



REPORT
CSR 2020

Statement of Non-Financial
Performance



The SPHERE group is fully aware of its social, societal and environmental responsibility, and has long worked to improve its impacts in these areas.

This Statement of Non-Financial Performance (Déclaration de Performance Extra-Financière - DPEF) presents the analyses and efforts made by the group, as requested by the CSR Directive that applies to the group from the 2018 financial year onwards.

1 - THE SPHERE GROUP BUSINESS MODEL

The main activity of the SPHERE group is to design, produce and market bags and packaging used by the general public, retailers or professionals, such as refuse bags, transport bags, aluminium foil and trays, plastic film and paper for use with food products, etc.

These products are mainly plastic (mostly polyethylene, virgin or recycled, or biosourced and/or compostable biomaterial), as well as paper or aluminium.

SPHERE is involved in other activities such as producing bio-sourced compostable resins; printing on film and paper; and distributing cosmetic products, gloves, disposable tableware, etc. These products are manufactured by SPHERE and account for around three-quarters of turnover, which in 2020 totalled €642 million.

In 2020, SPHERE had a total average workforce of 1,476 people. Approximately 62% were in France, and the remaining third were almost exclusively in Western Europe.

More than 97% of the group's turnover and all of its production are generated in Western Europe.

Purchases of raw materials come from all over the world (mainly from Europe but also from Asia).

SPHERE distributes its products widely:

- via multiple distribution channels: mainly large retailers but also resellers, e-commerce, local authorities and small businesses;
- under different types of brands: national brands, private labels, and premium or even unbranded products, for example to purchasing departments (economats).

The major societal challenges and trends that influence SPHERE's development are primarily environmental concerns. These are subject to rapid change, both via regulations and cultural or generational influences and the medium-term development of the various distribution models, even though SPHERE strives to remain active in all forms of distribution.

For more than twenty years, SPHERE differentiates itself from other players in the European market by making the environment central to its development strategy and business model.

SPHERE's operating mode is organised around its environmental policy, which is determined and implemented by general management and applied by the subsidiaries. However, human resources management is decentralised, with authority passed to the heads of subsidiaries who adhere to the spirit of group principles while managing locally.

SPHERE's interactions are mainly with its employees, customers and suppliers. The group also participates in several professional organisations (at European, national and local levels) and is in contact with European and national public authorities to assist with the development of regulations concerning its products. SPHERE's main suppliers are those providing raw materials. Suppliers of virgin materials are located all over the world, but mainly in Europe for recycled ma-



materials. SPHERE is a member of, among others, the French professional associations ELIPSO, Club Bio-plastiques, Chimie du Végétal and European Bioplastics.

SPHERE is an independent group, which has grown steadily since its creation in 1976. It currently has a turnover of €642 million and employs 1,476 people, while remaining a privately owned business that operates on a “human scale”, with its founders as majority shareholders. This has made it possible to establish and respect a long-term, innovation-led vision for the group for the creation of responsible packaging.

The European leader in its sector, SPHERE’s goal is to consolidate its position by providing ever more innovative and tailored environmental solutions with a reduced environmental impact.

Since inception, most of the value created has been reinvested **in the group’s development – both the economic development of the company and the social development of its employees.**

The group’s strong French and European ties are supported by the certainty that investments and sound organisation will prevent the need for outsourcing. This will be achieved through recourse to European skills and by supporting the European economy where our customers and consumers are located. In addition, SPHERE ensures that its value creation, as far as possible, is attained via products that provide an environmental benefit. For example, more than half of the materials (fossil-based or bio-sourced) used by the group are recycled, **and the turnover generated by the group in biocompostable plastics represents more than 60% of that from products made of fossil plastics.**

Employee development is supported by this desire for local production, as well as by the deep sense of environmental responsibility that is a driving force for SPHERE.

The group’s future lies in maintaining its strong values and continuing innovation to provide an ever wider range of environmental packaging solutions with a practical application.

2 - SPHERE GROUP BUSINESS RISKS ANALYSIS

The SPHERE group has carried out an analysis of its non-financial risks. The method employed is described in the methodological note at the end of this document.

This report focuses on the main risks: impacts on employees and environmental impacts. Other risks facing the group are also addressed, with explanations given for SPHERE's responses.

This analysis and its conclusions were mainly the result of work by general management and the heads of human resources and sustainable development, and with three managers from the entity or department.

They were then presented to the Board of Directors for approval.

The policies, action plans and results associated with the main social and environmental risks are laid out in part 3, and other societal information is also laid out on page 12. These latter have not, however, been identified as high-priority risks.

◀ Impacts on employees

- **Employee health and safety at work** (injuries, occupational illnesses, etc.).

Each SPHERE company is responsible for and closely monitors the proper application of regulations, as well as changes relating to workplace accidents or occupational illnesses.

The COVID-19 crisis which arose at the beginning of 2020 made serious demands on the group's reactivity and capacity to adapt. In response, the group mobi-

lised all of its resources, skills and expertise in order to ensure its employees' health and safety at work while maintaining a high level of business activity. The essential role played by the group in the coordination and guidance of local actions made it possible to ensure the coherence of the subsidiaries' activities and to bolster the confidence of staff members in the effectiveness and coherence of its decisions.

• Internal skills matching

The SPHERE group constantly keeps in mind the gradual ageing of its population and its need to adapt to both changes in the business model and related developments in professions and qualifications.

• SPHERE's Attractiveness

The SPHERE group works to reconcile the decentralisation inherent in its operating model with its desire to maintain its attractiveness via unifying compensation practices. It relies on external communications that respond to the aspirations of an increasingly large segment of the population. In doing so, it reinforces its reputation and its attractiveness.

◀ Impact of products on the environment

The majority of SPHERE products are made of single-use plastic.

Historically, their main raw material was virgin polyethylene from crude oil, therefore a fossil-based material.

At the end of their life, these are normally put into a controlled waste treatment or recovery stream. If they escape, however, they remain in the natural environment for a long time.

This is why the SPHERE group has a very proactive environmental policy, including:

- working for more than 25 years **to develop more environment-friendly solutions by favouring raw materials with the least environmental impact on the entire lifespan of the product**, in particular by aiming to replace virgin polyethylene of fossil origin with recycled polyethylene, plant-based polyethylene or biosourced and biodegradable/ compostable biomaterial;
- monitoring its electricity consumption (its main energy used);
- developing **ISO 14001** (environmental management) certifications for its production sites.



3 - SOCIAL, SOCIETAL AND ENVIRONMENTAL INFORMATION

POLICIES, ACTION PLANS AND RESULTS ASSOCIATED WITH PRIORITY SOCIAL RISKS

The SPHERE group is particularly keen to address two major concerns via the social aspects of its work:

- **Guarantee a safe and healthy working environment for its staff.**
- **Ensure we have human resources that support our needs and development prospects as best as possible.**

Beyond these concerns, SPHERE is attentive to the fight against all forms of discrimination.

IMPACT OF THE ACTIVITY ON SPHERE EMPLOYEES' HEALTH AND SAFETY AT WORK

The SPHERE group manages entities in which the production tools and associated working conditions present measured risks for health and safety at work, as evidenced by the indicators relating to workplace and commuting accidents. These have an accident rate of 27.75 accidents per million hours worked for the year 2020, compared to that of 2019 (39.5) and 2018 (39.1), a severity rate of 1.89 days lost per 1,000 hours worked, which is very close to that of 2019 (1.78), but higher than that of 2018 (1.39), revealing a clear downward trend in the number of accidents with work stoppages within the group (on the order of 30%), combined with an increase in the average duration of work stoppages due to accidents. This reveals the results of an increased involvement of staff

following an expansion in recent years of training modules and micro-modules on safety that have produced a significant reduction in minor work accidents. Furthermore, the general safety atmosphere is amplified by the COVID-19 pandemic, which has also contributed to this increased awareness of the risks of occupational accidents.

In the very specific context created by the appearance and exponential development of the COVID-19 crisis, the group's leadership has become strongly involved in the coordination and creation of preventative measures fighting the pandemic within its subsidiaries. They have implemented strict health rules, communicated very regularly with subsidiary employees and prepared business continuity plans in order to anticipate the potential worsening of the pandemic.

Through the transparent implementation of proactive and reassuring actions, the group's leadership has succeeded in convincing all employees of the wisdom of their decisions, which has resulted in strong mobilisation of the teams on the ground.

This trust has enabled us to meet our customers' strong demand, with a significant increase in work by shift teams. 812 people are working in shifts, versus 778 a year earlier, including in the 2019 comparison 31 Flexopack workers working on 3x8 shifts. Comparing like to like, this is an increase of around 35 people, essentially be-

nefiting organisations working in continuous or semi-continuous shifts.

This is a result of the strong demand from the group's customers. With the exception of Pichon, which operates in specific markets impacted by lockdown, no subsidiary has required state support due to losses of business.

Among the reasons for the confidence expressed by SPHERE's employees, we find the special attention paid to safety training, both through initial training courses (first aid, movement and postures, fire and evacuation, etc.) and regular retraining programmes (according to the official definition). In view of the strenuous nature of the tasks, a number of subsidiaries have launched investment projects aimed at preventing occupational diseases and maintaining production. As such, in the 2020 context which made business operation very difficult, the SPHERE group has managed to increase by nearly 80% the hours dedicated to safety training (increasing from 4,200 hours in 2018 to 7,400 hours in 2020). The SPHERE group is scrupulous in ensuring compliance with all the rules relating to these different forms of shift work (medical examinations, rest time, arrangement of break rooms, etc.).

◀ Absenteeism monitoring indicators

Absenteeism indicators are continuously monitored by SPHERE group companies. These indicators are multi-factorial and regularly cross-referenced with data relating to workplace accidents, occupational diseases and work organisation methods, as well as changes in the average age of employees. In addition to these usual factors impacting absenteeism, in order to understand the 2020 figures we must also consider factors resulting from the COVID-19 pandemic.

The overall absenteeism rate (illness and accidents) grew from 6.66% in 2019 to 7.08% in 2020, exclusively due to the increase in short-term sick leave (less than 2 months), which increased from 1.84% to 2.34% over the same period.

ONGOING EFFORT TO TAILOR SPHERE'S HUMAN RESOURCES TO THE NEEDS OF ITS BUSINESS MODEL

The ambitions expressed by SPHERE for both the organic and external growth of its business, and the markets in which the group operates, require human resources tailored to the continuity and development of the industrial and commercial needs arising from its business model.

In practical terms, this involves increasing staff qualifications, anticipating changes in the age structure, and enhancing the group's attractiveness.

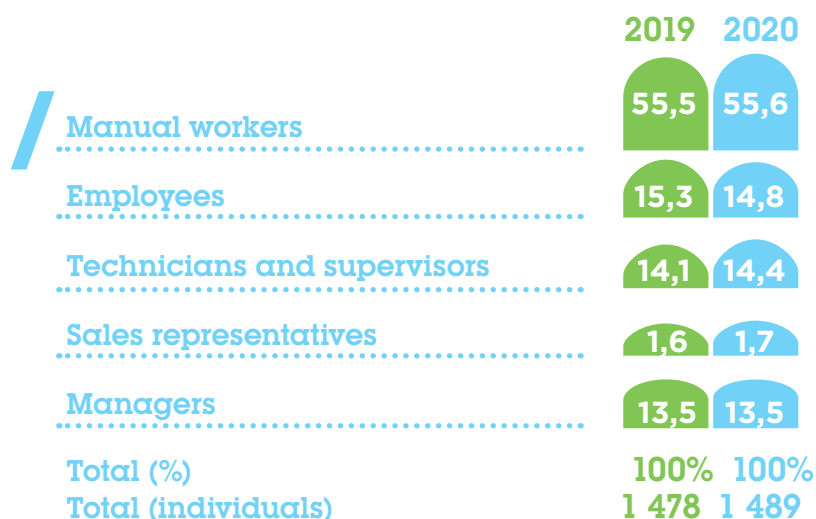
In addition to these initiatives, SPHERE supplements its need for the qualifications necessary to renew and develop its skills by developing initiatives similar to pre-recruitment. These include apprenticeships, which are constantly evolving within the group; school internships; or even, further upstream, the targeted channelling of the learning

tax budgets paid to high schools, universities and higher education institutions.

At 31 December 2020, the SPHERE group employed 1,489 people (1476 on average over 2020) within the scope of this report, more than half of whom were manual workers (55.6% of the total). 926 people are employed in France and 492 abroad; i.e. a distribution of 62%/38%, which is very similar to the previous year after inclusion of the Flexopack teams and Asian subsidiaries. A year earlier, at 31 December 2019, the group's total workforce numbered 1,478, of which 926 were in France and 552 abroad.

Women account for 30.5% of the group's workforce and 37.3% of managers, 21% of manual workers, and 43.5% of white-collar employees, technicians and supervisors.

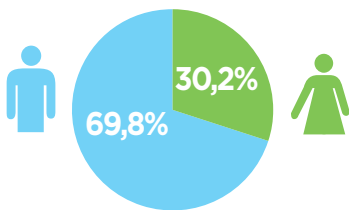
Another response to the need to increase skills within SPHERE is the volume of training: 12,759 hours, continuing the growth tendency observed in 2019, for a total cost of around €241k.



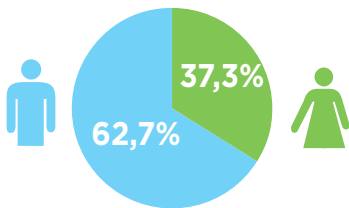


> Gender split within the group

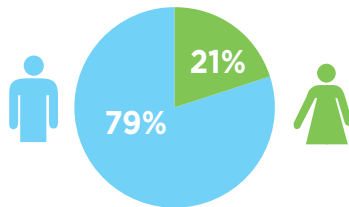
GROUP HEADCOUNT



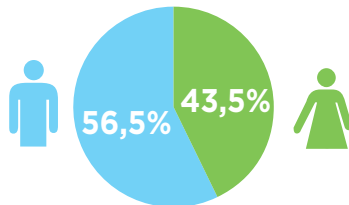
MANAGERS



MANUAL WORKERS



CLERKS, TECHNICIANS AND SUPERVISORY STAFF EXECUTIVE



This is a decrease of 37% on the previous year, due to the double impact of a significant increase in remote training due to COVID-19 and the major role of training micro-modules on improving safety. Excluding the hours devoted

to safety, the number of people trained was essentially the same in 2019 and 2020 (507 and 515 people, respectively), while the number of people trained in safety increased by 9% to a total of 780 people. Compared to the workforce at the end of each year, the average number of training hours was 8.57 per person in 2020, compared with 7.69 hours per person a year earlier.

Lastly, the group is actively committed to enhancing its attractiveness through its compensation and social security policy. Where appropriate, it does not hesitate to use legal incentives that are likely to benefit a large proportion of its employees. As such, the SPHERE group took advantage of the capacity offered by local authorities thanks to the 2020 emergency health legislation to offer nearly all of its French subsidiaries bonuses to encourage work during the first lockdown ("Macron II" bonuses).

Furthermore, during 2020 the SPHERE group managed to gather all of its French subsidiaries under a single insurer for health and disability coverage.

In total, the group's payroll was €93.2 million at 12/31/2019, supplemented by temporary work costs of €10.3 million. This translates to an overall payroll that was higher than the previous year, due to the triple pressures of continuing business during the COVID-19 crisis, 2019 acquisitions taking full effect in 2020 and temporary work.

The fight against discrimination, promotion of diversity and measures taken to support disabled people

The introduction in 2011 of SPHERE's Ethics and Behaviour Charter embodies the group's commitment to combating discrimination, promoting diversity and integrating disabled workers.

Women actively participate in the group's management, with a higher share in the managerial population than in the overall population, as indicated above (37% compared to 30%).

The group employs the full-time equivalent of 49 disabled workers and spends nearly €250,000 to facilitate their day-to-day integration.

POLICIES, ACTION PLANS AND RESULTS ASSOCIATED WITH PRIORITY ENVIRONMENTAL RISKS

Detailed life cycle analysis carried out by PriceWaterHouseCoopers-Ecobilan for the SPHERE group showed that over the entire life cycle of a refuse bag (from the production of its raw material to the bag's end of life), the stages with the highest environmental impact are:

- ▶ the production of the raw material, which contributes to around 60-80% of the impacts,
- ▶ the bag's end of life, which contributes to around 10-30% of the impacts.

SPHERE has been working on this for over 25 years, applying the following eco-design principles:

- ▶ reducing the quantity of material employed for the same use function (in particular by reducing thickness),
- ▶ choosing the material with the least environmental impact over the entire life of the product, in particular by replacing virgin polyethylene of fossil origin with:
 - recycled polyethylene;
 - plant-based polyethylene;
 - biosourced and biodegradable/ compostable biomaterial.

A PROACTIVE POLICY THAT IS FULLY IN LINE WITH THE PRINCIPLES OF THE CIRCULAR ECONOMY

For many years, the SPHERE group has been following a proactive cost-saving approach for the consumption of non-

renewable materials. This involves reducing the bags' thickness, using recycled materials, and promoting materials that are biosourced and/or of biodegradable origin to make the bags.

As early as 1983, this resulted in a 30% reduction in bag thickness using new generations of polyethylene. The group is also behind the NF Environnement certification in France, and is involved in revising this eco-label that ensures that influential factors are taken into account throughout the life cycle of refuse bags.

The group has made significant investments in recycling: with impacts of used plastics either from its own production or from outside. These efforts and investments continue to increase the use of recycled products in extruded material mixtures, thereby reducing the consumption of virgin materials.

For more than five years, the extruded tonnage of virgin fossil-based materials has been lower each year than that of recycled materials.

The group's environmental protection policy is based on innovative solutions. Its research efforts are focussed on developing biodegradable and compostable plastic biomaterials made from renewable plant materials.

In 2020, the group continued to increase its production of bioplastics, with home-compostable plant-based fruit and vegetable bags in compliance with the re-

quirements of the Energy Transition for Green Growth Act. These can be used to collect food and garden waste destined for domestic or industrial organic recycling.

The group also continues to develop a range of non-biodegradable plastic products made from plant-based materials. These products have technical features that are equal to or greater than those made from petroleum-based polyethylene. Their carbon footprint is 95% lower than that of products based on fossil polyethylene.

Under the French and European principles of the circular economy, the group continues to address end-of-life issues for the products it manufactures so as not to disrupt the recycling and industrial/domestic composting sectors.

SPHERE also monitors its electricity consumption – its main energy used – in order to reduce it.



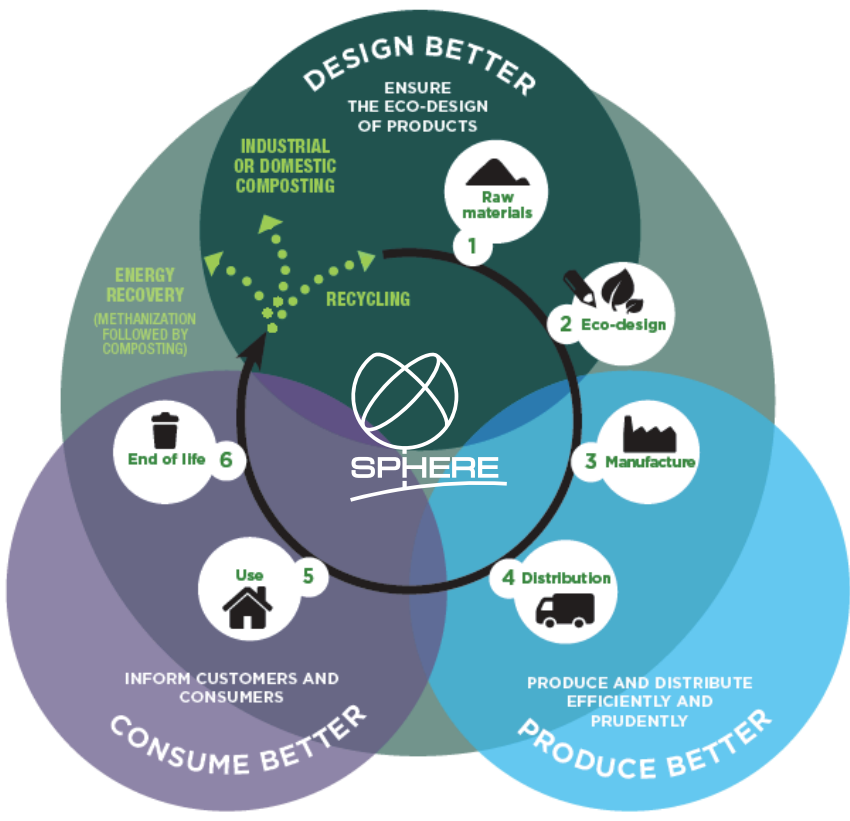
ASSESSMENT OR CERTIFICATION PROCEDURES UNDER THE ENVIRONMENTAL POLICY

The environmental approach aims to systematically take into account the impact of the company's activities on the environment, to assess this impact, and to reduce it. The SPHERE group is committed to two approaches to environmental management:

➤ **The site approach:** a management tool internal to the site, based on continuous improvement. As of 31 December 2020, seven of the fourteen production sites covered by this statement of non-financial performance (i.e. 50%) were ISO 14001 certified (and also ISO 9001 certified). This percentage was just 28.5% as at the end of 2019. This desire for certification should be pursued at the other sites. The percentage of ISO 14001-certified production sites is one of the indicators monitored by SPHERE;

➤ **The product approach:** by systematically integrating environmental aspects starting from the design and development of products, with the aim of reducing negative environmental impacts throughout their life cycle.

> **The virtuous circle of the circular economy**



RESOURCE MANAGEMENT: WASTE, RAW MATERIALS, ENERGY AND SOIL

Management of internally reusable waste

Almost all plastic waste, including bioplastics, is recycled and reincorporated into production.

The majority of production sites are equipped with a recycling unit and also participate in the recovery of external plastic waste, which will also be incorporated into materials used to produce refuse bags.

Once emptied of their contents, the bags sold by SPHERE for separated collection are salvaged by the group for recycling and recovery.

The group also uses significant quantities of externally purchased recycled plastic pellets.

Overall, recycled plastic (from internal or external sources) accounts for more than half of the group's plastic consumption. Around 70% of this recycled plastic is of external origin.

Consumption of raw materials and measures taken to improve efficiency in their use

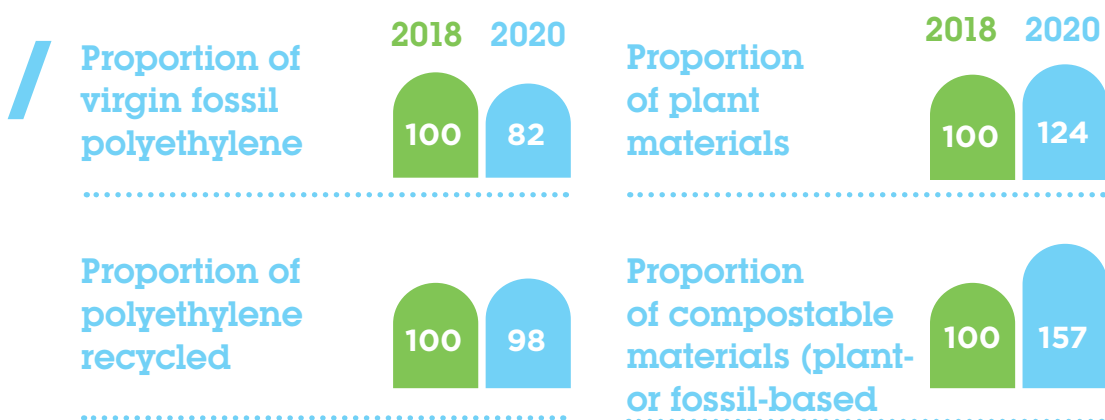
As mentioned above, it is the raw materials that have the most environmental impacts during the full life cycle of the main products distributed by SPHERE (plastic bags).

SPHERE has therefore decided to closely monitor the changes in the mix of raw materials used in its production of bio-plastic pellets and plastic products, with a particular distinction between:

- virgin polyethylene and recycled polyethylene;
- fossil origin and plant origin;
- compostable material and non-compostable material.

Out of a total of 100% of plant-based and fossil-based materials used, with the 2018 percentage acting as a baseline (= 100), the trend is as follows:

> Changes in the mix of raw materials used





For example, the proportion of compostable materials in 2020 increased by 57% compared to 2018. See the methodological note in 9.4 for details of the calculation method and the reason for using 2018 as a reference year.

◀ **Energy consumption, measures taken to improve energy efficiency, and use of renewable energies**

SPHERE aims to reduce its electricity consumption per tonne manufactured and to contribute to the development of electricity from renewable sources via its purchases.

Electricity consumption per tonne extruded remained decreased by 2% between 2019 and 2020:

Annual change (in K tonnes)



This was calculated by dividing the MWh consumed during production by all extrusion plants by the total number of tonnes extruded by these same plants. The proportion of electricity from renewable sources by specific contractual commitment with the supplier increased by 3% between 2019 and 2020:

Proportion of contractually renewable electricity (in %)



◀ **Land use**

Plant-based plastics account for less than 15 % of SPHERE materials. In addition, the global production capacity of all plant-based plastics uses less than 0.02% of the world's agricultural land, as stated by the European Bioplastics association.

SPHERE is nevertheless vigilant about the proper sustainable management of plant resources, and will address this point in more detail, and responsibly, in this report when the significance of these materials is greater.

CLIMATE CHANGE

Climate change caused by greenhouse gas emissions is a fundamental problem that SPHERE has been fighting for several decades.

Despite the various life cycle analyses already available, SPHERE does not currently have a simple, representative and reliable indicator to monitor its overall CO₂ impact (including its raw materials) in its factories and per unit of use (e.g. product bag). The group is working on this. However, uncer-

tainties about the CO₂ impacts of each of the components are an impediment to establishing a reliable indicator. Since DPEF 2019, a renewable electricity indicator has been set up, as electricity represents the bulk of the energy used in SPHERE's plants.

Starting from DPEF 2020, SPHERE is starting to monitor its CO₂ emissions linked to the two main sources of its energy consumption: electricity and gas.

They have chosen to use the indicator of tonnes of CO₂ emitted per million euros in turnover.

Tonnes of CO₂ per million euros of turnover



OTHER SOCIETAL INFORMATION

SPHERE's aim is to respect the legislative and regulatory environment governing its business, while promoting its values.

ETHICS, VALUES AND LEGAL AND REGULATORY COMPLIANCE

The SPHERE group aims to comply strictly with legal and regulatory obligations, both in form and in spirit.

To this end, the group introduced an Ethics Charter in 2011. This is systematically communicated to group employees, and its application is enhanced by its inclusion in the subsidiaries' internal regulations. Non-compliance with the Ethics Charter can result in referral to a designated group officer.

The Ethics Charter is published on the SPHERE website. Job applicants often view it as an important element of the group's attractiveness, in the same way as its commitment to sustainable development. Following a review, a new edition of the Ethics Charter was published in 2016.

Since 2017, the Board of Directors have adopted a system aimed at preventing the risks of corruption and influence peddling, in application of the French "Sapin II" law. This system has led to all risks of corruption and influence peddling linked to doing business being identified, their main features described, and the processes for preventing their occurrence defined, as well as the

implementation of an alert system based on a network of local contacts.

Initiatives have also been undertaken with our suppliers or customers to help them share and understand our anti-corruption system. They are sent both a letter and the main documents relating to this system.

The system is based on a group-wide structure and an alert network, the main players of which are a Group Contact Person and Contact Persons within each company, who gather and process the alerts. Training initiatives are underway to raise awareness among an increasing number of employees within each group subsidiary.

Each year, a report on the past year is presented to the Board of Directors, as well as the action plan for the following year.

Implementing this procedure has made it possible to confirm that "ethical" risks are not among the primary risks for SPHERE.

ACTIONS TO RESPOND TO SOCIETY'S URGENT NEEDS

In Spring 2020, SPHERE immediately responded to calls from hospitals who were facing the first wave of COVID-19 and lacked PPE (Personal Protective Equipment). In a few days, templates for protective aprons, sleeves and gloves had been created, machines had been adapted and production was launched at many of the group's factories, replacing their usual production of bags. In total, almost 30 million items of PPE have been supplied to hospitals, healthcare facilities and other users, primarily between April and June of 2020.

ACTIONS TO REDUCE FOOD WASTE

The SPHERE group does not work with food products and therefore does not generate food waste.

In addition, the SPHERE group has developed expertise in the food contact products sector. Its subsidiary, SPHERE FRANCE, is equipped with a cleanroom and supplies products such as food films, trays and rolls of aluminium and baking paper to large retail outlets throughout Europe. All of these products allow consumers to protect, store and freeze food. In some instances, they also provide culinary assistance.



The group's national brands, Alfapac, Frio, Vita and Propsac, are genuine think tanks. They develop innovative and eco-responsible products that integrate food shelf life optimisation and the reduction of food waste.

The implementation of a communication policy (press and digital) aimed at the general public prioritises education for the proper use of products in the form of advertisements, partnerships with the food and women's press, and the production of videos (recipes and chef's tips).

PARTNERSHIP AND SPONSORSHIP INITIATIVES

Becoming a patron is a way for a company to express its identity and values and to reflect its social and cultural responsibility.

Since its creation, the SPHERE group has supported various charitable (e.g. artificial respirators for Saint Vincent de Paul Hospital) and humanitarian (e.g. the Dominique Lapierre Foundation) initiatives.

In 2004, the group created the Fondation d'Entreprise SPHERE, which is involved in two areas: music and humanitarian aid.

The foundation funded a school project for orphaned children in a township in South Africa, near Cape Town.

It also supported the Dominique Lapierre Foundation in Calcutta, which helps and provides education for children with leprosy.

In 2017, it supported the Global Heart Watch association in the fight against cardiac arrest.

In terms of music, the SPHERE Foundation has sought to support and revive forgotten works produced in Martinique.

In 2012, for example, it was behind the revival of the quartets and sonatas of the Chevalier de Saint-George, as well as Treemonisha, Scott Joplin's first opera, which had only been performed on one previous occasion. In 2015, in Martinique, it staged L'Amant anonyme, the only completed opera by the Chevalier de Saint-George. In 2019, also in Martinique, the SPHERE Foundation paid tribute to the entire international career of soprano Christiane Eda-Pierre.

The Fondation d'Entreprise SPHERE ensures the sustainability of these initiatives by supporting implementation assistance projects by associations and NGOs via both grants and their robust, sustainable involvement.

Aside from the Foundation, SPHERE also supports projects linked to university access for underprivileged children. For two years, support has been provided to the Institut Catholique Européen des Amériques (ICEA Catholic Institute) for Martinican students.

TAKING SOCIAL AND ENVIRONMENTAL RESPONSIBILITY INTO ACCOUNT IN RELATIONS WITH SUPPLIERS AND SUBCONTRACTORS

Our strategic suppliers meet the requirements of BRC/BSCI-type standards and are audited by third-party organisations. Other suppliers comply with their national regulations and are visited and/or audited on a regular basis to ensure compliance with our requests. In 2020 our quality control procedure was adapted to the new materials for the finished products purchased by the group.

FAIR PRACTICES: MEASURES TAKEN FOR CONSUMER HEALTH AND SAFETY

That indicate the correct use of the product, its restrictions, its composition, and its environmental benefits.

4 - METHODOLOGICAL NOTE

Scope:

This DPEF covers all companies over which the SPHERE group had exclusive control during the twelve months of 2020. This means that data on the company acquired in 2019 have been taken into account in 2020, with the figures for 2019 being added back to the full year in order to facilitate comparisons. Nevertheless, for certain environmental data significantly impacted by this new company, comparisons have been made between 2018 and 2020 in order to fully take into account the impact of this acquisition on the group's environmental indicators.

The period considered is the calendar year 2020, as for the financial data.

Risk analysis:

The analysis of social, societal and environmental risks in 2018 and 2019 was mainly carried out by the human resources and sustainable development departments in collaboration with general management, as well as certain subsidiary managers. For this 2020 DPEF, a production site director, a central office director and the HR director of a subsidiary have contributed to the review of the entire risk analysis. In the future, other SPHERE departments will be more heavily involved, as will the HSE and HR managers of the main subsidiaries. In particular, from 2021, at least two key subsidiary or department managers (purchasing, sales, marketing, etc.) will be involved each year. Different people will be selected from one year to the next, and the Contact Persons network described in 9.3.3.1 will contribute to the risk analysis.

A very wide list of potential risks was drawn up. Each risk was then weighted according to its level of

danger, the probability of its occurrence, and the share of SPHERE's business potentially impacted. An overall score was thus calculated. Only the main risks (i.e. those receiving the highest ratings) were detailed in this report. The relevant monitoring indicators were chosen to follow any changes in these risks. The detailed review of risks completed for this 2020 DPEF did not lead to a modification of the primary risks justifying discussion in the DPEF.

Social indicators:

The social indicators used in the social section of the document are constructed as follows:

- Workforce: only professionalisation contracts are included in the population of work-study staff. Apprentices, interns and temporary workers are not included in the workforce.

- Total theoretical number of hours worked: for each subsidiary, this indicator is calculated as the sum of individual theoretical annual hours plus overtime and additional hours, as well as absences of any kind and leave (paid, seniority, days off for splitting holiday periods, time off in lieu, family events, unpaid).

- Total number of hours actually worked: this indicator is calculated based on the theoretical number of hours worked from which all leave is deducted, regardless of its type (paid, seniority, days off for splitting holiday periods, unpaid, time off in lieu, etc.), as well as all types of absences, paid or unpaid.

- Accident rate: this is calculated by multiplying the number of workplace and commuting accidents resulting in sick leave occurring during the year by one million, then dividing the amount obtained by the total number of hours actually worked.

- Severity rate: calculated by multiplying the number of calendar days lost due to workplace and commuting accidents by one thousand, then dividing the amount obtained by the total number of hours actually worked.

- Absenteeism rate: calculated by dividing the number of hours lost due to illness and accidents at work or while commuting by the theoretical total number of hours worked.

- Payroll: defined as the sum of total gross remuneration and associated employer contributions.

- Training hours: these cover all training initiatives implemented in the group's subsidiaries, including those relating to health, safety and working conditions. Initiatives relating to work-study contracts - apprenticeships and professionalisation - are excluded. E-learning courses and training sessions lasting less than two hours are now taken into account.

- Training costs: these include teaching costs and travel expenses incurred, excluding trainee salaries.

As a reminder, unless explicitly stated otherwise, the workforce is calculated on the basis of those present at 31 December 2020.

Environmental indicators:

Environmental indicators relate to the use of the main materials used by the group, namely the following different raw plastics: virgin fossil polyethylene, recycled polyethylene (from internal regranulation of the group's production discards, or purchased externally in the form of pellets), plant materials and compostable materials.

For each of these materials, the indicator is based on the ratios calculated as follows, for each year separately:

All of this 2019 Statement of Non-Financial Performance (DPEF) was subject to approval by the independent third party KPMG, which issued its report in May 2021.

➤ Total tonnes of this material actually consumed in extrusion in each of the group's manufacturing plants producing plastic products (bags or pellets sold outside the group) in 2018 and 2020;

➤ Divided by the total tonnage of plant and fossil plastics consumed for the same scope and over the same period.

The indicator is then calculated as: 2020 ratio / 2018 ratio.

For example, if a material represents 33% of the total in 2020 when it was only 30% in 2018, its indicator will increase from 100 in 2018 to 110 in 2020, showing its relative growth.

Only the proportion of electricity that the supplier contractually guarantees as being renewable is counted as renewable electricity, excluding the proportion of electricity that happens to be renewable, even though the contract does not set any constraint on the electricity supplier.

The indicator of CO₂ emissions linked to SPHERE's business activity takes into account the CO₂ emissions of the two primary forms of energy consumed by all of the group's companies, regardless of their business: electricity (except for three commercial offices, whose electric consumption for heating and lighting has only a marginal impact on the group's total) and gas.

The emission factors have been calculated on the following bases:

- electricity: ADEME database specific to each country
- gas: natural gas emissions factor for France applied to all countries

This approach is expected to be taken in subsequent years, while refining the national gas emission factors used and also taking into account transport and travel of the group's vehicles.

Outlook:

This DPEF 2020 strengthens first DPEF that was produced in 2018, whose coverage extends beyond SPHERE's strictly regulatory obligations. However, it will be further developed in the future.

Topics not addressed:

The following topics were not addressed:

➤ Those that are not relevant to the SPHERE group's activities: animal welfare, combating food insecurity, fair and sustainable responsible food;

➤ Collective agreements, as they are managed at company level and not monitored centrally. While important, this topic does not represent a major risk for the group and does not justify any specific monitoring indicator.



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