



“Sustainability takes forever
and that's the point.”

Sustainability Report 2023
Vrancart Group



**Vrancart
Group**

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Message from the President of the Management Board



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Our Sustainability Report 2023

Dear Readers,

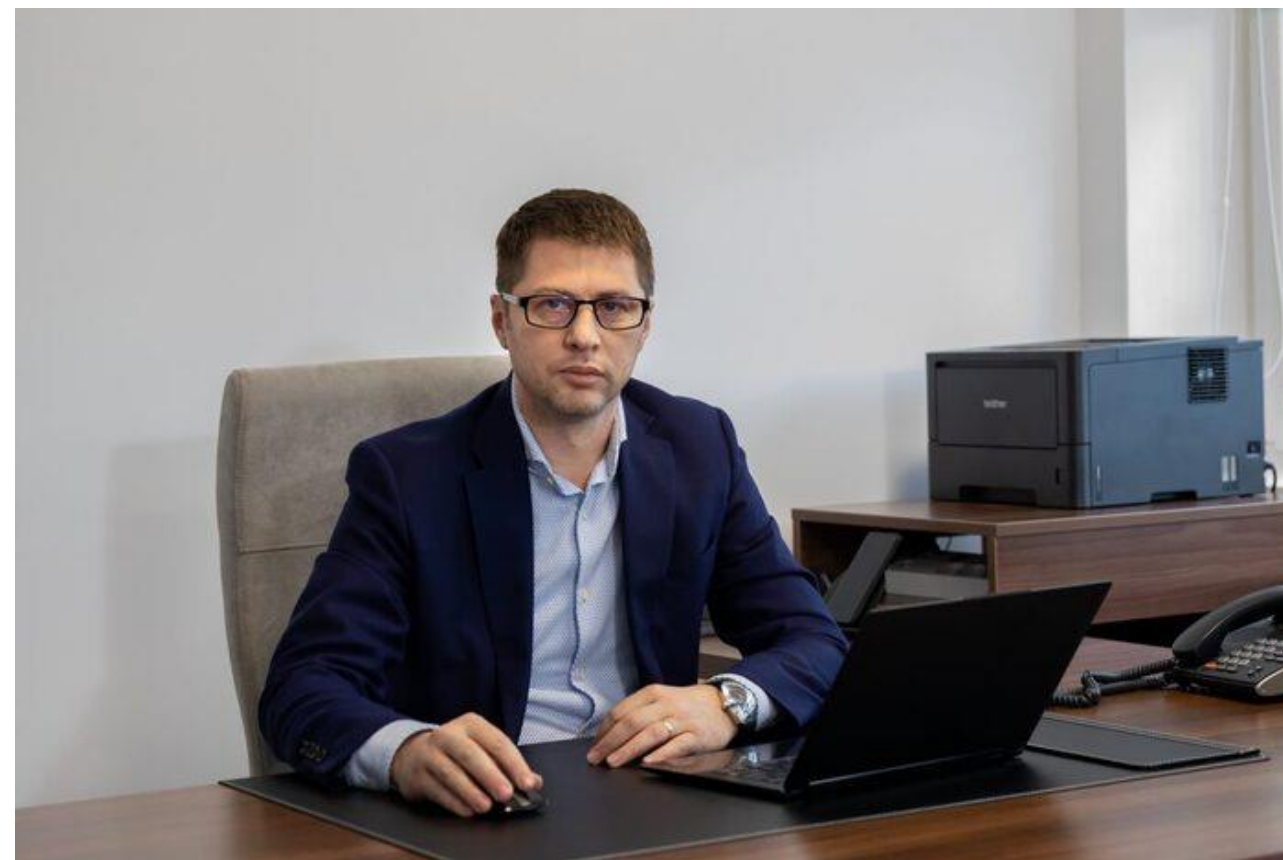
I am pleased to present to you the sustainability report of the Vrancart Group, in which you will find our vision of a sustainable business and our main achievements in this area for the year 2023.

With over 45 years of experience in its field, the Vrancart Group has managed to distinguish itself on the Romanian market as one of the most important producers of paper and cardboard. Being a business with a long-standing tradition, long-term thinking is a strategic objective for us. Therefore, sustainability has always been a primary concern for us.

The mission that the Vrancart Group has undertaken is to be the most important recycler of cellulose-based materials in Romania. Customer satisfaction, honesty towards partners, professionalism, care for employees and shareholders, workplace safety, reducing environmental impact, and responsible use of resources are the principles that guide our activities. These objectives are realistic and have medium- and long-term consequences in the communities where we operate.

Our concept of sustainability is not merely an approach dictated by legislation, but a continuous concern. Caring for nature by recycling materials throughout Romania is a responsibility we take pride in and successfully fulfill. We are convinced that through our tangible contributions to the environment, we will leave future generations with a cleaner, healthier country.

Ionel-Marian CIUCIOI
President of the Management Board



VRANCART group presentation



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About us

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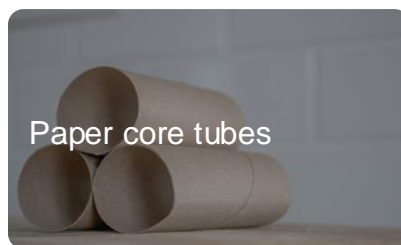
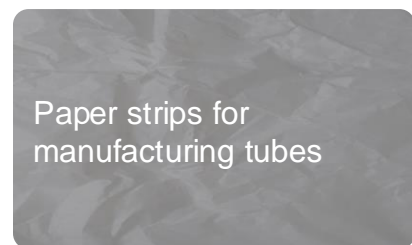
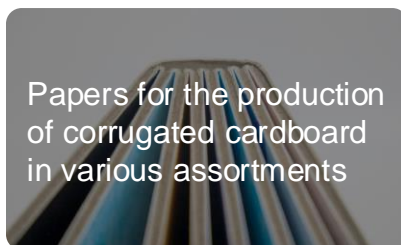
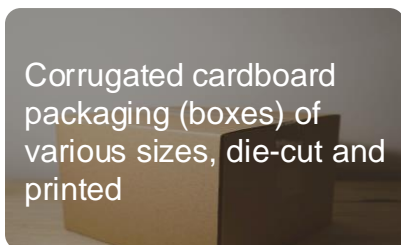
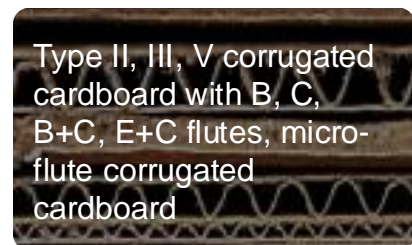
Initially known as the **Vrancea Cellulose and Paper Plant**, established in 1977, Vrancart SA became a joint-stock company starting in 1992.

Vrancart is one of the leading domestic producers of corrugated cardboard, paper for corrugated cardboard, and sanitary papers in Romania. **For over 45 years**, we have been continuously working to bring local products to the Romanian market, to meet our customers' requirements in a sustainable way.

Our products and markets

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The products are marketed both domestically and internationally through retail chains (hypermarkets, supermarkets, cash & carry) and distributors. They cater to a diverse range of customers, including end consumers, clients in the HORECA sector, and various industrial fields such as furniture, automotive, construction, and food products.



Organizational structure

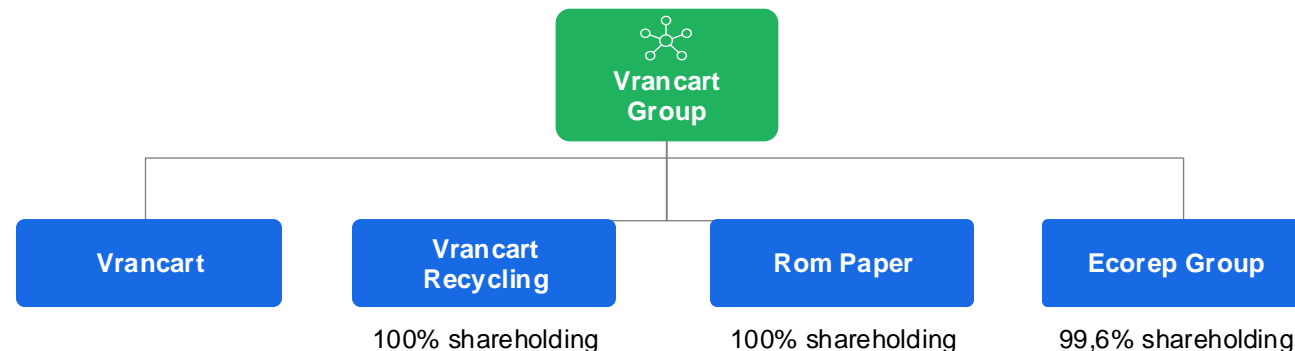
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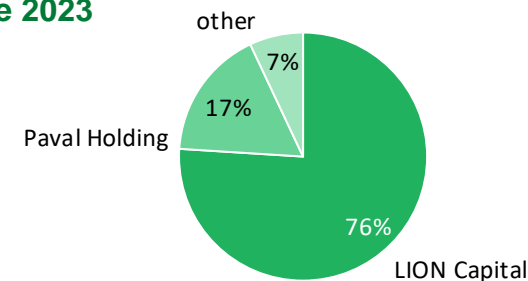
In the fiscal year 2023, the Vrancart Group of companies included Vrancart SA, along with other subsidiaries: **Rom Paper SRL, Vrancart Recycling SRL, and Ecorep Group SA**. These entities are consolidated in the financial statements.

This report provides non-financial information for all four entities of the Group.



Vrancart is established as a joint-stock company with legal personality, and its shares are listed on the Bucharest Stock Exchange. As of December 31, 2023, the company was owned 76% by LION Capital SA (formerly SIF Banat - Crişana SA), 17% by Paval Holding SRL, and 7% by other shareholders.

Shareholding structure 2023



Our business and markets



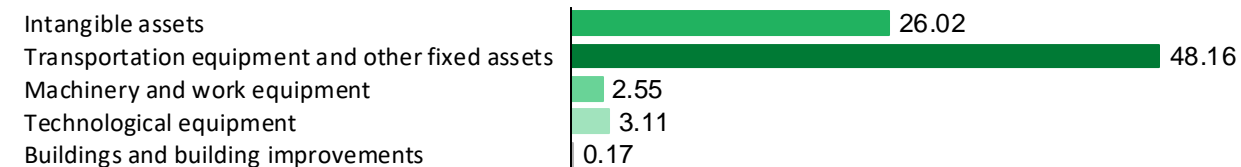
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Organizational structure (continued)

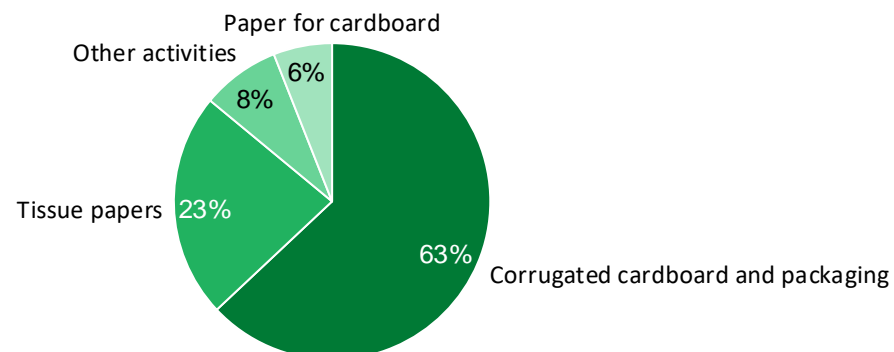
The core production activities of the Group are organized into distinct business lines managed based on their own budgets, which are components of the Group's overall budget, serving different markets:

- Waste management and assuming responsibility for achieving environmental objectives
- Market for paper used in corrugated cardboard manufacturing
- Market for corrugated cardboard and corrugated cardboard packaging
- Market for hygiene and sanitary paper products

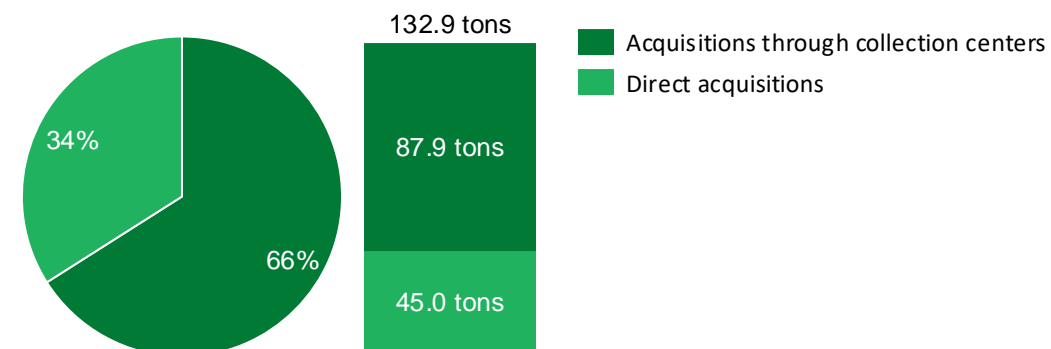
Investments made in 2023, by fixed asset groups (mil. RON)



The share of each product category in the total turnover of the Group for the year 2023



The acquisitions made in 2023 through our own collection centers



Our geographical footprint



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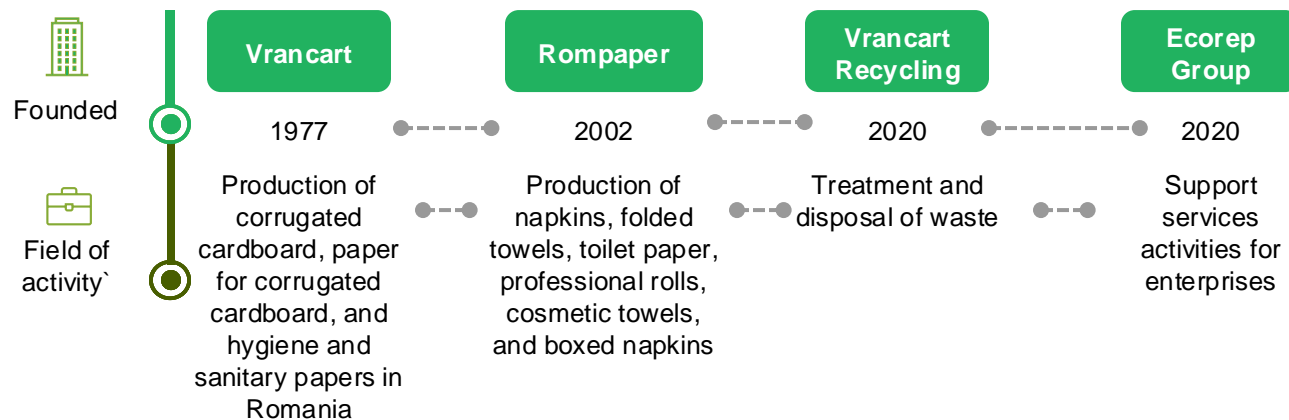
Expansion

Over the past eight years, we have continuously developed by acquiring assets and stakes in similar companies. In 2020, we established Vrancart Recycling and Ecorep Group, and acquired the tissue paper production line from Petrocart SA, which was in insolvency.

Vrancart Recycling, specializing in the treatment and disposal of non-hazardous waste, was established in August 2020 with an investment exceeding 20 million EUR. It operates in adjacent fields to recycling, covering a wide variety of recoverable resources which it either trades or uses internally, benefiting from the newly created synergies.

Ecorep Group, founded in November 2020, focuses on providing services related to extended producer responsibility for environmental objectives.

The range of products offered by Rom Paper has diversified and continuously evolved to meet customer needs. The acquisition of the factory in Braşov represented a strategic move aimed at expanding the product portfolio and increasing coverage through distribution channels.



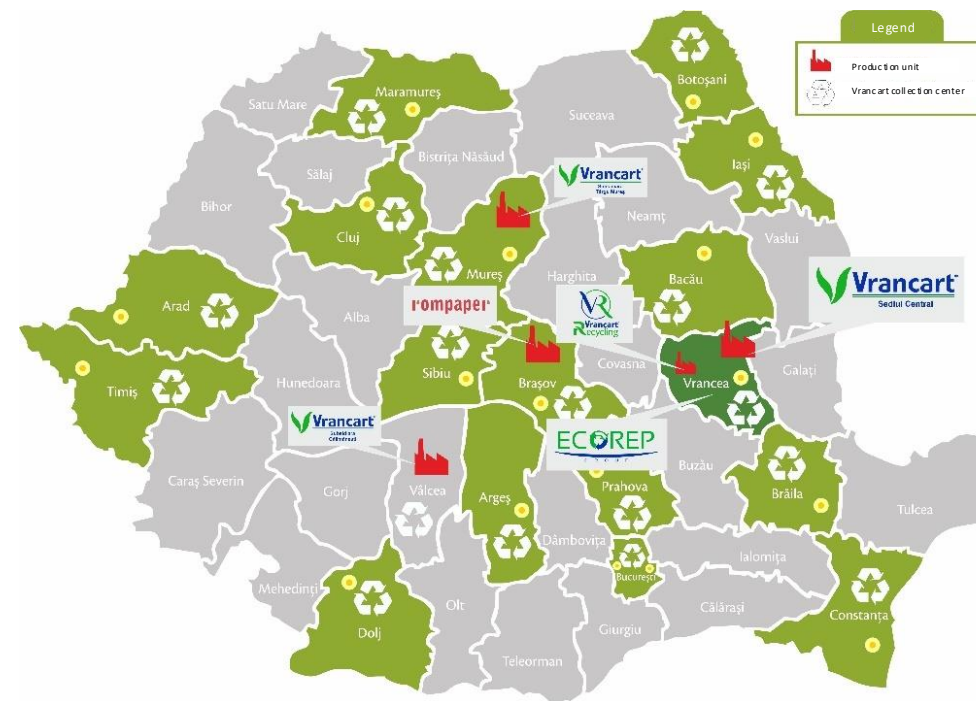
Location

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The company's headquarters and the headquarters of the two newly established subsidiaries are located in Adjud, Vrancea County, at 17 Ecaterina Teodoroiu Street. Rom Paper's subsidiary is headquartered in Braşov.

As of the end of 2023, the company operated 18 workplaces across various locations in Romania, serving as collection centers for paper and waste, located in the following cities: Bucharest – 2 centers, Iaşi, Focşani, Ploieşti, Botoşani, Sibiu, Constanţa, Arad, Braşov, Piteşti, Timişoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mureş, and Brăila. Additionally, there are two production centers in Călimăneşti and Santana de Mureş, specializing in corrugated cardboard and cardboard packaging production.



Our financial indicators



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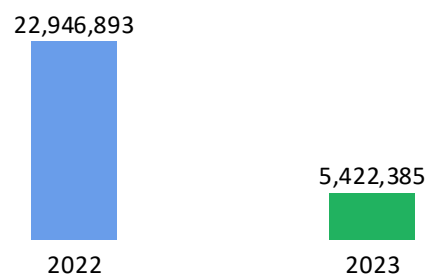
Economic performance

According to the requirements set forth in Minister of Finance Order no. 2844/2016, the Company prepares consolidated financial statements in accordance with accounting regulations aligned with **International Financial Reporting Standards (IFRS)**.

In 2023, the Group reported a net profit of 5,422,385 RON, a significant decrease compared to the previous year's profit of 22,946,893 RON. Additionally, as of December 31, 2023, the net working capital registered a negative value of 40,560,709 RON, contrasting with a positive value of 45,892,415 RON recorded on the same date in 2022. These results stem from the absence of a revaluation of fixed assets in 2023. The 2022 revaluation had increased the accounting value of these assets, positively impacting the financial result of that year. Without a similar revaluation in 2023, the accounting value remained unchanged, explaining the differences observed at the end of the financial year and maintaining depreciation at a consistent level, contributing to the financial performance variation between the two years.

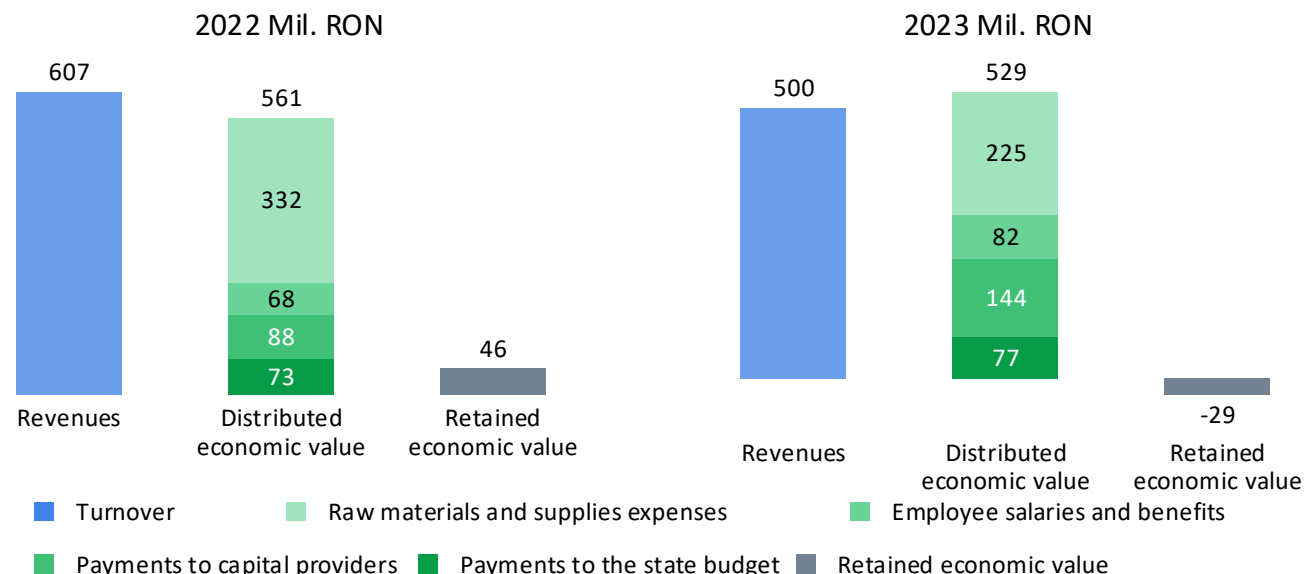
The Group places significant importance on profitability indicators through operational process efficiency and liquidity by utilizing resources effectively.

Net Profit



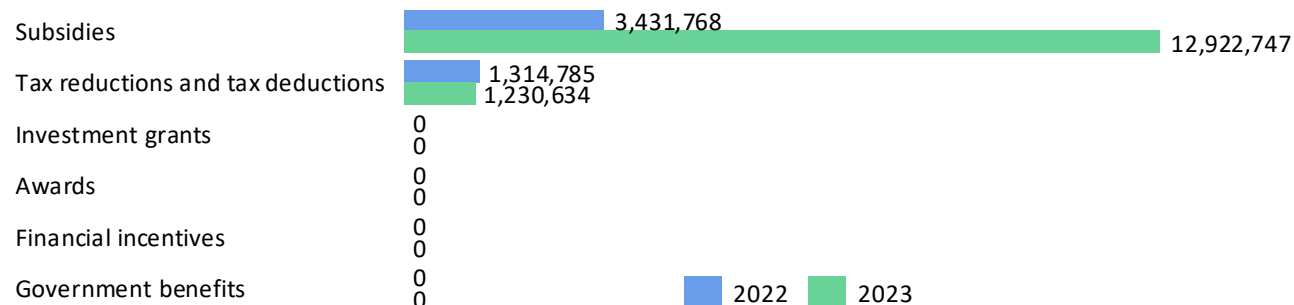
Direct economic value generated and distributed

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Financial assistance from the Government

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Our mission and management objectives



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Values, principles, standards, and norms of behavior 102-10

The mission of the Vrancart Group is to become the leader in recycling cellulose fiber-based materials in Romania.

Vrancart is committed to complying with environmental legislation, continuously improving, communicating performance, engaging employees, and supporting **social responsibility** for positive impact.

We operate guided by clear principles that help us fulfill our mission and achieve strategic objectives:

- Shareholder investment consolidation
- Customer satisfaction
- Quality and professionalism
- Technical competence and economic efficiency
- Honesty towards partners

We have defined **key strategic objectives at the managerial level** essential for realizing our long-term vision. We have identified priority directions and areas for investment and development, ensuring continuous progress and adaptation to market changes and stakeholder requirements. These objectives have been integrated into our organizational culture to maximize performance and consistently align with our vision.

Aligned with these strategic objectives, Vrancart is focused on expanding its product range and increasing market presence, improving operational performance and efficiency, continuous staff development, maintaining a socially and ethically responsible corporate image, and swiftly adapting to changing customer demands.

1 Improving performance and productivity

Product diversification and market share growth

Technicality and productivity

Innovation and investment

2 Operational efficiency and stability

Maximizing efficiency and effectiveness

Technological flexibility

Staff refinement

3 Continuous development and learning

Team spirit development

Accumulation and organization of information

4 Responsibility and reputation

Corporate image and social responsibility

5 Market responsiveness and adaptability

Reducing response times

Sustainability strategy and certifications



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-  **Improving waste management**
-  **Diversifying product offerings**
-  **Improving environmental processes and legislative compliance**

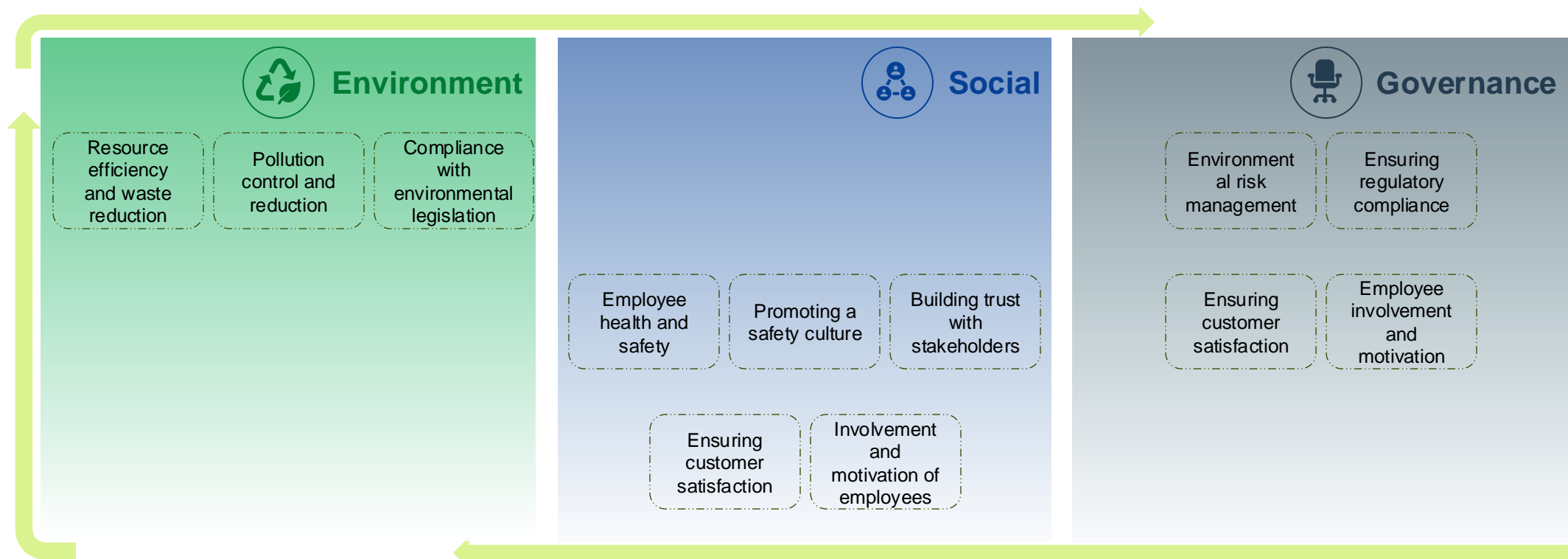
Given the global context of corporate responsibility and its impact on the environment and society, a sustainability strategy is a crucial part of the overall management strategy, contributing to sustainable development and long-term success of the company. To support these efforts, the organization holds certifications according to ISO 9001:2015 for quality management, ISO 14001:2015 for environmental management, and ISO 45001:2018 for occupational health and safety management, all issued by Lloyd's Register Romania and valid until 2024.

This approach strengthens our reputation in the industry and enhances relationships with the community and other stakeholders. Our commitment to efficiency and continuous innovation helps reduce environmental impact and ensures a sustainable future.

Therefore, Vrancart has defined the following sustainability objectives to achieve its management targets:

Management domains

- Environmental Management System
ISO 14001:2015
- Occupational Health and Safety Management System
ISO 45001:2018
- Quality Management Systems
ISO 9001:2015



Sustainability projects and their contribution to the SDGs



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ESG pillar	Projects/Initiatives	SDGs
	Renewable energy Innovative photovoltaic system with an installed capacity of 999 kWp Photovoltaic park with a power plant of installed capacity 20 MW High-efficiency combined heat and power (CHP) station	
	Energy efficiency High-energy efficiency facial tissue production lines	
	Recycling and reuse Plastic film waste recycling line Paper waste recycling line with molded (cast) production Wood waste recycling line for repairing or rebuilding pallets	
ESG pillar	Projects/Initiatives	SDGs
	Employees' prosperity and health Elimination of health and safety risks for own employees and other stakeholders Monitoring and ensuring employee health through preventive medical benefits and training	
	Corporate social responsibility Annual support, directly or through NGOs, for disadvantaged categories in local communities Supporting various national and regional initiatives and events	
ESG pillar	Projects/Initiatives	SDGs
	Transparency and reporting Internal governance and reporting system for monitoring governance risks and ensuring transparency to all stakeholders	
	Ethics and compliance Implementing a code of ethics and business conduct that includes policies against corruption, bribery, and conflicts of interest to eliminate cases of non-compliance and ensure the company's integrity.	

External affiliations and association membership



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Participation in external initiatives, membership in associations

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Vrancart has been an active member of the **Pulp and Paper Industry Employers' Association (ROMPAP)** for over 20 years, joining all producers of pulp, paper, cardboard, and corrugated board in Romania, including the Research and Design Institute for the Pulp and Paper Industry in Brăila. ROMPAP collectively represents the interests of its members in their relations with state institutions and trade unions, consolidating the industry's voice in front of authorities.



We are convinced that **forest certification** contributes to sustainable forest management. Therefore, **we have committed to adhering to the principles and requirements of the FSC® standards**, the most credible certification scheme globally. FSC's mission is to promote responsible forest management with standards applicable throughout the entire value chain—from the forest, through the production process, to the finished product. This certification, verified by third-party certification bodies, demonstrates the company's efforts to mitigate risks that may arise during the production process.



Vrancart holds FSC Chain of Custody certification in accordance with the FSC-STD-40-004, V3-1 standard since **2014 for its Adjud location, and since 2020 for Sântana de Mureș**. Additionally, in **Adjud**, alongside the requirements of the Chain of Custody standard, Vrancart implements the requirements of FSC-STD-40-007 V2-0, which defines the **sourcing of recycled wood products**.

The FSC Recycled label guarantees that the material has been recovered from initial consumers as eligible inputs into FSC Recycled products. By using recovered products, we not only optimize the yield of wood products (extending their lifespan), but also reduce waste. Furthermore, using FSC Recycled products reduces pressure on material sources, thereby contributing to **sustainable sourcing**.

In the EU, it is estimated that 85% of paper and cardboard packaging is recycled. Vrancart uses recovered material to the extent of 93%.

This policy is relevant in the context of discussions about the bioeconomy, which rely on products with higher added value and transparent supply chains, attributes fulfilled through the implementation of FSC system standards.

Ethics, integrity and anti-corruption



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Internal Regulations

The companies within the Group adhere to strict rules regarding the conduct and obligations of employees and administrators in areas such as anti-corruption and bribery prevention. These rules are detailed in the Internal Regulations, Internal Decisions, and Corporate Governance Regulations, prohibiting and sanctioning unethical behaviors.

Conflicts of Interest

To prevent corruption and anti-competitive practices, employees and management declare potential conflicts of interest and are excluded from the decision-making process in such cases. The use of insider information in financial transactions is prohibited to avoid conflicts of interest.

Sanctions and Incentives

Management applies sanctions and grants incentives for compliance with internal norms. Vrancart's listing on the Bucharest Stock Exchange has imposed high standards of integrity and transparency, increasing stakeholders' confidence.

Procedures for Conflict of Interest

The Board of Directors has procedures for identifying and resolving conflicts of interest, ensuring that all decisions are in the shareholders' best interests. In case of conflicts of interest, involved individuals withdraw from the decision-making process and inform the Board of Directors, abstaining from voting.

Code of Ethics

Our Code of Ethics outlines the expectations applicable to all our employees, providing guidance on our approach to ethical business practices, human and labor rights, as well as environmental protection. All employees are encouraged to report any suspected deviations, non-compliance, or unethical behavior.

Anti-Corruption Policy

We are dedicated to combating corruption and promoting ethical practices in all aspects of our business. Currently, we are working on developing a formal anti-corruption policy, and the code of conduct has already been communicated and signed by all employees..





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How we manage sustainability within the group

Our impact and its management

Material Aspect: Transparent, ethical, diverse, and compliant corporate governance manages risks, engages stakeholders, respects regulations, ensuring long-term success and company reputation.

Economic Impact: We promote long-term investments and financial stability, contributing to improved living standards through employee benefits and community development.

Social Impact: Our commitments to corporate governance exemplify integrity and transparency, improving the quality of life for employees and supporting local communities.

Environmental Impact: We adopt responsible practices to protect the environment and promote sustainability, positively influencing our impact on the surrounding environment.

Our steadfast commitment to corporate governance and compliance practices ensures that our business is resilient and aligned with the highest ethical and environmental standards.

Our sustainable impact

Material Impact

- Risk Management
- Stakeholder Engagement
- Compliance with regulations



Economic Impact

- Long-term Investments
- Financial stability
- Employee benefits
- Community development



Social Impact

- Integrity and Transparency
- Improving the quality of life for employees
- Supporting local communities



Environmental Impact

- Responsible environmental practices
- Promoting sustainability
- Positive environmental impact



Our activities

- We have implemented a code of ethical conduct for all employees.
- We have implemented an environmental management system compliant with ISO standards.
- We have managed waste and natural resources in accordance with environmental regulations, including conducting periodic audits.
- We have updated and rigorously complied with all relevant legislative and tax obligations.
- We have promoted the use of sustainable and recyclable raw materials in our production processes.
- We have invested in technologies and processes to minimize resource consumption and efficiently manage waste.
- We have adopted practices to reduce energy consumption and transition to renewable energy sources.
- We have implemented and continue to develop procedures for the energy efficiency of our operations.
- We have implemented an integrated waste management system in accordance with legal standards.
- We reduced our carbon footprint in 2023 compared to 2022 through optimized waste management practices.
- We have implemented an occupational health and safety management system certified according to ISO standards.
- We have organized an annual training program for staff, with semi-annual monitoring of progress.
- Establishing a partnership with "Gheorghe Balș" High School to develop skills and increase the percentage of employment among graduates.
- We have implemented policies against discrimination and harassment, including ensuring equal pay between women and men.

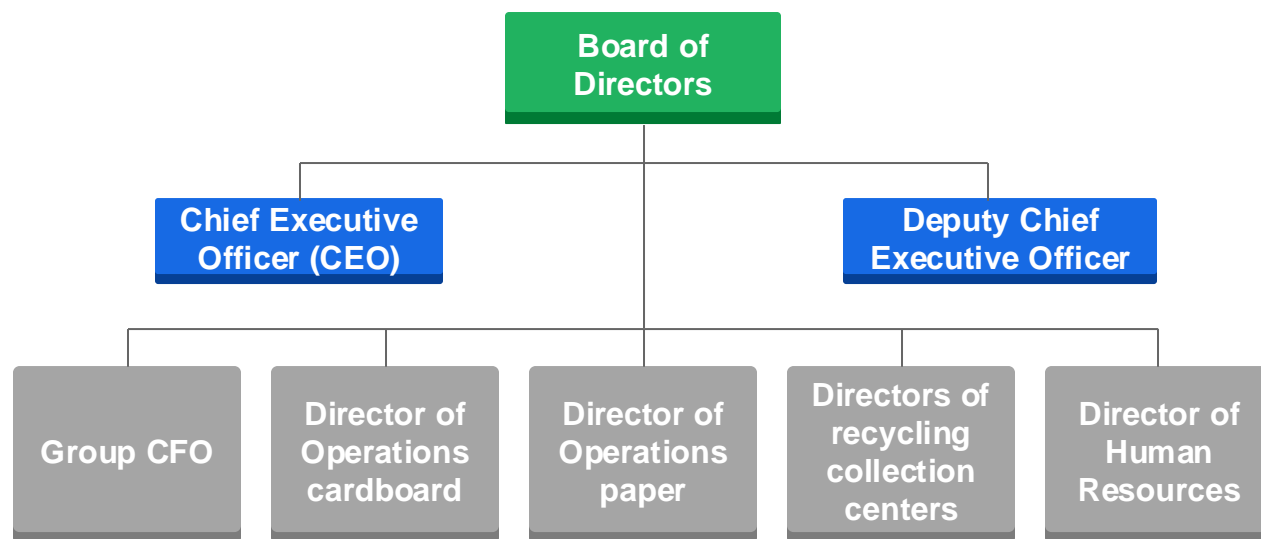
Corporate governance



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The company's leadership 102-18

According to the articles of incorporation, the company is managed under a unified system, with corporate governance structures represented by the Board of Directors and the Executive Management..



✔ Expertise and strategic management

✔ Supervision and control

✔ Access to resources and opportunities

✔ Responsibility and transparency

The Board of Directors of the company is composed of 5 members elected by the general assembly of shareholders for a 4-year term, with the possibility of reelection. The election process is transparent, and the removal of CA members is exclusively through the decision of the General Assembly in extraordinary meetings. The CA includes both executive and non-executive directors, ensuring a balanced leadership of the company.

As of December 31, 2023, **the executive leadership of the Group** is provided by Mr. Nicolae-Paul Dumitrescu as Chief Executive Officer and Mr. Nicu-Ciprian Fedor as Deputy Chief Executive Officer, appointed by the Board of Director. **The primary objective of the Board of Directors** in the medium and long term is to ensure a balance between continuity of operations under optimal conditions and shareholder satisfaction, considering the specifics of Vrancart and the macroeconomic context.

The Board of Directors may establish advisory committees composed of its members, responsible for conducting investigations and making recommendations in areas such as audit, remuneration of directors, nomination of candidates for executive positions, and establishing internal rules. **The remuneration policy for directors and executives**, as well as profit sharing, is determined by the CA based on economic performance, performance criteria, and responsibilities defined in the annual budget, subject to approval by the General Assembly (AGA).

Information regarding corporate governance, including the list of CA members, executive leadership, the company's articles of incorporation, and internal regulations, is available on the company's website. An Audit Committee, subordinate to the CA, monitors the effectiveness of financial reporting, internal control, and risk management, with members selected from non-executive directors, including at least one member specialized in accounting or auditing.

The Rom Paper subsidiary has its own Board of Directors, subordinate to the Group's leadership, composed of 3 members, managing operations in accordance with the company's policies and strategic directions.

Integrating sustainability risks into risk management



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Risk management and compliance

Risk management and compliance with legal regulations are essential to avoid financial penalties and reputational harm. Their impact can affect revenues and even lead to business disruption.

Our proactive approach aims to minimize the impact of risks on the business and its stakeholders. Relevant issues are immediately addressed through annual reviews, establishing principles and processes to minimize risks. It is only through such an approach that we can assess the impact of each individual issue and identify opportunities associated with the business, always being proactive in addressing them.

Risk management means not only identifying and assessing strategic and operational risks, but also implementing the necessary measures to minimize or eliminate them. It is crucial to have a clear picture of all the processes carried out within each agency or department. At the same time, proactively managing sustainability risks is a priority for us, ensuring that our environmental impact is ESG compliant.

Aim	Risk	Cause	Impact	Actions implemented to manage risks
Sustainable use of resources	Inefficient resource management	<ul style="list-style-type: none"> Dependence on a single natural gas supplier Uncertainty of a continuous flow of gas supplied 	<ul style="list-style-type: none"> Reduced production and increased costs Negatively affecting the company's reputation 	<ul style="list-style-type: none"> Rigorous contracts with suppliers Diversifying suppliers to minimize risks
Positive social and community impact	Decrease in quality of materials used in production	Low recycling of paper waste in the production process	Low quality of produced paper	<ul style="list-style-type: none"> Increasing the recycling rate of paper and cardboard (ensuring raw material supply) Increasing the recycling rate of paper from tubes
Energy efficiency	<ul style="list-style-type: none"> High electricity consumption High related costs with effect on product price 	Physically outdated machinery	<ul style="list-style-type: none"> Malfunctioning of installations/equipment Production slowdown 	<ul style="list-style-type: none"> The acquisition of high-performance equipment Development / improvement of preventive maintenance programs Inspections and interventions applied to machinery/equipment in the production area

Integrating sustainability risks into risk management



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Risk management and compliance (continued)

Aim	Risk	Cause	Impact	Actions implemented to manage risks
Resilience and modernization	Inability to collect and treat waste water from the production sections	<ul style="list-style-type: none"> High degree of chemization of production processes Outdated machinery 	<ul style="list-style-type: none"> Impact on biodiversity and local ecosystems Non-compliance with legal standards leading to additional costs and sanctions from authorities 	<ul style="list-style-type: none"> Analysis for the modernization of the biological wastewater treatment stage Technical Audit by a specialized firm in order to establish solutions to improve and increase the capacity of the wastewater treatment plant
	Failure of waste water parameters to meet the values required by the environmental permit / water management authorization	<ul style="list-style-type: none"> Outdated machinery Lack of qualified staff 	Financial penalties for non-compliance with parameters set by environmental authorities	<ul style="list-style-type: none"> Developing and upgrading treatment plants using existing infrastructure
Responsibility in production	Inability to produce process steam in the required quantity and parameters	Outdated, low-efficiency installations	<ul style="list-style-type: none"> Reduced productivity Increased operating costs Financial losses 	<ul style="list-style-type: none"> Development of an IT system for steam management/utilization Obtaining steam from renewable (waste) sources
GHG emissions management	Increased GHG emissions	Problems with gaseous emissions monitoring system	<ul style="list-style-type: none"> Affecting the company's reputation Increased operational costs 	<ul style="list-style-type: none"> Monitoring emissions as required by regulatory acts Holding regulatory and authorization documents
Circular economy	Inefficient use of waste generated in production	<ul style="list-style-type: none"> High costs Low recycling of production waste 	<ul style="list-style-type: none"> Increased operational costs Legal fines and penalties 	<ul style="list-style-type: none"> Efficient use of residues from sorting of waste paper

Defining the reporting framework



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Objective of the report

- Directive 2014/95/EU of the European Parliament and of the Council amends Directive 2013/34/EU and introduces an obligation for certain large enterprises and large groups to include a non-financial statement in their annual report
- In national law, the Directive has been partially transposed by Order 2844/2016, which regulates non-financial reporting for companies listed on regulated markets as from the 2017 financial year
- Both the Directive and Order 2844/2016 allow flexibility in the way non-financial information is reported, which can be included either in a "non-financial statement" in the directors' report or in a separate report published on the company's website no later than 6 months after the financial statements date
- The report, produced in accordance with international standards, involved a process of information gathering from all group entities and stakeholder consultation

Defining the reporting framework

- Sections of the report show a high degree of compliance with the GRI standards, appropriately marked with the specific labels in these standards (e.g. 102-1)
- We are working on improving the sustainability reporting so that in the coming years we will have all the necessary information according to the standards, in order to be able to declare GRI compliance ("basic" or "extended") in 2024
- We have conducted a comprehensive non-financial reporting process in line with the most widely used global standards, integrating stakeholder views and collecting information from all group entities. We are confident that this effort will result in a relevant report providing an accurate perception of the Vrancart Group

Defining the content and limits of the subject area

102-46

The content of the report has been defined in accordance with GRI standards and the European Commission Guidelines 2017/C 215/01. The stakeholder consultation identified the material topics of the report based on economic, social and environmental impacts.

Where information is not available for all Group operations, the report specifies to which entity or operations each statement or indicator relates.

Non-financial statement



Environmental, social and personnel issues



Respecting human rights



Tackling corruption and bribery

Reporting period

102-50

102-52

102-54

- The report covers the period January 1 to December 31, 2023, similar to that used for the financial statements and the annual report of the directors
- We will produce this report annually, constantly improving our non-financial reporting practices to meet stakeholder expectations and periodically reassessing the relevance of the reported information in the current organizational context
- Although the report includes GRI-compliant elements, we do not declare compliance at GRI basic or extended levels. Full alignment with GRI standards is currently in progress and prioritized for our future objectives

Materiality analysis



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Stakeholder involvement

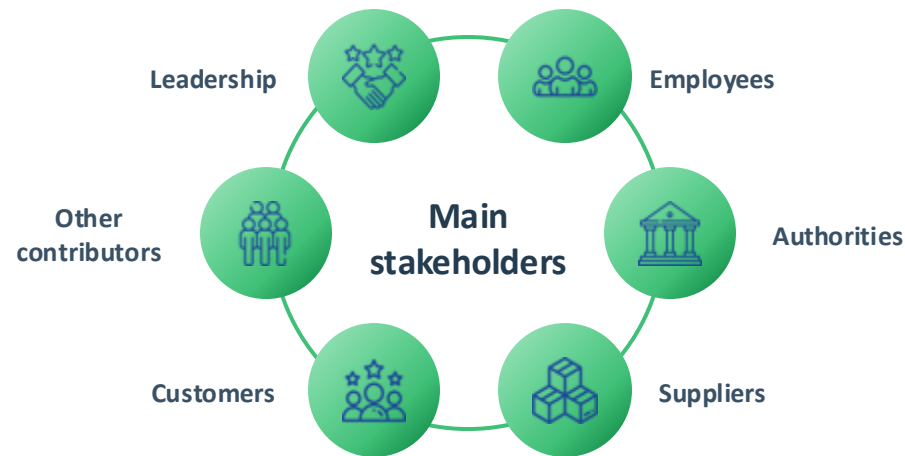
102-40

102-42

102-43

102-44

Vrancart Group is in continuous dialog with stakeholders to understand their concerns, expectations and recommendations. The prioritization of stakeholders was done according to their impact on the group and mutual influence.



For stakeholder consultation and engagement, one-to-one discussions with key customers and group management were utilized, as well as questionnaires completed by both internal and external stakeholders. These methods involved assessing the level of importance given to each aspect in the initial list, with scores ranging from 0 to 5, based on the degree of importance assigned.

In defining the material topics for this report, approximately 50 internal and external stakeholders were consulted on specific aspects of economic, environmental and social sustainability, selected according to the GRI standards and the Guidelines published by the EC, and based on analysis of other sustainability reports in the industry.

List of material topics

102-47

We started by defining key areas in environmental, social and governance, identifying issues critical to our operations. In the second stage, we consulted stakeholders through questionnaires and interviews to prioritize material topics according to the perceived importance to our community of interest.

We are currently **expanding our materiality analysis** by focusing on developing an interactive platform for more active stakeholder engagement in our process of determining and managing our environmental and social impacts. This approach not only aligns us with stakeholder expectations and needs, but also strengthens **transparency and accountability** in our sustainability reporting.

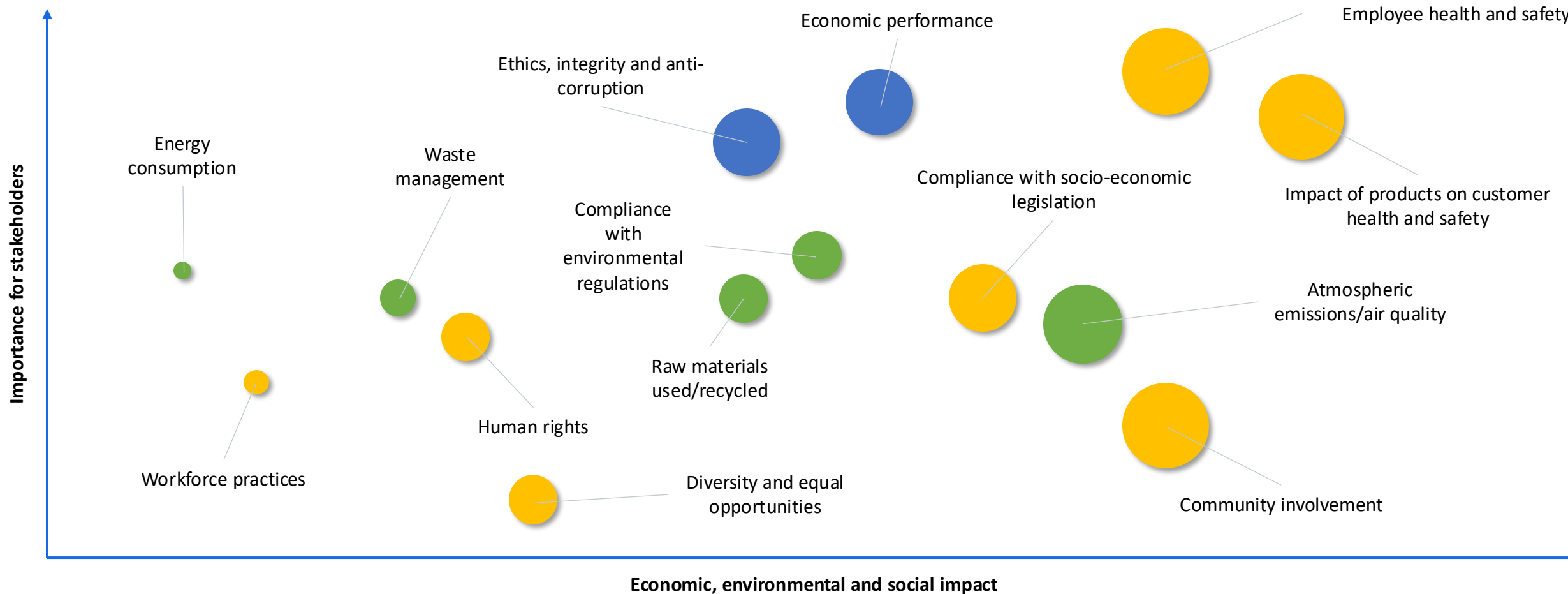
Environment	Social	Governance
<ul style="list-style-type: none"> • Atmospheric emissions, air quality • Raw materials used or recycled • Compliance with environmental regulations • Waste management • Energy consumption 	<ul style="list-style-type: none"> • Impact of products on customer health and safety • Employee health and safety • Community involvement • Compliance with socio-economic legislation • Human rights • Diversity and equal opportunities 	<ul style="list-style-type: none"> • Economic performance • Ethics, integrity and anti-corruption

Materiality matrix



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The materiality matrix has been developed based on the processes described above and validated by company management. The topics considered significant will be detailed in the report, covering management's approach, policies and procedures in place, risks involved and performance. Performance will be measured through specific indicators.



We are preparing the dual materiality analysis



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Preparing for the future

We are in the preparatory stage of conducting a full assessment of dual materiality, a central element of CSRD compliance. This involves a detailed analysis of our environmental and social impacts and how these affect our financial performance. In this process, we focus on:

Identifying risks and opportunities

We analyze sustainability risk factors and opportunities that could affect our business in the long term.

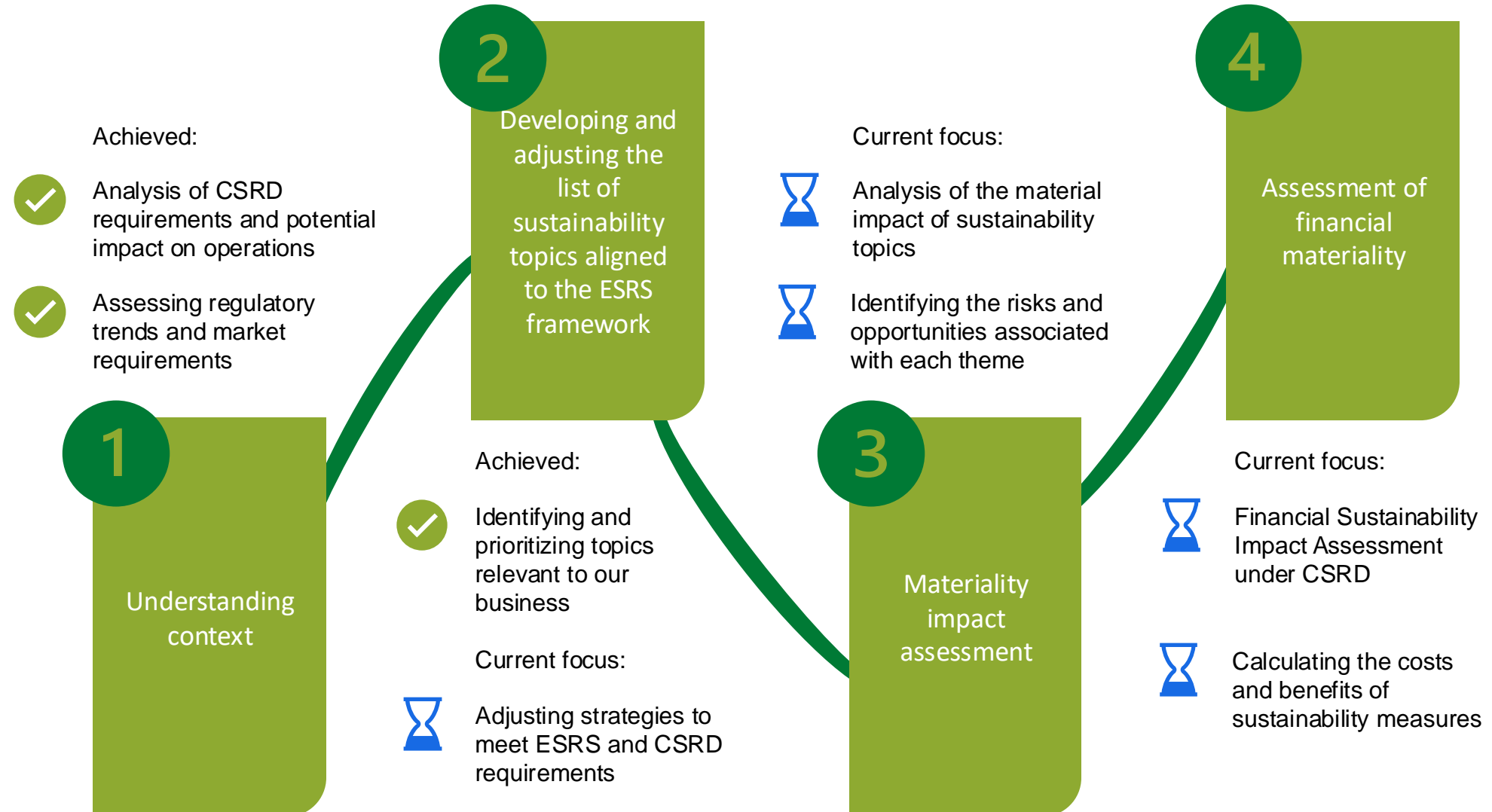
Stakeholder inclusion

We consult all relevant stakeholders to understand their expectations and concerns, ensuring that their perspectives are integrated into our sustainability strategy.

Continuous monitoring

We establish continuous monitoring processes to assess and adjust our strategies according to the evolving regulatory context and market requirements.

Strategy for dual materiality analysis and current progress



Elements considered in the preliminary double materiality analysis



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Breaking down the materiality topics

In anticipation of upcoming stricter regulations, our company is proactively preparing to implement the necessary practices and structures to ensure full compliance with CSRD. We have intensified the monitoring and reporting of our performance in critical areas such as resource consumption, carbon emissions, and waste management. Concurrently, we are promoting transparency and ethics in all aspects of our business, ensuring that our reports are comprehensive and accurate. These measures reflect our strong commitment to sustainability and corporate responsibility, positioning us at the forefront of compliance efforts ahead of the CSRD implementation.

The impact framework of the materiality topics



Topic

Energy Consumption

Waste Management

Ethics, Integrity, and Anti-Corruption

Economic Performance

Environmental Regulations Conformity

Labor Practices

Human Rights

Raw Materials Used/Recycled

Diversity and Equal Opportunity

Compliance with Socio-Economic Legislation

Reason for Materiality

Impacts the operational costs and carbon footprint

Is important for regulatory compliance and sustainability

Is critical for the company's reputation and investors' trust

Impacts the profitability and viability of the business

Avoids sanctions and protects the environment

Impacts the employee retention and their productivity

Adheres to international standards and avoidance of sanctions

Affects resource efficiency and environmental impact

Promotes a fair and innovative organizational culture

Avoids sanctions and ensures community well-being

Type of Materiality

Financial and impact materiality

Impact materiality

Financial and impact materiality

Financial materiality

Impact materiality

Financial and impact materiality

Impact materiality

Financial and impact materiality

Impact materiality

Financial and impact materiality

Environmental protection



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Introduction

We place a special emphasis on environmental protection, committing to integrating best practices in our operations. Vrancart adheres to all applicable environmental regulations, ensuring conditions that safeguard the environment. This compliance and dedication to environmental protection are fundamental elements of our environmental policy.

The activity carried out at the Adjud site falls under Annex 1 of Law 278/2013 regarding industrial emissions, and Vrancart holds integrated environmental permit no. 1/18.03.2015, revised on 14.04.2020, valid with annual endorsement no. 122/21.02.2024. The permit covers the following activities:

- Production in industrial facilities of paper or cardboard, with a production capacity exceeding 20 tons per day
- Non-hazardous waste disposal in quantities exceeding 50 tons per day

The Santana de Mureş branch operates in accordance with environmental permit no. 114/03.08.2022, covering the manufacturing of paper and cardboard packaging, with annual endorsement obtained as per current regulations.

The Calimanesti branch, involved in the manufacturing of paper and cardboard packaging, operates under environmental permit no. 129/09.09.2019, also renewed annually.

Within Rom Paper, a part of VRANCART GROUP, activities conducted in compliance with the CAEN code and current legal requirements do not require an environmental permit.

These regulatory documents establish operating conditions for authorized premises, ensuring compliance with environmental legal requirements. By adhering to environmental permit provisions and operational procedures within the environmental management system, efficient management of environmental impact is ensured, along with the implementation of organizational measures for pollution prevention and control. Additionally, primary environmental risks are identified, with specific measures proposed for their reduction.



Raw materials and materials used



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Materials used

301-1

The products in the company's portfolio involve operational processes that require raw materials, consumption of natural resources, as well as auxiliary materials.



We use 93% recycled and recovered raw materials



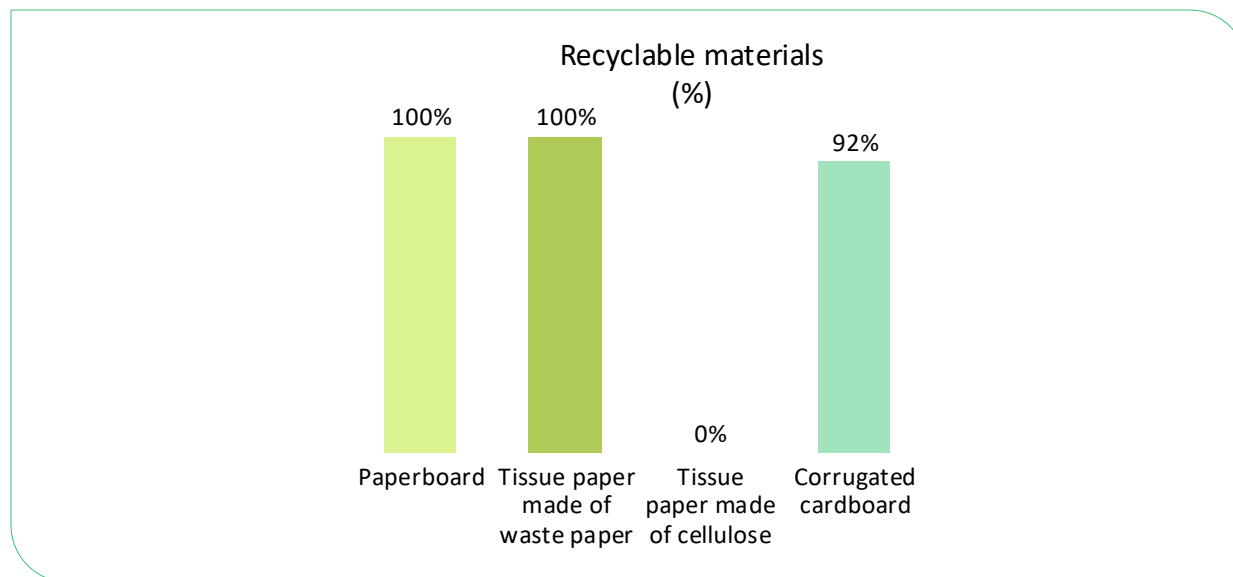
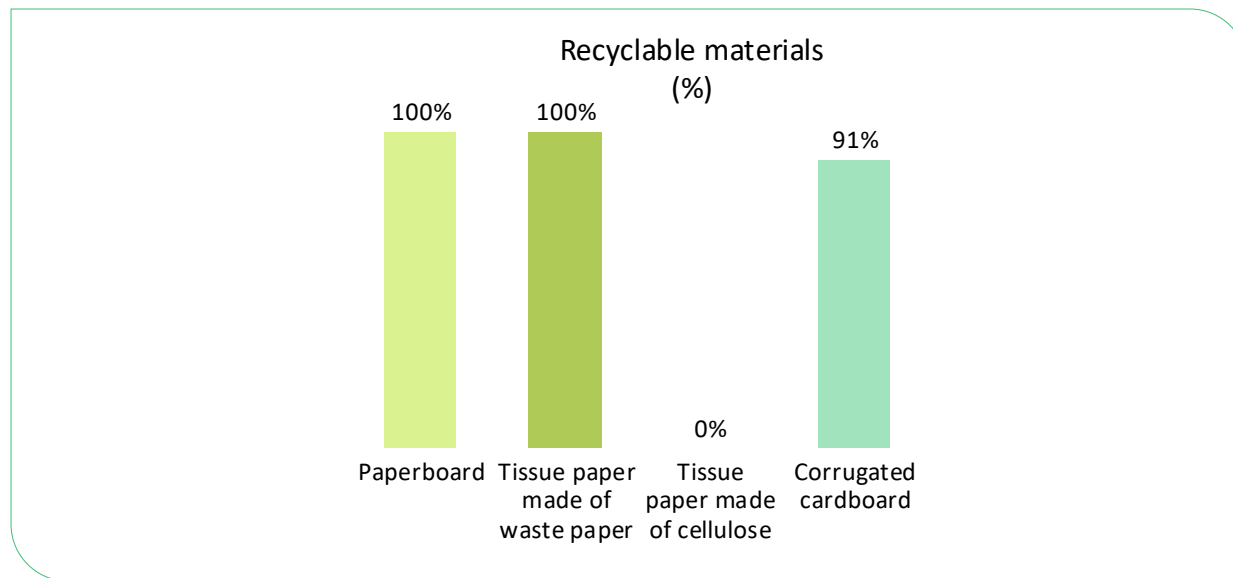
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Recycled raw materials used 301-2

The use of paper and cardboard waste (recycled paper) in the production process as raw material is a significant advantage for the company in terms of environmental protection. Vrancart is thus recognized as the final recycler of these wastes, collected through its 20 dispersed workplaces across Romania. This practice contributes to the implementation of modern concepts of the circular economy, where waste is seen as valuable resources and potential raw materials.

Percentage of recyclable materials =
Recycled materials (paper waste) / Total raw materials used



Total energy consumption dropped by 10.5% compared to last year



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Energy Consumption 302-1

Vrancart utilizes natural gas at its Adjud site for producing process steam in the thermal boiler and three steam generators, as well as for the energy recovery of waste generated in manufacturing processes (industrial waste and sludge from wastewater treatment).

The electricity needed for internal consumption is sourced from the National Energy System based on a supply contract.

During 2023, energy efficiency measures were implemented, with the most significant being the commissioning of a photovoltaic power plant. Additionally:

- Proper functioning of the ventilation system is ensured.
- Lighting equipment is selected to minimize specific energy consumption.

At **Rom Paper** subsidiary, natural gas is used for heating (boiler, thermal plant, radiant tubes), while electricity powers equipment used in production processes and site lighting.

The company continually explores opportunities to upgrade equipment to reduce energy consumption, emissions, and environmental impact.

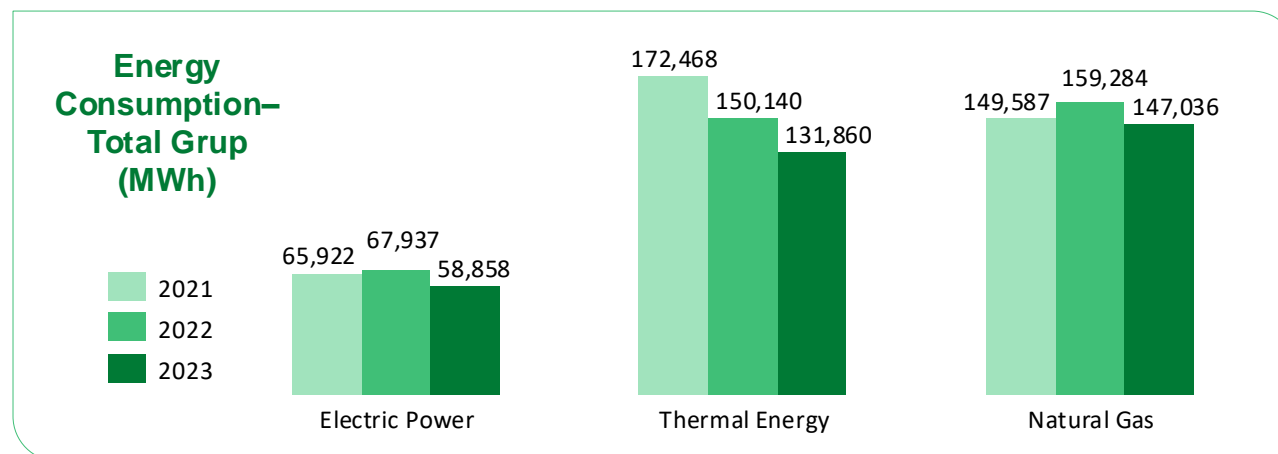
Currently, two major investments are underway: **the construction and commissioning of a 20 MW photovoltaic power plant and a cogeneration plant.**

The calculation presented above was based on actual consumption recorded at the company's production sites, either through meter readings or cumulative consumption reported on invoices issued by suppliers for the year 2023.

The total energy consumption recorded across the Group's locations for the year 2023 is 337,753 MWh, which represents a **decrease of 10.5% compared to the previous year** (2022: 377,361 MWh).

The conversion factors used to convert from normal cubic meters (natural gas consumption) and gigacalories (thermal energy consumption) to megawatt hours (MWh) are as follows:

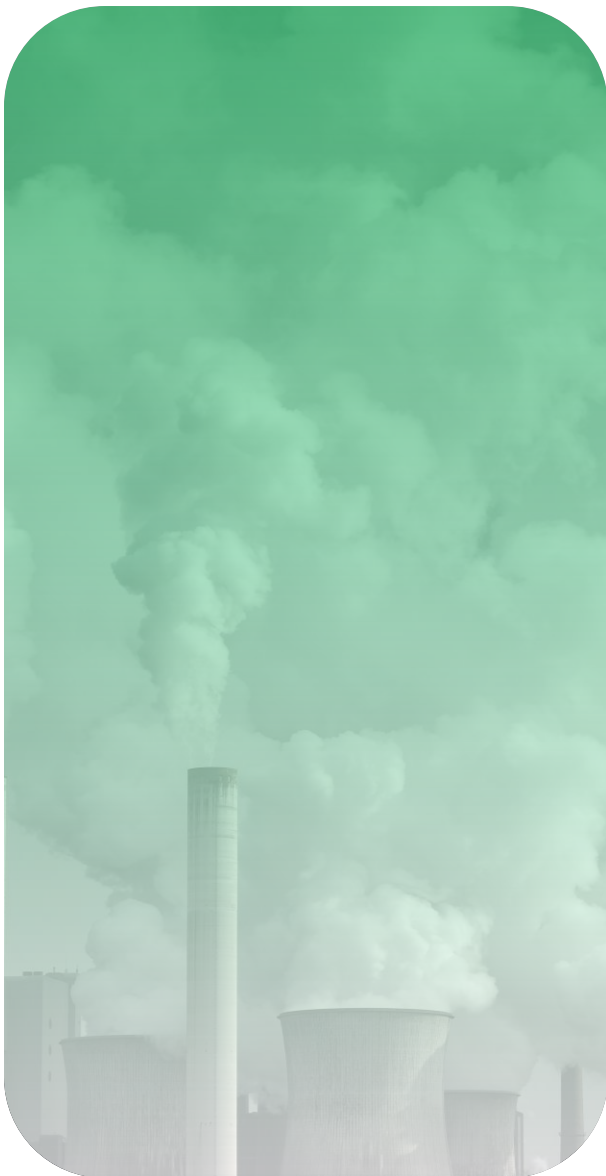
	MWh
1 gcal	1,16222
1 Nmc	0,011



We reduced GHG emissions by nearly 10% from 2022 to 2023



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Direct greenhouse gas emissions 305-1

The company holds **greenhouse gas emissions permit** for the Adjud site for the period 2021-2030, numbered 145/06.07.2021, in accordance with Order 1256/12.06.2020, covering the activities listed in the table below. **Free allocation of CO2 emission certificates has been obtained for the period 2021-2025**, referred to as "Phase IV"

Greenhouse gas emissions monitoring, including methodology and monitoring frequency, is conducted in **accordance with the greenhouse gas emissions monitoring and reporting plan and methodology approved by the Ministry of Environment**, complying with the requirements of Commission Regulation (EU) No 601/2012 of 12 June 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council.

In the first quarter of each year, following the year for which greenhouse gas emissions monitoring was conducted, **Vrancart submits to the National Environmental Protection Agency, Climate Change Directorate, the "Annual Monitoring Report"** approved by an independent verifier. This report includes information on emissions from the previous year. The company also submits to the same authority the "Allocation Reporting Form for new installations, allocation level changes, and cessation cases for Phase 4 of the EU Emissions Trading System (EU ETS)", approved by an independent verifier, covering emissions for the last 3 years.

According to the verification report prepared by the accredited independent verifier contracted by the company, **23,978 tonnes of CO2 equivalent were emitted in 2023** (2022: 26,568). The approximately 10% reduction in emissions is attributed to workflow improvements, specifically the cessation of incinerating waste from paper sorting.

For the company's other locations, greenhouse gas emissions are not monitored, as these sites are not subject to applicable legislation in this field.

The activity category carried out at the facility	Type of fuel/raw material	The process generating greenhouse gas emissions
The production of paper or cardboard, with a production capacity exceeding 20 tons per day	Natural gas Biomass	Burning of fuels
The combustion of fuels in installations with a nominal thermal power exceeding 20 MW (excluding installations for incinerating hazardous and municipal waste).	(Sludge - wastewater treatment) Industrial waste	

Managing emissions across the supply chain



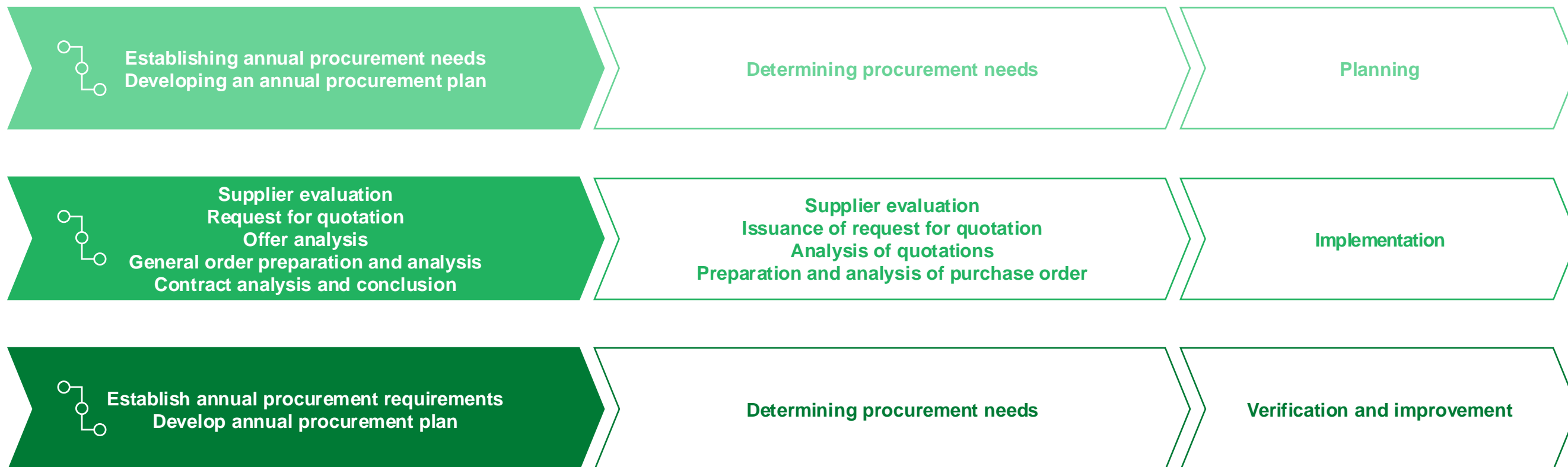
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Supply Chain 102-10

To ensure control over the quality of products and services provided by suppliers, a procedure for assessment, reassessment, and selection has been implemented.

In order to work towards reducing Scope 3 emissions, all external processes performed by third parties that provide services capable of influencing the compliance of the final product, its environmental performance, and/or health and safety performance have been identified.

To ensure high-quality final products that meet customer expectations, Vrancart implements **rigorous quality parameters** for material procurements. These parameters cover raw materials, auxiliary materials, spare parts, and equipment necessary for the production process.



Our waste management strategies focus on sustainability.



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Waste Management

306-2

Vrancart prioritizes **efficient waste management**, which is essential for the company's operations. **Waste paper serves as the primary raw material**, but the company's activities also generate other types of waste, both non-hazardous and hazardous. These wastes are stored and managed in compliance with legal requirements and processed by authorized third parties, following the operational procedures of the integrated waste management system.

The company adheres to the **waste management hierarchy**, emphasizing waste prevention and recycling and recovery solutions over final disposal or incineration. Vrancart has contracts with authorized economic agents for the collection, recycling, and disposal of waste. Before signing contracts, the environmental authorizations of operators are verified to ensure their compliance with managing the specified types and quantities of waste.

In contracts with waste management service providers, Vrancart includes special clauses to ensure compliance with environmental legislation requirements.



Deșeuri nepericuloase – Cantitate (to)

Sludge from wastewater treatment (03 03 10)	9.730,0	Recovery
Solid waste from paper sorting (03 03 08)	15.552,0	Recovery
Ash (19 01 12)	317,0	Storage
Iron shavings waste (12 01 01)	14,0	Recovery
Cable waste - Cu, Al (16 01 16)	1,0	Recovery
Glass waste (20 01 02)	2,0	Recovery
Iron waste (20 01 40)	148,0	Recovery
Iron waste (17 04 05)	16,0	Recovery
Used wood (15 01 03)	1.499,0	Recovery
Plastic waste (15 01 02)	62,0	Recovery
Plastic material waste (20 01 39)	0,1	Recovery
Worn-out rubber (20 01 99)	2,0	Recovery
(WEEE) - air conditioners, refrigerators without Freon (20 01 36)	3,0	Recovery
Discarded tires (16 01 03)	10,0	Recovery
Household waste (20 03 01)	115,0	Recovery
Waste toner cartridges (08 03 18)	0,3	Recovery

Recovery by methods other than recycling

- Recovery
- recycling
- Storage

Our environmental performance



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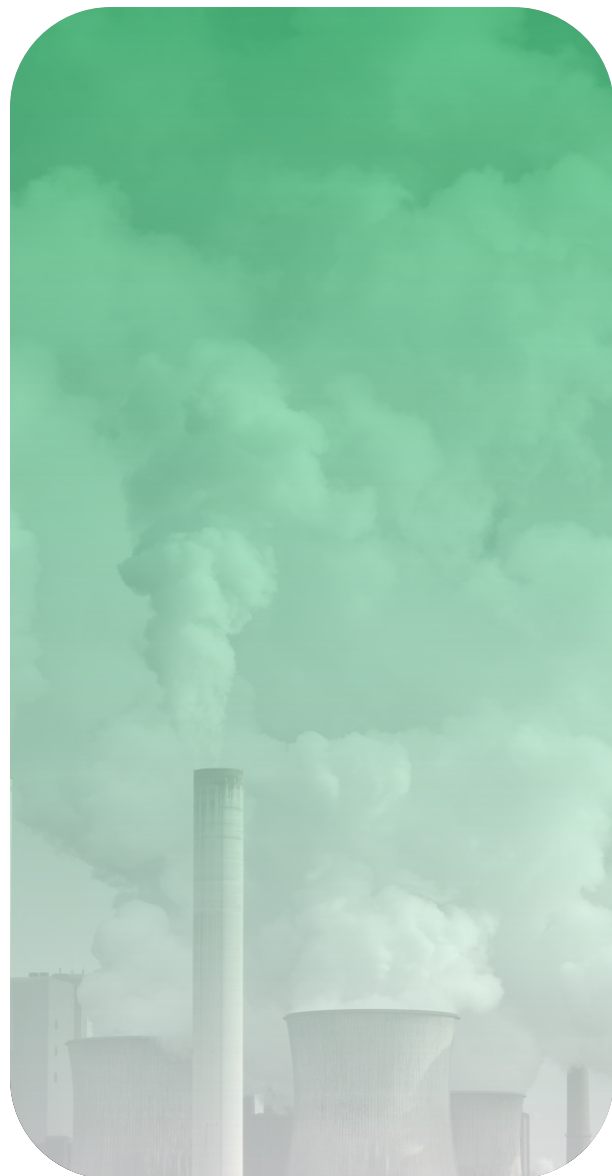
Environmental incidents, non-compliances **307-1**

Implementation and **voluntary certification of an environmental management system** according to the requirements of the international standard ISO 14001 demonstrate the company's commitment not only to compliance with legislation but also to continuous improvement of environmental performance.

During the audits conducted in 2023 by the certification body, no non-conformities with the clauses of the reference standard were identified. **There were no fines or other sanctions imposed by environmental authorities**, and no compliance measures were required by legislation, confirming the effective performance of implemented environmental practices and adherence to applicable legal requirements in this field.

During the reporting period, **no environmental incidents were recorded** at any of the locations where the companies within the Vrancart Group operate. Furthermore, over the past years, there have been no incidents or accidents that have caused any harm to the environment. This statistic gives us confidence that the environmental approach of Vrancart Group companies is effective, the organizational and technological measures implemented have been successful, and the staff is aware of the importance of protecting the environment.

The periodic environmental training sessions, along with continuous awareness efforts among employees and other stakeholders, have yielded the expected results. Therefore, efforts will continue to maintain the upward trend in environmental performance and uphold the "clean" record regarding environmental incidents.



Water management

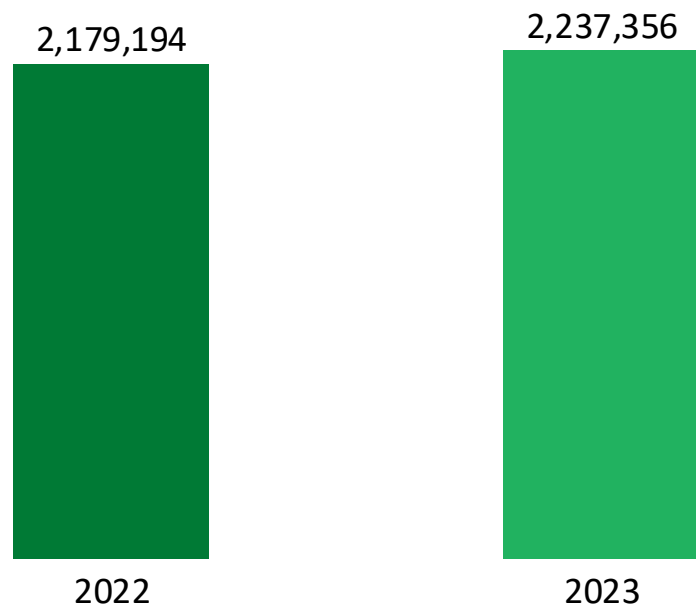


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Industrial production processes within the Vrancart Group require water consumption. Vrancart prioritizes **protecting water sources and efficiently managing water** through measures such as:

- Metering and monitoring water consumption, adhering to specific water consumption levels per product type according to production recipes.
- Installation of water sensors.
- Improving the efficiency of existing installations and maintaining efficiency standards for planned acquisitions.
- Checking and eliminating leaks.
- Maintaining an emergency reservoir with a capacity of 17,700 m3, which supports production processes during droughts, significantly contributing to the safety of local water sources in extreme situations.

Consumption of river water in industrial processes (m3)



We care about sustainable human resource management



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Vrancart prides itself on being **the main employer** in the municipality of Ajud and **one of the most significant** in Vrancea County. With a large team, the company emphasizes creating a conducive working environment, focusing on adequate working conditions and constantly striving to improve them.



The Internal Regulations and the **Collective Labor Agreement** establish the company's internal rules, aligned with current legislation. Their purpose is to create a working environment based on:

- **Equal opportunities:** All employees benefit from the same opportunities without discrimination
- **Fairness:** Interactions are based on mutual respect and professionalism
- **Transparency:** Information is accessible to all employees, and communication is open
- **Freedom of expression:** Employees can freely express their opinions without fear of retaliation



Our group implements detailed **internal procedures** covering various social aspects:

- **Recruitment:** A rigorous process to identify suitable candidates and offer equal opportunities
- **Training:** Continuous professional development programs to enhance employees' skills
- **Rights and obligations:** Detailed clarification of employees' rights and obligations, ensuring a fair framework
- **Professional ethics:** Promoting professional and respectful behavior in all interactions



The group takes its role as a responsible organization seriously, emphasizing the **well-being of its employees**. We are particularly concerned with the **safety and health of our staff**, which is why we have implemented:

- **Compliance with current legislation:** Implementing safety and health standards and regulations to ensure a safe and healthy working environment for all employees
- **Adequate protection measures:** Adhering to all safety and health standards to prevent accidents and occupational diseases
- **Promoting a prevention culture:** Regularly informing and training employees about occupational risks and how to manage them, encouraging the prompt reporting of incidents and proposing improvement solutions



Vrancart emphasizes maintaining a competent team through **continuous employee development**. An internal procedure defines the training methodology, ensuring the acquisition of necessary skills to excel in each specific role:

- **An annual training** program that includes a wide range of courses and development programs tailored to organizational needs. **Progress is monitored through semi-annual reports** that provide a clear picture of the training programs' effectiveness
- **Centralized record-keeping of participation** is ensured by a specialized training inspector. Each employee has a **personal file** containing individual training records and supporting documents (diplomas, certificates, etc.)



Vrancart demonstrates a clear commitment to the professional development of its employees, solidifying the company's position as **a top employer in its field**.



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The evolution of workforce turnover within the Group

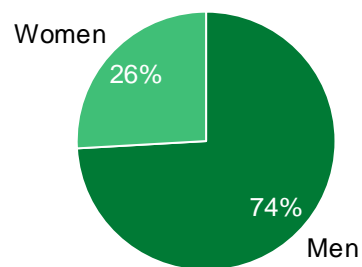
A measurable indicator closely monitored by the Group's management is **workforce turnover**. Throughout 2023, this index was 24% (2022: 35%).

401-1

$$\frac{\text{number of employees who left}}{\text{average number of staff}} \times 100$$

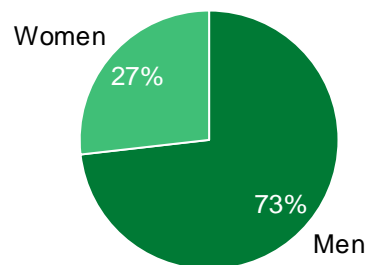
The **employee turnover rate** is an essential indicator for us, which we monitor closely and strive to keep at a minimum level. We aim for a stable team, made up of dedicated and motivated individuals, who contribute to the company's long-term success.

New employees



Age	Employees
< 30	55
30 - 50	170
> 50	96
Total	321

Resignations/layoffs



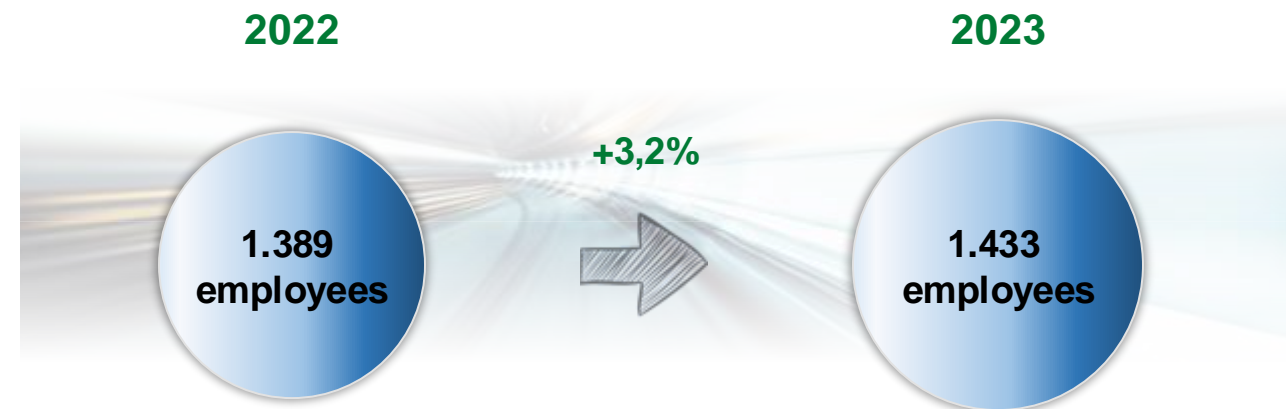
Age	Employees
< 30	57
30 - 50	153
> 50	137
Total	347

Information about employees and other workers

The Group recorded an average number of 1,433 employees in 2023, of which 1,221 were employed at Vrancart. The company is strengthening its position as a leader in the labor market in Adjud, while also being one of the most important employers in Vrancea County.

Employment contract by duration	Women	Men	Employment contract by work schedule	Women	Men
Permanent	502	911	Full-time	496	907
Temporary	4	16	Part-time	10	20
Total	506	927	Total	506	927

In 2023, the average number of employees in the Group was 1,431 (2022: 1,389). The workforce turnover rate was 24% throughout 2023. There were no conflicts between employees and management.



Gender quality perspectives in our group

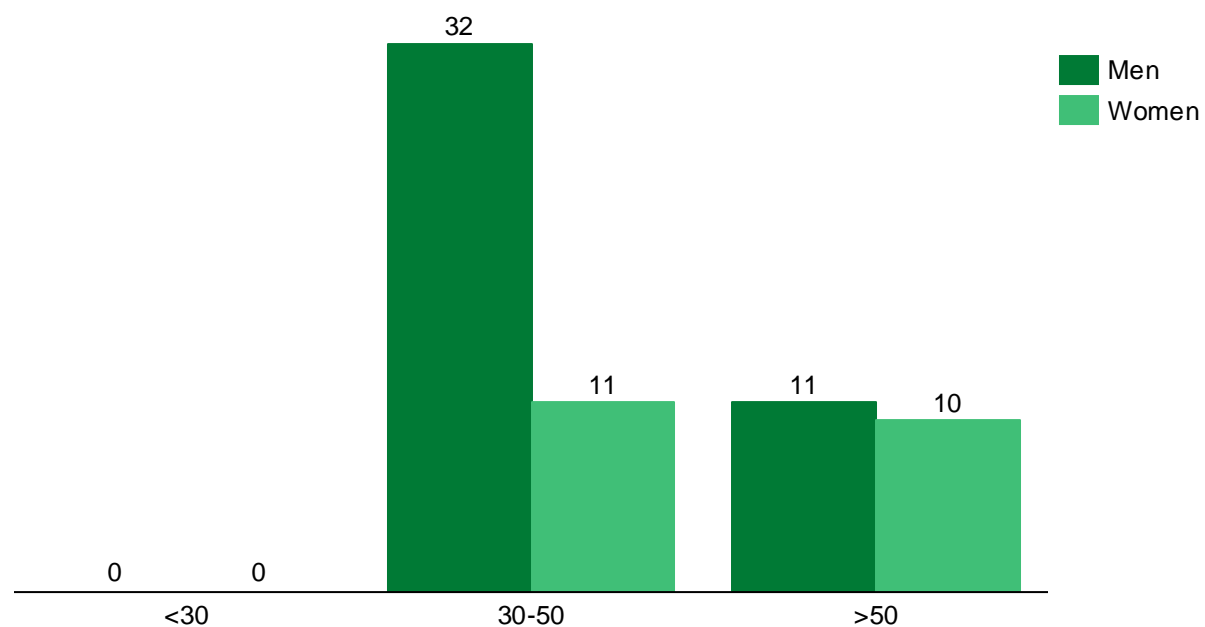


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Diversity in governance structures and employees 401-1

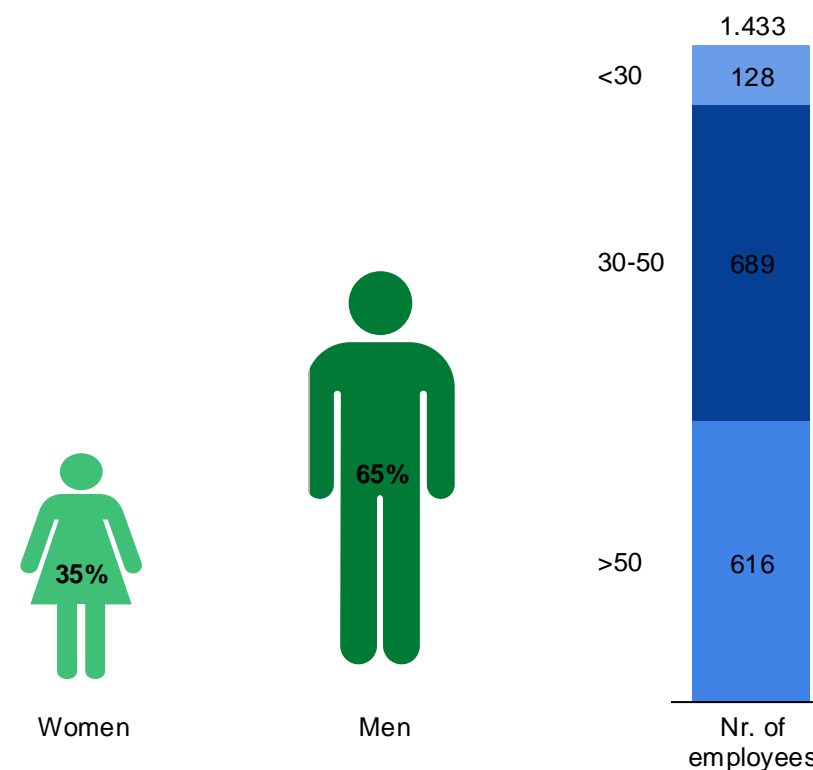
Although a high level of diversity among employees is pursued, in 2023, approximately 35% of the Group's employees were women (2022: 34%). This percentage is characteristic of the industry in which the organization operates. There are certain positions within the production department, the largest in terms of the number of employees, where a certain level of strength and physical endurance is required. For this reason, these jobs are predominantly held by male staff.

Governance structures



Within the group, there is a predominance of men in leadership positions, with the ratio of women to men being 1 to 2.

Group employees



Gender equality perspectives in our group



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Gender pay gap 405-2

The ratio was determined at the group level. There are no significant discrepancies between the salaries of female and male employees, both in management and production staff.

The gap is due to the fact that both the senior management (Board of Directors, General Manager) and the production staff performing coordination tasks (section chiefs) are predominantly male.

$$\text{Management pay ratio} = \frac{\text{Average salary of female TESA}}{\text{Average salary of male TESA}}$$

$$\text{Production pay ratio} = \frac{\text{Average salary of female production staff}}{\text{Average salary of male production staff}}$$

Gender pay gap	Vrancart Group
Management	0,6
Production	0,9



We promote and maintain a safe and healthy work environment



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Occupational health and safety 403-2

The Occupational Health and Safety (OHS) Department at Vrancart aims to achieve high OHS performance through skilled personnel, efficient production processes, and an ISO 45001:2018 certified management system. OHS objectives are regularly reviewed and updated by management to ensure compliance. Corrective and preventive measures are swiftly implemented to address deviations and prevent recurrence:

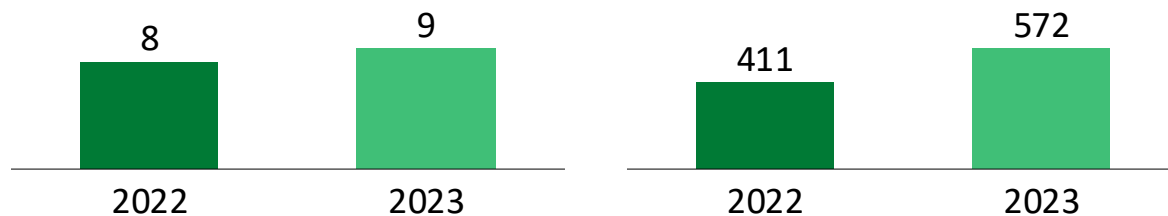
Avoiding and evaluating risks that cannot be avoided

- Combating risks at the source
- Prioritizing collective protection measures over individual protection measures
- Informing employees of the appropriate instructions and their obligation to follow them
- Supervising employees' health through preventive medical services

Employees constantly monitor materials, equipment, and substances used to ensure first aid conditions, fire prevention, and evacuation in case of danger. Health and safety measures are applied by employees, and they are required to undergo an annual medical check-up. Employee participation in health and safety decisions is possible through the dedicated committee.

Number of accidents

Days of incapacity to work



Human rights and anti-discrimination 412-2 412-3

- The Group upholds equal opportunities and fair treatment for all employees, prohibiting discrimination based on gender, sexual orientation, genetic characteristics, age, nationality, race, ethnicity, religion, political opinions, social origin, disability, financial situation, or union membership. Managers at all levels ensure a disciplined work environment in line with legal standards and company policies.
- At Vrancart, employees are safeguarded from offensive or defamatory behavior in work relationships. The company fosters mutual respect and collaboration, strictly prohibiting sexual harassment with clear consequences, including termination for offenders. There have been no reported human rights violations or discrimination cases, and ongoing efforts are in place to prevent such occurrences..

Consumer health and safety 416-1 416-2

- In 2023, Vrancart successfully implemented the quality management system according to ISO 9001:2015, focusing on customer satisfaction and legal compliance. The company developed an integrated internal system for control and management at all organizational levels, establishing long-term partnerships and maintaining a conducive work environment for efficient processes.
- Throughout 2023, Vrancart recorded excellent performance in compliance, reporting no incidents or discrepancies with consumer safety regulations for its products. This achievement underscores a firm commitment to quality and safety, strengthening durable relationships with customers and business partners.

Our commitment to social responsibility



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Community relations – donations, sponsorships

The Vrancart Group dedicates significant resources to social responsibility activities each year, supporting disadvantaged groups in the communities where it operates, either directly or through specialized foundations and associations.



Vrancart has contributed to **equipping high schools and schools in the city of Adjud**, providing students with a suitable environment for the educational process.

The company financially supports non-governmental organizations that provide treatments and therapies for **children with cancer, Down syndrome, or autism**.



At the local level, Vrancart has participated in equipping the **Adjud Municipal Hospital** with the necessary equipment for medical activities.

Additionally, the company supports various initiatives in the **scientific, cultural, sports, medical, educational, and environmental fields**, as well as events of national or regional importance.



Vrancart is a partner in **research and development projects**, including collaborations with the "Gheorghe Asachi" Technical University of Iași. In 2019, the university submitted the project "Novel materials with optical properties for anti-counterfeiting paper" (OptiPaper) for funding, benefiting from the support and active involvement of the company.

- **Project Objective:** Development and production of secure paper
- **Project Approval:** November 2020
- **Total Value:** 653,850 lei
- **Funding:** State budget (92%)
- **Project Completion:** 2022



Compliance with legal requirements in the socio-economic field

419-1

In 2023, no non-compliances were reported at the organizational level, and no sanctions were imposed concerning compliance with social and economic legislation or regulations. This reflects Vrancart's commitment to adhering to legal and regulatory standards, highlighting the efficiency and responsibility in managing operational and compliance activities.

EU taxonomy



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EU taxonomy: Sustainable investments framework

Regulation EU 852/2020, known as the EU Taxonomy, introduces a common classification system to identify environmentally sustainable economic activities. This framework is essential as it promotes transparency, consistency, and sustainability across economic sectors, guiding investments towards environmental protection. It thus contributes to the EU's goal of achieving a sustainable and climate-neutral economy.

According to this regulation, companies required to report non-financial information under Articles 19a or 29a of Directive 34/2013 must include information on sustainable economic activities.



Environmental objectives

The EU Taxonomy focuses on **six essential environmental objectives for sustainability and combating climate change**:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems



Detailed regulations

The European Union has issued **Delegated Regulations** to **establish the technical criteria and detailed requirements for environmentally sustainable activities**.

- Delegated Regulation 2139/2021, amended by Delegated Regulation 1214/2022, sets the **technical criteria for the first two environmental objectives**.
- Commission Delegated Regulation 2023/2486 of June 27, 2023, supplements Regulation (EU) 2020/852 by setting the **technical screening criteria** to determine the conditions under which an economic activity qualifies as substantially contributing to the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, or the protection and restoration of biodiversity and ecosystems, and to determine whether that economic activity causes significant harm to any of the other environmental objectives.
- Amended Delegated Regulation 2178/2021 specifies the **presentation of information and the methodology for compliance with reporting obligations** on sustainable economic activities.

Reporting under the EU Taxonomy is based on these criteria



Types of specified economic activities

Economic activities are classified into three EU Taxonomy compliance categories:

- ① **Taxonomy-aligned**: Substantially contribute to one environmental objective and do not significantly harm others, meeting technical criteria.
- ② **Taxonomy-eligible**: Described in the delegated regulations, regardless of meeting all technical criteria.
- ③ **Non-eligible**: Not described in the delegated regulations

EU Taxonomy Reporting for FY2023



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Compliance with legal requirements

According to **EU Regulation 852/2020** and **Commission Delegated Regulation (EU) 2023/2486 of June 27, 2023, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council**, companies must report **sustainable economic activities based on their eligibility and alignment with environmental objectives**.

The first two environmental objectives, climate change mitigation and climate change adaptation, **must be reported in terms of both eligibility and alignment**.

Vrancart reporting

In the case of Vrancart, activities related to the **transition to a circular economy** are particularly relevant and make a **significant contribution**:

- Collection and transport of non-hazardous and hazardous waste
- Preparation for re-use of end-of-life products and product components

Therefore, for the fiscal year 2024, Vrancart will focus on **reporting the eligibility of its activities concerning the circular economy**, ensuring they are included in the delegated regulations of the EU Taxonomy.

The Vrancart Group will report the proportions of eligible and non-eligible activities according to the requirements of Regulation 852/2020.

For the fiscal year 2022, we did not report information about activities aligned with the EU Taxonomy. However, starting with the Sustainability Report for the fiscal year 2024, we will include details about the Group's activities that are eligible and aligned with the taxonomy's technical criteria and requirements.

Eligibility and alignment in the EU Taxonomy

Eligibility means a **standard assessment** confirming that an economic activity is included in the EU Taxonomy's delegated regulations. In this context, **an activity is considered eligible if it is described in these regulations**. Alignment involves a **detailed analysis**, where the significant contribution of an activity to environmental objectives is evaluated and ensures that it does not significantly harm any of the environmental objectives. Each activity must be **analyzed in detail to verify both its benefits and compliance with the technical criteria established by the delegated regulations**.

For the other four environmental objectives, which include **pollution prevention and control**, **the transition to a circular economy**, **the sustainable use and protection of water and marine resources**, and the **protection and restoration of biodiversity and ecosystems**, reporting needs to be done only based on eligibility, without requiring a detailed alignment analysis.

KPIs for CAPEX, OPEX and Turnover

1 / CAPEX

To determine capital expenditure, we will use the following approach:

- **Denominator:** Increases in the Group's total tangible and intangible assets in the published financial statements for 2023
- **Numerator:** Growth in tangible assets related to each eligible activity according to the EU Taxonomy

2 / OPEX




To calculate operational expenditure, we will only use direct costs.

In fiscal year 2024, Vrancart will optimize its operational expense management methodology to ensure compliance with EU Taxonomy requirements. This improvement will ensure better alignment between operational expenses and the required standards, thereby facilitating efficient and transparent management of the company's financial resources.

3 / TURNOVER

To determine turnover, we use the following approach:

- **Denominator:** Consolidated turnover of the Vrancart Group according to the published financial statements for 2023
- **Numerator:** Turnover for each eligible activity according to the EU Taxonomy

 CAPEX	 OPEX	 TURNOVER
<p>Additions of:</p> <ul style="list-style-type: none"> ▪ Tangible fixed assets (IAS 16) ▪ Intangible fixed assets (IAS 38) ▪ Rights to use assets through business combinations (IFRS 16 / IAS 40 / IAS 41) 	<p>Direct costs only:</p> <ul style="list-style-type: none"> ▪ Expenditure on research, development and innovation (R&D) ▪ Renovation of buildings ▪ Maintenance and repairs ▪ Other direct expenses for day-to-day operation or servicing of assets ▪ Short-term leasing 	<p>Turnover according to IAS 1.82(a):</p> <ul style="list-style-type: none"> ▪ Revenue according to IFRS 15 ▪ Revenue according to IFRS 16 ▪ Other revenues
<p>Not relevant:</p> <ul style="list-style-type: none"> ▪ Investments in financial instruments ▪ Investments in associates and joint ventures 	<p>Not relevant:</p> <ul style="list-style-type: none"> ▪ Amortization, depreciation, impairments and value adjustments ▪ Material expenses (for the production or resale of products) ▪ Taxes ▪ Energy consumption 	<p>Not relevant:</p> <ul style="list-style-type: none"> ▪ Equivalent results from joint ventures and associates ▪ Intra-group transactions ▪ Interest income ▪ Government grants

Our financial outlook in 2022



	Preparation for re-use of end-of-life products and product components			Collection and transport of non-hazardous and hazardous waste	Activități nesustenabile		TOTAL
	PAPERBOARDS	TISSUE PAPER	CORRUGATED CARDBOARD	WASTE MANAGEMENT	PETROCART	OTHERS	
<u>Sustainable Sales</u>	48.044.422	66.030.168	279.616.897	41.619.626			435.311.114
<u>Sustainable COGS</u>	-18.367.489	-20.507.656	-233.455.740	-27.794.476			-300.125.361
<u>Sustainable OPEX</u>	-102.189.419	-40.885.755	-63.007.452	-32.636.080		0	-238.718.706
CAPEX	52.533.632	35.670.977	121.871.979	25.023.595	24.521.574	69.991.306	305.091.488

Our financial outlook in 2023



	Preparation for re-use of end-of-life products and product components			Collection and transport of non-hazardous and hazardous waste	Activități nesustenabile	TOTAL
	PAPERBOARDS	TISSUE PAPER	CORRUGATED CARDBOARD	WASTE MANAGEMENT	OTHERS	
<u>Sustainable Sales</u>	22.647.450	72.020.780	220.421.209	31.940.997		347.030.436
<u>Sustainable COGS</u>	-8.609.859	-25.170.676	-139.312.352	-17.233.225		-190.326.112
<u>Sustainable OPEX</u>	-84.482.731	-35.859.668	-68.523.968	-40.517.318	0	-229.383.686
CAPEX	46.418.835	40.408.692	134.913.418	24.477.366	72.100.917	318.319.228

Indicators for CAPEX, OPEX and Turnover (2022 & 2023)



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2022

Activity	Turnover (abs.)	Turnover (%)	CAPEX (abs.)	CAPEX (%)	OPEX (abs.)	OPEX (%)
Collection and transport of non-hazardous and hazardous waste	41.619.626	8%	25.023.595	8%	2.340.592	1%
Preparation for re-use of end-of-life products and product components	393.691.487	75%	210.076.587	69%	6.504.118	2%

2023

Activity	Turnover (abs.)	Turnover (%)	CAPEX (abs.)	CAPEX (%)	OPEX (abs.)	OPEX (%)
Collection and transport of non-hazardous and hazardous waste	31.940.997	8%	24.477.366	8%	2.495.921	1%
Preparation for re-use of end-of-life products and product components	315.089.439	76%	221.740.945	70%	13.273.423	5%

*For questions, queries or requests for further information on any of the issues covered in this report,
please email us at **office@vrancart.com**.*

We will be happy to get in touch with any readers who are interested in our activity and respond to their queries!

Presentation of sustainability projects: 1 MW photovoltaic system



Project description

- The project "Innovative photovoltaic system with an installed capacity of 999 kWp" involves the use of photovoltaic panel systems for the production of renewable electricity for **own consumption, the delivery of the surplus to the national energy system** and the rationalization of the costs of electricity consumed.



Project status

- Date of commissioning:
28.07.2023

Value & source of investment

- 5 million RON
- Co-funded by EEA Funds & Norway Grants

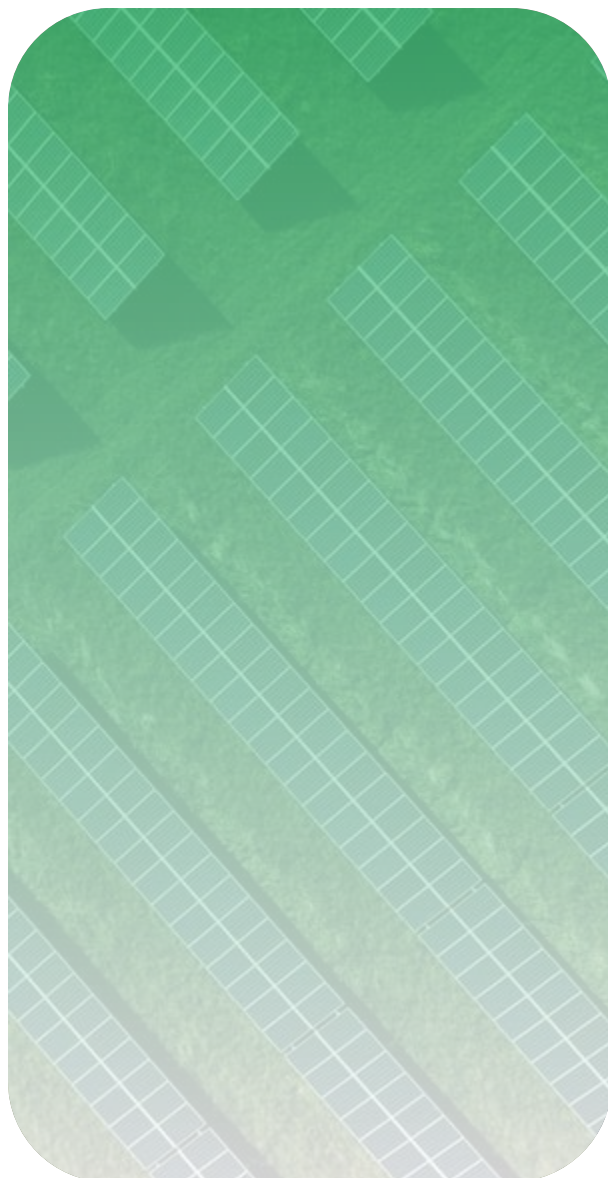
Sustainability benefits

- Estimated annual production of 1 GWh electricity with 0 emissions
- Localized production, thus eliminating losses and costs for transport and distribution
- An estimated annual 548 t CO2 avoided by green energy production (based on annual production parameters)

Presentation of sustainability projects: Solar Park with Power Plant



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Project description

- The project "Photovoltaic Park with Power Plant, Transformer Station Building, Access Road, Security Cabin and Utilities - CEF2 VRANCART", implemented by Vrancart SA, is a strategic investment in renewable energy, located in the rural area of Adjud, Vrancea County. Executed by a consortium formed by Electro Alfa International SRL, General ME.EL Electric SRL and Enevo Group SRL, the project aims to **improve the company's energy efficiency and reduce its carbon footprint.**



Project status

- Under implementation in 2023
- Estimated to be commissioned in August 2024

Value & source of investment

- 77 million RON
- Co-financed by PNRR, Component 6 Energy

Sustainability benefits

- Estimated annual production of 29 GWh of electricity with 0 emissions
- An estimated 50% of the electricity produced will be dedicated to our own consumption and the surplus will be fed into the grid, thus making Vrancart a prosumer
- Localized production, thus eliminating losses and costs for transport and distribution
- An estimated annual volume of 15,898 t CO2 avoided by green energy production (based on annual production parameters), both in own consumption and by reducing the carbon footprint of national energy production (production injected into the grid)

Presentation of sustainability projects: Cogeneration plant



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Project description

- Energy-efficient combined heat and power cogeneration plant, part of Vrancart Recycling
- The project is carried out by HoSt from the Netherlands, recognized for its expertise in cogeneration and waste management. The implementation of this system will enable Vrancart Recycling S.R.L. to optimize its recycling and waste management processes while generating electricity and heat for internal and external use, thus contributing to the sustainability and energy efficiency of its operations.



Project status

- Under implementation in 2023
- Estimated to be commissioned in October 2024

Value & source of investment

- 18.1 mil EUR (CAD and CHP)
- Co-financing through state aid scheme (HG 807/2014)

Sustainability benefits

- **The system is designed to use RDF (Refuse Derived Fuel) waste as a feedstock, converting waste that would otherwise end up in landfill into useful energy**
- The project includes an advanced flue gas cleaning system and a continuous emission monitoring system that measures and controls emissions of harmful substances such as O₂, CO, dust, NO_x, SO₂ and HCl
- **The plant produces electricity from waste**, providing an alternative to fossil fuels and contributing to a sustainable energy mix. The production capacity is 1.7 MWe, which helps reduce dependence on conventional energy sources
- The use of a watertube boiler and a multi-stage steam turbine contributes to **high energy efficiency of the process**

Presentation of sustainability projects: Molding production line



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Project description

- The project consists in the installation of a fully automated technological line for the **recycling of waste paper into molded products (molding)**.
- The main aim of the project is to **recycle waste paper (waste pulp) in an efficient and environmentally friendly way**, transforming it into molded end products through an efficient and environmentally friendly process



Project status

- Under implementation in 2023
- Estimated to be commissioned during 2024

Value & source of investment

- 1.8 mil. EUR contracted value

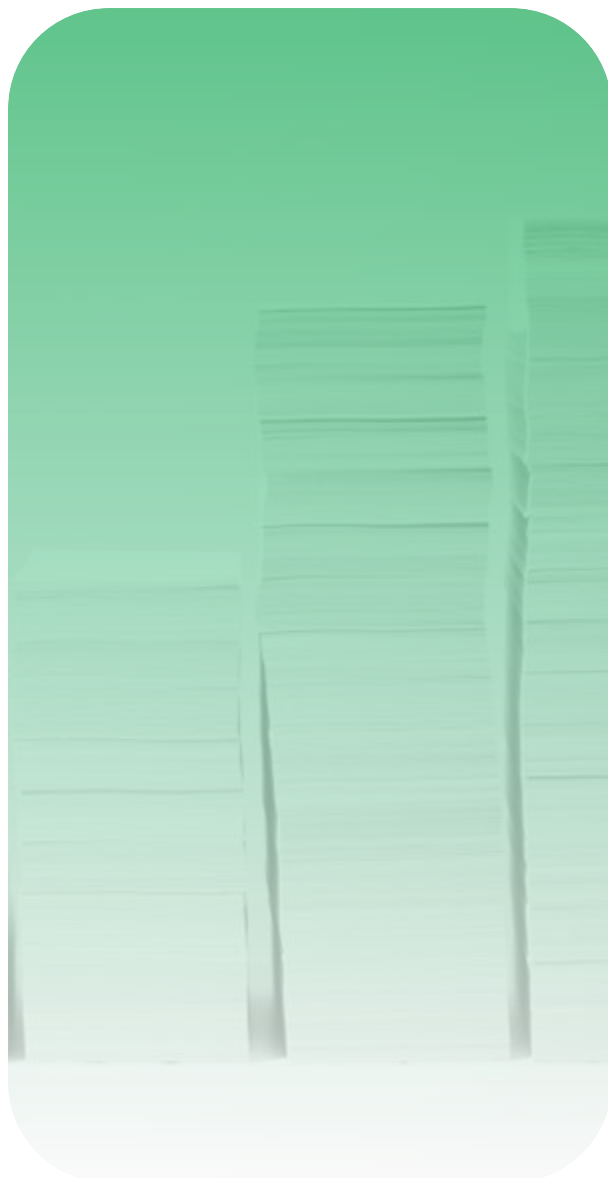
Sustainability benefits

- The technological line converts waste paper as well as polystyrene, plastic, etc. into environmentally friendly and recyclable packaging materials
- All stages of the production process are fully automated, which not only optimizes operational efficiency, but also minimizes heat and electricity consumption
- By converting waste paper into usable finished products, the **technology line supports the principles of the circular economy**, helping to close the recycling loop and reduce dependence on new raw materials

Presentation of sustainability projects: Facial tissue production lines



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Project description

- Energy-efficient facial tissue production lines
- ROM PAPER SRL's investment project focuses on introducing an **innovative solution to reduce paper waste** and create a positive environmental impact. The company plans to purchase high-performance and innovative equipment to improve processes and ensure sustainable business development.



Project status

- Completed November 2023

Value & source of investment

- 4.7 mil EUR

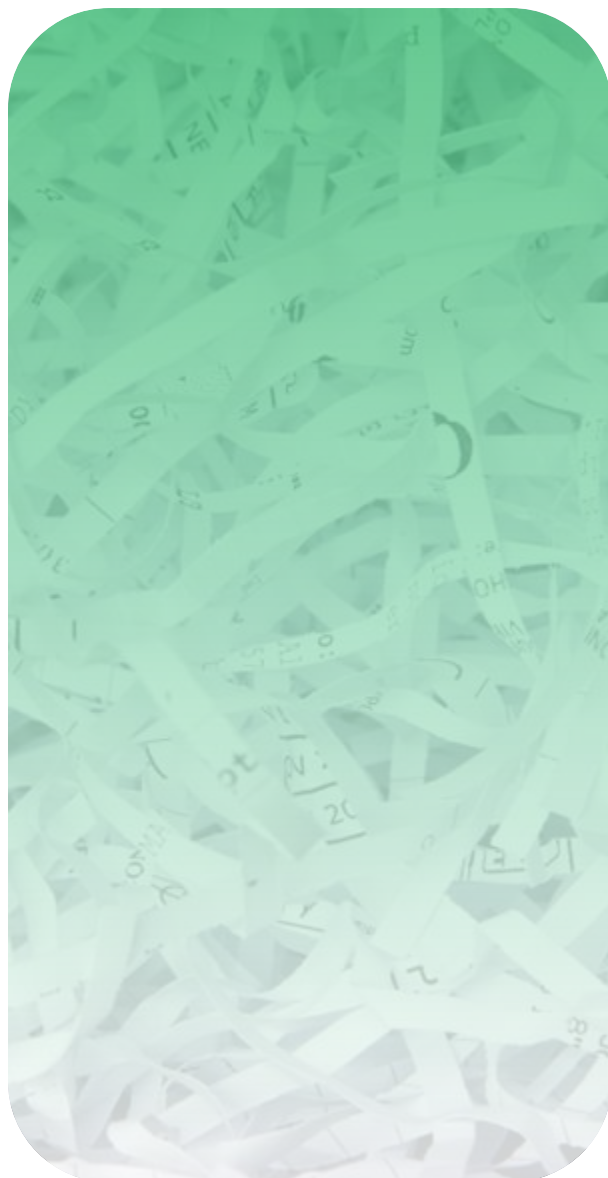
Sustainability benefits

- By introducing a highly innovative technical solution, the company will be able **to collect around 200 tons/year of waste paper generated during the production process**
- The innovative design of the new production lines will significantly **reduce energy consumption per production unit**
- The project will help reduce the waste of cardboard, tape and cling film by creating exceptionally good control over the consumption of these materials
- The new production lines will enable the company to produce products that have less environmental impact. They will reduce the paper basis weight of the final product, which means less paper in the same number of products put on the market
- By reducing waste, the **principles of the circular economy will be respected**

Presentation of sustainability projects: Plastic and pallet recycling



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Project description

- Since June 2022, Vrancart Recycling has been operating a **wood waste recycling line** where pallets are repaired or rebuilt
- As an extension of the integrated Vrancart Recycling project, a PE flake production plant is being implemented for the technological lines for recycling plastic waste, on which post-industrial LDPE/LLDPE film waste will be processed



Project status

- Wood recycling commissioned June 2022
- Plastic recycling being implemented in 2023, estimated to be commissioned in October 2024

Value & source of investment

- PE - 2 mil. EUR
- Wood - 0.2 mil. EUR

Sustainability benefits

- The implementation of this project contributes significantly to **increasing the recycling capacity of plastic waste** in Romania, adding about 7,000 tons per year to the national capacity, which will increase the availability of recycled materials and reduce the environmental impact of plastic waste
- By **recycling the wooden pallets**, the project reduces the amount of wood waste going to landfill, thus contributing to reducing greenhouse gas emissions and promoting resource efficiency

Benefits and rewards for Vrancart employees



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Rewards granted to VNC employees, mentioned in the CLA, other than those covered by the regulations in force

- a) **(Art. 20)** – upon termination of the ILC for reasons not attributable to the employee, the company shall grant him/her an indemnity based on seniority in the company;
- b) **(Art. 49)** – Granting rest leave on the basis of length of service;
- c) **(Art. 56)** – In addition to the basic rate of pay, employees receive bonuses for overtime; bonuses for hours worked on Sundays and public holidays; bonuses for hours worked on Saturdays; bonuses for employees on home leave;
- d) **(Art. 57)** – bonuses to basic salary for inventions and outstanding achievements;
- e) **(Art. 67)** – Employees who retire receive an allowance based on their length of service;
- f) **(Art. 68)** – Assistance granted to employees in the event of death due to an accident at work; in the event of death due to causes unrelated to employment; in the event of the death of a member of the employee's family;
- g) **(Art. 68 letter d)** – a salary granted to the mother for the birth of each child; if the mother is not in paid employment, her husband shall receive a salary fixed by express decision of the GD;
- h) **(Art. 69)** – Social aid granted by the company in the event of the death of the employee or a close relative (husband, wife, parents, children, in-laws), in the amount of 1000 RON, representing the cost of making the cross and coffin;
- i) **(Art. 70)** – the cost of treatment tickets for an employee sent to a health resort for treatment of occupational diseases;
- j) **(Art. 71)** – employees sent on delegation will be entitled to reimbursement of accommodation, transportation, travel allowance.;
- k) **(Art. 75 Paragraph 2)** – the management of the company may decide to grant aid for serious and incurable illnesses, aid for medical devices, aid for losses caused in the households as a result of natural disasters, the cost of transportation to and from the employee's place of work (reimbursement of the employee's commuting expenses - by decision of the GD), the cost of vacation/treatment vouchers, cash gifts for employees and for the benefit of minor children or gift vouchers;
- l) **(Art. 75 Paragraph 3)** – Other benefits granted to employees in kind: health subscriptions (Medlife), life insurance, private pensions;
- m) **(Art. 88)** – the provision of meal vouchers (worth 30 RON).