our actions are aimed at preserving WEPA as a family business in the long term. To this end, we reconcile economic necessities with foundational environmental and social attitudes in a long-term strategic alignment.



Our business units and brands

WEPA Consumer

The WEPA Consumer unit is the European market leader in the production of private-label hygiene paper products and supplies retailers throughout Europe. Its focus is on sustainable, high-quality and innovative products that provide a safe feeling of hygiene and contribute to well-being: from tissues and napkins all the way to toilet paper. In addition to private labels, WEPA also produces and sells its own brands "mach mlT", "Perla", "Comprami", "Scala" and "Feel Good".

WEPA Professional

WEPA Professional is a leading hygiene specialist throughout Europe when it comes to sustainable, innovative washroom hygiene solutions. With its "BlackSatino" and "Satino by WEPA" brands, WEPA Professional specifically addresses the needs of companies and institutions in public and semi-public spaces. The range includes everything that makes a hygiene experience safe and convenient: hygiene paper, intelligent dispenser systems, air fresheners and hand sanitiser solutions.

Private labels throughout Europe



Corporate Sustainability Strategy

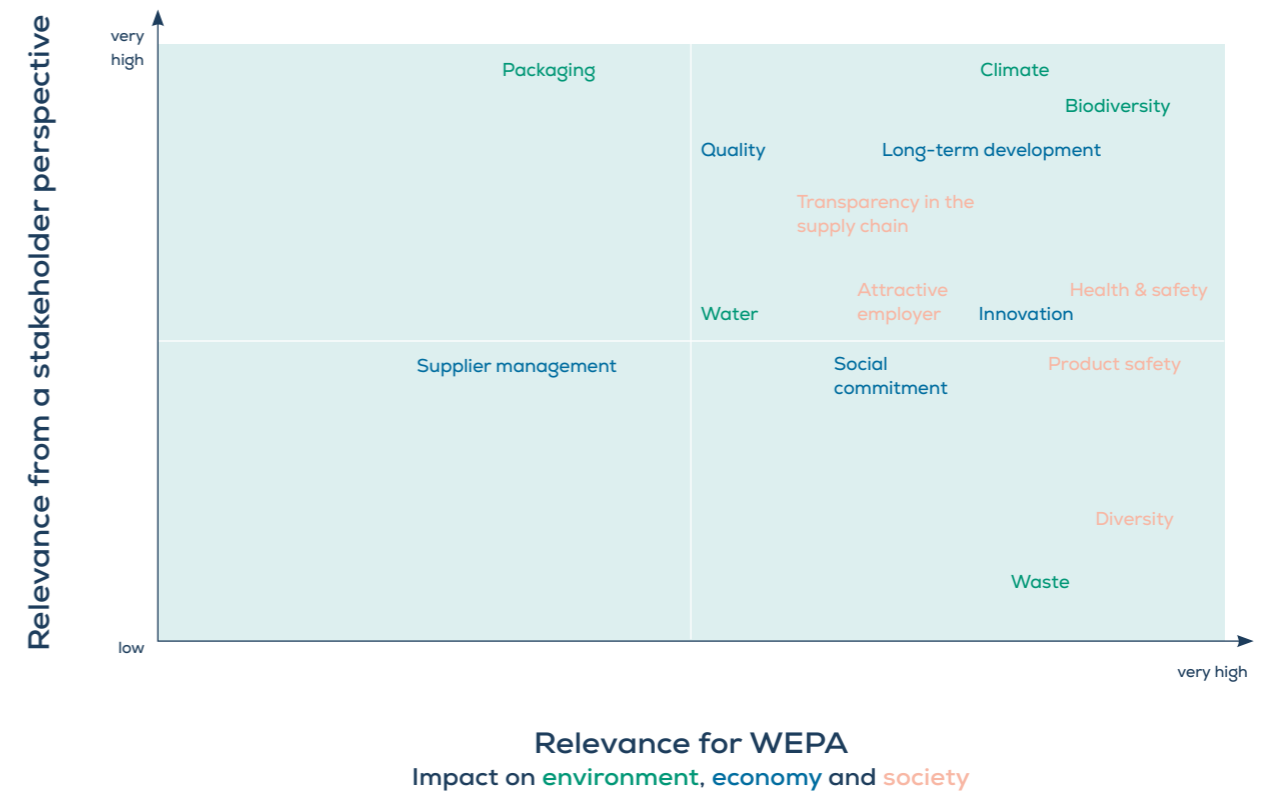
Our goal is to be number 1 in sustainability in our industry.

Sustainability is a fundamental WEPA Group value. It is a supporting pillar in our strategy programme "Perform & Transform – WEPA 2023", which was devised to position our family business in a future-oriented and responsible manner. For us, this means assuming corporate responsibility for the impact of our business activities on the environment, society and the economy.



Materiality analysis

In order to properly establish relevant priorities, we conducted a materiality analysis in 2019. It examined the perspective of different stakeholder groups¹. Topics relevant to our stakeholders and the WEPA Group were identified and classified according to environmental, economic and social issues:



Along our value chain, these topics were combined into five fields of action and form the core of our "4+1 Sustainability Strategy".

¹ Employees, investors, suppliers, customers, associations, NGOs, shareholders/owners, authorities, the public and policymakers

4+1 Sustainability Strategy

Our five fields of action:

All of our business activities are based on a foundation of responsible conduct as an employer, social commitment, compliance and product safety. The four other fields of action, future fibres, operational efficiency, our sustainable hygiene product portfolio and its extension through innovation build on this foundation. This categorisation structures the report in front of you.

Future fibres

We aim for a fibre portfolio with leading environmental performance based on circularity.

Operational efficiency

We aim for a carbon-neutral, zero-waste production and a sustainable water footprint.

Sustainable hygiene paper portfolio

We aspire to offer the most sustainable hygiene paper portfolio to make our customers successful.

Portfolio extension through innovation

We are expanding our existing product portfolio to be the leader in sustainable hygiene solutions in Europe.



Foundation

We follow our values, care about our stakeholders and the environment beyond legal requirements, and proactively prevent risks.

The 4+1 Sustainability Strategy in the Context of the UN Sustainable Development Goals (SDGs)

The UN Sustainable Development Goals (SDGs) provide an important framework for our sustainable actions and offer guidance in the implementation of our 4+1 Sustainability Strategy. Our strategy makes a significant contribution to seven of the SDGs. We believe that partnerships with a wide range of stakeholders are essential when it comes to implementing the transformation towards a more sustainable future. Therefore, SDG 17 “Partnerships for the goals” to us in the WEPA Group means implementing our Sustainability Strategy and our mutual success.



Our targets and results in the 4+1 fields of action at a glance

The targets generally refer to the base year of 2019. Some changes between 2016 and 2019 are due to the acquisition of our plants in Swalmen, Bridgend and Château-Thierry during this period.

Future fibres



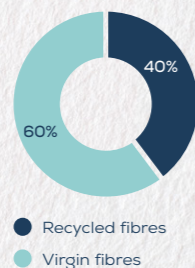
We aim for a fibre portfolio with leading environmental performance based on circularity.

Where we are today

Use of 40% recycled fibres (industry average: 20%)

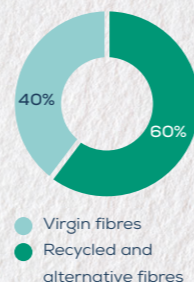
Certified virgin fibres

- 72.7% FSC
- 24.9% PEFC
- 2.4% FSC Controlled Wood Standard



Our targets and ambitions

- Reducing the environmental footprint by 25%² until 2030
- Utilising of at least 60% recycled fibres and virgin-fibre alternatives² until 2030
- Having all wood-based virgin fibres 100% FSC + PEFC-certified by 2025



Operational efficiency



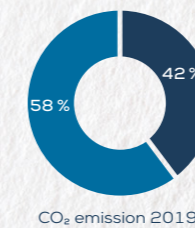
We aim for a carbon-neutral, zero-waste production and a sustainable water footprint.

→ Actively combating climate change

Where we are today

Targets based on Science Based Target initiative (SBTi):

- **Scopes 1 & 2**
603,000 t CO₂eq
0.76 t CO₂eq/t²
- **Scope 3**
823,000 t CO₂eq
1.03 t CO₂eq/t²



Our targets and ambitions

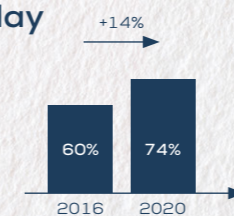
SBTi 1.5°C target³
Reduction of CO₂ emissions by 2030:
-52.5% CO₂eq emissions/t in Scopes 1 & 2²
-52.5% CO₂eq emissions/t in Scope 3²

Target achievement is supported by:
+10% energy efficiency

→ Circular economy at WEPA

Where we are today

Production waste recycling rate:



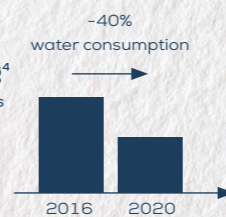
Our targets and ambitions

- 100% material or energy recovery of production waste by 2025
- Maximisation of material recycling and minimisation of energy recycling

→ Systematic water management

Where we are today

- Water abstraction: 9.2 l/kg⁴
- Water consumption⁵: 2.1 l/kg⁴
- Suspended solids: 17.2 mg/l⁶
- Chemical oxygen demand (COD): 76.5 mg/l⁶



Our targets and ambitions

- Water risk reduction by 2030
- The measurable target for this is in development together with the WWF

² Reference: finished goods + semi-finished goods sold + DIP sold
³ Our target was still under review by the SBTi at the time of the editorial deadline for this report.
⁴ Reference: mass of paper produced. Water consumption is the delta of water intake and effluent water.
⁵ Calculated from the difference between water abstraction and water recirculation
⁶ Data acquisition after processing. Only WEPA production sites with their own purification plants are included in this data.

Sustainable hygiene paper portfolio



We aspire to offer the most sustainable hygiene paper portfolio to make our customers successful.

→ Sustainable products for mutual success

Where we are today

- 25% of our finished goods sold are recycled products and 24% are hybrid products
- Our products are certified according to:
 - Cradle to Cradle
 - Nordic Swan
 - EU Ecolabel
 - Blue Angel

Our targets and ambitions

- Quantitative assessment and management of the sustainability of our portfolio. This includes, among other things, the sustainability of recycled and hybrid products.
- An evaluation system is under development and will serve as the basis for formulating a quantifiable target.

→ Sustainable packaging

Where we are today

- Primary plastics savings in packaging: 200 t
- 100% of our packaging is recyclable or reusable.

Our targets and ambitions

- By 2025:**
- 60% of our packaging material consists of recycled material.
 - Increasing the annual amount of primary plastics saved in packaging to 8,000 t⁷

Portfolio extension through innovation



We are expanding our existing product portfolio to be the leader in sustainable hygiene solutions in Europe.

Where we are today

- Foundation of WEPA Ventures
- Investment in/foundation of two start-ups by WEPA Ventures
- Member of the Maschinenraum network: alliance of 30 medium-sized and family-owned German companies

Our targets and ambitions

- Diversifying our portfolio with sustainable hygiene solutions: investing in innovation, partnerships and start-ups
- Sustainability criteria are included in any portfolio extension assessment.
- A quantifiable target is in development.

7 Packaging: sales packaging, outer film, stretch film

Foundation

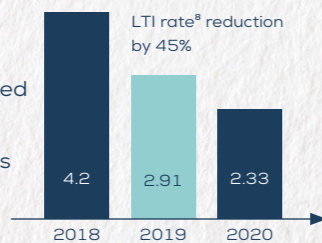
We follow our values, care about our stakeholders and the environment beyond legal requirements, and proactively prevent risks.

→ Occupational health and safety



Where we are today

- 5 of our sites are ISO 45001-certified
- Reduction of occupational accidents by 30% since 2018



Our targets and ambitions

- We are committed to ensuring the health and safety of our employees without compromise:**
- Certification of all sites according to ISO 45001
 - We aim for zero occupational accidents and a 10% annual LTIR⁸ reduction.

→ Product safety



Where we are today

- Our products meet the highest product safety standards.
- This is how we contribute to environmental protection and consumer health.

Our targets and ambitions

- We are committed to continuously avoiding, reducing or replacing potentially harmful ingredients beyond legal limits.
- We create transparency about all ingredients used.

→ “Best place to work”



Where we are today

- Engagement index: 3.5⁹
- Kununu rating: 3.9
- WEPA Academy establishment
- 62% women in new hires

Our targets and ambitions

- By 2023, we aim to achieve the following, among other things:**
- Rating of > 4 on the engagement index⁹
 - External employer rating (Kununu rating > 4)
 - Training measures for 100% of employees
 - Implementation of > 50% of the measures of the “Charta der Vielfalt”¹⁰

→ Supply chain transparency



Where we are today

- We have audited 56% of our raw material suppliers on site at least once since 2016.
- For our pulp suppliers in South America, we have achieved a rate of over 90% for the last five years.

Our targets and ambitions

- All suppliers comply with the values, the WEPA Code of Conduct and the European Directive on Supply Chain Due Diligence.
- By 2025, we will audit 100% of high-risk suppliers.

→ Social commitment



Where we are today

- We assume responsibility towards society and our immediate neighbours and support projects such as:**
- sports and cultural promotion
 - social services
 - donations of money and goods for charity projects

Our targets and ambitions

In the future, we want to expand our commitment alongside the WEPA foundation and will educate people about hygiene and environmental issues.

⁸ Lost-time injury rate (accident frequency)

⁹ based on an evaluation by an external institute in accordance with an internationally recognised method

¹⁰ “Charta der Vielfalt” (German diversity charter) is a self-commitment of the signatory to the promotion of equal opportunities for employees.

1. Foundation

We follow our values, care about our stakeholders and the environment beyond legal requirements, and proactively prevent risks.

The foundation of our WEPA Sustainability Strategy ensures that we care about all stakeholders, act in a value-oriented manner and are committed to people and the environment beyond legal requirements. Engaged and qualified employees are our most important success factor. That is why we want to offer our nearly 4,000 employees who work for the WEPA Group at 13 European locations the best place for their talents and skills, their personal development and collaboration. We have firmly established this in our strategy programme "Perform & Transform – WEPA 2023" with the transformation goal "Best place to work" to sustainably strengthen and expand our position as a responsible and attractive employer. The first priority is the safety and health of our employees and the creation of a diverse, supportive and motivating working environment. Our employees guarantee maximum product quality, which we seamlessly assure through our quality management. As a family business, we also value long-term partnerships and take care to ensure that our high requirements and standards are fulfilled along the entire supply chain.

This chapter presents the cornerstones of our foundation: safety and health of our employees, constituents of our modern working environment, how we ensure product quality, how we as a family business are committed to long-term partnerships and standards along the supply chain, and which aspects are at the forefront of our social commitment.



1.1 Occupational health and safety are our top priority

The safety of all employees is a top priority at WEPA. Through numerous measures and projects, we provide our employees with the best possible protection at work and on the way to work. If an accident or near-accident occurs at work, we will not simply let it rest.

We take every incident as an opportunity to review our internal procedures and possibly implement additional technical security measures or to formulate work instructions more precisely. In addition, five of our plants are already certified according to the ISO 45001 standard for occupational safety. In the next few years, we will extend this to all locations. This high level of safety awareness has already paid off: between 2018 and 2020, we were able to reduce the number of occupational accidents by 30% across the Group. As a comprehensive training measure, we implemented a campaign with occupational safety days, ergonomic workstations, Group-wide exchanges of experience and even best-practice examples.



→ What we stand for:

We are committed to ensuring the health and safety of our employees in the workplace and on their commutes without compromise. We strive for zero accidents by creating a healthy working environment and reducing the LTIR¹¹ by 10% each year.

We will also have all WEPA sites certified according to ISO 45001.



Our “Health & Well-being” programme supports our employees in promoting their health. In the future, our goal is to inspire even more employees than before to take advantage of our offers for a good and healthy life and thus make a real difference to their well-being. This is only possible through a holistic concept, which is why we consciously focus on both physical and mental health.

Regular health days and weeks with a varied programme including different sports, health and relaxation options are supplemented by check-ups for a healthy back or cardio scans. As a further component, we offer all employees and relatives living in their households an anonymous and free counselling service for private and professional stress situations via external service providers. Trained pedagogues, physicians, lawyers and psychologists are available around the clock to provide this service.

¹¹ Lost-time injury rate (accident frequency)

1.2 **Best Place to Work:** diverse, engaged and highly qualified

Engaged and qualified employees are the most important success factor for the WEPA Group. That is why we offer our employees the best place for their talents, their skills and their personal development.

Diversity in practice: diversity means more than man or woman

We see diversity as an opportunity and strive to actively promote the differences of all employees as mutually beneficial potential. This effort starts with respect and appreciation for everyone and includes working models that are as well-suited as possible in terms of time and location, spans gender-inclusive language and also incorporates development opportunities that are independent of gender.

At WEPA, diversity is deliberately included in every staff decision, seen as an asset and promoted accordingly. After all: the more diverse our team, the more agile and innovative our company.

Our workforce grew by 13% between 2019 and 2020, with 62% of new hires being women. This way, we are gradually improving the gender balance, especially in leadership positions. We also made progress regarding trainees over the same period: nearly 16% more young people with different cultural backgrounds started their training at our German sites in 2020.

In our recruiting process, we ensure that every applicant is given the same opportunities. For this purpose, we assemble our recruiting team to be heterogeneous and ensure they follow an established guideline.

Another contribution to diversity in practice is ensuring compatibility of family and career. We know how important it is to balance work and life, and how commonly employees find it difficult to conciliate their professional and private lives. Based on our values and management principles, we put into practice an employee-oriented company image that firmly incorporates family-friendliness. We support our employees in this challenge and create the necessary flexibility to allow enough time for private concerns and obligations. For this reason, the Hochsauerlandkreis district has certified us as a family-friendly company three times in a row.

“Better Together”: not just satisfied, but engaged – the WEPA Engagement Initiative

Engaged and qualified employees are the most important success factor for the WEPA Group. A high level of engagement goes well beyond the factor satisfaction. Only those who approach their work with passion every day and form an emotional connection to the company can perform at consistently high levels and drive innovation. We want to promote this attitude among our employees and therefore launched the WEPA Engagement Initiative in 2020.

Our “Better Together” Engagement Survey is aimed at obtaining continuous and direct feedback from our employees. The results of the initial survey, which we carried out on an optional and anonymous basis at all sites at the end of 2020, demonstrates the aspects we can already be proud of today as well as the areas where we can improve. Based on this findings, we are continuing to work on our long-term strategy and the implementation of our teams' measures for continuous improvement through the follow-up process.

Qualification: personalised and according to strengths at the WEPA Academy

WEPA reinforces the strengths of its employees. Each and every individual can fully develop their talent and is not only more productive, but also more engaged. Regular dialogue between employees and their managers is intended to provide orientation and feedback and to help identify development opportunities. By establishing the WEPA Academy, we enable self-responsible, effective and practical learning to support employees in achieving the necessary level of qualification and utilising as well as permanently developing their full potential. To meet our high standards, we work with qualified internal and external training partners.

We provide targeted support to our managers so that they can meet their responsibilities for constructive leadership: with a comprehensive and structured leadership development process in which more than 100 managers are currently participating. Our management culture is based on clearly formulated, transparent management principles.



→ What we stand for:

We will consistently implement our "Best place to work" strategy. By 2023, we aim to achieve the following:

- Engagement: Engagement Index > 4 (maximum value 5)¹²
- Qualification: • Evaluation of training measure quality (evaluation > 4, maximum value 5)¹³ • Offer training measures for 100% of employees (e.g. on the topic of sustainability)¹³
- Diversity: introduction of structured diversity management according to the guiding principles of the "Charta der Vielfalt" and implementation of more than 50% of its measures¹⁴
- Modern work environment: external employer rating (Kununu rating > 4) and award of another relevant employer rating platform



¹² based on an evaluation by an external institute in accordance with an internationally recognised method
¹³ internal evaluation process after each training or education measure
¹⁴ mapping in our management systems and governance structures

Our Leadership Principles



Trust
 We trust each other. We, as leaders, consider trust more important than control.



Empathy
 We are employee oriented. Our employees are always at the core of our socially and environmentally responsible business activities. We don't "just" listen, but "truly" listen.



Communication
 We communicate in an encouraging and appreciative way. We want constructive feedback to improve ourselves. Ask, listen and act. We want an open feedback culture.



Teamwork
 We, as a WEPA Team, work together in a collaborative mindset.



Agility
 We are living in a digital, lean and new way of working culture.



Ownership
 We take responsibility for the choices we make.



Transformation
 We motivate our employees to see the opportunities change can bring, by conveying our vision and communicating the common path for goal achievement.



Development
 We never stop learning. We are curious. We support the performance and growths of our employees.



Purpose
 We lead by providing meaning. Everyone in an organisation must know „WHAT“ to do, „HOW“ to do it and „WHY“ they do it.



Performance
 We act in a performance culture with consequent actions.

1.3 Highest quality is our prime principle

Our customers are accustomed to relying on high product quality with our products. We guarantee the highest standards – ensured by our seamless quality management system from supplier selection to delivery.

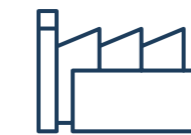
Be it in public washrooms, at home in the kitchen or in a doctor's office: our products get as close to consumers as it gets. Therefore, our prime principle is to always provide them with maximum quality. To maintain confidence in our quality promise and to meet our customers' expectations, we use a comprehensive and certified quality management system. Embedded in our integrated management system and based on strict guidelines and controls, it guarantees the consistently high quality of our products, services and processes.

On top of every detail: our quality management

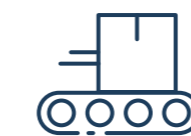
Focal points of our quality management include quality assurance, chemical and physical product analysis, raw material safety and hygiene management. We perform quality controls on our suppliers and ensure quality throughout our entire manufacturing process by means of incoming and outgoing goods inspections.



Warehouse



Manufacturing



Packaging



Quality assurance and compliance



Shipping and end products



In our production, we closely monitor essential product properties according to a defined test plan and examine ingredients both in our own quality laboratories and with the support of external institutes.

→ What we stand for:

We continuously ensure that our products meet the highest product safety standards.

We have a modern product safety management system that meets the highest standards and we are committed to continuously avoiding, reducing or replacing potentially harmful or ingredients perceived to be harmful way beyond mere legal limits.

We create transparency about all ingredients used.



1.4 A family business with integrity and responsibility

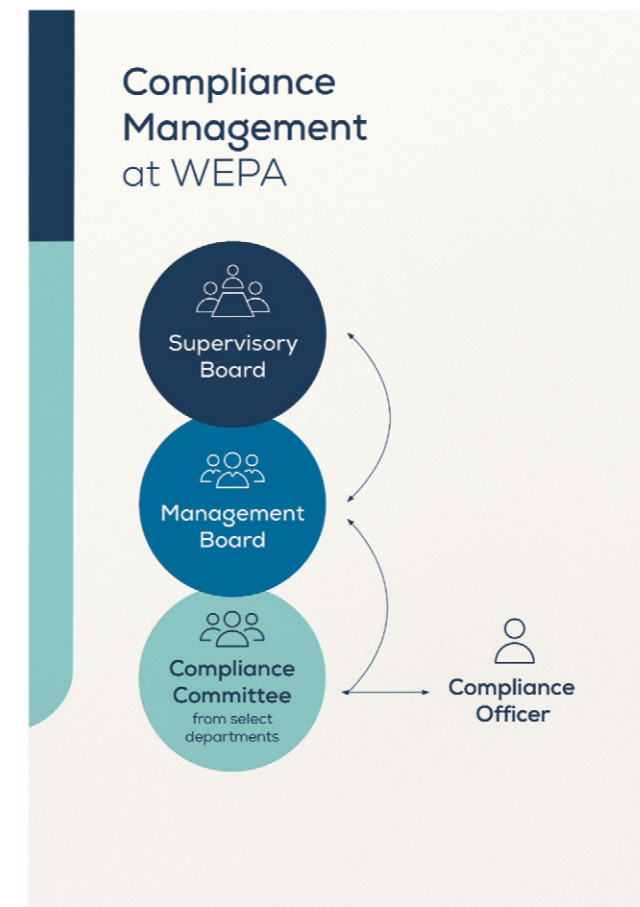
Be it our products, our supply chain or our employees – in the WEPA Group, we take our responsibility very seriously. We always comply with laws, standards and norms, but are also committed to surpassing them by carefully selecting our suppliers and auditing them at close intervals.

As a company, we are responsible for the products, services and hygiene solutions we bring to market, as well as our actions along the entire value chain. As a family business, we also have a special responsibility to care for our employees.

Laws, standards and norms ensure stability, reliability and security – within the WEPA Group and beyond for all stakeholders and society. We are convinced that sustainable management requires not only compliance with legal requirements, but also active management and commitment. This requires familiarising all employees with key laws and guidelines as well as internal requirements. Therefore, we have revised our Code of Conduct. It reflects our understanding of adherence to rules as well as acting according to our internal values and clarifies practical questions for everyday work.

→ What we stand for:

Our goal is to ensure that 100% of our employees are familiar with the contents of our Code of Conduct through regular training.



If there are any uncertainties or questions in this regard, our internal and external experts are the first point of contact for our employees. Together with our Compliance Officer, they support us in complying with the rules.



Long-term partnerships and responsibility in our value chain

Long-term supplier relationships based on partnership are essential for WEPA. This applies in particular to the procurement of our raw materials pulp, recovered paper and auxiliary and operating materials such as packaging, but also to energy, machinery, equipment and services, such as logistics services. Therefore, we select our suppliers according to a defined process and on the basis of binding criteria. The focus here is also on our WEPA values of respect, commitment and sustainability. This starts right at our principles in purchasing:

- Our suppliers must comply with our Supplier Code of Conduct. It fundamentally covers social and environmental issues, and by concluding the contracts, they commit to compliance.
- CO₂eq emissions of upstream value chains are taken into account when procuring raw materials.
- Especially when selecting virgin-fibre suppliers, promotion of biodiversity and eco-friendly cultivation are key.
- Where possible, we establish long-term relationships with local suppliers.

Assuring our high requirements and standards along the supply chain

We complete our objective of long-term cooperation in a spirit of partnership by auditing our suppliers. Through on-site checks, we verify whether our specifications are being adhered to. For instance, we have audited the factories of 56% of our raw material suppliers on site at least once since 2016¹⁵. For our pulp suppliers in South America, we have achieved a rate of over 90% for the last five years. We record deviations systematically and initiate immediate measures in the event of relevant failures – including ending the supplier relationship where necessary.

→ What we stand for:

We ensure that all our suppliers are capable of supporting our sustainability goals in legal and social terms and are willing to continuously develop further. We ensure that all suppliers comply with WEPA values, which are reflected in the WEPA Supplier Code of Conduct and the European Directive on Supply Chain Due Diligence. We are committed to auditing 100% of high-risk suppliers by 2025.



15 Reference year 2020





1.5 Together for a better future: our social commitment

Through our social commitment, we support the communities in which our sites are located, assist the local authorities and look after the well-being of our employees, their families and local residents. In the future, we will be devoting more attention to another important concern: education and information on sustainable hygiene.

Supported projects range from the renaturation of the Diemel river at our Giershagen site to regular sponsoring activities at sporting and cultural events. To this end, we work hand in hand with the WEPA foundation. If help is needed spontaneously, such as in 2020 due to COVID-19, we support social projects, associations or local institutions such as hospitals with donations of money and goods.



WEPA SUPPORTS NATURE CONSERVATION WORK IN THE CENTRAL REACHES OF THE RIVER ELBE IN GERMANY



We are partner of the environmental organisation WWF Germany

Together with the WWF Germany, we are committed to protecting the environment. After the renaturation of the wild river landscape "Wilde Mulde", a tributary of the Elbe, we are now involved in the nature conservation project "Mittlere Elbe": through reforestation, we contribute to the preservation of one of the last near-natural floodplain landscapes in Central Europe and protect the diversity of species and habitats. Together, we promote the use of recycled fibres in hygiene paper for private labels and WEPA "mach mit". Our long-term goal: a "deforestation-free" supply chain – to protect forests and resources.

→ What we stand for:

We will continue to ensure that WEPA lives up to its responsibility towards society and the neighbourhood – after all, that's our duty as a good neighbour. In the future, we want to expand our commitment alongside the WEPA foundation and will educate people about hygiene and environmental issues. This is how we contribute to social and educational well-being.



Project support through the "social toilet paper" by Goldeimer



We produce the Goldeimer toilet paper in our factory in Mainz. It is made of 100% recycled fibres, bears the "Blue Angel" ecolabel and is packaged in a film containing 60% recycled plastics and 15% chalk. With the sales, the non-profit company supports worldwide WASH projects¹⁶ by Viva con Agua and Welthungerhilfe, which provide people with access to water, sanitation and hygiene. WEPA supports this by donating 35 cents from each package of toilet paper sold to Viva con Agua.

We support Germany's largest New Year's Eve run

For more than 30 years, the WEPA Group has been one of the main sponsors of the New Year's Eve run held by the Sparkasse, where more than 7,000 participants from all over Germany take to the starting line – including a WEPA running group. The participation fee supports a charitable project.



"Together for a better life": the WEPA foundation

In early 2021, the Kregel entrepreneurial family established the WEPA foundation, a non-profit corporate foundation promoting non-profit initiatives regarding the topics of hygiene, ecological and social sustainability, life-long learning and family entrepreneurship in line with the goals and values of the WEPA Group.



¹⁶ WASH stands for water, sanitation and hygiene

2. Future fibres

We aim for a fibre portfolio with leading environmental performance based on circularity.

Cellulose fibres are the most important raw material in the paper industry. These fibres not only determine the quality of hygiene paper, but also the environmental footprint of a product. We utilise wood-based virgin fibres as well as recycled fibres based on recovered paper. The following holds true for single-use products: using recycled paper fibres is the most sustainable option. WEPA is a pioneer and European market leader in this field – and is continuously developing with research into fibre alternatives.

This chapter systematically references all relevant fibre variants: it explains the benefits of using recycled fibres and efforts by WEPA to increasingly control virgin-fibre cultivation and concludes with an outlook on future WEPA investments in innovative raw material alternatives.

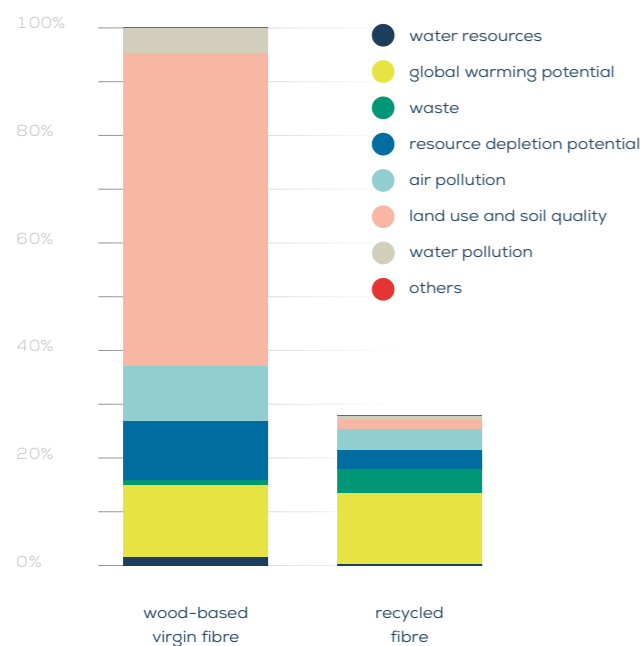


2.1 Pioneering in the use of recycled fibres

The decisive factor for the size of the environmental footprint is the type of fibre raw material used and the type of product in which it is used. Wood-based virgin fibres as renewable raw materials have a huge impact on factors such as biodiversity and land use. This also becomes clear when looking at the environmental footprint of our finished goods: over 50% of the environmental footprint is accounted for by the fibres.

To reduce this environmental footprint, it is important to replace virgin fibres with recycled fibres, especially in products that have a short life cycle. In single-use hygiene products, for instance, using recycled fibres is the most sustainable option. Although not all fibres from recovered paper can be utilised at this point, the environmental footprint is still roughly 70% lower than that of virgin fibre.

However, the following technical challenge arises: recycling the lowest possible grades of waste paper, which can otherwise hardly be used as material, is particularly valuable from an environmental point of view. Still, there often is less fibre to be obtained from these grades, and larger quantities of residual material remain. In order to further maximise the material use of these recovered paper grades, we are continuously working on the further development of our recycling technologies.¹⁷



Environmental footprint of the different fibre types

The “ecological scarcity method” developed in Switzerland is used to calculate the environmental footprint. This method takes into account a wide range of environmental impacts and aggregates them into a single indicator (Eco Points). The method is therefore compliant with the ISO 14040 standard and goes beyond it. Its result assesses pollutant emissions, resource consumption and biodiversity loss associated with land use.

¹⁷ cf. section 3.2, page 60

The WEPA Group has been a pioneer in the use of recycled paper fibres for decades: as the European market leader in the field of recycled paper, almost 40%¹⁸ of the fibres we use are made from recycled waste paper. This compares with an industry average of 20%.

A prominent example is our WEPA brand “mach ml!”: toilet paper, kitchen towels as well as tissues and facial tissues are made from 100% recycled paper fibres – and have been for over 30 years. This way, we conserve valuable resources and reduce our environmental footprint.



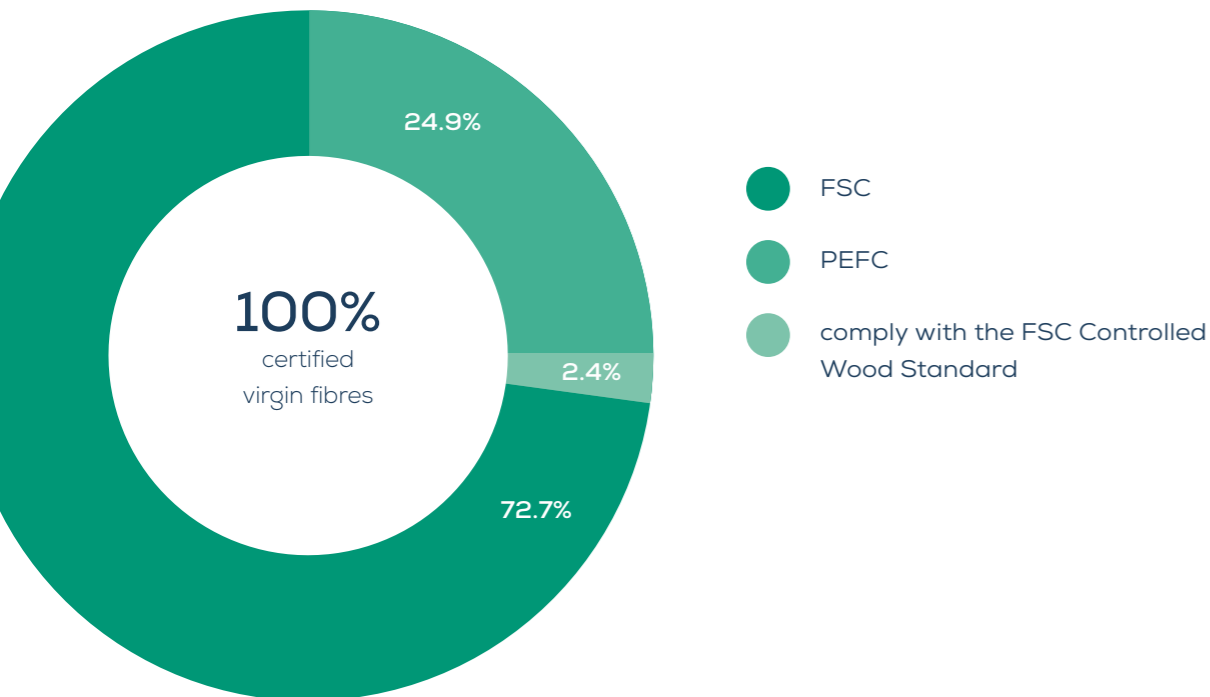
¹⁸ Reference: finished goods + semi-finished goods sold + DIP sold

2.2 Pulp as Fair Fibre

Even we cannot manage completely without virgin fibres for our sophisticated product portfolio. Where needed, we use sustainable, FSC® and PEFC-certified fibres wherever possible and work with our suppliers on projects for more biodiversity.

Despite important developments in hybrid and recycled paper, virgin fibres still play an important role in terms of hygiene paper. We attach great importance to sustainability when purchasing them. Approximately 98% of our virgin fibres are already FSC® (FSC-C016151) or PEFC-label-certified, the rest at least meets the FSC Controlled Wood Standard.

In addition to the requirements established by the certifications, we also use our own criteria as a benchmark for the pulps we use and check them by means of internal audits of our suppliers. Combined with our recycled fibres, virgin fibres therefore represent our current “Fair Fibre” raw material portfolio.



Sustainable raw material sources: the FSC and PEFC certification systems

At WEPA, certified fibres bear the label of the two internationally recognised certification systems FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification Schemes). We value both certifications equally, as both stand for sustainable forest management. For instance, pulps from FSC and PEFC forests do not contain illegally cleared wood and the use of genetically modified tree species is prohibited. It is also ensured that forests particularly worthy of protection are not exploited and thus preserved in the long term. The FSC Controlled Wood Standard (FSC-STD-40-005 V3-1) sets minimum requirements for materials from forests that do not yet fully meet the high standards of FSC certification.

The majority of our fibres come from suppliers in Europe and South America, with whom we have been working in trusting relationships for many years. They continuously improve their own environmental performance and take social and environmental sustainability aspects into account. Together with them, we work on various projects that promote biodiversity, among other things.

→ What we stand for:

Our goal is to source 100% of our virgin fibres from at least FSC or PEFC-certified sources by 2025. We also want to work more closely with suppliers who go above and beyond, and develop new standards with them to promote sustainable forestry and biodiversity.



Excursion

A special partner project: Restoration of Finnish peatlands

One of our projects to promote biodiversity focuses on peatlands as important CO₂ sinks and habitats for species that depend on wetlands. In the past, they were drained in many places around the world to create additional land for agriculture and forestry. Together with our partnership-based pulp supplier UPM, we want to counteract this development and will therefore jointly restore an area of about five hectares in Finland to its original boggy state, i.e. partly open and partly sparsely wooded peatland. Over the next three years, restoring measures will be taken to elevate the water level in the area to increase habitats for peatland species. In this way, we are creating biotopes for native animals and plants and making a contribution to biodiversity and climate protection.

Excursion

Pulp bleach

Pulp bleaching in particular has a major impact on the environmental compatibility of fibres. At WEPA, we have therefore been working intensively on this topic for many years. Our focus is on the two bleaching processes ECF (elementary chlorine-free) and TCF (totally chlorine-free). Both methods exclude the use of chlorine gas. While chlorine compounds are also not used in the TCF process, they are permitted to a lesser extent in ECF. However, the modern ECF process is highly efficient and can significantly reduce environmental impact. The evaluation of both bleaching processes with regard to their environmental impact will help us make our raw material selection even more sustainable in the future.

2.3 Investing in the future through innovative raw material alternatives

In addition to the increasing use of recovered paper, we are researching innovative raw material alternatives such as bamboo, straw or elephant grass, as well as the use of new types of recovered paper.

The environmental footprint and technical performance of these fibres are the basis for the selection of our future raw material portfolio, which we are continuously developing:

- We work on using a self-developed process to make locally grown grasses efficiently usable as a raw material for hygiene paper production.
- Integrating the French Château-Thierry site in 2019 allowed us to further expand our recovered-paper processing capacity and to strengthen our position as a leading manufacturer of recycled products.
- To further increase the resource efficiency of recovered-paper use, we are continuing to develop processing technologies. The aim is to maximise the material utilisation of the fibre and to minimise unused fibre residues.
- We work closely with our suppliers to source the virgin fibres in our "Fair Fibre" programme as sustainably as possible.
- Even today, we are already working with alternative paper fibres. For example, at the Swalmen location which produces for our "WEPA Professional" business unit, fibres from locally generated waste streams such as used beverage packaging, cardboard cups, used paper towels and bottle labels are reused to produce hygiene paper.

→ What we stand for:

We commit to improving the environmental footprint per ton of fibre¹⁹ by at least 25% until 2030, compared to 2019 (-20% by 2025). To this end, we will increase the share of recycled fibres and alternative fibres in our raw material mix to at least 60% by 2030 (50% by 2025).



¹⁹ Reference: finished goods + semi-finished goods sold + DIP sold

Excursion

A genuine recycling pioneer: circular economy for paper towels

A forward-looking material cycle featuring our WEPA Professional brand "BlackSatino": in the Netherlands, we have been demonstrating that the closed-loop concept also works for hygiene paper for as long as five years. Now, the successful concept is being exported to Germany – where we also have big plans. Recycling valuable raw materials and thus saving waste and emissions: that is the concept of the circular economy. Refurbish and reuse are the basic principles by which something new is created from an old product and value is preserved.

After several pilot projects, we developed the first paper towel recovery concept on site. The process is circular economy in practice: as a first step, used towels are collected separately in the public washrooms of participating organisations. Subsequently, a partner from the waste management industry transports the paper towels to our plant in Swalmen. Once there, we produce new "BlackSatino" products from the used paper towels. Finally, a service and distribution partner ensures that the new paper is delivered back to the organisation. Participants include companies and municipal administration units, but also zoos and universities.

The service is a complete success: since its launch, we have already been able to save 30 million litres of water, 860,000 kWh of energy and 1,100 tonnes of CO₂ emissions with the recovery concept.

As a consequence, the recovery concept is now also being transferred to Germany: in cooperation with Röhrtaler Wertstoff GmbH, we now also offer it for Westphalian companies. With "BlackSatino", WEPA is therefore taking one further step towards a circular economy.

2. Disposal service provider

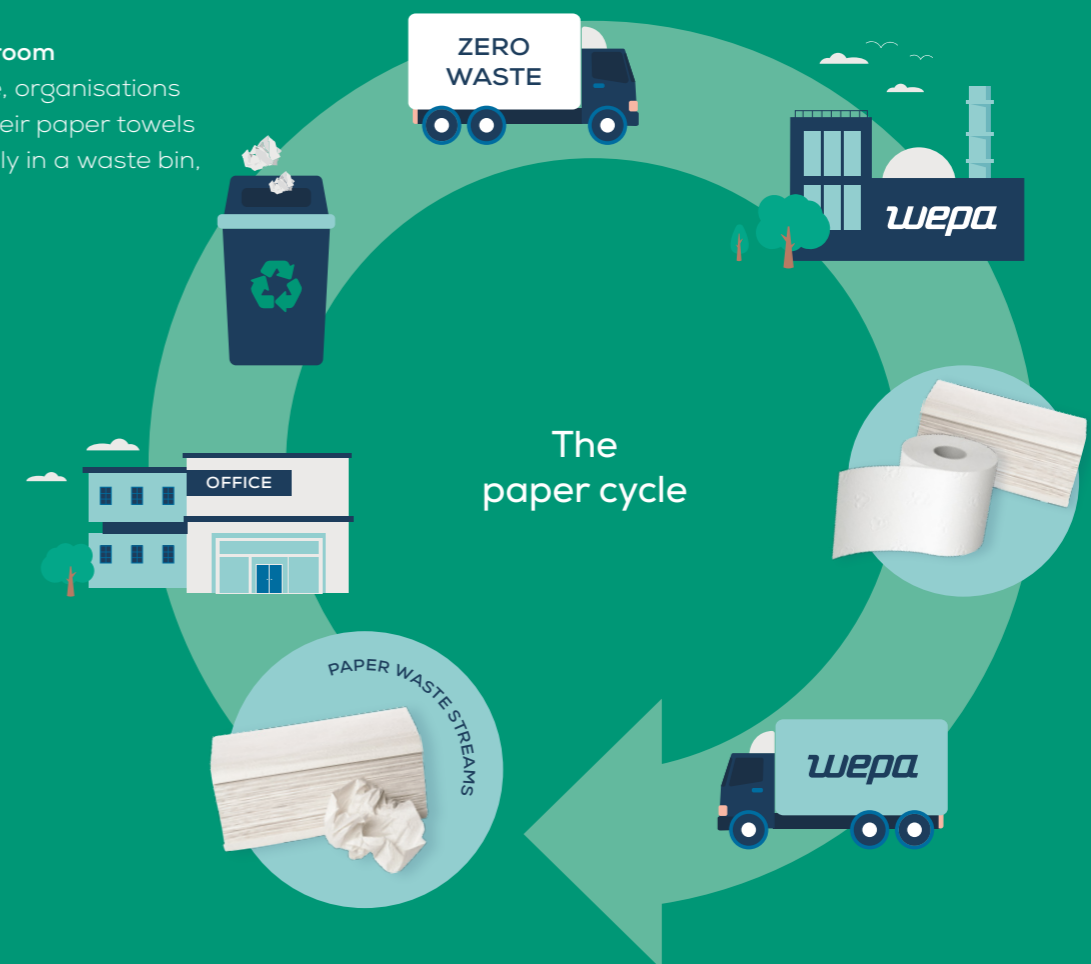
According to a fixed schedule, the container with used paper towels is emptied and taken to the WEPA plant by a partner from the waste management sector.

3. Processing as raw material

WEPA utilises the used paper towels as raw material for new hygiene paper.

1. Washroom

After use, organisations collect their paper towels separately in a waste bin, as usual.



4. The circle is complete

The new hygiene paper is once more delivered to the participating organisations by a service and distribution partner for new use in washrooms.

3. Operational efficiency

We aim for a carbon-neutral, zero-waste production and a sustainable water footprint.

Since its foundation, WEPA has been committed to production that protects the environment and conserves resources. WEPA has been certified according to DIN EN ISO 14001 since 2000 and continuously develops its internal environmental management system. Climate, circular economy and water are the three factors that significantly define our operational efficiency. We will continue to address these factors to make our environmental and social contribution.

This chapter systematically references these three factors. It explains the climate targets we have set for ourselves and how we intend to implement them through energy management and partnerships. In addition, we also explain how WEPA is driving forward the circular economy within the company and optimising the sustainable use of water as a resource.



3.1 Actively combating climate change

The WEPA Group pursues an ambitious vision: to become climate-neutral by 2040. Our strategy includes a consistent reduction of emissions through, for example, continuous improvements in efficiency and the use of renewable energy. To achieve this we have launched a group-wide energy management programme and work in partnership on innovative, climate-friendly methods of production.

An important factor for halting the development of climate change is the reduction of greenhouse gases, and the actions of companies play a decisive role in this respect – a fact that we are exceedingly aware of. As a consequence, we are guided in reducing our CO₂eq footprint by the targets of the Science Based Targets initiative (SBTi). Only with a maximum temperature increase to 1.5 °C above the pre-industrial era can we succeed in avoiding irreversible damage to our climate. Our vision is to become climate-neutral by 2040. At WEPA, this means we focus on energy efficiency and the reduction of emissions. Compensation policies and neutralisation measures are merely the last option for us.

Emission reduction for Scopes 1, 2 & 3

In order to reduce emissions we work in all areas of the value chain, according to which our greenhouse gas emissions are subdivided into categories (Scopes) as defined by the SBTi. Scope 1 consists of all emissions from our own production plant (e.g. production processes) including purchased steam, whereas Scope 2 includes emissions from the use of purchased electricity. Scope 3 comprises indirect emissions along the value chain. WEPA is setting ambitious targets for emission reductions within these Scopes along the entire value chain.

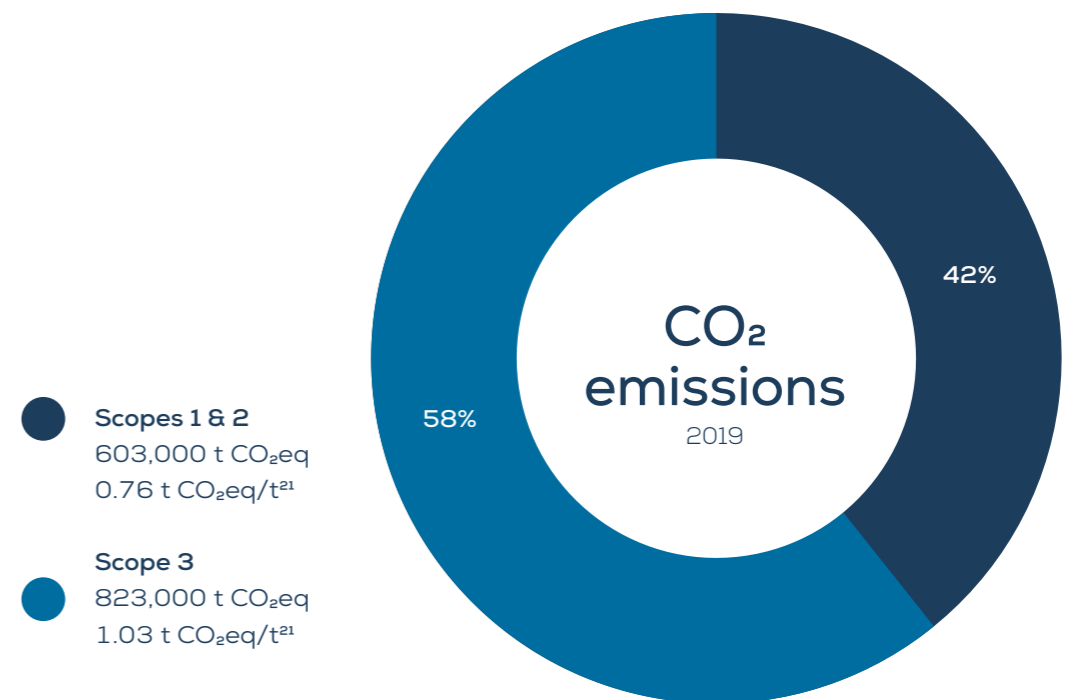
→ What we stand for:

We strive for climate-neutrality in all Scopes by 2040.

We have set fixed targets for WEPA based on the SBTi²⁰ to contribute to limiting global warming to 1.5°C.

By 2030 with base year 2019:

- reducing Scope 1 & 2 emissions by 52.5% per ton of goods sold
- increasing the energy efficiency of all processes in Scopes 1 & 2 by 10% per ton of goods sold
- reducing Scope 3 emissions by 52.5% per ton of goods sold



²⁰ The targets were set on the basis of the SBTi's science-based approach.

Our target was still under review by the SBTi at the time of the editorial deadline for this report.

²¹ Finished goods + semi-finished goods sold + DIP sold

Systematic energy management

To reduce emissions, increasing the energy efficiency of production processes is an important pillar of energy management within the WEPA Group: cutting emissions is essential for achieving climate neutrality. Within the framework of our DIN EN ISO 50001 certified energy management system, we primarily analyse production processes with regard to their energy consumption in order to improve energy efficiency. Thanks to energy efficiency measures, we have already reduced our specific energy consumption from 2010 to 2020 by 15%.

Measures contributing to this include:

- new paper machines in Lille, Giershagen and Piechowice
- upgrade to more efficient high-temperature hoods for paper machines at our Troyes, Leuna, Giershagen, Lucca and Mainz plants
- saving steam and gas by using waste heat, e.g. via extended heat recovery and re-evaporation systems
- step-by-step conversion of vacuum generation
- new drives and more efficient pumps
- intensive training of employees concerning new technologies and energy efficiency

Energy management programme: the operational implementation of our ambitious climate targets

We aim to further develop our energy management to achieve our ambitious objectives and to become the most sustainable company within our industry. This is why the WEPA Group has set up a new energy management programme. It is aligned with our "Perform & Transform – WEPA 2023" strategy and includes extensive efficiency measures in all plants, takes account of innovative and sustainable technologies for our future infrastructure and sets strategic priorities for the utilisation of renewable energy.



Excursion

Top energy efficiency: award for the plant in Swalmen

In 2020, our Swalmen location was named the nation's most energy-efficient mill in the industry by the Association of Dutch Paper Mills. The decisive factor here was a significant reduction in CO₂eq emissions, for example thanks to a modern steam generator and optimised production processes. In addition, a photovoltaic system is used for electricity generation.

Partnerships for climate-neutral production methods and energy efficiency

Things get done better together: this is why we conduct research and development work for the climate-friendly production of hygiene paper in various networks, with other paper manufacturers and suppliers and together with universities. Two examples:

- Modellfabrik in Düren: a research building with laboratories and a technical centre will be constructed by 2024. Among other focus areas, research will be conducted there on efficient process technology, digitalisation and the supply of renewable energy for the paper industry. This way, the network makes an important contribution to the Paris Climate Agreement and to maintaining Germany as a competitive location for industry.
- Within the framework of the ChePap Rhein-Ruhr III network for energy efficiency and climate protection, 14 companies from the chemical and paper industry in North Rhine-Westphalia exchange information on energy and efficiency topics and develop measures to save energy.

3.2 Circular economy at WEPA: waste becomes raw materials

WEPA has been committed to the circular economy for years with a view to conserving resources and protecting the environment. We put recycling at the centre of our activities and transform waste into new, usable recyclable materials. Where this is not yet possible, we invest in research and development to further improve the material use of resources.

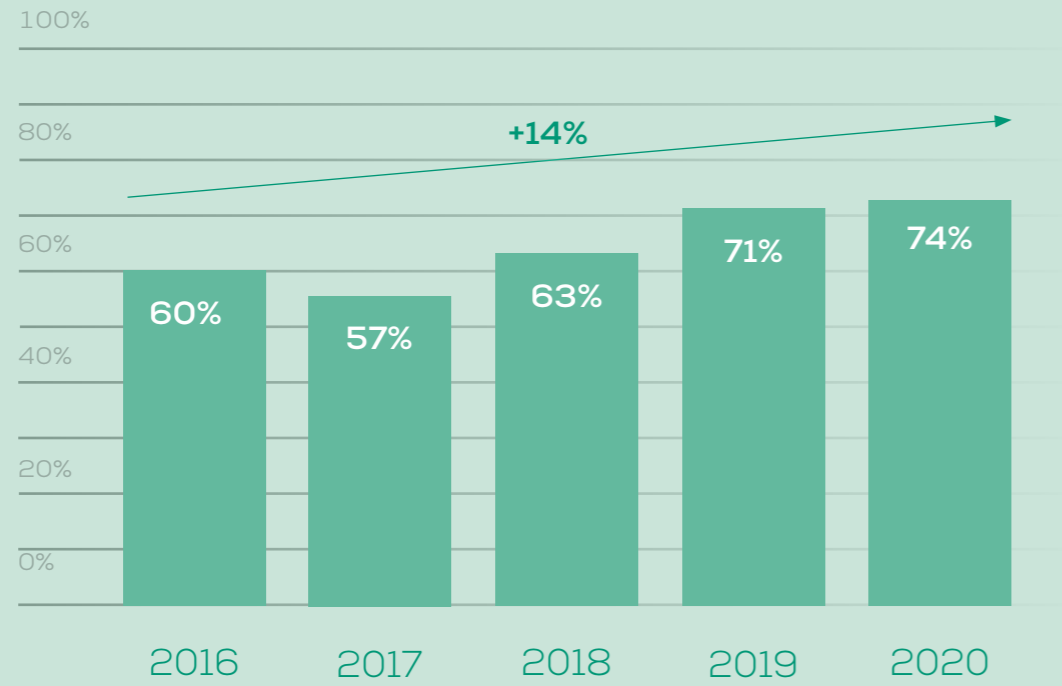
A central component of the circular economy at WEPA is paper recycling in order to further diminish the use of fresh fibre in our hygiene paper products – a factor particularly important with respect to land use, biodiversity and climate protection.

Recovered paper as a valuable secondary raw material

We recycle recovered paper collected from various sources such as files from offices and archives. We strive to keep as many recyclable materials as possible within the cycle, and for as long as possible. And we are already highly successful in this regard: with the types of recovered paper we use, an average of 600 kilograms of fibre for paper production can be obtained from 1 ton of recovered paper. The ratio of extracted fibres is largely dependent on the composition of the recovered paper.

Residues that remain after fibre extraction and that cannot be used for hygiene paper production include, for example, paper clips, plastic film residues and inorganic fillers. Paper fibres that are too short are also sorted out as they do not meet the quality stipulations of our products. All these materials are separated according to type of material such as metal, plastic and organic waste. Single-grade waste is a valuable raw material and can be recycled without problems. Scrap produced during our packaging process can also be reused by plastics manufacturers as a raw material.

Paper sludge is a further waste product from paper production, left over from the de-inking process, and consisting of washed-out printer inks and pulp. These can also partly be used in other industries. This way, paper sludge remains part of the cycle of recoverable resources as a raw material for brick production. Residues that cannot be recycled are used for generating energy. From 2016, we were able to increase the recycling component of our production waste by 14%, from 60% to the current level of 74%. The rest is thermally recycled. If not otherwise possible, only the smallest quantities are landfilled.



Recycling rate of the WEPA Group's waste

Future-oriented waste management

We continuously work towards improving and further developing the cycle of recoverable resources and are guided by the EU Waste Framework Directive, which sets out a concise waste hierarchy. We aim, for example, to extract even more fibre in the future from supplied recovered paper and reduce the water content of our sludge and rejects through optimised pressing processes. This in turn reduces the quantity of waste requiring transportation. We simultaneously aim to continue working on maximising the material use of the remaining production residues, e.g. through further sorting and fractionation.

This endeavour faces a very special challenge: in order to optimise the environmental footprint of our raw materials, we will be using lower grades of recovered paper in the future that would otherwise be difficult to recycle. However, this increases the quantities of waste materials that are not suitable for hygiene paper production. This is precisely the point where we start to develop our recycling technologies even further to facilitate the highest possible degree of waste material utilisation.

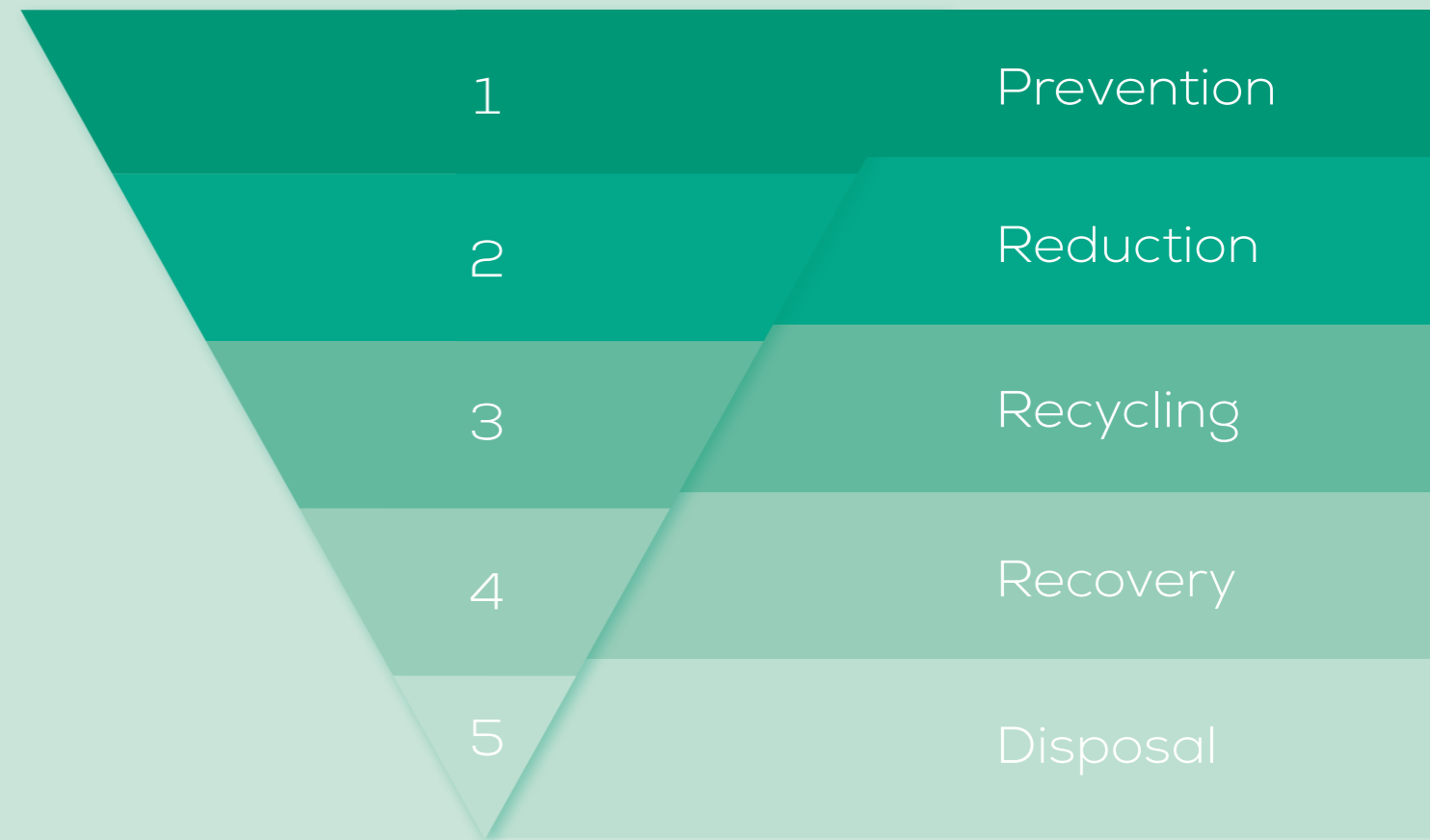
→ What we stand for:

All of our production waste, including hazardous waste, will be recycled or used to generate energy by 2025. Our goal is to maximise material recycling and minimise energy recovery.



EU waste hierarchy and WEPA measures

- 1 **Prevention**
Optimising production to avoid waste (e.g. by using our own paper waste)
- 2 **Reduction**
Maximising the use of fibre residues in recovered paper processing, reducing waste
- 3 **Recycling**
Developing new ways of utilising waste, rejects and sludges, e.g. through new sorting technologies for plastic residues
- 4 **Recovery**
Minimising energy utilisation while developing new technologies in cooperation with incineration residues, such as ash, for material use
- 5 **Disposal**
Disposal will no longer be an option for the WEPA Group in the future.



3.3 Sustainable water management at WEPA

Water – a precious commodity that is essential for our production processes and that must be protected for people and the environment. We work systematically to conserve water as a resource and, since 2016, have reduced our relative water consumption by approximately 40%. With the WWF Water Stewardship programme, we are taking things one step further.

Water is one of the most important resources for the manufacture of our products. We use 66% surface water, 31% underground water and 3% drinking water at our sites, utilised in our production processes (as process water) and for cooling (cooling water). In stock preparation, recovered paper bales and cellulose bales are dissolved in water to form a fibre pulp. Foreign substances are filtered from this pulp in various rough and fine cleaning stages. Recovered paper also undergoes a de-inking process in which printing pigments are washed out and skimmed off using air. The purified fibre pulp consists of 99% water. On the paper machine, the water is removed from the fibre through screens, felts and drying, and then reused in the cycle.

For the complete production process of the WEPA Group, 9.2 litres of water are currently extracted per kilogram of sales product. A large portion of it is returned to surface water after use and is not lost to the ecosystem. Prior to this, process water undergoes a complex purification process in our own purification plants or in external industrial treatment plants as well as municipal water treatment. Pure cooling water can be discharged directly back into the surface water after use as it is not exposed to the process. This results in a water consumption of 2.1 litres of water per kilogram of sales product.

2.1 l/kg²²

Water consumption
2020

9.2 l/kg²²

Water abstraction
2020

After treatment, the process water contains²³:

Suspended solids 2020: 17.2 mg/l

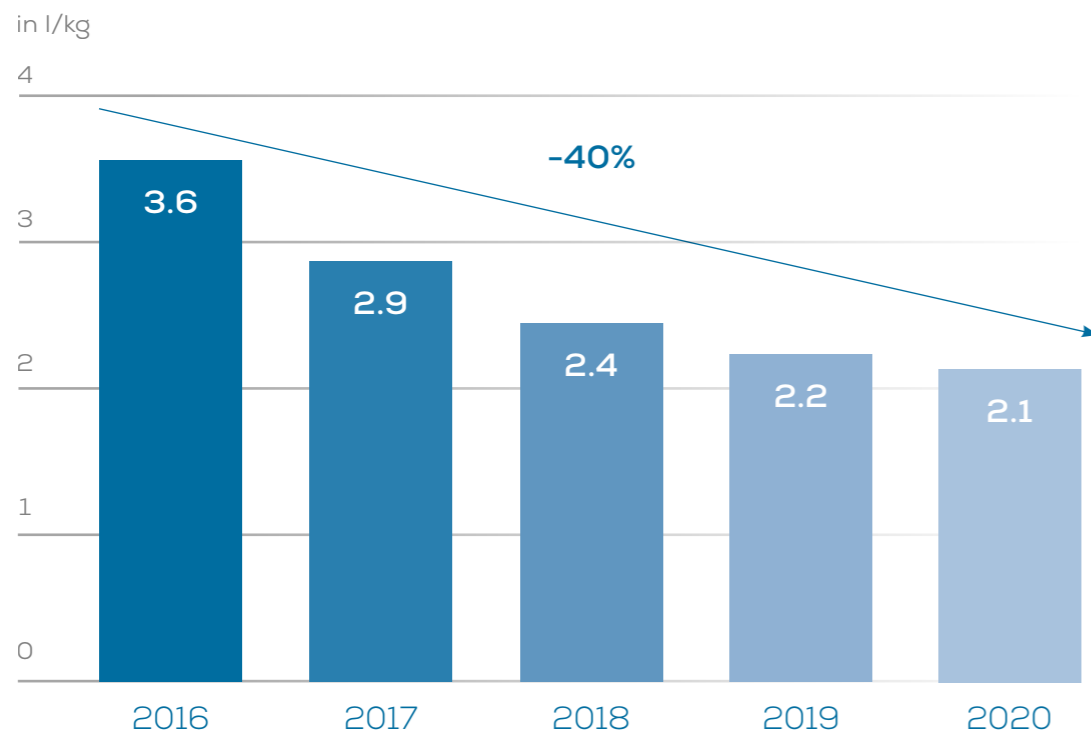
Chemical oxygen demand (COD) 2020: 76.5 mg/l

²² Reference: mass of paper produced. Water consumption is the delta of water intake and effluent water.

²³ For this data, only WEPA production sites with their own purification plants are taken into account. As a matter of principle, WEPA Group waste water is treated in proprietary or external purification plants, always ensuring compliance with regulatory limits.

Our future-oriented water management

Water is not only an irreplaceable commodity but also increasingly scarce in many regions of the world. This increases the risks caused by water use for the environment, for society and the economic sector. For this reason the WEPA Group systematically works towards optimising water management. Thanks to a variety of measures, we have already been able to reduce our water consumption²⁴ by 40% between 2016 and 2020. One lever for this is the closing of water cycles in our factories.



Reducing water consumption

40% reduction of water consumption per kilogram of manufactured paper since 2016

²⁴ Calculated from the difference between water abstraction and water recirculation

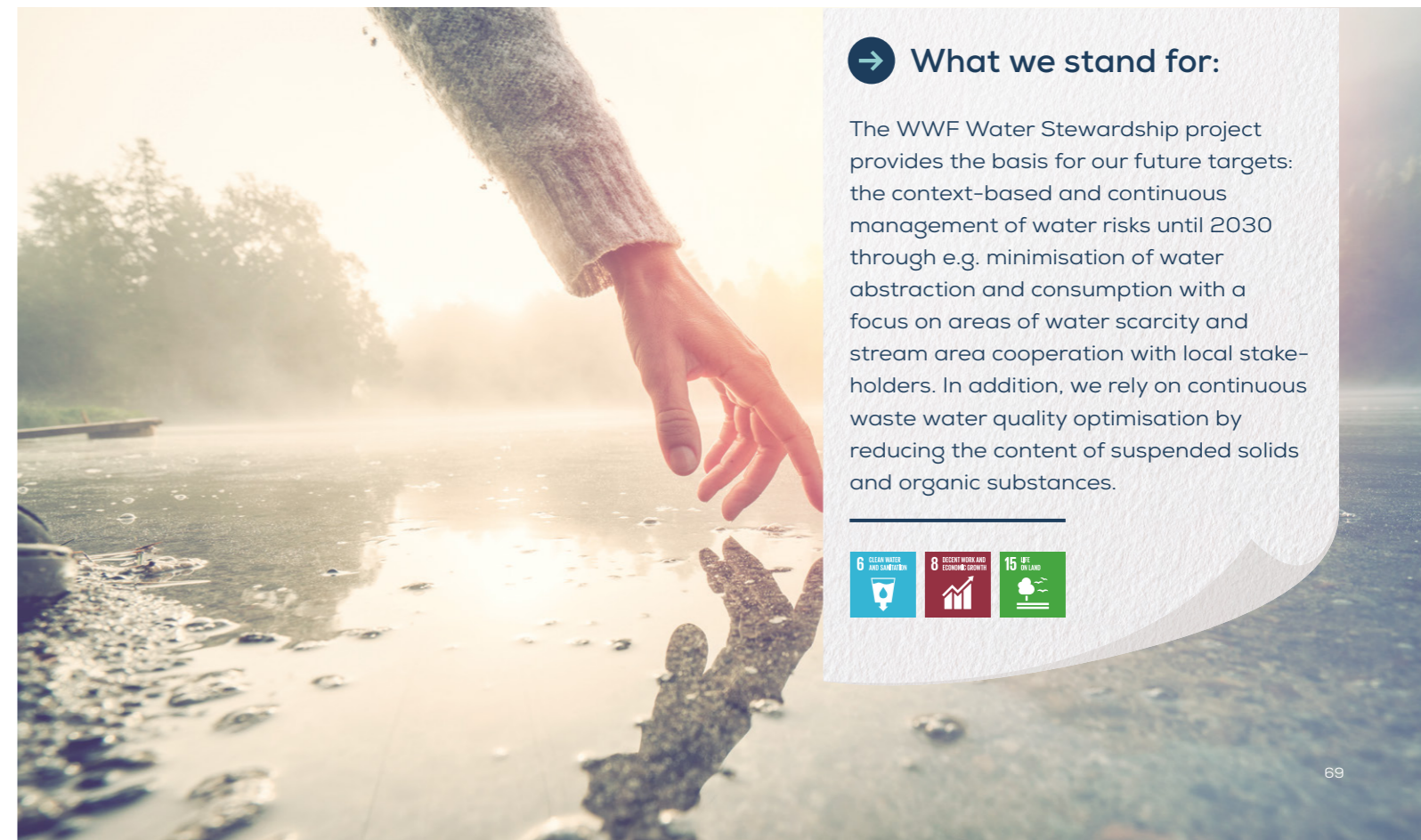


One step further with the WWF Water Stewardship project

Abstraction and consumption are two important factors in our handling of water, but they are not the only key figures. To protect the environment and society, it is essential to comprehend the risks of water use and manage it accordingly. Together with our long-standing partner WWF Germany, we have launched a new project to assess water risks at our 13 production sites. At the centre of this project is an analysis that identifies risks to the environment, people and businesses in connection with water use.

Risks thus identified can be, for example, water scarcity, flooding and insufficient water quality. Our objective with this project is to adequately reduce the water risks for all WEPA Group locations and, in a second step, for our entire supply chain. In addition, WEPA as a Water Steward will also work with other water users and stakeholders in the stream areas to promote sustainable water use.

Water risks are determined with the Water Risk Filter, a dedicated WWF tool. It generates risk scores for each site based on geographic location, condition of the catchment area and previous operational practices, e.g. for water use or water abstraction. On this basis, measures are determined for the continuous reduction of water risks. The analysis is used to define a water strategy together with the WWF Germany, one of the aims of which is to reduce the water risks at our sites.



→ What we stand for:

The WWF Water Stewardship project provides the basis for our future targets: the context-based and continuous management of water risks until 2030 through e.g. minimisation of water abstraction and consumption with a focus on areas of water scarcity and stream area cooperation with local stakeholders. In addition, we rely on continuous waste water quality optimisation by reducing the content of suspended solids and organic substances.



4. Sustainable hygiene paper portfolio

We aspire to offer the most sustainable hygiene paper portfolio to make our customers successful.

Currently, our focus is also on innovative packaging solutions. In addition, we are currently developing a comprehensive approach to portfolio management that will support the systematic further development of our portfolio towards sustainability leadership.

This chapter describes our five levers for a sustainable hygiene paper portfolio, with a focus on packaging.



4.1 Sustainable products for mutual success

We strive to offer our commercial partners the most sustainable hygiene paper portfolio. This makes them successful in the market and helps consumers integrate sustainability into their everyday lives.

In order to achieve our goal of being the first class partner for the most sustainable hygiene paper portfolio, the WEPA Group has been working for many years on optimising various influencing factors. To this end, we have defined five criteria that significantly determine the sustainability of a product: the configuration of the product, the environmental footprint²⁵, product labels, product packaging and logistics. Based on these factors, we are then able to specifically develop innovations to drive forward the sustainability of our hygiene paper and hygiene services.

We transparently inform our commercial partners and consumers about suitable sustainable hygiene solutions in both our brand ranges and private label ranges. For us, life cycle analyses are the factual basis on which we advance product development and innovation that promote sustainable added value. This is how we help our commercial partners achieve their own sustainability goals and support consumers with sustainable products in their day-to-day lives.

Product configuration: evaluation of various product properties, e.g. number of sheets, roll diameter and embossing



What is the product's unique selling point, what is its social and environmental impact?

One example: since 2016, we have been producing toilet paper for the non-profit company Goldeimer. It is the very first social toilet paper as it provides people worldwide with access to water, sanitation and hygiene as part of the Goldeimer and Viva con Agua WASH projects. The colours of this 100% recycled paper are selected to avoid a negative impact on the environment.

Environmental footprint (LCA): evaluation of the product according to the ecological scarcity method using eco-factors such as CO₂eq emissions, water consumption and biodiversity

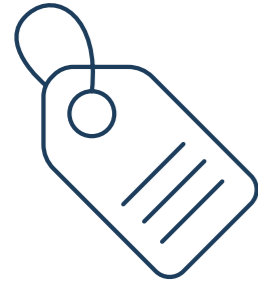


What is the product's environmental footprint?

We measure the environmental footprint of our raw fibre materials with a recognised method. According to this evaluation, recovered paper is the raw material with the smallest environmental footprint. However, not every customer wants to do without certain properties of cellulose fibres. To use recovered paper in even more high-quality hygiene products, the WEPA Group developed hybrid products around 10 years ago which are now at a market share of around 24% – particularly in the form of private labels for our commercial partners. By using approximately 30% recovered paper, our hybrid products have an environmental footprint that is about 20% smaller than that of pure virgin-fibre products.

²⁵ Explanation cf. chapter 2.1, page 44

Labels: proof of the product’s sustainability, e.g. using FSC, Blue Angel, EU Ecolabel, Nordic Swan Ecolabel or Cradle to Cradle labels

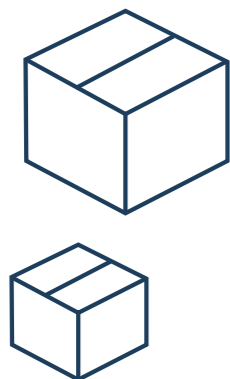


Which labels can authentically verify the sustainability of products?

Product labels ensure that sustainability criteria are fulfilled and thus provide orientation for consumers. One example are products from the “BlackSatino” brand, which are Cradle to Cradle Certified™ and meet high requirements:

- use of environmentally safe materials
- designed for material reuse, e.g. recycling or composting
- use of renewable energy
- efficient use of water and improvement of water quality
- promoting social responsibility

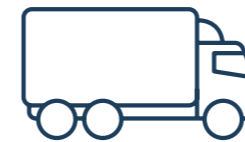
Packaging: evaluation of different materials such as polyethylene (PE), PE recyclate and paper



Which packaging is most sustainable in which use?

60% recycled post-consumer polyethylene (PCR) and 15% chalk are used in the packaging of “mach ml” toilet paper. As a consequence, the use of primary plastics has been reduced to 25%. Recyclability remains completely intact. We also removed the carrying handle, saving roughly 20% of material. The decision to use chalk also leads to a 12% reduction in carbon emissions. In the spirit of “design for recycling”, the number of printing inks was cut to four, and the colours are less intense. Ink consumption has been reduced by 50%. This leads to a better quality of recyclate obtained from the used packaging.

Logistics: evaluation of logistics, e.g. on the basis of truck capacity utilisation and transport vehicle



How can we offer more sustainable logistics concepts?

In both the upstream and downstream value chain, transport accounts for a high proportion of CO₂eq emissions for many of our products. Optimised logistics concepts are thus an important starting point for sustainable products. We are also driving this development in the form of customer cooperation: we have modified the product dimensions of toilet paper, for example, in cooperation with a major customer in the food retail sector. This way, we achieve optimised pallet layouts to improve truck utilisation. The result: fewer journeys and lower emissions.

→ What we stand for:

WEPA is the number one partner for the most sustainable hygiene paper. We support our customers in achieving their sustainability goals and make the lives of our consumers a little more sustainable. To this end, we measure the sustainability performance of our product portfolio and consistently develop it further. A comprehensive evaluation system is currently in the finalisation phase and serves as a basis for further targets.



4.2 Deep dive: packaging, a vital contribution to circular economy

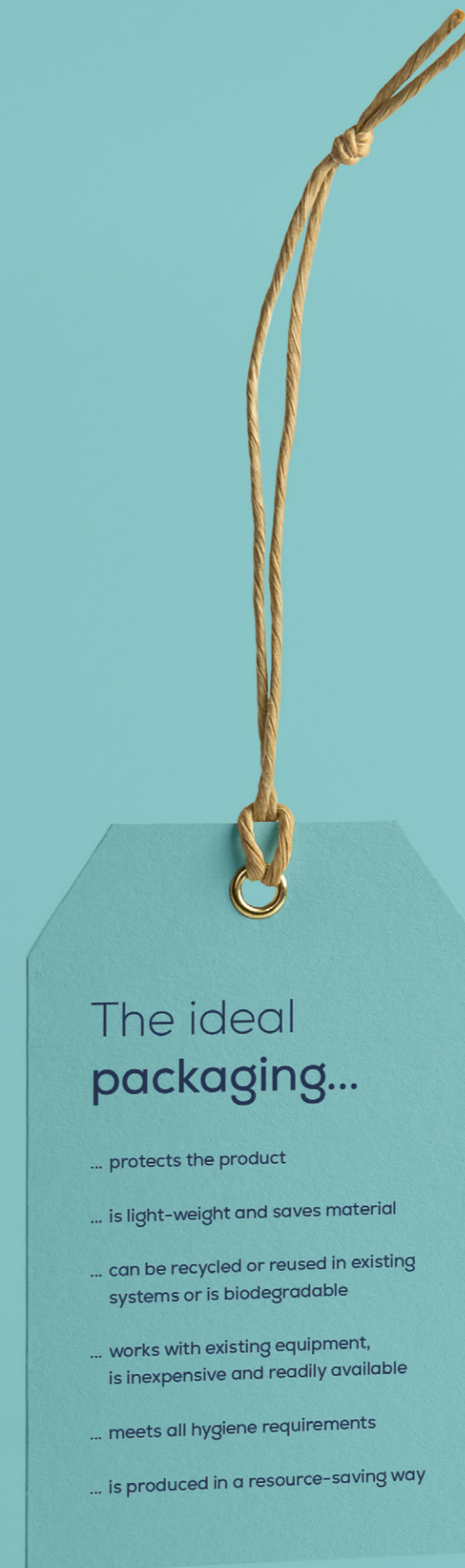
Reduce, reuse, recycle – this is our focus with the packaging of our products. The development of sustainable packaging is an essential component of our Sustainability Strategy and enables us to make an important contribution to circular value chains.

The WEPA Group is also committed to circular economy in the area of packaging. Valuable resources are required for their production, and their long-term retention within the value creation cycle must be ensured. Our requirements for suitable materials for our product packaging are therefore especially high: they must be recyclable and provide a high level of protection for our hygiene paper during transport and storage, as well as convince us of their technical and economic benefits.

Evaluation of material alternatives

The decisive factor for the evaluation of individual material alternatives is calculating the environmental footprint²⁶. The result: polyethylene is superior to paper packaging and other materials. The reason for this is that types of paper currently available either do not provide sufficient protection for the product or have poorer recycling properties due to additional coatings. This is why we use single-grade polyethylene for a large part of our packaging and increasingly use recycled material for this purpose. All packaging materials used by us are fully recyclable. Naturally, this requires correct disposal.

²⁶ Explanation cf. chapter 2.1, page 44



Our agenda for eco-friendly packaging innovations

WEPA has an in-house working group for innovative packaging alternatives to make our packaging even more eco-friendly. The team studies different packaging materials in detail and evaluates their potential. This effort has resulted in an agenda for the continuous further development of our sustainable packaging development:

- 1 reduction of packaging thickness
- 2 increased use of post-consumer recyclate (PCR)
- 3 further development of protective, recyclable paper packaging

Based on this agenda, we have already achieved a lot in the past years: we reduce our use of materials wherever technically and functionally possible. For example, simply dispensing with the carrying handle on our "mach mit" toilet paper saves five tons of plastics each year.

For this brand and many others we also use recycled material. We replace primary plastics with a mixture of post-consumer recycled (PCR) plastics as well as using a small amount of calcium carbonate (chalk) as a filler. This allows us to save up to 75% of primary plastics. For all our brands and private label products, yielded savings come in around 200 tons in primary plastics for the year 2020.

→ What we stand for:

At this point in time, we already ensure that 100% of our packaging is recyclable or reusable.

By 2025, 60% of our packaging will be made of recycled material.

We will also save 8,000 tons of primary plastics in our packaging²⁷ annually by 2025.



²⁷ Packaging: sales packaging, outer film, stretch film

5. Portfolio extension through innovation

We are expanding our existing product portfolio to be the leader in sustainable hygiene solutions in Europe.

We aspire to be the leader when it comes to sustainable hygiene solutions in Europe. To this end, we invest in innovation, start-ups and partnerships to diversify and extend our existing portfolio with sustainable hygiene solutions. This is how we ensure the long-term success of our family business.

This chapter includes an interview with Andreas Kregel, Member of the Management Board of the WEPA Group, on the subject of investments, innovations and partnerships for portfolio expansion. We also present a selection of our WEPA Ventures start-up portfolio.



5.1 Guiding principle for the future of WEPA: **sustainability through innovation**

For us, further developing our portfolio is a strategy pillar on the way to sustainability leadership in the hygiene industry. As a family business, we stand for responsibility and future orientation in this regard. Differentiation and further development through sustainable innovation are established components of our orientation.



Andreas Kregel
Member of the WEPA Group Management Board

Andreas Kregel is also committed to this effort. As Chief Strategy Officer, his responsibilities on the WEPA Management Board include the strategy and transformation process of the WEPA Group and the "New Business Areas" business unit. In the following interview, he explains what sustainability means to WEPA and to him personally, as well as the contribution of innovation and WEPA start-up activities in terms of the Sustainability Strategy.

Mr Kregel, what role does

sustainability play in the "Perform & Transform – WEPA 2023" Group strategy programme?

Sustainability is an essential part of our "Perform & Transform – WEPA 2023" strategy programme and is firmly integrated in our vision and expresses our purpose "Together for a better life". Through it, we

intend to position our family business in a future-oriented and responsible manner and further develop the WEPA Group. In this context, we also see sustainability as a clear competitive advantage in economic terms and therefore attach great importance to a consistent and comprehensive approach. This objective also comes from our shareholders, who define themselves as a responsible owner family that thinks beyond generations.

Why is sustainability through innovation so near to you personally?

As a family business, the WEPA Group sets long-term goals for itself, far beyond typical

management cycles. It is precisely this responsibility for future generations that motivates me. I am convinced that the only way for us to develop our company further and to position it for the future is through sustainable products. Innovation enables us to hold our own in a dynamic market environment in the long term and to address the urgent challenges facing society and the environment. Therefore, it constitutes an integral part of our strategy. Realisation is achieved through our customer- and consumer-centric thinking and actions, through our innovation platform FutureLab and our innovation teams in the respective business units, as well as through cooperation with partners along our value chain and with start-up companies through WEPA Ventures.

➔ **What we stand for:**

We are taking big steps towards the future and diversifying our portfolio to become a provider of sustainable personal and professional hygiene solutions, among other measures through product and service innovation, acquisitions and partnerships as well as investments in start-ups. We also work on evaluating future investments according to select sustainability criteria. Naturally, our focus on sustainability is vital for every current and future investment decision.



WEPA Ventures is the corporate venturing arm of the Group: How does investing in start-ups fit with a third-generation family business?

WEPA Ventures reflects the essence of our entrepreneurial focus: we use our many years of experience and our network to help founders drive their innovative ideas. To this end, we invest in existing start-ups or develop our own ideas. What all our ventures have in common is that they move us forward towards our vision as WEPA. Together, we become the most sustainable and first class partner for personal and professional hygiene solutions. We also focus on the motto "Getting paid to learn": we are convinced that our activities add financial and strategic value to start-ups and the WEPA Group. To succeed in this regard, we invest on the basis of various criteria, with sustainability aspects having a significant influence on investment decisions.

What is the development direction of the WEPA Ventures portfolio in the coming years?

Our investment focus is on sustainable hygiene products and solutions and developing packaging and raw material alternatives. As part of the WEPA Group transformation process, however, we also invest in innovative business ideas along our value chain that are interesting for the sustainable and agile orientation of WEPA. A priority for us when developing our portfolio is having the start-ups and the WEPA Group strengthen each other. We can already see this working in some successful collaborations.

Excursion



We are a member of the innovation network "Maschinenraum"

It is time to take the next step, which is why we joined the Maschinenraum innovation ecosystem – it's better to shape the future together. In this alliance of currently 30 German medium-sized and family-owned companies, we share our experience and work together on the opportunities and challenges of change processes, such as digital transformation.

5.2. WEPA Ventures: A selection of start-up investments

We want to position our company successfully for the future. Through our corporate venturing arm WEPA Ventures, we therefore invest in start-ups and founders who gear their business model towards sustainable hygiene solutions or offer products in the areas of alternative raw materials and sustainable packaging.



MYLILY: Organic Femcare

Offering women sustainable and high-quality products while also reducing the consumption of fresh plastics – this is what the Hamburg-based start-up MYLILY has set out to do. It sells products for women’s health, including organic cotton and organic herbs. This focus on sustainability has already earned the young company a place among the finalists of the German Sustainability Award 2020.

“MYLILY is a good example for the value proposition of WEPA Ventures. Thanks to an ongoing exchange between the MYLILY team and different committed WEPA mentors, we support the start-up’s development by contributing, among other things, our retail know-how.”

Andreas Krenzel

SNYCE: paper and packaging made from recycled material

Creating everyday products that are uncompromisingly sustainable – this joint idea gave rise to the launch of start-up SNYCE by a team of founders and WEPA Ventures. SNYCE toilet paper is manufactured by WEPA from 100% recovered paper and is supplied in recycled cardboard packaging. This means that end consumers have no need for plastic packaging. What’s more, the toilet paper is not only sustainable and of high quality, but also available in three designs. WEPA Ventures was able to provide support in the form of know-how and promote the spread of recycled products through this venture.



the nu company: healthier and more sustainable snacks

Food start-up the nu company from Leipzig challenges the food industry and wants to change it sustainably. Founded in 2016 by three industrial engineers, the “purpose-driven” company is committed to healthy and climate-positive snacks that are packaged sustainably. All raw materials are of natural origin in organic quality, the products are vegan and contain no refined sugar. They are packed in a specially developed packaging made of cellulose which can be composted right at home. On its climate-positive mission, the nu company supports reforestation projects in collaboration with the Eden Reforestation Projects organisation by planting one tree for every product sold.



About this report

As a future-oriented, European family business with the core values of sustainability, commitment and respect, the WEPA Group has always stood for sustainable corporate management. This report provides an overview of previously implemented measures, processes and the organisation as well as objectives regarding sustainability.

With this publication, the company underlines its express desire and willingness to communicate transparently with all relevant stakeholders and to facilitate open dialogue based on partnership.

Accordingly, this report – in combination with the Group website (www.wepa.eu), social media activities, other publications and other external and internal communication measures – is an essential component of the integrated communication concept of the WEPA Group.

Reporting parameters: the core of this report is formed by the topics identified on the basis of the materiality analysis with prior analysis of stakeholder groups and product value chains by the consulting firm fjol GmbH. The topics prioritised in the materiality matrix are assigned to the relevant United Nations Sustainable Development Goals (SDGs).

Sustainability reporting will be continued on an ongoing basis and further developed in a meaningful and target-oriented manner. The publication of the next Sustainability Report is planned for 2022.

Reporting framework: in 2017, the WEPA Group had its sustainability activities assessed for the first time with the ZNU Sustainability Check. This analysis, developed by the Center for Sustainable Leadership (ZNU) of the University of Witten/Herdecke in cooperation with the consulting firm fjol GmbH, serves to assess the status quo of development in the field of sustainability. An initial materiality analysis followed in 2019.

Based on the results, five strategic fields of action were defined, covering the pillars of sustainability – profitability, ecology and social impact: future fibres, operational efficiency, sustainable product portfolio, portfolio extension through innovation and foundation. The company will focus on these topics, systematically develop them and set concrete, measurable short- and long-term targets.

Reporting period: the contents presented in this report as well as the data and figures mentioned refer primarily to the calendar year 2020. In addition, relevant information from previous years and also the year 2021 was taken into account. The editorial deadline for this report was 10 September 2021.

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