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Fedrigoni Climate Change Risk Assessment



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1. Introduction to the Climate Change Risk Assessment

The climate change represents a phenomenon that can expose a company to relevant risks and opportunities, identified as the **potential consequences of a climate-related threat and/or adaptation or mitigation to that threat**. To assess the impact of climate change on its operations, Fedrigoni has followed the general guidelines set forth by the Task Force on Climate-related Financial Disclosures (TCFD). As a result, during the 2023 a Climate Change Risk Assessment (CCRA) process has been conducted, aiming at evaluating the resilience of the business and its financial exposure over different timeframes, encompassing both the potential consequences of climate-related threats and the strategies for adaptation or mitigation. The outcome of this thorough assessment empowers Fedrigoni to meet the climate-related disclosure required by key stakeholders identifying at the same time its main climate-related vulnerabilities and potential future opportunities.

2. Fedrigoni Climate Change Risk Assessment process

The CCRA analysis conducted during the 2023 has been based on two different climate change scenarios with three distinct time horizons: predictions out from 2023 to 2026, 2030 and 2050 to comprehensively evaluating the company's exposure to physical risks and identifying the potential risks and opportunities derived from the transition to a low-carbon economy.

The **scenario** adopted to assess the **physical risks** follows the **Representative Concentration Pathway (RCP) 8.5 of the International Panel on Climate Change (IPCC)**; it is considered a **worst-case scenario** based on a fossil fueled development and a significant future increase of the greenhouse gas emissions. On the other side, the **scenario** chosen to evaluate the **transitional risks** and opportunities has followed the **Net Zero Emissions (NZE) 2050 of the International Energy Agency (IEA)**; it is considered a **best-case scenario** since it implies that the world shifts gradually, but pervasively, towards a more sustainable path and a low emissions growth.



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The following table reports in detail the main trends that each of the two scenarios imply.

Physical risks scenario		Transitional risks scenario	
RCP 8.5 IPCC	<p>The radiative forcing continues to grow, reaching increase of 2°C by 2050 and 5°C in 2100.</p> <p>The push for economic and social development is coupled with the exploitation of abundant fossil fuel resources.</p> <p>Consumption is oriented toward energy intensive lifestyles around the world, leading to rapid growth of the global economy.</p> <p>Global population reaches a peak and starts declining in the 21st century.</p>	NZE 2050 IEA	<p>Global energy sector achieves net zero CO2 emissions by 2050.</p> <p>All countries co-operate worldwide.</p> <p>Advanced economies reach net zero emissions in advance.</p> <p>Orderly transition across the energy sector, always ensuring the security of fuel and electricity supplies and minimizing volatility in energy markets.</p> <p>Key energy-related United Nations Sustainable Development Goals are met.</p>

The next two sections provide a **more in-depth explanation** about the **analysis conducted to assess the most relevant physical and transitional events** with a potential impact on the Group.

2.1 Analysis of physical risks

The physical risks analysis has been focused on each physical risk event interested by the climate change that could impact all Fedrigoni sites in the **three different time horizons**. The analysis included the plants of both Group business units, respectively paper and self-adhesives. The list of **physical events** considered in the analysis was comprehensive of **all the categories** indicated by the **taxonomy of TCFD**.

The effective risk exposure to the physical events has been assessed relying on specific **tools publicly available** and provided by the **best-in-class international entities**. The



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results of the analysis in the **2026-time horizon** have provided the necessary information to assess the economic impacts of each specific event on each Fedrigoni's site.

The analysis oriented to both 2030- and 2050-time horizons of physical risks has been performed taking in consideration the **RCP 8.5 scenario** of the IPCC. In this case, other appropriate tools have been used to analyze if both the risk exposure to the physical events and the consequent potential damages to Fedrigoni's assets and business will increase, decrease, or remain the same with respect to the results obtained in the analysis oriented to the 2026-time horizon. The emerged results allow to obtain useful information regarding the plants most exposed to natural hazards on which the main mitigation actions will focus. In addition, in future analyses, the Group will consider extending this analysis to some sites of the Group's main suppliers.

2.2 Analysis of physical risks

These scenarios laid the groundwork, offering an indispensable comprehension of prospective trajectories within energy markets, climate dynamics, and social transformations. The analysis advanced to identify and monitoring the main trends that were intricately aligned with the categories tracked by the TCFD. These categories encompassed an extensive spectrum, including **Market Dynamics, Policy & Legal Frameworks, Technological Advancements, and Reputational Factors**. This exhaustive consideration of categories permeated critical aspects of governance, strategy, risk management, opportunities, metrics, and targets, forming the cornerstone of our analysis. In the subsequent phase, the methodology transitioned into an assessment, adopting a multifaceted approach primarily centered on qualitative analysis, focusing on potential business value erosion or creation attributed to each identified factor.

Central to the methodology was the essence of collaboration. A fundamental tenet was so the establishment of a productive dialogue with the main Business Units leaders. This engagement was based on recognizing their essential role in making and realizing the climate strategy.

2.3 Risks adaptation and mitigation strategies

In the **Climate Change Risk Assessment Process**, the results obtained from the analysis of physical and transitional risks played a crucial role in the identification of **potential adaptation strategies**, which have been developed in response to the **risks** that have been deemed as **most critical**.



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During this adaptation phase, two key aspects were addressed:

- 1. Identification of mitigation plans for physical risks.** The adaptation phase focused on defining targeted mitigation actions to reduce the impact of climate-events on Group most-exposed sites.
- 2. Development of specific strategies for transitional risks.** This involves the definition of specific plans to reduce the risks exposure raised from analyzing transitional risks. These strategies have been designed to be effective in scenarios projected for both the 2030 and 2050 timeframes.

As future development, Fedrigoni is aiming itself to continuously improve its CCRA process; this commitment involves the dual objective both to reduce its exposure to climate-related threats and to take advantage of further business opportunities.

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