



VELVET CARE GROUP

2024 ESG Report

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PRESIDENT'S LETTER

[GRI 2-22]

Dear Valued Stakeholders,

I am pleased to present to you the latest edition of the Velvet CARE Group ESG Report for 2024. The Report demonstrates our consistent approach to ESG by incorporating the principles of sustainable development into our business strategy and the daily operation of two companies: Velvet CARE in Poland and MORA-CELL in the Czech Republic.

The last year was a period of our dynamic development; however, we also had to face some new market and regulatory challenges. Our approach to ESG proved to be based on responsible choices and lay down solid foundations for long-term business success. We were striving for ambitious goals to enjoy real benefits through investing in innovative solutions aimed at reducing our environmental impact, developing programs to support employees and local communities, and strengthening a culture of diversity.

The year 2024 brought groundbreaking changes to us. Joining the portfolio of Partners Group, the global investment firm, opened a new ambitious chapter in our history with broader opportunities and long-term perspectives. Already in the first months of our mutual cooperation, we signed a preliminary agreement for the acquisition of two Polish companies: Private Label Tissue and Italian Paper. Both companies joined the Velvet CARE Group at the beginning of 2025, so they will be covered in the next edition of our ESG report.

In 2024, we were focused on further raising our management standards and transparency. We kept maintaining high ratings in external audits and rankings. The B Corp certification and the EcoVadis silver medal reflect our commitment to continuous improvement.

I am deeply convinced that our consistent efforts in the ESG area are beneficial for the environment and our communities, and the Velvet CARE Group itself. I am proud of our employees who are actively imple-



menting our ESG strategy on a daily basis and inspiring each other to look for new and better and better solutions.

We face a new stage in our development. We are well prepared to strengthen the position of the Velvet CARE Group, and to further develop the concept of social responsibility and sustainable growth.

Please feel invited to read this Report and share your opinions and suggestions with us. They will help us continue to build a responsible and sustainable future together.

Sincerely,
Artur Pielak
President of the Management Board of Velvet CARE

1. ABOUT THE VELVET CARE GROUP



1.1. HIGHLIGHTS

SCALE AND SCOPE OF OPERATION

[GRI 2-1, 2-2]
The Velvet CARE Group is one of the leading manufacturers and distributors of paper hygiene products in Central Europe. Our portfolio includes a wide range of high-quality products such as different types of toilet paper, kitchen towels, hygiene wipes and universal wipes. The Group is the owner of the Velvet, Veltie, Apsik and Big Soft trademarks, and is also developing the portfolio of products for the Away From Home segment under the trademark of VelvetCARE Professional. A significant part of Velvet CARE's business activities is also the production and sale of private label products for retail chains. The Velvet CARE Group's products are present in almost 30 markets.

Since March 2024, the Velvet CARE Group has been part of the Partners Group, a global investment company. This opened up new opportunities and triggered us to pursue more ambitious goals.

As of the date of publication of the Report, the Velvet CARE Group is already composed of five companies. In addition to CARE sp. z o.o. and MORACELL s.r.o. (covered by this Report for the year 2024), the Group also includes: Private Label Tissue sp. z o.o., Italian Paper sp. z o.o. and Velvet WEST sp. z o.o. These entities joined the Group as early as in 2025, so they will be covered by the next ESG report.

In 2024, the Velvet CARE Group consisted of:

Velvet CARE sp. z o.o.
VelvetCARE – a company established in 2013 on the grounds of a plant with almost 130-year history; with the production plant in Klucze (near Olkusz) and the commercial office in Warsaw. The company employs almost 850 employees.

MORACELL s.r.o. – a company located in Žabčice near Brno in the Czech Republic, with over 115 employees. It is the largest manufacturer of paper hygiene products in the country.



● locations covered by the 2024 report
○ locations not covered by the 2024 report

HISTORY OF VELVET CARE



1897-1939

Establishment a paper mill in Klucze by Ludwik Mauve. In 1898, the first paper machine allowed for starting the production of high-quality printing and writing paper. After a downtime during World War I, the factory resumed its operation, and as soon as in 1924 it proved the high quality of its products by winning a gold medal at the exhibition in Paris. In the following years, the plant was systematically modernized.

1975-1995

Installation of a high-tech Hobbema automatic system. A year later, the production of tissue paper on the Voith machine was launched for the first time in Poland, which set a new direction of development in the field of paper hygiene products. In the 1980s, products from Klucze were exported, inter alia, to England, West Germany and Norway. In 1991, the company was transformed into Kluczewskie Zakłady Papiernicze S.A.

2013-2017

Establishment of Velvet CARE by the Polish management team and the Avallon MBO Fund II. The company launched an intensive investment program worth over PLN 200 million, including the expansion of the machinery park by 5 modern production lines. In 2016, the plant in Klucze was incorporated into the Krakow Special Economic Zone. As result, a modern distribution centre was erected and one of the European largest paper machine (MP7) was installed. In the first five years of operation, Velvet CARE doubled its turnover and increased employment to nearly 600 people.



2024

Velvet CARE joined Partners Group, a global investment group, thus opening a new chapter of development and international expansion. Together with the new owner, the company set further ambitious goals. The Velvet CARE Group expanded by merging two Polish companies with 7 production lines and over 200 employees – Private Label Tissue and Italian Paper, thus strengthening its market position and potential for further growth.



1897

1945

1975

1996

2013

2018

2024

1945-1974

After the World War II, the factory was rebuilt by its former employees who also launched a power plant providing power supply to the plant and the surrounding towns. Soon after that the company was nationalized and renamed (Fabryka Celulozy i Papieru im. Jarosława Dąbrowskiego). Paper manufactured in Klucze was used to print Great Universal Encyclopaedia of PWN and for school notebooks very popular among students all over Poland. During this period, the first toilet paper production line was also launched.



1996-2012

International Paper became the main shareholder of Kluczewskie Zakłady Papiernicze S.A. A year later the Velvet brand was established and it quickly gained the position of the leader in the hygiene products market. In 2003, the plant joined the Kimberly-Clark concern thus gaining access to global know-how. The plant was transformed to the operational centre for Central and Eastern Europe.



2018-2023

The majority shareholder of Velvet CARE became the Abris Capital Partners Fund, which begins the implementation of the Velvet CARE 2025 strategy that assumed doubling turnover and achieving a leading position in Central and Eastern Europe. Three new processing lines were installed at the plant in Klucze, including one launched independently by employees during the pandemic. In 2020, the company merges the Czech Moracell and establishes the Velvet CARE Group. The following step was launching the MP8 paper machine in 2021, which significantly increased the company's production capacity.


PRODUCTS AND CUSTOMERS

[GRI 2-6]
The Velvet CARE Group addresses its products to both individual and institutional customers, adapting its portfolio to their specific needs.

The main categories of products sold by the Velvet CARE Group in 2024:




Toilet Papers
Our toilet papers are known for their velvety feel, elegant embossing and high strength. They vary in length, thickness and texture, which allows us to satisfy preferences of the most demanding consumers.




Facial tissues
Our facial tissues are available in handy colourful boxes to combine functionality with aesthetics. Three plies of soft tissue paper provide high absorbency and strength, while the variety of packaging designs allows for fitting in with any interior.



Moist toilet tissues
Our moist toilet tissues offer a practical support in maintaining daily hygiene by ensuring comfort and freshness in all circumstances. Each pack of these delicate wipes is equipped with a flip-top closure. Moreover, they are made of biodegradable and flushable non-woven fabric, so they may be conveniently disposed of in the toilet. The product is available in several variants to meet different needs of users.




Paper handkerchiefs
Our handkerchiefs are soft, gentle and strong. Their availability in various variants and sizes ensures comfort and hygiene in any circumstances at home and outdoors.




Paper towels
Paper towels from our portfolio are very useful in the kitchen and in everyday cleaning. They are available in large (GIGA) rolls and standard sets of 2 pieces. Their elegant embossing increases absorbency and durability, ensuring comfort of use.




Velvet CARE products are certified by:



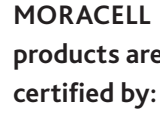
FSC®
(C119667)




PEFC
(PEFC/32-31-086)



EU Ecolabel
for selected Veltie products
(EU Ecolabel: PL/004/002)



MORACELL products are certified by:



PEFC
(PEFC/08-33-0013)



The portfolio of the Velvet CARE Group includes:

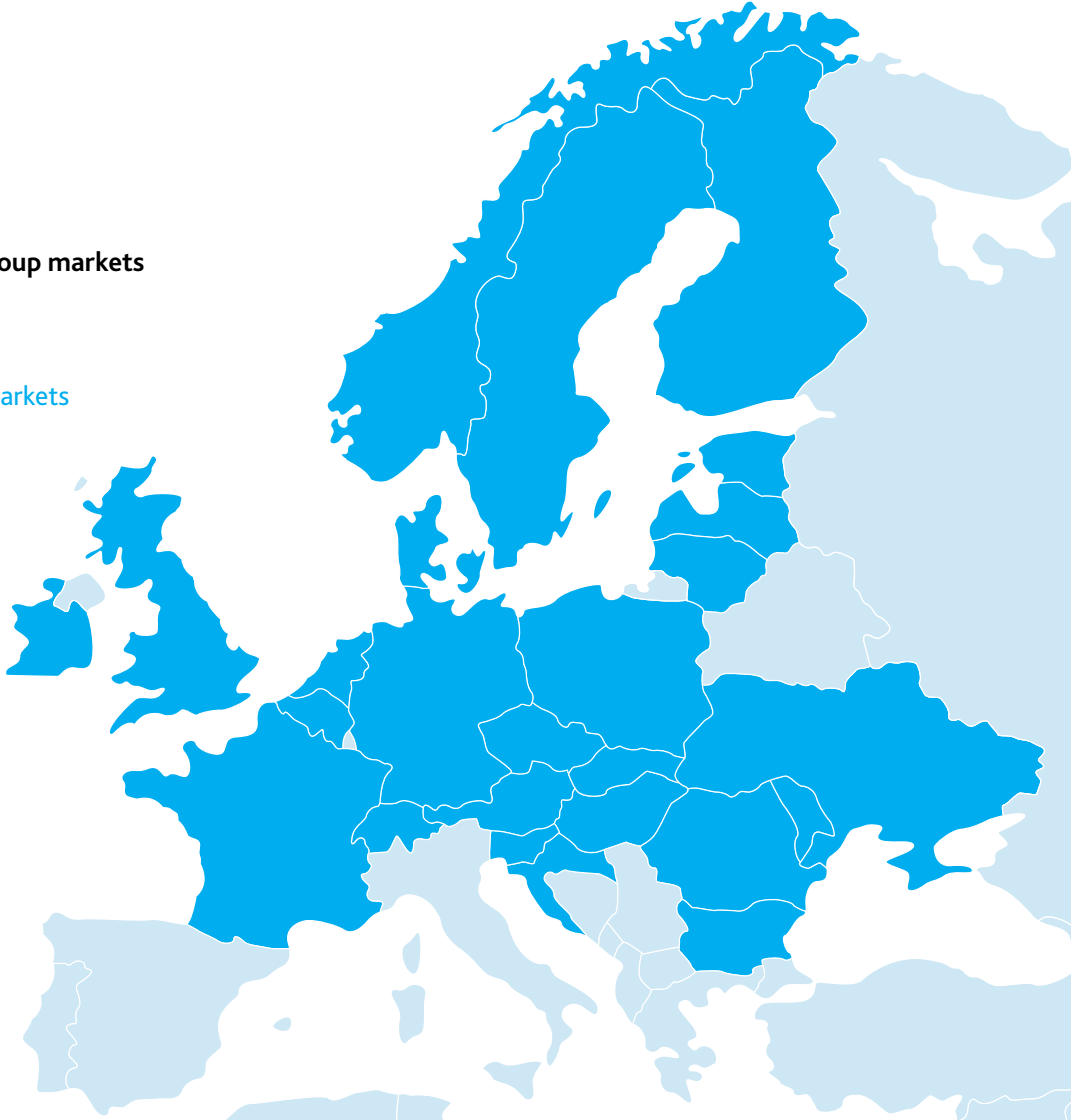
- 1. Branded products, incl. the following largest ones:**
- Velvet, A...psik!, Veltie (Velvet CARE)
 - Big Soft (MORACELL)
 - VelvetCARE Professional (Velvet CARE)

2. Private labels
This segment of the product portfolio includes custom-made products for retail chains in Poland, the Czech Republic, Slovakia, Germany, the Baltic States (Latvia, Lithuania, Estonia) and others, sold under another brand. This category mainly includes dry toilet paper, handkerchiefs and paper towels. The production and product development is carried out in close cooperation with our customers (retail chains) and focused on individual needs. This often follows tenders for specific products.

3. Products dedicated for the AFH (Away From Home) institutional market
In 2024, the range of products addressed to businesses, incl. hotels, restaurants or medical facilities, was available under the VelvetCARE Professional brand (at the time of the publication of this Report; the range was expanded in 2025). Our AFH products include, among others, toilet paper, (rolled and folded) paper towels, industrial wipes, disposable sheets and multi-purpose wipes.

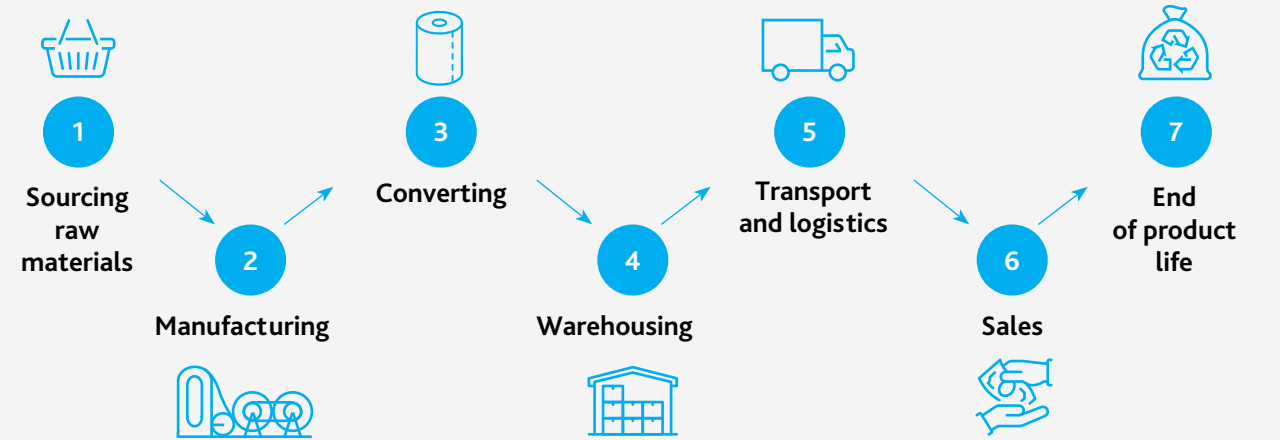
Map of Velvet CARE Group markets

24 sales markets



VALUE CHAIN

The Velvet CARE Group's value chain is a sequence of interconnected activities aimed at producing and delivering a product to market, while simultaneously creating value for customers, the company, and stakeholders. We start from responsible sourcing of raw materials, through production processes, to the delivery of products to customers and the use of the finished product by the end user (consumer or institutional customer). We strive to ensure that every element of our value chain supports the achievement of the Sustainable Development Goals.



1 Sourcing raw materials

The first linkage in our value chain is sourcing and purchasing materials for production. The basic raw material used in our production process is cellulose (or tissue paper already made from it). We purchase only cellulose accompanied by a Certificate of Origin thus ensuring that it comes from responsibly and sustainably managed sources.

We also source raw materials for packaging, non-woven fabrics, cosmetic formulas, chemical agents (for the production of moist papers) and other components necessary in production or technological processes.

Raw materials are delivered to the Velvet CARE Group's plants mainly by land using truck transport and cellulose is also transported by sea.

2 Manufacturing

Cellulose processed into *tissue paper* within the Velvet CARE Group, exclusively comes from the plant in Klucze equipped with 3 paper machines and the fourth currently under installation. The cellulose is first processed into paper pulp and then into an intermediate product, i.e. tissue paper, which is widely used in the production.

3 Converting

The tissue paper produced by the Velvet CARE Group (or purchased elsewhere) goes to processing lines, where it is converted into finished products: toilet papers, kitchen towels or facial tissues. In 2024, the Velvet CARE Group had 18 processing lines, 16 at Velvet CARE and 2 at MORACELL plants.

4 Warehousing

The companies of the Velvet CARE Group have their own warehouses on the premises of their plants (in Klucze and Žabčice) designed for storing finished products. Warehouse space is also leased as needed.

5 Transport and logistics

Transport services for the Velvet CARE Group are provided by external forwarders. Transport is also arranged in cooperation with the recipients of deliveries, i.e. our customers. Finished products from our plants are generally sent to central warehouses or distribution centres, and our customers organize their further distribution on their own.

6 Sales

The Velvet CARE Group companies cooperate with customers only in the B2B model. A significant part of the production are private labels for retail chains. Our products are sold on the domestic market or exported (mainly to the European countries). We deliver our products to the modern markets (chains) and traditional markets (small shops being supplied by wholesale channels) and operate in the professional products segment (AFH).

7 End of product life

The Velvet CARE Group's products are mainly used by our target consumers mainly for the household purpose, but they are also available on the institutional market (e.g. in hotels, restaurants, beauty parlours). After use, our products and packaging are waste. We are constantly educating consumers on the proper waste segregation, so that the raw materials could be recycled to the most possible extent. Depending on the local infrastructure, waste generated after using our products can also be disposed of or landfilled. Used toilet paper ends up in sewage systems, and its further handling depends on the local water and sewage systems.

No significant changes in the structure of our value chain were recorded during the reporting period.

BUSINESS RELATIONS

In March 2024, Velvet CARE was acquired by Partners Group, a Swiss-based global investment company. The new owner supports the company's strategy focused on further development and expansion, and activities aimed at strengthening its position on the Central European paper market. Partners Group is one of the largest companies in the global private markets sector, with approximately 2000 specialists and managing assets worth over USD 174 billion. With its roots in Switzerland, a strong presence in the Americas, and its North American headquarters in Colorado, Partners Group stands out from other companies in the industry.

The Velvet CARE Group maintains long-term business relationships with many institutions, including renowned business partners from the banking and insurance sectors operating both in Poland and in Europe. We also cooperate with institutions supporting the development of enterprises. Our plant in Klucze benefits from the support of the Krakow Technology Park, which manages the local Polish Investment Zone.



Maintaining good business relationships has a significant impact on the development of the Velvet CARE Group. Cooperation with our partners allows for, among other, financing investments, accessing instruments supporting development, and strengthening the competitive position on the European market.

KEY INDICATORS OF THE FINANCIAL PERFORMANCE OF THE VELVET CARE GROUP

[GRI 201-1] [3-3]
Direct economic value generated and distributed (in PLN)

A. Direct economic value generated	
A1. Revenue	1 522 708 475,13
B. Economic value distributed	
B1. Operating costs	1 070 261 345,71
B2. Payments to employees: wages, salaries and benefits	122 053 870,91
B3. Payments to providers of capital	69 902 454,93
B4. Payments to the government	26 213 349,46
B5. Community investments	0
C. Economic value retained	
	234 277 454,12

The components of the economic value distributed include operating costs, payments to employees, payments to providers of capital, payments to the state and community investments.

[GRI 201-4]

Tax credits 42 006 504,00

The company benefits from income tax relief under the Polish Investment Zone.

Grants 30 271 159,00

As an energy-intensive company, the company benefits from compensation for electricity costs incurred and benefited from „Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices". As an energy-intensive enterprise, the company benefits from compensation for electricity costs incurred and the state aid for energy-intensive sectors aimed to mitigate the negative effects of sudden increases in natural gas and electricity prices.

Investment grants, R&D grants, and other similar grants 0

During the reporting period (2024), a change was made to the scope of the 2023 funding granted by National Fund for Environmental Protection and Water Management (NFOŚiGW) for the cogeneration project at the Klucze plant. Due to re-evaluation and changing business factors, the decision was made to discontinue the project, and the allocated funds were returned.

Velvet CARE cooperates in the field of company development and investment financing with the Krakow Technology Park (KPT), operating within the Polish Investment Zone. Due to this cooperation, our company benefits from corporate income tax relief.

FINANCIAL IMPLICATIONS,
OTHER RISKS AND OPPORTUNITIES
ARISING FROM CLIMATE CHANGE

[GRI 201-2]
In the process of making strategic decisions, the Velvet CARE Group takes into account both risks and opportunities arising from climate changes. Our both companies identified and assessed them in terms of

their potential impact on the Group's financial performance. This process was based on TCFD recommendations, although it did not include the development of climate scenarios. Climate risks and opportunities are reviewed and updated annually.

The table below lists the key risks for Velvet CARE arising from climate changes with the highest probability of occurrence and the greatest financial impact.

Risk description	Risk type	Location of risk factors	Main potential financial impact	Time horizon	Probability	Likelihood of impact
Higher production costs due to higher raw material and utility costs	Market-related	Organization	Increase in direct costs	Short-term: up to 1 year	Very likely	Large over 2% of EBITDA
Purchase of emission allowances at high prices due to fluctuations in their prices over time, possible lack of availability of emission allowances on the market	Applicable Regulations		Increase in indirect (operational) costs		Likely	
No free emission allowances allocation	Expected regulations			Long-term: 5+ years		
Increase in utilities consumption due to unforeseen failures and technical problems of the machine park	Technological		Increase in direct costs	Mid-term: 1-5 years		
Increasing environmental expectations of customers	Market-related		Decline in revenues due to reduced demand for products and services	Long-term: 5+ years	Very likely	Average up to 2% of EBITDA
Production interruptions due to physical destruction of infrastructure and machinery	Acute physical	Upstream	Decline in revenues due to decrease in production capacity	Short-term: up to 1 year	Likely	Large over 2% of EBITDA
Limited supplies of utilities, raw materials and services due to severe weather						
Disruptions in transport due to severe weather						
Disruptions in the supply chain for raw materials, utilities and services	Chronic physical	Upstream	Increase in capital expenditures			
Disruptions in the supply of goods to customers, collection of waste and wastewater from the plant		Downstream				
Halting production due to extreme weather conditions		Organization	Decline in revenues due to decrease in production capacity	Long-term: 5+ years		

Significant climate-related risks for MORACELL are listed below:

Risk description	Risk type	Location of risk factors	Main potential financial impact	Time horizon	Probability	Likelihood of impact
Higher costs of emission allowances	Applicable Regulations	Upstream	Increase in direct costs	Short-term: up to 1 year	Very likely	Large over 2% of EBITDA



CERTIFICATES AND AWARDS

The Velvet CARE Group operates on the basis of internationally recognized standards that guarantee its good management system and the highest quality of products. The certifications are regularly audited internally or by independent bodies, ensuring that the processes at the Velvet CARE Group comply with applicable standards and industry best practices.

The Velvet CARE Group companies have implemented and maintain the following systems under the certification as part of their activities:

Velvet CARE

- product safety management system according to IFS HPC and BRC CP
- quality management system according to ISO 9001
- environmental management system according to ISO 14001
- occupational health and safety management system according to ISO 45001
- energy management system according to ISO 50001
- EU Ecolabel authorisation for selected Veltie products
- FSC® certificate
- PEFC certificate

MORACELL

- product safety management system according to IFS HPC and BRC CP
- quality management system according to ISO 9001
- environmental management system according to ISO 14001
- PEFC certificate

Velvet CARE also has the status of Authorized Economic Operator (AEO) granted by customs authorities, which proves it is a trusted business partner.

In addition, the activities of Velvet CARE and MORACELL are also subject to auditing for the compliance with local regulations in the area of the environment, working conditions and product safety. Such inspections are carried out by public services and institutions, i.e. the Sanitary Inspectorate (Sanepid) and the Voivodeship Inspectorate for Environmental Protection (WIOŚ).



B Corp certification – was obtained by the Velvet CARE Group in 2023. It certifies the compliance with stringent sustainability standards on corporate governance, workforce management, and the company's impact on the community, environment and customers. The group is also committed to promoting sustainable activities and inspires other parties to take action in this regard. Although the B Corp certification is less popular among companies in Poland and the Czech Republic, it was already obtained by over 10,000 companies in the world and this figure is growing dynamically. We are proud to be part of the unique community of companies working for a more sustainable future.

Business awards granted to Velvet CARE:



KPT Award in the category of the Largest Investment of the Previous Year



Forbes Diamonds in the category of the largest companies (with sales over PLN 250 million)



Ambassador of the Polish Economy in the category of European Brand awarded by the Business Centre Club



GOZ for Business – Leader of Małopolska for 2024



Distinction in the „**Employer** – Organizer of Safe Work” competition

Business awards received by MORACELL:

- nomination in the **HR Awards 2024 competition** for activities in the area of ESG. The company was among the TOP 5 companies.



EcoVadis – Velvet CARE was awarded a silver medal in December 2024 and thus is now among the top 15% of companies assessed under this recognized sustainability rating. The EcoVadis assessment involves 21 criteria in four main areas: environment, human and labour rights, business ethics and sustainable supply chains. The analysis and the final result of the assessment also take into account the company's policies, actions taken and results achieved. Any the information submitted to EcoVadis analysts for verification must be supported by evidence. At the time of publication of the Report, the subsequent assessment of Velvet CARE (conducted in August 2025) has been completed, and we managed to maintain the silver medal.

Awards awarded for the business activities of the Velvet brand:



Superbrands 2024 for the Velvet brand



Gold Receipt for Velvet White Cotton Toilet Paper

- **CMO Award** for Monika Sypek, Marketing Director at Velvet CARE for the campaign „In the toilet you always need a duo” promoting Velvet moist toilet paper
- **Quality Leader Consumer Award 2024** in the category „Hygienic Paper Products”
- **SUPER BRAND 2024 – Quality, Trust, Reputation** in the category: „Hygiene products”
- **ECO BRAND 2024 – Quality, Trust, Reputation**
- **First place in the ranking of the most popular FMCG brands in Poland** in the „toilet paper” category, prepared by Listonic ads
- **Volba spotřebitelů 2024** (Consumers' Choice) – an award granted in the Czech Republic for two Velvet products: Velvet Excellence facial tissues and Velvet Ultra Sensitive moist toilet paper

MEMBERSHIP IN ORGANIZATIONS AND ASSOCIATIONS

[GRI 2-28]

In 2024, Velvet CARE and its representatives belonged to the following organizations and associations:

- **The Association of Polish Papermakers (SPP)** – an industry organization associating specialists and enterprises of the paper sector. Its mission is to support the development of the paper industry in Poland and to integrate the papermakers' community. SPP operates in the field of science, technology and management, and represent the paper industry in front of public administration bodies and economic self-government. Wanda Ciesielczuk, Vice-President of Velvet CARE, and Artur Pielak, President of the Management Board of Velvet CARE, participate in activities of the Association of Polish Papermakers.

SPP is part of CEPI (*Confederation of European Paper Industries*), representing the European paper and forestry industry.

- **Polish Union of the Cosmetics Industry (PZPK)** – an organization representing and supporting cosmetics manufacturers in Poland. Velvet CARE is a member of the Association as a manufacturer of moist toilet paper classified as a beauty product. Our membership in the PZPK allows for following industry trends, provides access to information on current and planned sectoral regulations and expert support, and gives the opportunity to participate in consultations and events.
- **Business Centre Club (BCC)** – is a business club associating entrepreneurs and employers. Velvet CARE is represented in BCC by Artur Pielak, President of the Management Board, and Rafał Curyło, Vice President.
- **CEO Round Table** – a business club associating the top management staff of different enterprises from the region. It supports the development of leadership competencies and is a platform of inspiration and helps to develop contacts between entrepreneurs. The CEO Round Table is participated by Artur Pielak, President of the Management Board of Velvet CARE, and Wanda Ciesielczuk, Vice President of the Management Board and Regional Director of Production and Technology, who participates in meetings as part of the Peer Group CTO.

- **Advisory Committee of Retail Summit – ESG Circle** – an advisory committee bringing together representatives of leading companies from various industries who share their experience on the challenges and best practices of sustainable development. In 2024, the member of the ESG Circle was Aleksandra Janowska, Vice President of the Management Board of Velvet CARE.

MORACELL does not belong to any industry or business organizations.

1.2. CORPORATE GOVERNANCE

COMPOSITION OF THE MANAGEMENT BOARD

[GRI 2-9]

The structure of the Management Board of Velvet CARE in 2024:



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



- **Rafał Curyło**
– Vice-President of the Management Board, Chief Financial Officer



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



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



- **Aleksandra Jankowska**
– Member of the Management Board, Chief People Officer

The gender parity in the board is maintained in a ratio of 2:3 (women v. men).

As of the date of publication of the Report, the composition of the Management Board has changed: Rafał Curyło has taken over the position of Regional Chief Financial Officer, Wanda Ciesielczuk has taken over the position of Regional Director of Production and Technology, Maciej Gil has been appointed to the position of Chief Financial Officer and Member of the Management Board of the company. Aleksandra Jankowska has taken the position of Vice-President of the Management Board.

Supervisory Board is a body supervising the activities of the Management Board. In 2024, it comprises 4 persons:

- **Ralph Josef Schuck** – Chair of Supervisory Board
- **Milorad Anđelić** – Member of Supervisory Board
- **Maciej Gwóźdź** – Member of Supervisory Board
- **Walter Susini** – Member of Supervisory Board

On the day of publication of the Report, Thierry Bolloré joined Supervisory Board of Velvet CARE as the President.

The composition of the Management Board of MORACELL was as follows in 2024:



- **Andrej Zimányi**
– President of the Board, CEO



- **Tomáš Kadlec**
– Chief Financial Officer

As of the date of publication of the Report, the composition of the MORACELL Management Board has changed: Tomáš Kadlec has terminated his cooperation with MORACELL., and as of July 1, 2025, David Hrdlička has taken over the position of Chief Financial Officer and Member of the Management Board of MORACELL.

In 2024, Supervisory Board of MORACELL comprised 3 persons:

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

As of the date of publication of the Report, due to the change of the majority shareholder of the parent company in the Velvet CARE Group in 2025, Tomasz Kujawa (Abris Capital Partners) has been dismissed from Supervisory Board of MORACELL, and his position has been taken by Maciej Gil (of Velvet CARE). At the same time, Artur Pielak took over the position of the President.

MEMBERS OF THE MANAGEMENT BOARD OF INDIVIDUAL COMPANIES

Velvet CARE

- **Artur Pielak**, President of the Management Board and CEO of Velvet CARE since August 2013. Before that, he managed the Kimberly-Clark company in Poland and the Baltic States, and the Hero company in Poland and Hungary. His almost 30-year experience in the FMCG industry was gained in such companies as Nestlé, Gillette, Novartis, International Paper, Unilever and Coca-Cola, including 16-year professional career at paper mill in Klucze.

- **Rafał Curyło**, Vice-President of the Management Board and Chief Financial Officer (currently Regional Chief Financial Officer), is responsible for the area of Finance, Purchasing, Investments, IT and Logistics. His 25-year professional experience is entirely related to the paper mill in Klucze. He previously worked, among others, at Kimberly-Clark as the Head of Business Analysis for Central Europe, and Customer Business Unit Manager for the hypermarket channel.

- **Wanda Ciesielczuk**, Vice-President of the Management Board and Director of Production and Technology (as of the date of publication of the Report, now in the position of Regional Director of Production and Technology), has been working for the paper mill in Klucze since 2001. Since 2019, she has been leading the largest over 400-person team at Velvet CARE, but was previously responsible, for strategic projects and investments. 24 years of her 25-year professional career, she sacrificed to the plant in Klucze.

- **Marcin Grabowski**, Vice-President of the Management Board and Commercial Director with 31-year experience in business, with Velvet CARE (formerly Kimberly-Clark and International Paper) for 26 years. Before that, he managed sales department, was responsible for cooperation with international networks and also served as a customer business unit manager for the traditional channel.

- **Aleksandra Jankowska**, Member of the Management Board and Chief People Officer (as of the date of publication of the report in the position of Vice-President). Since 2019, she has been with Velvet CARE. She has 28 years of experience in various industries, including finance, consulting, biotechnology, and FMCG, and her involvement in strategic projects supports the company's growth and employee management systems.

MORACELL:

- **Andrej Zimányi**, President of the Board and Chief Executive Officer with more than 20 years of experience in the management of MORACELL. He joined the company in 2004, when it was a small distribution entity with 20 employees. He played a vital role in the development of the company, which became a key manufacturer of paper toilet towels and toilet paper in the Czech Republic.

- **Tomáš Kadlec**, Chief Financial and HR Officer associated with MORACELL since 2017. He has been supporting the CEO in developing the company. In 2024, he was responsible for the company's finances and HR area. He had previously held the position of CFO at GROTEC since 2006, where he had held other positions related to the area of finance.





[GRI 2-10]

At Velvet CARE and MORACELL, members of the Management Boards are appointed by Supervisory Boards, and the members of Supervisory Boards are appointed by shareholders (in the case of Velvet CARE, by the Partners Group, and in the case of MORACELL, by Velvet CARE).

In 2024, the composition of the Management Boards of both VC Group companies remained unchanged compared to the previous year, while due to the acquisition of Velvet CARE by Partners Group in 2024, the composition of Supervisory Boards changed.

The key factors such as competencies, company interests, stakeholder opinions, diversity and independence of candidates are taken into account at the Velvet CARE Group in selecting members of the top management body.

CHAIR OF THE HIGHEST GOVERNANCE BODY

[GRI 2-11]

In both companies of the Velvet CARE Group, the position of Chair of the Management Board is combined with the role of CEO. In Velvet CARE, this position is held by Artur Pielak, and in MORACELL by Andrej Zimanyi. The work of both Management Boards is supervised by Supervisory Boards, whose members do not perform managerial functions in the supervised entities.

CONFLICT OF INTEREST

[GRI 2-15]

Members of the Management Boards within the Velvet CARE Group must submit annual declarations regarding potential conflicts of interest, and in the event of such conflicts, they are obliged to report this to Supervisory Boards. At Velvet CARE, this obligation also applies to middle- and senior staff of the purchasing, sales and management (MTM) departments.

COMMUNICATING CRITICAL ISSUES

[GRI 2-16]

Any issues key for business operations within the Velvet CARE Group are discussed during regular Management Team Meetings (MTM). At Velvet CARE, these meetings are held biweekly and are attended by the Management Board members and key managers responsible for the most important areas for the organization. At MORACELL, a small group of top managers also meets the Management Board biweekly, while a larger MTM meeting is held once a month. In situations demanding a quick response, MTMs are held more often, even daily.

Critical issues are reported to Supervisory Board once a month and include both financial and non-financial topics. Strategic decisions are made once a quarter during meetings of Supervisory Board. No events required extraordinary action at this level during the reporting period.

SUSTAINABLE DEVELOPMENT GOALS

The Velvet CARE Group operates on the basis of the principles of sustainable development, supporting the implementation of the global Sustainable Development Goals established by the UN as part of the 2030 Agenda. These goals are a common vision of actions to improve the quality of people's lives, protect the natural environment and build a responsible economy.

The review of the Velvet Group's operations made it possible to identify four Sustainable Development Goals (SDGs), which are particularly important in terms of our impact. They take into account the specificity of our business model and the practical actions taken in the organization.



Działania w Grupie Velvet CARE



Goal 6: Ensure availability and sustainable management of water and sanitation for all.

- Using state-of-art technologies and optimizing water consumption per ton of tissue paper produced
- Implementation of closed-loop water system for paper machines, which allows the water used in the process to be recovered
- Operation of the company's sewage treatment plant, which supports the needs of the factory and the inhabitants of the surrounding towns.



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

- The dynamically developing Capital Group creates new jobs and provides stable employment.
- Cooperation with local suppliers and subcontractors contributes to the development of the national economy.



Goal 12: Ensure sustainable consumption and production patterns

- Implementation of the sustainable development strategy supports sustainable production and consumption.
- Raising consumer awareness through the implementation of CSR projects and conducting communication activities.
- Product improvements that minimize the negative impact on the environment by, among others, reducing the height of facial tissue cartons without reducing the number of tissues.



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

- Use of cellulose only from certified suppliers.
- Collection and reuse of "mill broke" (materials that have not passed quality control but are fully recyclable) in the production process.

RESONSIBILITIES OF THE MAGEMENT BOARD, INCLUDING ESG

[GRI 2-12] Both Velvet CARE and MORACELL operate on the basis of their own strategic documents – the so-called Blueprints – which define organizational goals and directions of development.

Every year, the Management Boards of both companies, together with key managerial staff, analyse and update the assumptions contained in the blueprints, defining priorities for subsequent periods and monitoring the implementation of the set indicators. They are responsible for defining the company's mission, vision, values, and most important strategies and policies. Sustainability is among the priorities.

ESG managers in both companies of the Velvet CARE Group are appointed to participate in the work of the management team, inspire activities and coordinate projects in individual areas. They are responsible for the implementation of ESG strategies and activities together with senior managers managing individual business areas (e.g. environment, production, purchasing).

The Management Boards of both companies are responsible for the implementation of comprehensive strategies for the development of the organization and the set business goals. Progress and achievements are reported quarterly during Supervisory Board meetings. Key projects, including those related to ESG, are also presented during these meetings and they are submitted to Supervisory Boards for approval.



DUE DILIGENCE

Strategic decisions in the Velvet CARE Group are always made by the Management Boards of the companies and must be accepted at the level of their Supervisory Boards. When expert knowledge is required to make decisions or introduce new processes, external experts and business advisors are employed.

At all key meetings (including negotiations) and in the process of signing contracts, Velvet CARE Group companies must be represented by a minimum of 2 persons.

As part of due diligence in our operational processes, we use ERP systems (e.g., SAP S4 HANA) with an implemented multi-level approval process (workflow). This solution ensures transparency, control and compliance with applicable internal procedures.

STAKEHOLDER ENGAGEMENT

[GRI 2-29] Supervisory Boards are one of the key stakeholder groups in both companies of the Velvet CARE Group. They participate in strategic decision-making processes, and a number of resolutions and initiatives require their consultation and approval.

Due to the fact that Supervisory Board of MORACELL in the Czech Republic also includes members of the Management Board of Velvet CARE, Supervisory Board of Velvet CARE (as the parent company) also discuss-

es strategic issues concerning MORACELL. In this way, the consistency of the direction of development of the entire Group is ensured along with the proper supervision of key areas of operation.

Sustainability issues are reported annually. This applies to permits obtained and regulatory obligations. The stakeholders are provided with information on environmental impact, including reports prepared for the National Centre for Emission Balancing and Management (KOBIZE) related to participation in the EU ETS system, and public non-financial reports (published on the www.velvetcare.com website).

DELEGATION OF IMPACT MANAGEMENT RESPONSIBILITIES

[GRI 2-13, GRI 2-14] The following three members of the Velvet CARE Management Board are responsible for ESG:

- Artur Pielak – who supervises the area of sustainable development,
- Wanda Ciesielczuk – who supervises the area of production, technics and technology, and is responsible for environmental, quality control and health and safety issues,
- Aleksandra Jankowska – who supervises social and ethical issues.

In 2024, the above group - responsible for impact management and conducting ESG processes at Velvet CARE – was joined by Andrzej Ożóg – our commercial proxy. He was responsible for issues related to the corporate governance. By the day of publication of the Report, due to the transition to the subsidiary, his duties have been taken over by Maciej Gil, Member of the Management Board of Velvet CARE, in 2025.

The coordination of a wide portfolio of ESG activities is handled by Anna Lewandowska, ESG and Corporate Communications Manager. She closely cooperates with top-level executives and involves them in specific projects as needed.

The Velvet CARE's Supervisory Board takes up ESG topics at quarterly meetings. Moreover, the internal performance monitoring system reports key KPIs on a monthly basis.

The President of the Management Board participates in the process of defining and implementing ESG strategies on an ongoing basis. Individual employees, including members of top management and senior management teams are involved in the implementation of the projects, depending on their subject matter.

COLLECTIVE KNOWLEDGE OF THE HIGHEST MANAGEMENT BODY

[GRI 2-17] In 2024, members of the Management Boards and elected executives of Velvet CARE and MORACELL took part in workshop focused on raising awareness of current challenges and the ESG regulatory environment, and preparation of assumptions for the formulation of the 2025-2030 sustainable development strategy. The meetings were conducted by external experts.

In addition, in 2024, Members of the Velvet CARE Management Board and management team were acquainted with the results and conclusions from the previous edition of the EcoVadis scoring. Some selected persons also participated in the collection of data for the next sustainability assessment on this platform.

If necessary, the Management Boards of companies from the Velvet CARE Group receive information related to sustainable development from ESG teams in their organizations on an ongoing basis.

ASSESSMENT OF THE HIGHEST MANAGEMENT BODY PERFORMANCE

[GRI 2-18] In the Velvet CARE Group, Supervisory Boards formally and independently assess the Management Board's ESG activities on an annual basis. The degree of implementation of the set goals is also taken into account in the decision-making process regarding the next term of office of the Management Boards. In 2024, there were no changes in the composition of the Management Boards because the assessment confirmed the implementation of the set goals. Supervisory Boards set further ambitious goals for 2025.

2. ENVIRONMENTAL IMPACT OF THE VELVET CARE GROUP



2.1.ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

ENERGY AND FUEL CONSUMPTION

[GRI 302-4, 3-3]
Efficient energy management is of key importance for the Velvet CARE Group's operations. Energy consumption is directly related to greenhouse gas emissions, operating costs and environmental impact. Production processes in the paper industry require significant inputs of energy, which is why optimizing its use is one of the priorities of our strategy.

Velvet CARE implemented the energy management system compliant with the ISO:50001 standard, which had a significant impact on production capacity and energy efficiency. Once a year, the Energy Management Team conducts an energy review that maps areas for optimization, summarizes the actions taken and sets plans for the future.

The Velvet CARE Group's plant in Klucze is subject to the EU ETS (*European Union Emissions Trading System*), which means that we have to monitor our greenhouse gas emissions and report it in accordance with the requirements of the European Union. The Group regularly monitors energy consumption and related emissions, in order to take appropriate measures to reduce the impact of our operations on the climate, and to effectively manage costs.

In 2024, Velvet CARE's electricity consumption intensity decreased from 1.011 MWh/t to 0.991 MWh/t compared to 2023, as a result of optimization activities such as commissioning of a medium-pressure gas station and replacement of old transformers with two new ones with lower losses.

The total energy consumption index increased from 9.351 GJ/t to 9.431 GJ/t during the year.

MORACELL recorded slight changes in energy-related indicators compared to 2023. These changes result from normal operational activities and the expansion of the production plant. The electricity consumption intensity index at MORACELL increased from 0.104 to 0.107 MWh/t, and the total energy consumption index from 0.373 to 0.384 GJ/t.

Energy consumption in the Velvet CARE Group [GRI 302-1]

	Velvet CARE	MORACELL	Velvet CARE Group
A. Consumption of fuels from non-renewable sources incl.:	287 Mg 13,215 GJ	28 Mg 1,216 GJ	315 Mg 14,430 GJ
Diesel oil	5 Mg 225 GJ	18 Mg 774 GJ	23 Mg 999 GJ
Motor petrol	106 Mg 4,708 GJ	10 Mg 442 GJ	117 Mg 5,150 GJ
LPG	175 Mg 8,281 GJ	0 GJ	175 Mg 8,281 GJ
B. Consumption of fuels from renewable sources	0 GJ	0 GJ	0 GJ
C. Energy incl.:	1,452,871 GJ	8,208 GJ	1,461,080 GJ
electrical energy	152,721,387 kWh 549,797 GJ	2,280,086 kWh 8,208 GJ	155,001,473 kWh 558,005 GJ
thermal energy	24,701,159 m³ 903,074 GJ	0 GJ	24,701,159 m³ 903,074 GJ
Total energy consumption	1,466,086 GJ	9,424 GJ	1,475 510 GJ

Energy intensity at Velvet CARE

[GRI 302-3]

	2023	2024
Energy intensity ratio [MWh/t]	1.011	0.991
Total energy intensity ratio (for electricity and heat) [GJ/t]*	9.351	9.431

* Indicators converted as the sum of electricity and heat (1,452,871 GJ) per 1t of tissue paper produced. Tissue paper production amounted to 154,048 tons in 2024.

Energy intensity at MORACELL

[GRI 302-3]

	2023	2024
Energy intensity ratio [MWh/t]	0.104	0.107
Total energy intensity ratio (for electricity and heat) [GJ/t]*	0.373	0.384

* Indicators converted as the sum of electricity and heat (8,208 GJ) per 1t of finished product produced. The production volume of MORACELL was 21,400 tonnes in 2024.

CARBON FOOTPRINT CALCULATION

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

Due to the special requirements and technologies used in the paper industry, greenhouse gas (GHG) emissions are one of the key factors contributing to the environmental impact of the Velvet CARE Group. They are a result of both direct production processes and the activities of our supply chain participants. Paper-making is an energy-intensive industry, which is why the Velvet CARE Group attaches great importance to optimization and energy efficiency. Being aware of the environmental impact associated with the energy consumed in the production process, we take measures to mitigate it.

The Velvet CARE Group has been monitoring carbon footprint of the organization for several years and improves this process year by year. In 2024, the calculations for both companies were prepared with the participation of independent experts. The data on MORACELL was analysed during an additional audit. The emissions were presented in CO₂ equivalent, using, m.in example, DEFRA indicators and local emission indices.

Scopes of emission:

- **Scope 1:** fuel consumption (diesel, petrol, LPG, gas) and emissions from air conditioners
- **Scope 2:** electric energy consumption
- **Scope 3:** categories analysed for adequacy and materiality.



In the case of Velvet CARE, the following categories were taken into account for Scope 3: purchased goods and services (Category 1), capital goods (Category 2), fuel and energy-related activities (Category 3), transport and distribution of purchased goods (Category 4), waste generated in operations (Category 5), business travel (Category 6), employee commuting (Category 7), transport and distribution of sold products (Category 9) and end-of-life of sold products (Category 12); In the case of MORACELL, Scope 3 includes: fuel and energy-related activities (category 3), transport and distribution of purchased goods (category 4).

Scopes 1, 2, 3 carbon emission in the Velvet CARE Group (in MgCO₂e)

		Scope 1	Scope 2 (Location Based Method)	Scope 2 (Market Based Method)	Scope 3
2023	Velvet CARE	45,550	98,054	98,738	114,844
	MORACELL	90	819	Data not available	26,556
2024	Velvet CARE	51,873	91,175	105,191	179,793
	MORACELL	86	889	Data not available	52,322

The Velvet CARE Group's carbon footprint was calculated in accordance with the GHG Protocol methodology, and the data was collected and reported on an annual basis. A consolidation approach based on operational control was adopted.

Velvet CARE Group's total carbon footprint (Scope 1, 2, 3)

- 2023: 285,914 Mg CO₂
- 2024: 367,138 Mg CO₂
- Y-o-Y growth: 90,224 Mg CO₂

Reduction levels within individual scopes

- Scope 1: increase by 6,319 Mg CO₂
- Scope 2: reduction of 6,809 Mg CO₂
- Scope 3: increase of 90,715 Mg CO₂

The visible significant change in the Scope 3 carbon emission in of the Velvet CARE Group is primarily due to the adoption of a more comprehensive approach to calculating the carbon footprint in 2024 and the inclusion of additional categories not included in 2023. Both companies verified the applied methodology, taking into account the recommendations of independent experts (including the addition of categories not previously taken into account and supplementation of the previous approach to calculations). The increase in the reported Scope 3 emissions is therefore largely the result of further improvements in data completeness and reporting quality.

Greenhouse gas emission intensity [MgCO₂/tonne]

[GRI 305-4]

		Scope 1	Scope 2 (Location Based Method)	Scope 3
2023	Velvet CARE	0.32	0.69	0.81
	MORACELL	0.004	0.04	1.24
2024	Velvet CARE	0.34	0.60	1.18
	MORACELL	0.004	0.04	2.44

The GHG intensity index was calculated on the basis of the amount of CO₂ equivalent emissions broken down by scopes, in reference to a tonne of tissue paper produced (154,048 t) in the case of Velvet CARE and to a tonne of finished product (21,400 t) in the case of MORACELL.



ANNUAL EMISSIONS OF AIR POLLUTANTS

[GRI 305-7]

Emissions at the Velvet CARE production site are monitored and reported in accordance with the requirements of the integrated permit, and the results are reported to the relevant authorities.

Annual dust and gas emissions in 2024

Type of pollutant	Velvet CARE
Total dust	13.188
incl. PM 10	3.015
incl. PM 2,5	1.228
Sulphur dioxide	2.762
Nitrogen dioxide	16.227

All emissions remained within the ranges specified in the integrated permit.

[GRI 305-6]

The Velvet CARE Group does not emit substances hazardous to the ozone layer of our planet.

2.2. WATER MANAGEMENT

WATER WITHDRAWAL AND CONSUMPTION IN THE VELVET CARE GROUP

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

The VC Group has an important impact on the environment in terms of water consumption. The plant in Klucze, owned by Velvet CARE, is equipped with paper machines that must consume water in technological processes. It is worth emphasizing that the company attaches great importance to efficiency in this area, by using modern machinery to minimize water consumption per ton of tissue paper produced.

At Velvet CARE, water management is an integral part of the ISO 14001 environmental management system. This system supports the identification of environmental aspects related to, among others, water withdrawal and circulation, risk monitoring and defining water saving goals. With a comprehensive approach to managing this area, we can effectively minimize the impact of our activities on local water resources and systematically improve the related processes. At Velvet CARE, water management is subject to the PZŚ 062 Water and sewage management procedure.

The main production plant of the Velvet CARE Group in Klucze uses two of its own deep drilled water intakes, which ensures full independence from external sources. The monitored data indicate a systematic increase in the groundwater level in the plant region, and thus no negative impact on the local community. Water intakes on the premises of the plant and outside the plants are not threatened by water shortage. The company obtained all the required water law permits and controls the quantity and quality of water withdrawn on an ongoing basis using installed meters. The entire withdrawal and sewage discharge processes are balanced. In addition, the company makes efforts to implement closed circuit water distribution systems in the plant in Klucze since the process of converting cellulose into tissue paper is related to high water demand. Now 90% of water used circulates in closed systems which reduces water consumption and allows for heat recovery.

The water used at the Group's other locations comes from local water supply networks. Our office in Warsaw and the MORACELL plant in Žabčice use significantly smaller volumes than the Klucze plant. In the first two locations, water is used mainly for social purposes, which is why no analyses of the so-called "water stress" were carried out for these facilities. The increase in water consumption at MORACELL is due to the construction of a new production and storage hall on the plant's premises, which began in 2024.

		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 (m³/tonne)
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
2024	Velvet CARE	1,036. 669	2.84	1,036.669	1,036.669	6.73
	MORACELL	1.641	0.00449	1.641	1.641	The company does not collect data

WASTEWATER MANAGEMENT
IN THE VELVET CARE GROUP

[GRI 303-4]
The plant in Klucze has a mechanical and biological water treatment plant. After checking parameters, the treated wastewater is discharged to the nearby Biała Przemsza River. The volume of sewage discharged depends on water intake and is fully metered. The measurement and the parameters of discharged wastewater are regulated by a Water Permit issued by the State Water Holding Polish Waters. Wastewater generated in other locations (Warsaw, Żabčice) is discharged to local treatment plants.

Volume of	Velvet CARE [ML]	MORACELL [ML]
Discharged water	1,189.63	1.641
Wastewater from the outside	152.96	0
Wastewater generated within the organization	1,036.67	0

Volume of wastewater received from nearby towns (in cubic meters):	2023	2024
	147,665	152,956



We would like to emphasize that the production plant in Klucze is an important part of the municipal wastewater treatment infrastructure since the Velvet CARE plant collects and treats wastewater from nearby towns (Klucze and Jarosławiec). This long-term cooperation with the local community has been maintained since the end of the 70s.



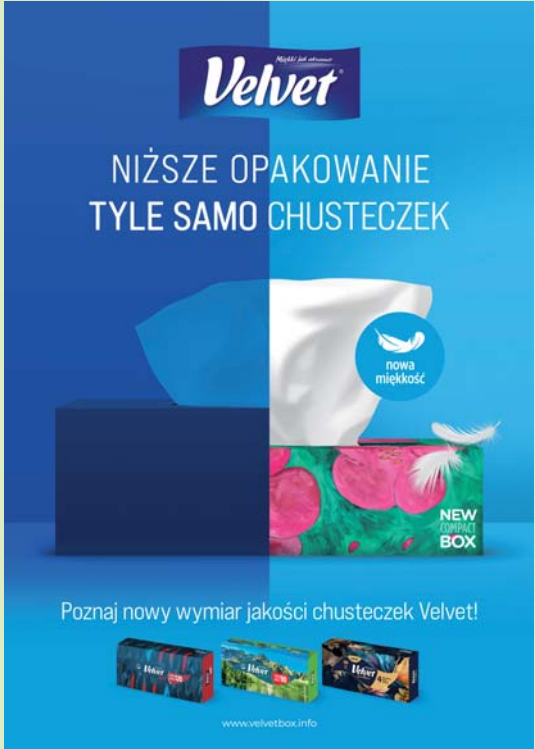
2.3. CIRCULAR
ECONOMY

The Velvet CARE Group operates consistent with the principles of a circular economy (CE), which aim to reduce the consumption of natural resources, maximize material utilization, and minimize waste generation.

An example of effective implementation of CE principles is the use of closed water circulation system in production processes. By using modern technological solutions for paper machines, we have achieved the maximum possible water circulation closure of approximately 90%. We are investing in further innovative installations, e.g. a new paper machine (currently under construction) shall use cutting-edge technologies to minimize water and energy consumption.

Our approach to responsible production
also includes, among others:

- designing fully recyclable products and packaging,
- reducing plastic content in products, packaging and transport,
- reintroducing into the production process the so-called "mill broke", i.e. material collected in the production process, for example tissue paper trimmings or products that do not meet quality standards,
- cooperation with packaging recovery organizations and education of employees and consumers in the field of proper waste management,
- cooperation with certified cellulose suppliers.



The same number of wipes in smaller
boxes

The Velvet brand, as a market leader, has introduced a new quality standard. Thanks to improved production technology, we have reduced the height of the packaging without reducing the number of facial tissues inside.



WASTE MANAGEMENT

[GRI 306-1, 306-2, 306-3, 306-4, 306-5, 3-3]

Waste generation in the production processes and across the widely understood value chain is inevitable at the Velvet CARE Group. Therefore, the key point of the Group's strategy is to comply with the applicable law and internal procedures that systematize the entire waste management system.

The waste management process at the plant in Klucze, where the largest amount of waste is generated, is based on identification, segregation, safe storage, inventory and transfer of waste to specialized entities. The primary goal is their recovery or recycling above their disposal. The effectiveness of activities is verified by:

- regular waste audits,
- monitoring the amount and types of waste generated,
- reporting the amount and types of waste generated in accordance with the integrated permit to the office,
- regular training of employees, especially in production areas.

MORACELL has also a waste management system in place implemented in accordance with national regulations. Waste is selectively collected and then sent for recovery or disposal depending on its type.

Waste generated and diverted from disposal in the Velvet CARE Group in 2024

	Waste generated [in tonnes]	Waste directed to disposal [in tonnes]	Waste diverted from disposal [in tonnes]
Velvet CARE sp. z o.o.	5,065.33	25.54	2,608.50
MORACELL s.r.o.	313.25	166.44	146.81
Total	5,378.58	191.98	2,755.31

Hazardous waste directed to disposal and diverted from disposal in 2024

	Hazardous waste directed to disposal [in tonnes]	Hazardous waste diverted from disposal [in tonnes]
Velvet CARE sp. z o.o.	5.38	21.47
MORACELL s.r.o.	0.32	0.32
Total	5.7	21.79

Types and volumes of waste generated at Velvet CARE

Item	Waste code	Type of waste	Volume of generated waste [Mg]	
			2023	2024
1.	03 03 11	Sludges from on-site effluent treatment other than those mentioned in 03 03 10	758.195	661.953
			3,032.780 ADW**	3,093.24 ADW**
2.	03 03 99	Wastes not otherwise specified	0.590	0
3.	07 02 13	Waste plastic	2.952	3.45
4.	08 04 10	Waste adhesives and sealants other than those mentioned in 08 04 09	0.160	0
5.	08 01 20	Aqueous suspensions containing paint or varnish other than those mentioned in 08 01 19	0	0
6.	12 01 02	Ferrous metal dust and particles	0	0
7.	12 01 03	Non-ferrous metal filings and turnings	0.200	0
8.	12 01 09*	Machining emulsions and solutions free of halogens	0.295	0
9.	12 01 21	Spent grinding bodies and grinding materials other than those mentioned in 12 01 20	0.070	0
10.	13 01 10*	Mineral based non-chlorinated hydraulic oils	2.980	1.18
11.	13 02 08*	Other engine, gear, lubricating oils	1.150	2.07
12.	15 01 01	Paper and cardboard packaging	884.910	938.674
13.	15 01 02	Plastic packaging	331.368	379.815
14.	15 01 03	Wood packaging – waste and damaged pallets	68.912	152.905
15.	15 01 10*	Packaging containing residues of or contaminated by hazardous substances	17.878	18.11
16.	15 01 11	Metallic packaging containing a hazardous solid porous matrix (for example asbestos), including empty pressure containers	0.009	0.06
17.	15 02 02*	Absorbents, filter materials (including oil filters), wiping cloths	6.080	3.8
18.	15 02 03	Absorbents, filter materials (including oil filters), wiping cloths other than those mentioned in 15 02 02	11.390	15.4
19.	16 01 03	End-of-life tires	0.950	0.3
20.	16 02 13*	Waste devices containing hazardous components (lamps, monitors)	0	1.48

Item	Waste code	Type of waste	Volume of generated waste [Mg]	
			2023	2024
21.	16 02 14	Discarded equipment other than those mentioned in 16 02 09 to 16 02 13	0.970	0.112
22.	16 05 06*	Laboratory chemicals and mixtures of laboratory chemicals	2.094	0.6
23.	16 06 01*	Lead batteries	0	0
24.	17 04 02	Aluminium	0	0
25.	17 04 05	Iron and steel	117.420	130.72
26.	17 04 07	Mixed metals	289.510	321.12
27.	17 04 11	Cables other than those mentioned in 17 04 10	0	0.06
28.	17 06 04	Insulation materials	0.700	0.06
29.	16 03 05* 18 01 03*	Other	0.818	0.92
30.	19 08 01	Screenings	3.000	1.25

* 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".

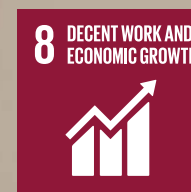
** ADW – Absolute Dry Weight

In the field of waste management, Velvet CARE uses the services of specialized companies that collect the generated waste and then recycle it or dispose of it in accordance with the applicable law.

Types and volumes of waste generated at MORACELL

Item	Waste code	Type of waste	Volume of generated waste [Mg]	
			2023	2024
1.	08 04 10	Waste adhesives and sealants other than those mentioned in 08 04 09	55.520	56.840
2.	15 01 01	Paper and cardboard packaging	82.045	90.855
3.	15 01 02	Plastic packaging	39.846	28.709
4.	15 01 03	Wooden packaging	6.980	27.160
5.	15 01 06	Mixed packaging	91.130	103.240
6.	15 01 10	Packaging containing residues of or contaminated by hazardous substances	0.040	0.200
7.	15 02 02	Absorbents, filter materials (including oil filters), wiping cloths	-	0.120
8.	20 01 01	Paper and cardboard	0.052	0.040
9.	20 01 02	Glass	-	0.006
10.	20 01 39	Plastics	0.060	0.045
11.	20 03 01	Mixed municipal waste	35.494	5.059
12.	20 03 07	Bulky waste	1.090	1.300

3. EMPLOYEES OF THE VELVET CARE GROUP



3.1.WORKFORCE

[GRI 3-3]

Employees are the backbone of the Velvet CARE Group. The success and development of the organization depend on them. We appreciate the value of our workforce, which is why we strive to maintain their satisfaction and engagement at the highest possible level. Our priority is to create a safe and stable work environment where employees feel good and can develop their potential.

Employment and human resources management at the Velvet CARE Group is compliant with applicable laws and regulations and is further supported by internal policies and procedures. These include, among other things, remuneration and recruitment policies, and effective competence development.

[GRI 2-7]

Total number of employees by gender

	Velvet CARE	MORACELL	Velvet CARE Group
Women	227	35	262
Men	620	78	698
Total	847	113	960

Total number of employees by type of employment

	Form of employment		Type of employment	
	Permanent employees	Temporary contract	Full-time employees	Part-time employees
Velvet CARE				
Women	185	42	225	2
Men	526	94	619	1
Total	711	136	844	3
MORACELL				
Women	31	6	31	4
Men	54	22	78	0
Total	85	28	109	4

The Velvet CARE Group conducts periodic employee satisfaction and engagement surveys, conducted approximately every eighteen months. Their goal is to learn more about the team's views and needs regarding the work environment, internal communication, and organizational culture. The survey results are an important source of information for and contribute to the development of HR policies and employee programs.

No survey was not conducted in 2024. The previous one took place in the fall of 2023, and the next one will be in the spring of 2025.

In 2024, the Velvet CARE Group employed a total of 960 people. The vast majority of them (847) worked for the Polish Velvet CARE company. MORACELL of the Czech Republic had 113 employees. The tables below present data on a per-person basis as of December 31, 2024.

The number of employees at Velvet CARE increased by 4.2% in 2024 compared to the previous year, from 813 (as of 31.12.2023) to 847 (as of 31.12.2024), respectively. In 2024, MORACELL hired 8 more persons, so now its workforce totals 113 people.

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

[GRI 2-8]

Velvet CARE	MORACELL	Velvet CARE Group
64	5	69

Total number and percent contribution of new hires and total number of employees who left the organisation in 2024

[GRI 401-1]

Total number and rate* of new hires by gender:

	Velvet CARE		MORACELL		Velvet CARE Group	
Women	98	11,57%	9	7,96%	107	11,15%
Men	33	3,9%	31	27,43%	64	6,67%
Total	131	15,47%	40	35,40%	171	17,81%

*100% = all employees of the entity

Total number and rate* of new hires by age:

	Velvet CARE		MORACELL		Velvet CARE Group	
Under 30	49	5,79%	15	13,27%	64	6,67%
30-50	73	8,62%	13	11,50%	86	8,96%
Over 50	9	1,06%	12	10,62%	21	2,19%
Total	131	15,47%	40	35,40%	171	17,81%

*100% = all employees of the entity

Total number and rate* of new hires by region:

VELVET CARE		
Klucze	121	14,29%
Warsaw (including field representatives)	10	1,18%
Total	131	15,47%
MORACELL		
Žabčice (including field representatives)	40	35,40%
Total	40	35,40%

*100% = all employees of the entity

The table shows the total number of associates who were not permanent employees but provided services under contracts and employment agencies. In the case of Velvet CARE, these were for example persons providing cleaning and security services; and in the case of MORACELL, these were persons performing work under contracts and employees hired by employment agencies. In some individual cases, the cooperation concerned associates on parental leaves under additional contracts. They have been excluded from the calculations in order to avoid double counting.

Total number and rate* of employees who left the organization in 2024 by gender:

	Velvet CARE		MORACELL		Velvet CARE Group	
Women	22	2,6%	9	7,96%	31	3,23%
Men	74	8,74%	28	24,78%	102	10,63%
Total	96	11,33%	37	32,74%	133	13,85%

*100% = all employees of the entity

Total number and rate* of employees who left the organization in 2024 by age:

	Velvet CARE		MORACELL		Velvet CARE Group	
Under 30	31	3,66%	7	6,19%	38	3,96%
30-50	49	5,79%	15	13,27%	64	6,67%
Over 50	16	1,89%	15	13,27%	31	3,23%
Total	96	11,33%	37	32,74%	133	13,85%

*100% = all employees of the entity

Total number and rate* of employees who left the organization in 2024 by region:

VELVET CARE		
Klucze	84	9,92%
Warsaw (including field representatives)	12	1,42%
Total	96	11,33%
MORACELL		
Žabčice (including field representatives)	37	32,74%
Total	37	32,74%

*100% = all employees of the entity

Employee turnover rate by gender:

	Velvet CARE sp. z o.o.	MORACELL s.r.o.	Including
Women	9,69%	26%	12%
Men	11,94%	36%	15%
	11,33%	33%	14%

The indicator includes the number of employees belonging to individual categories as of 31.12.2024.



PARENTAL LEAVES

[GRI 401-3]

The Velvet CARE Group supports employees in combining work and family life. It offers a flexible approach for people who would like to return to work after parental leave (if possible). MORACELL also actively sup-

ports parents in the process of returning to professional activity. By offering flexible forms of employment, such as part-time jobs or participation in short-term projects, the company supports its employees in maintaining their work-life balance. In 2024, 47 employees benefited from parental leaves.

Total number of employees entitled to parental leave in 2024

	Velvet CARE	MORACELL	Velvet CARE Group
Women	227	35	262
Men	620	78	698
Total	847	113	960

Total number of employees who took parental leave in 2024

	Velvet CARE	MORACELL	Velvet CARE Group
Women	14	3	17
Men	26	4	30
Total	40	7	47

In the case of both companies, the data refer to maternity, parental and paternity leave.

Total number of employees who returned to work after parental leave in 2024

	Velvet CARE	MORACELL	Velvet CARE Group
Women	3	1	4
Men	24	4	28
Total	27	5	32



Total number of employees who returned to work after parental leave and were still employed by the organization 12 months after returning to work in 2024

	Velvet CARE	MORACELL	Velvet CARE Group
Women	2	1	3
Men	18	3	21
Total	20	4	24

Return-to-work rate of employees who took parental leave in 2024

	Velvet CARE	MORACELL
Women	21%	33%
Men	92%	100%
Total	68%	71%

Retention rate of employees who have taken parental leave

	Velvet CARE	MORACELL
Women	67%	100%
Men	75%	75%
Total	74%	80%

FRINGE AND OTHER BENEFITS FOR EMPLOYEES

[GRI 401-2]

The Velvet CARE Group provides its employees with access to a wide range fringe and other benefits, tailored to the specifics of the location of the business and the needs of the people employed.

The employees of Velvet CARE can take advantage of:

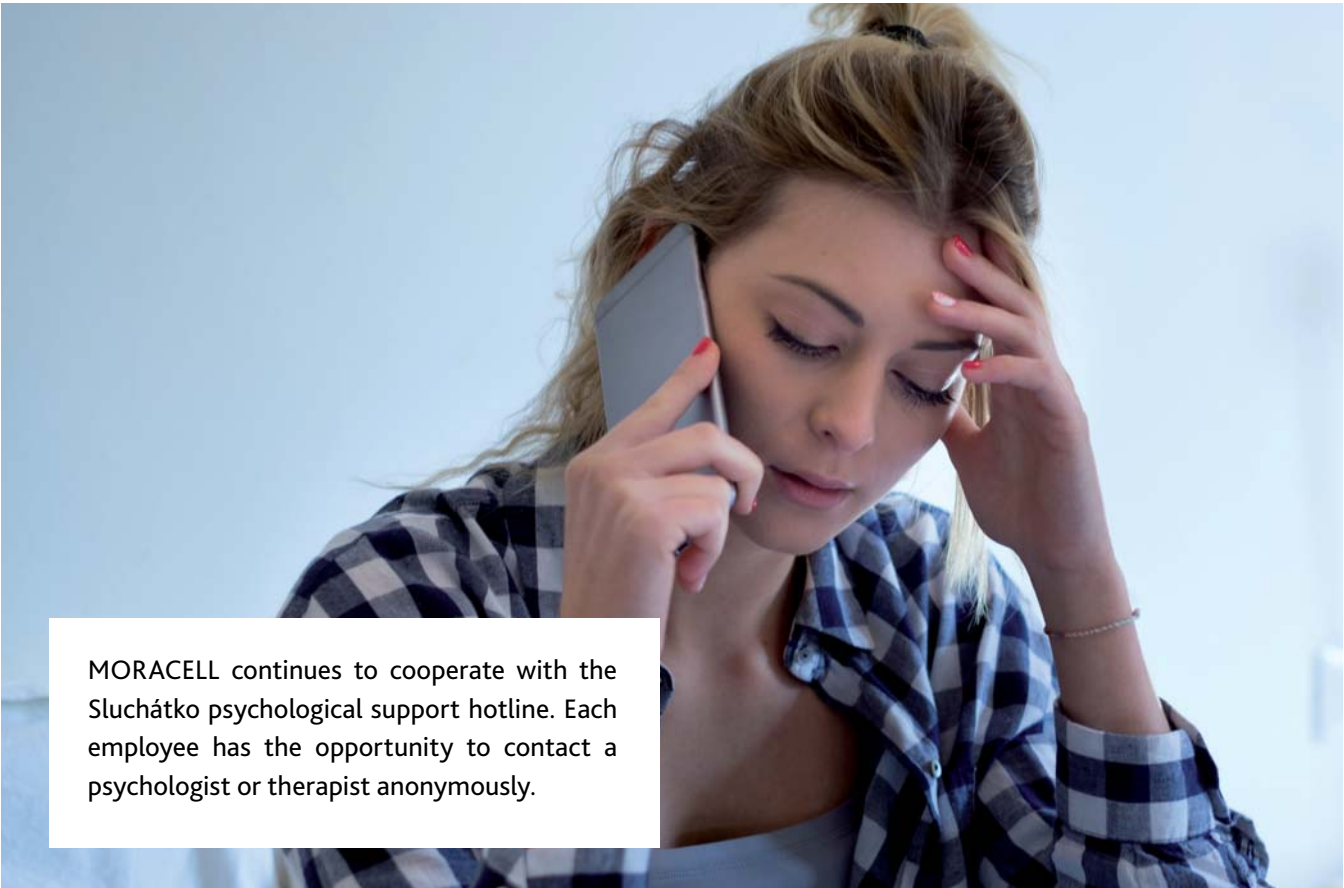
- subsidies for private medical care
- additional life insurance
- subsidies for sports cards
- co-financing of training and studies
- commuter allowance addressed to employees who live more than 10 km away from their place of work and do not own a company car
- in-kind benefit – 2 times a year (on the occasion of Christmas and Easter) employees receive a free set of company products
- once every 2-3 months, employees can buy the company's products in the employee shop at competitive prices

Velvet CARE employees can take advantage of Employee Capital Plans (ECPs) in accordance with the applicable law, and occasional benefits or summer holiday subsidies as part of the Company Social Benefits Fund. The number of benefits depends on the employee's income.

The Velvet CARE fringe benefits package is not available to contractors and person hired by a temporary employment agency.

At MORACELL, employees can take advantage of:

- an additional pension fund,
- cards with funds that can be used freely, for social and sports activities for instance.
- 5 additional days-off
- paid meals
- the opportunity to purchase the company's products at competitive prices



MORACELL continues to cooperate with the Sluchátko psychological support hotline. Each employee has the opportunity to contact a psychologist or therapist anonymously.

3.2. HEALTH AND SAFETY AT WORK

OHS MANAGEMENT SYSTEM

[GRI 403-1] [3-3]

The Velvet CARE Group manages occupational health and safety issues on the basis of systems compliant with applicable regulations and the best industry standards. Velvet CARE implemented its occupational health and safety management system in accordance with ISO 45001:2018. The system is subject to annual recertification and covers all employees.

Both companies belonging to the Group maintain the "Policy of the Integrated Management System for Quality, Environment, Occupational Health and Safety and Product Safety" in place which supports the principles of safe work. The policy is closely linked to the quality management system implemented in the organization in line with ISO:9001. The policy covers both employees and persons who perform work on the premises of the plants.

The effectiveness of the OHS management system at Velvet CARE was confirmed by awarding the distinction in the "Employer – Organizer of Safe Work" competition organized by the National Labour Inspectorate.

CONTRIBUTION OF EMPLOYEES, CONSULTATION AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY ISSUES

[GRI 403-4]

Formal responsibility for health and safety at work lies – in accordance with the law – with the management at Velvet CARE. Advisory services and supervision are in hands of the OHS Department managed by the Head of the OHS Department. At MORACELL, the OHS area services are outsourced at an external company, and the organization employees only a prevention specialist

The forms of representation of Velvet CARE employees in the area of OHS include the activities of the OHS Committee and the Social Labour Inspector. These bodies help workers to express their opinions,

report observations and co-decide on actions taken to improve safety and working conditions.

The OHS Committee meets at least once a quarter. Its tasks include reviewing working conditions, assessing the state of safety, issuing opinions on measures to prevent accidents at work and occupational diseases, and formulating suggestions for improving working conditions.

At MORACELL, an inspection and an OHS meeting are carried out once a week. Significant doubts are resolved immediately, and other issues related to safety are discussed at the Management Board meetings. The result of the continuous improvement in occupational safety was a decrease in the number of accidents in the workplace in 2024 compared to 2023.

HAZARD IDENTIFICATION, RISK ASSESSMENT AND ACCIDENT INVESTIGATION PROCESSES

[GRI 403-2]

In both companies belonging to the Velvet CARE Group, issues related to hazard identification, risk assessment at workplaces and analysis of accidents are carried out in a systematic manner, based on legal regulations, standards and internal procedures.

Velvet CARE's employees have the opportunity to report any potential hazards through a variety of channels. Communication can be directed to the direct supervisor (who is responsible for passing it further), the employees of the OHS department, the Social Labour Inspector and also through a dedicated internal communication tool available from a mobile phone (Mattermost messenger). Reports and irregularities are discussed during daily production meetings.

The process of identifying hazards at Velvet CARE has been regulated by the internal procedure "Hazard Identification and Risk Assessment", developed in accordance with applicable standards. This document defines the responsibilities and procedure for planning, conducting and updating a risk assessment. It also specifies how to report non-compliance and inform employees about existing risks. The employees of the OHS department, the Social Labour Inspector and other appointed persons participate in the analyses, and the process is supported by regular tests and measurements in the working environment.

In addition, the procedures in force are subject to constant internal audits. The results of inspections and reviews are analysed both in individual departments and by the interdepartmental management group dealing with "Building an OHS culture". On this basis, improvements and improvement activities are implemented.

At the Czech company MORACELL, risk assessment and identification of risks are also carried out in accordance with the applicable law and internal regulations. A weekly inspection of the entire plant, including the production floor and warehouses, is carried out and department managers check for potential non-compliances. According to internal procedures, any dangerous or non-compliant incidents must be immediately reported to the supervisor, who then informs the dedicated health and safety specialist and fire protection specialist.

Both companies have a uniform post-accident procedure. Each event is analysed by a team appointed to determine the causes, develop corrective actions and provide any necessary information to employees. The



so-called near misses, i.e. potentially accidental situations that did not lead to any injury, are also monitored. These events are registered and analysed. If necessary, corrective actions are taken to prevent a possible repetition of the dangerous situation.

The VC Group provides employees with the right to refuse to perform work if they find it unsafe. In such situations, the report goes to the supervisor or the OHS department, and the employees are not subjected any consequences.

HEALTH OF EMPLOYEES

[GRI 403-3]

At the Velvet CARE Group, each employee is required to undergo an initial medical examination assessing the ability to work in a given position before starting work. Both companies also conduct periodic medical examinations and additional examinations in the event of suspected occupational diseases and work-related accidents. The companies cooperate with occupational medicine units and co-finance a voluntary private medical package.

At Velvet CARE, the following persons are responsible for the area of healthcare management:

- OHS department – takes measurements in the working environment
- HR department – controls medical examinations and management of medical subscription packages.

HEALTH PROMOTION AMONG EMPLOYEES

[GRI 403-6]

As part of health-promoting initiatives and benefits, employees of the Velvet CARE Group have the opportunity to take advantage of health-promoting benefits, e.g. private medical care, sports cards, flu vaccination, vitamins in the autumn or they can take part in the Velvet CARE Sport Challenge sports initiative. In 2024, MORACELL employees took part in sporting events organized by local sports associations. They were also independently involved in other sports events, such as *the Urban Challenge Ostrava*.

Health-promoting programs at Velvet CARE in 2024

- **Velvet CARE Sport Challenge** – the sixth edition of the project combining physical activities with healthy sports competition. During the summer, employees join forces and compete together in 3 categories: walking, running and cycling. In 2024, the participants travelled 53 thousand kilometres using the strength of their legs. A total of 68 employees from both Velvet CARE and MORACELL were involved in the project.
- **Cancer Prevention Month** – as part of the Pink October and Movember campaigns, information brochures encouraging prevention were available throughout the plant and offices,

along with self-examination instructions for women and men. In 2014, the message of the campaign was strengthened by cooperation with the uPacjent.pl platform, where employees had access to specialized blood test packages in the field of initial cancer and diabetes prevention. Anyone interested could purchase a test package at preferential prices for themselves and their loved ones; in addition, after presenting a proof of purchase, Velvet CARE reimbursed employees 75% of the cost of one package.

- During the flue period, employees, as every year, could sign up for *free vaccinations*. In addition, Velvet CARE provides free supplementation of vitamins to all employees.

EMPLOYEE TRAINING IN OCCUPATIONAL SAFETY

[GRI 403-5]
Our employees are provided with a wide range of health and safety training, ranging from initial and periodic training in accordance with applicable law (which must be attended by each employee) to specialist training on procedures, health and safety standards, hazardous work and fire training. The types, forms and frequency of specialist training are tailored to the position held and the potential hazards associated with it.

- In 2024, Velvet CARE performed:
- initial and periodic training related to occupational safety
 - a course refreshing OHS standards at selected departments
 - OHS courses for contractors being provided access to the plant premises
 - fire protection training

In addition, the Company organizes specialist, improvement and refreshing trainings, which are conducted each time after the occurrence of a near-miss event or an accident in the workplace.

At MORACELL, the main OHS training is conducted at least once a year. Other training courses depend

on professional classification. In order to reduce the number of accidents in 2024, additional training was carried out to remind of the rules and principles of occupational safety.

PREVENTION AND REDUCTION OF INCIDENTS AND ACCIDENTS AFFECTING THE OCCUPATIONAL HEALTH AND SAFETY OF EMPLOYEES

- [GRI 403-7]**
In both companies of the Velvet CARE Group, safety measures were taken, incl.:
- OHS training
 - OHS exams and audits
 - Near Miss Reporting System covering reporting potential accidents
 - posters, signs, information boards
 - fire drills

In addition, behavioural audits were carried out at Velvet CARE and the “OHS Question to Operator” initiative aimed at improving operational safety was continued. In 2024 it has been further expanded to include the area of company logistics. Cyclical meetings “OHS culture building ” were also organized, during which current indicators (of accidents, near misses, non-conformities) were analysed and the possibility of introducing the so-called OHS benchmarks were

discussed. The company requires contractors to comply with occupational health and safety rules during work on the premises of the plants, which is why they undergo mandatory occupational health and safety training on a dedicated platform before starting work.

In addition, cooperation has been established with an external specialist who is responsible for supervising safety rules in the construction site (construction works related to investments in new machinery, office and warehouse infrastructure are being carried out at the plant in Klucze). He conducts daily supervision, participates in meetings and trains external contractors.



EMPLOYEES COVERED BY THE OCCUPATIONAL SAFETY MANAGEMENT SYSTEM

[GRI 403-8]



100% of the employees of the Velvet CARE Group are covered by the occupational health and safety management system.

Employees covered by the OHS management system

	Number of employees	Percentage of employees
Velvet CARE	847	100%
MORACELL	113	100%

Persons who are not employed, but whose work and/or workplace is controlled by the organization and covered by an occupational safety management system

	Number of people who are not employed but whose work and/or workplace is controlled by the organisation	Percentage of people who are not employed but whose work and/or workplace is controlled by the organisation*
Velvet CARE	11	17%
MORACELL	5	100%

*Percentage calculated for the group of people who are not employed, but whose work and/or workplace is controlled by the organization

Due to the changing number of subcontractors, it is not possible to provide an absolute, one-off number of all persons who are not employed and are covered by the occupational safety management system. The number varies depending on the variable scope of works and projects carried out by the companies.

**WORK-RELATED INJURY RATE
AND OCCUPATIONAL DISEASE RATE**

[GRI 403-9, 403-10]
The companies belonging to the Velvet CARE Group keep their own, separate register of accidents established in accordance with the applicable law. Accidents and potential hazards are also analysed by the companies.

At Velvet CARE, all occupational hazards are detailed in the occupational risk assessment process. Accidents, near-misses and reports made by employees are also analysed. At the plant in Klucze, several main hazards were identified that posed a risk of serious injury. They included working with sharp tools, machines, heavy elements, and the risk of traffic accidents involving forklifts.

Number of accidents at Velvet CARE

Accidents	Total	Including severe accident
2023	7	0
2024	17	0

In 2024, Velvet CARE employees worked 1,413,966 hours.

Number of accidents at MORACELL

Accidents	Total	Including severe accident
2023	16	0
2024	2	0

In 2024, MORACELL employees worked 231,715 hours.

In order to minimize the risks,
the company monitors:

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

The company also takes warning and informational actions for employees. An important role in the process of caring for occupational safety is also played by training tailored to the individual employee, regardless of the position held by him.

In 2024, there were no threats that contributed to occupational diseases in the Velvet CARE Group.

In 2024, no serious accidents at work or cases of occupational diseases were recorded among the employees of the Velvet CARE Group. The most common injuries in Velvet CARE were sprains or fractures of limbs, while in MORACELL they involved mainly cuts and contusions. In the reporting year 2024, a fatal accident occurred during construction work on the premises of the Velvet CARE plant in Klucze, The employee of the contractor's subcontractor company (i.e. an employee in the Velvet CARE value chain) was injured.

**3.3. DIVERSITY
AND REMUNERATION
POLICIES**

COLLECTIVE AGREEMENTS

[GRI 2-30]
There are two trade unions in Velvet CARE – ZZ Pa-pierników and ZZ Solidarność. In 2024, 17% of employees were covered by collective agreements. The company conducts a dialogue with trade unions on an ongoing basis; for this purpose, regular meetings of trade unionists with representatives of the Management Board are held, during which all important current issues and topics reported by employees are discussed. There are no trade unions at MORACELL.

REMUNERATION POLICY

[GRI 2-19] [GRI 2-20]
The remuneration principles adopted by the Velvet CARE Group assume that salaries are set at a level corresponding to the scope of duties and responsibilities in a given position, as well as market realities – in relation to the median remuneration for comparable roles. Both companies systematically analyse the wage situation on the market and use wage market research to ensure that their practices are competitive and consistent.

Remuneration policies set out:

- basic salary
- bonuses for achieving set goals
- allowances related to the nature of the work (e.g. the so-called brigade allowances)
- fringe benefits

At Velvet CARE, each position is evaluated and assigned to one of the categories as follows: ten for white-collar positions and four for blue-collar positions. These categories are described by the applicable remuneration regulations. When determining the wages, the company additionally uses external benchmarks, among others, "manaHR Salary Report". The remuneration budget is prepared by Management Board and then approved by Supervisory Board. Its



size depends on market conditions, the current financial situation of the company and the outcomes of dialogue with social partners. As part of the negotiations with the trade unions, the framework rules for wage changes and the budget for the forthcoming year are determined.

At MORACELL, the remuneration includes a fixed salary, a personal bonus and, in the case of blue-collar workers, an additional component depending on attendance and turnover. Senior managers are also covered by an annual additional bonus.

Both companies implemented their bonus schemes for recommending a new employee.

At Velvet CARE, employees retiring or granted a disability benefit are entitled to a one-off severance pay, the amount of which depends on the length of service. In the event of termination of employment, MORACELL awards severance pay in accordance with the provisions of Czech law.

The remuneration of board members and senior staff at Velvet CARE consists of a fixed part and an annual bonus, the amount of which depends on the achievement of business goals. In the case of Management Board, the variable part is also related to the achievement of ESG goals.

MEN'S BASIC SALARY VICE WOMEN'S SALARY BY POSITION

[405-2]
At Velvet CARE, the gender pay ratio in most job groups remains very close to level 1, which means that there are no significant pay gaps between the groups. At MORACELL, data on the gender pay gap is not monitored.

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	1.02
Manager	1.03
Specialist Expert	0.83
Experienced Specialist	1.01
Junior Specialist	0.88
Highly qualified manual worker	0.84
Manual Operations Worker	1.02

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

	Velvet CARE
MTM	1.02
Manager	1.03
Specialist Expert	0.83
Experienced Specialist	1.00
Junior Specialist	0.87
Highly qualified manual worker	0.85
Manual Operations Worker	1.01



DIVERSITY

[405-1]
Velvet CARE promotes diversity, equality and inclusivity through training, competitions and internal communication conducted by the Diversity Group (an

internal, multidisciplinary team of employees who act as an initiator of activities in this area). In 2024, a series of trainings addressed to managers in the field of supporting team diversity was also held. The trainings were conducted by an external expert.

Members of the Velvet CARE Group Management Boards by gender

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

The majority of manual workers are men, which is due to the specificity of production processes, but it is worth noting that women make up almost 40% of the top management and management team of Velvet CARE, and in the case of MORACELL it is 50%.

In 2024, Velvet CARE became a signatory of the Diversity Charter, the EU's initiative to promote diversity, equality and inclusion in the workplace. As part of the membership, our company took part in the Diversity IN Check survey, which assesses the maturity of organizations in the field of diversity management. Velvet CARE is one of the most advanced employers in Poland in this area.

Employee category by gender:

	Velvet CARE		MORACELL	
	Women	Men	Women	Men
MTM	5	9	3	3
Manager	18	62	9	7
Specialist	87	83	13	5
Manual worker	117	466	10	63
Total	227	620	35	78



„What distinguishes our team is diversity in almost every dimension, which is a source of strength and cooperation, which is why joining the Diversity Charter is a confirmation of how important this matter is to us. It is also a motivation to further develop and take actions in the area of DEI: diversity, equality and inclusivity.”



Aleksandra Jankowska,
Chief People Officer and Vice President of the Management Board of Velvet CARE.


4. IMPACT OF THE VELVET CARE GROUP ON THE BUSINESS ENVIRONMENT AND COMMUNITIES



4.1. STAKEHOLDERS

APPROACH TO STAKEHOLDER ENGAGEMENT

[GRI 2-29]
As part of the preparation for reporting the year 2024, an analysis and separation of coherent groups of stakeholders in the Velvet CARE Group was carried out. To this end, a multi-stage workshop was held, which was attended by the Management Boards and key managers from the Velvet CARE and MORACELL. As a result, the following stakeholder groups at the Velvet CARE Group were identified:

owners/shareholders and Management Boards of the companies belonging to the Velvet CARE Group	business partners in the field of development strategy and institutions financing strategic investments	supporting financial and insurance institutions in the field of financing and insurance	suppliers of cellulose, tissue paper and non-woven fabrics for moist papers	major packaging suppliers
supporting packaging suppliers	suppliers of cosmetic formulas for the production of moist paper	suppliers of other raw materials for manufacturing and processing	suppliers outsourced goods and products	key suppliers of utilities (gas, electricity, water) in each of the companies
strategic service providers (Operations Department)	strategic marketing service providers and CatMan/trade	other suppliers of products, services and utilities	strategic clients	other customers
				competitive companies
consumers	employees of the Velvet CARE Group companies	key local administration bodies	other offices, local governments and local authorities and public services	industry associations
certification and auditing bodies within the framework of their management systems	other certification and audit bodies	media / public scrutiny	members of the local community	social/local/ other organisations

After identifying the above-mentioned groups, a stakeholder analysis was carried out using the influence and interest grid method. This made it possible to understand the level of involvement and the importance of individual groups.

During the subsequent stage of the review, i.e. the materiality analysis, the groups of key stakeholders identified in the analysis were asked to take part in the materiality study. Communication was carried out by e-mail; additionally, the Mattermost messenger was used by our employees. The feedback received in this process from key stakeholders was analysed and taken into account when deciding on the final shape of the list of relevant areas for the current report.

SUPPLIERS

Suppliers are a very important group of stakeholders of the Velvet CARE Group, which is why we decided to detail them in this Report.

In order to ensure the resilience and stability of our business operations, we apply a diversification strategy in the area of purchasing. The most important suppliers for the Group and Velvet CARE are partners supplying raw materials, with the largest contribution of cellulose obtained on the international (mainly European, South American and Asian) market. The Velvet CARE Group also purchases other raw materials and materials necessary to run the business (e.g. master carton boxes, packaging, cosmetic formulas and others).

Each supplier cooperating with the Velvet CARE Group is obliged to comply with specific requirements, including but not limited to environmental, ethical and business issues, along with an appropriate level of quality and safety of the products and services provided resulting from the applicable law and established rules of cooperation. In the supplier selection process, the VC Group analyses in detail the potential risks in the area of procurement, taking into account general conditions, costs, quality, and environmental and occupational health and safety issues.

Each new or qualified partner is required to complete the **Supplier Self-Assessment Questionnaire** once every three years. The document covers not only quality aspects or standards and certificates, but also issues related to the observance of human rights,

counteracting child labour and forced labour, and the area of environmental protection and climate risk management.

Key contractors also sign the so-called **Compliance** **Clauses**, thus committing themselves, among other, to respect laws and ethics and human rights policies, refrain from actions considered unfair competition, comply with anti-corruption regulations, respect the natural environment, follow applicable standards in this area, and act in a socially responsible manner.

CONSUMERS

At Velvet CARE Group, we put consumers at the heart of our business, believing that their needs and expectations are the key to our long-term success. The quality of our products is our priority – we use modern production technologies, maintain quality certificates and receive consumer awards. We operate in accordance with the principles contained in the Policy of the Integrated Quality, Environment, Occupational Health and Safety Management System and Product Safety.

We care about consumers not only through the highest quality of products, but also through education and social programs, such as “Velvet. 5 for nature” or “Velvet Hygiene Year”, which promote hygiene and environmental awareness. We are building trust, strengthening business relations and prove that care for consumers' comfort and safety is the foundation of our strategy.



„Velvet. Five for nature” educational program

This campaign has been carried out at Velvet CARE for several years. We started with activities in Poland, and in the 2024/2025 school year, the program was also expanded to the Czech Republic, where MORACELL operates. It is conducted there under a slightly different name „Nature First”.

The aim of the program is to support environmental education in schools and kindergartens. Teachers registered on the program platform have access to lesson plans with the core curriculum. The innovation of the 2024/2025 edition in Poland was the launch of a mobile application equipped with an AI model, which allowed users to recognize plant species by scanning them with a mobile phone and mark their place of occurrence (action to create a biodiversity map).





„A year with Velvet hygiene” educational program

It is a nationwide educational program addressed to preschool and early school children. The program focuses on increasing awareness of personal hygiene among the youngest.

The participants of the program will be greeted by Velvetus Bear, who talks about the secrets of everyday toilet and introduces the rules of self-hygiene in the form of a game.

For more information about the program visit <https://rokzhigienavelvet.edu.pl/>



4.2. LOCAL COMMUNITIES

Guided by the principles of responsibility and partnership, the Velvet CARE Group has been actively supporting the development of local communities for many years. These activities are carried out on the basis of an internal donation procedure, which regulates the process of providing in-kind support. Each application for assistance is subject to a formal assessment aimed at verifying the legitimacy of the donation granted. In accordance with the assumptions, we support local educational and medical institutions. We also support local sports and cultural initiatives taking place in the Olkusz district, where the factory in Klucze operates.



Papermaking technical school

Thanks to the cooperation of Velvet CARE and the School Complex No. 4 in Olkusz, the Papermaking Technical School was launched – a new vocational specialization, previously unavailable in the region. The institution gives students the opportunity to acquire knowledge and skills related to the paper industry, including the preparation of pulp and cellulose pulp, the selection of raw materials for paper production, and the operation and maintenance of paper machines. Some of the practical classes take place at the Velvet CARE plant in Klucze, where students learn directly from experienced experts. Graduates of the school can start their professional careers by taking up a job at Velvet CARE.

5. CORPORATE GOVERNANCE IN THE VELVET CARE GROUP



5.1.CORPORATE CULTURE

COMMITMENTS IN THE POLICIES

[GRI 2-23] [GRI 2-24]

The Velvet CARE Group, which includes Velvet CARE and MORACELL, conducts its business in accordance with the adopted business strategy in a consistent and responsible manner. It makes commitments in key areas related to ESG, such as fair competition, compliance with applicable legal standards (including human rights), ensuring security and transparency of processes.

Both companies belonging to the Group maintain complex policy systems in place which cover environmental, social and governance issues, including the Integrated Quality, Environment, Occupational Health and Safety and Product Safety Management System Policy prepared in accordance with ISO:9001. Both companies have also implemented their Codes of Conducts setting out the principles of ethical conduct, including integrity, respect for diversity and accountability to stakeholders.

Velvet CARE's Human Rights Policy focuses on ensuring decent working conditions, equality and respect for workers' rights. The organisation implemented anti-corruption and anti-mobbing policies. The docu-

ments have been formally approved by the Management Boards of the companies.

In 2024, Velvet CARE became a signatory of the Diversity Charter, which is an international initiative and a written commitment of the company obliging to comply with the prohibition of discrimination in the workplace, take actions aimed at promoting diversity.

These commitments of the companies belonging to the Velvet CARE Group are regularly communicated to both internal and external stakeholders. Employees are informed about policies through internal communication channels such as emails, bulletin boards, and training. Information about policies and commitments is also available to external stakeholders on the www.velvetcare.com website and communicated through the Velvet CARE profile on LinkedIn. Our suppliers are required to comply with the principles of good conduct, which include requirements for legal compliance, business ethics, and respect for human rights. Such provisions are formally incorporated into contracts as so-called Compliance Clauses, which ensures their observance within the supply chain.

The Velvet CARE Group applies the principle of prudence in its operational decisions, especially with regard to environmental and social impacts, takes measures to minimize possible negative impacts, promotes responsible resource management and

supports sustainability initiatives. An example is, the constant pursuit of optimization and efficiency in the consumption of energy, water and raw materials in production processes.

ENVIRONMENTAL REMEDIATION PROCESSES AND IMPLICATIONS

[GRI 2-25, GRI 2-26]

The Velvet CARE Group has implemented effective procedures in place to respond quickly and responsibly to potential adverse effects of its operations. In the environmental field, the organization sets targets for energy consumption and production efficiency every year. Both companies belonging to the Velvet CARE Group, have their own channels for anonymous reporting of possible violations (Ethics Line), operated by an independent external company, through which all stakeholders can anonymously report irregularities and doubts.

Contact for Velvet CARE:

- **Ethics Officer:**
rzecznik.etyki@velvetcare.pl
+48 664 997 000
- **Ethics hotline:**
velvet.liniaetyki.com, velvet@liniaetyki.pl,
tel. 22 290 67 88

Contact for MORACELL:

- **Ethics hotline:**
moracell.liniaetyki.com

In Velvet CARE, on-call hours of Management Board members and a dedicated e-mail box (napiszdo prezesa@velvetcare.com) have been introduced, enabling direct contact with the President of the Management Board.

In both companies, quarterly meetings with the management staff are organized and they may be attended by all employees. They create a platform for discussing current events, projects and exchange information. Before meetings at Velvet CARE and on a permanent basis at MORACELL, dedicated boxes for anonymous suggestions, questions or comments, which are then considered and discussed publicly during the meetings are provided.

In addition to using the Ethics Hotline, stakeholders can submit their comments via the template available on the www.velvetcare.com/kontakt website (for Velvet CARE) or directly via email to MORACELL employees and management staff (www.moracell.cz/cs/kontakt). Sending messages in writing to the address of the reception of the Management Boards of both companies is also possible.

LEGAL AND REGULATORY COMPLIANCE

[GRI 2-27]

In 2024, no significant cases of non-compliance with the law and regulations were recorded in the Velvet CARE Group.

AUTOMATION AND DEVELOPMENT

[own indicator, GRI 3-3]

The Velvet CARE Group invests in the modernization and automation of its plants, treating their development as a key element of the long-term business strategy. The implemented projects allow us to increase the scale of operations, the efficiency of processes and better respond to the growing expectations of the market and consumers.

In 2024, the process of construction and installation of a modern MP9 paper machine in the production plant in Klucze began and it will significantly expand the Group's production capabilities. At the end of 2024, preparatory work began for the start of the construction of a fully automated high-bay warehouse, which will also be located on the premises of the production plant in Klucze. The completion of the works is scheduled for the first half of 2026. These projects at Velvet CARE were supported by the Krakow Technology Park – which operates within the Polish Investment Zone – by granting a corporate income tax relief.

As part of the Velvet CARE Group, the MORACELL plant in Žabčice is also being developed in parallel with the Klucze location. In 2024, a new warehouse and production hall was commissioned there, and more processing lines will be launched there in the coming years.



6. ABOUT THE REPORT



[GRI 2-3, 2-4, 2-5]
The 2024 Report was prepared in accordance with the international reporting standard, Global Reporting Initiative (GRI Standards 2021). The Report takes into account a group approach, as in the case of financial reporting – and it contains information on the Polish company Velvet CARE sp. z o.o. and the Czech company MORACELL s.r.o.

The Velvet CARE Group publishes reports on an annual basis, and the data presented in the Report refer to the financial year (covering the period from 01.01.2024 to 31.12.2024).

The 2024 Report indicates one correction of the data compared to the 2023 edition (referring to the return of funds awarded for co-financing of the cogeneration project at the plant in Klucze due to the resignation from the investment). This information is indicated in Chapter 1 of this Report, as part of the GRI 201-4 indicator.

The Report for 2024 has not undergone any external verification.

The contact person for the Group's sustainability issues is:

Anna Lewandowska
ESG & Corporate Communication Manager
e-mail: esg@velvetcare.com

6.1. MATERIALITY ASSESSMENT PROCESS AND LIST OF KEY ISSUES

[GRI 3-1]
In 2024, the Velvet CARE Group carried out a comprehensive process of identifying relevant issues, based on the requirements of the CSRD Directive and the European Sustainability Reporting Standards (ESRS). The basis was an analysis in the double materiality approach, covering both the Group's impact on the environment (materiality of impact) and the impact of external factors on the company's operations (financial materiality).

The analysis of double materiality was carried out in the form of a series of workshops with the participation of managing staff, managers and experts representing various areas of the company's operations. These meetings led to the selection of key topics of sustainable development, important both from the perspective of the organization's impact on people and the environment, and the impact of environmental and social factors on the operations of the company.

To ensure that the expectations of the business environment are fully reflected, a dialogue with stakeholders was conducted to collect their views on the materiality study. Communication with all key stakeholders defined as part of the stakeholder analysis took place by e-mail and through the company's internal communicator (communication with employees). Stakeholders were asked to refer to the developed list of relevant topics by accepting or indicating additional topics relevant to their perspective.

The feedback obtained from key stakeholder groups was then analysed and incorporated into the decision-making process regarding the final shape of the list of relevant topics. The final list of relevant topics was approved by the Management Board of the parent company of the Velvet CARE Group, and this process will be periodically repeated to verify compliance with current challenges and expectations.

The identified relevant topics were assigned to the corresponding GRI standards, which served as the basis for the preparation of the current report.

[GRI 3-2]

List of important topics of the Velvet CARE Group:

Important topics	Detailed Considerations	Place in the report
E1 Climate changes	<ul style="list-style-type: none">carbon footprint emissionsenergy consumption	23-26
E3 Water and Marine Resources	<ul style="list-style-type: none">water and marine resources	27-28
E5 Circular economy	<ul style="list-style-type: none">waste	29-32
S1 Own workforce	<ul style="list-style-type: none">employment securityoccupational health and safety	34-47
S2 Employees in the value chain	<ul style="list-style-type: none">occupational health and safety	40-44
G1 Business conduct	<ul style="list-style-type: none">internal ratio (KPT and Polish Investment Zone)	10-13, 55



GRI CONTENT INDEX

Statement of use	The Velvet CARE Capital Group has submitted the Report for the period 01.01.2024-31.12.2024 in accordance with the GRI Standard
Use of GRI 1	GRI 1: Foundation 2021
Applicable GRI sector standards	N/A

GRI standard / other source	Disclosure	Location	Omissions		
			Requirements (omitted)	Reasons	Explanation
GRI 2: General Disclosures 2021	2-1 Organizational details	4			
	2-2 Entities included in the organization's sustainability reporting	4			
	2-3 Reporting period, frequency and contact point	57			
	2-4 Restatement of information	57			
	2-5 External assurance	57			
	2-6 Activities, value chain and other business relationships	6-10			
	2-7 Employees	34-35			
	2-8 Workers who are not employees	35			
	2-9 Governance structure and composition	16-17			
	2-10 Nomination and selection of the highest governance body	17-18			
	2-11 Chair of the highest governance body	18			
	2-12 Role of the highest governance body in overseeing the management of impacts	20			
	2-13 Delegation of responsibility for managing impacts	21			
	2-14 Role of the highest governance body in sustainability reporting	21			
	2-15 Conflict of interest	18			
	2-16 Communication of critical concerns	18			
	2-17 Collective knowledge of the highest governance body	21			
	2-18 Evaluation of the performance of the highest governance body	21			
	2-19 Remuneration policies	45			
	2-20 Process to determine remuneration	45			
	2-21 Annual total compensation ratio	-	No indicator has been disclosed due to confidentiality of information.	Confidentiality restrictions	The reporting entity treats the 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	2			
	2-23 Policy commitments	54-55			
	2-24 Embedding policy commitments	54-55			
	2-25 Processes to remediate negative impacts	55			
	2-26 Mechanisms for seeking advice and raising concerns	55			
	2-27 Compliance with laws and regulations	55			
	2-28 Membership associations	15			
	2-29 Approach to stakeholder engagement	20-21, 49-50			
	2-30 Collective bargaining agreements	45			
GRI 3: Material topics 2021	3-1 Process to determine material topics	57			
	3-2 List of material topics	58			
Energy					
GRI 3: Material topics 2021	3-3 Management of material topics	23			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	23			
	302-3 Energy intensity	24			
	302-4 Reduction of energy consumption	23			
Greenhouse gas emissions and pollution					
GRI 3: Material topics 2021	3-3 Management of material topics	24			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	24-25			
	305-2 Energy indirect (Scope 2) GHG emissions	24-25			
	305-3 Other indirect (Scope 3) GHG emissions	24-25			
	305-4 GHG emissions intensity	25			
	305-5 GHG emissions reduction	24-25			
	305-6 Emissions of ozone-depleting substances	26			
	305-7 Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	26			
Water and effluents					
GRI 3: Material topics 2021	3-3 Management of material topics	27			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	27			
	303-2 Management of water discharge-related impacts	27			
	303-3 Water withdrawal	27			
	303-4 Water discharge	28			
	303-5 Water consumption	27			
Waste					
GRI 3: Material topics 2021	3-3 Management of material topics	30			

GRI standard / other source	Disclosure	Location	Omissions		
			Requirements (omitted)	Reasons	Explanation
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	30			
	306-2 Management of significant waste-related impacts	30			
	306-3 Waste generated	31-32			
	306-4 Waste diverted from disposal	31			
	306-5 Waste directed to disposal	31			
Employment					
GRI 3: Material topics 2021	3-3 Management of material topics	34			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	35-36			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	39			
	401-3 Parental leave	37-38			
Health and Safety					
GRI 3: Material topics 2021	3-3 Management of material topics	40			
GRI 403: Health and Safety 2018	403-1 Occupational health and safety management system	40-41			
	403-2 Hazard identification, risk assessment, and incident investigation	41			
	403-3 Occupational health services	40			
	403-4 Worker participation, consultation, and communication on occupational health and safety	42			
	403-5 Worker training on occupational health and safety	41-42			
	403-6 Promotion of worker health	42-43			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	43-44			
	403-8 Workers covered by an occupational health and safety management system	44			
	403-9 Work-related injuries	44			
	403-10 Work-related ill health	44			
Diversity					
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	47			
	405-2 Ratio of basic salary and remuneration of women to men	46			
Internal indicator – Polish Investment Zone					
GRI 3: Material topics 2021	3-3 Management of material topics	11, 55			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	11			
	201-2 Financial implications and other risks and opportunities due to climate change	12-13			
	201-4 Financial assistance received from government	11			
Own indicator	Own indicator	55			

