A.D. COMPOUND
Plastic Material Processing

SUSTAINABILITY REPORT 2024

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With methodological support from

ALTIS advisory
Spin-off dell'Università Cattolica del Sacro Cuore

STAKEHOLDER LETTER

Shaped by the experience of three generations of the Mercandalli family, **A.D. Compound has always operated with a circular-economy mindset:** we have been transforming waste into new resources since the 1950s. Today, 90 people work every day at our facility in Galliate, near Novara in Northern Italy, to produce recycled plastic compounds destined for a wide range of sectors — from furniture to household appliances and construction, and even children's toys.

With this **fourth Sustainability Report**, we wish to share our progress and our daily commitment to promoting an increasingly efficient and responsible production model, built on reducing consumption and enhancing resource value.

In 2024, A.D. Compound further consolidated a growth path that translates into measurable positive impacts on the environment and along the recycled plastics value chain. **The Company increased the production** of its recycled polypropylene compounds by **17.2%** compared to the previous year, confirming a solid and consistent development trend.

This expansion is not merely an increase in volumes, but **the result of a clear strategy: transforming plastic waste into high-value resources,** progressively reducing the environmental footprint of the industrial sector.

Choosing recycling means having a direct impact on CO_2 emissions. To understand the scale of our commitment, it is worth noting that the production of **1 kg of virgin plastic** generates approximately **2 kg of CO_2 emissions**, including both direct and indirect emissions related to the extraction and refining of fossil raw materials, production processes, and energy consumption[1]. **These emissions can be brought to zero** through mechanical plastic recycling and the use of renewable energy sources for electricity generation, **as we do at A.D. Compound**.

Each supply of recycled compounds therefore represents an immediate environmental saving, while ensuring chemical, mechanical and aesthetic performance equivalent to virgin materials.

The two-year period ending in 2024 also saw A.D. Compound at the forefront of a **technological transformation** driven by the Industry 4.0 and 5.0 paradigms. Through the adoption of advanced automation systems and digital monitoring, the Company has significantly optimized the relationship between production output and energy consumption. Despite the previously mentioned double-digit increase in production, **energy consumption in 2024 grew at a markedly lower rate** (+6.6%). This means that **each kilogram of compound produced today requires significantly less energy than in the past**, improving both environmental sustainability and the Company's competitiveness in the market.

As always, we cannot carry out all this work on our own. Our efforts to make our activities

more sustainable involve our stakeholders: **our suppliers**, selected and assessed with great care in the name of the highest quality and with the aim of building long-lasting relationships founded on cooperation, dialogue and mutual trust; and **our clients**, to whom we offer controlled and certified products and with whom we work to close the loop on production scraps. And, of course, **our employees**, with whom we focus on raising awareness and training to support the continuous improvement of our processes and products. All this is complemented by our commitment to the local **community where we operate** and that we support through solidarity initiatives.

The challenge is to **continue along this path**. Our aim is to carry on fulfilling our long-standing mission: giving new life to materials that are still not recoverable today, and maximising the volume of production scraps that can be recovered. Recycling scraps and reducing waste is **not only a practical and moral necessity, but also a major opportunity** to replace the failing linear economic model — extract, produce, consume and discard — with a new, circular paradigm of sustainable development. We are convinced that our work can make an important contribution in this direction.

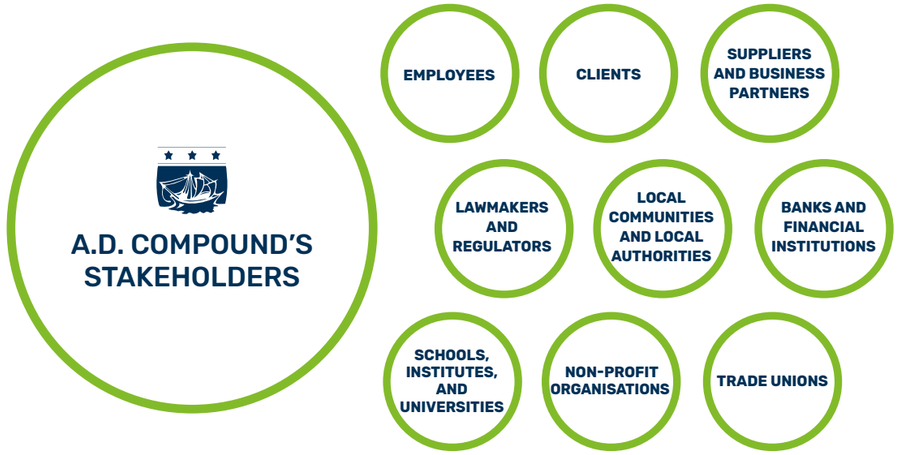
Davide Mercandalli
Sole Director

[1] *ECCO Climate, "La plastica in Italia: vizio o virtù?", technical report aprile 2022, pag. 4*

METHODOLOGICAL NOTE

By sharing this **fourth Sustainability Report**, A.D. Compound confirms it is committed to continuing its journey towards measuring and monitoring its sustainability performance. This document is valuable not only as a reporting tool, but also as a source of information, as it allows us to **share transparently with our stakeholders** the social, economic and environmental impacts generated by our activities.

We are aware that transparent and collaborative engagement with our key stakeholders is an essential element for our growth and to achieve our objectives, including those related to sustainable development.



This document has been prepared by A.D. Compound's Marketing Department with the methodological support of ALTIS Advisory SB. It was created **on a voluntary basis** and in accordance with the **Global Reporting Initiative (GRI) Standards 2021**, following the *with reference* option.

As reporting is conducted on an annual basis, this Sustainability Report refers to the **2024 fiscal year** (1 January – 31 December). The **reporting boundary** includes AD Compound S.p.A., an unlisted company operating in Italy with its registered office in Via Larga 6, Milan, and its operational and administrative headquarters in Via Meucci 2, Galliate (Novara).

The contents presented in this Report have been selected on the basis of a **materiality analysis** that identified the **most significant environmental, social and economic impacts, together with the related material topics**. The results of the previous materiality analysis have been reviewed and updated in this edition, in order to more effectively reflect

the new GRI 3 guidance on material topics, while also taking into account organisational changes and regulatory developments. Although AD Compound does not appear to fall within the scope of the Corporate Sustainability Reporting Directive (*CSRD* – EU Directive 2022/2464), the company remains firmly committed to continuing its reporting journey.

Since no applicable sector standard exists, and following the *inside-out* approach recommended by GRI, the organisation identified the negative and positive, potential and actual impacts generated on people and the environment. These impacts were then assessed on the basis of their scale and scope, their irremediability/persistence, their likelihood, and their effect on Human Rights. The impacts identified, and assessed as relevant, were subsequently linked to the material topics and approved by management. Below is a list of the impacts and topics that resulted as material[1]. Please refer to the GRI Content Index in the appendix for the list of related reported indicators.

ESG Area	Material impacts	Type of impacts		Material topics
Environment	Use of secondary raw materials	Positive	Actual	Circular economy and upcycling
	Waste recycling and recovery	Positive	Actual	Waste management
	Energy consumption	Negative	Actual	Climate change
	CO_2 emissions	Negative	Actual	
	Water consumption	Negative	Actual	Water management
	Release of microplastics into water	Negative	Potential	
Social	Creation of stable and safe employment	Positive	Actual	Employment and inclusion
	Diversity and equal opportunities	Positive	Actual	
	Risk of discriminatory incidents	Negative	Potential	
	Occupational injuries	Negative	Actual	Occupational health and safety
	Training	Positive	Actual	Training
	Risk of non-compliance related to product safety	Negative	Potential	Product quality and safety
	Certified labelling of recycled content	Positive	Actual	Responsible communication
	Supplier partnerships	Positive	Actual	Supplier partnerships
Economy and governance	Economic value generated	Positive	Actual	Creation and distribution of economic value
	Support to community	Positive	Actual	
	Risk of corruption cases	Negative	Potential	Business ethics
	Risk of non-compliance with laws and regulations	Negative	Potential	

[1] *The material topics previously identified have been substantially confirmed, with the exception of Research and Development. Due to the lack of specific GRI indicators, the latter has been considered no longer as a standalone topic, but rather as an enabling lever for the Circular economy and upcycling topic. Cybersecurity has also been excluded, as no significant impacts are generated in this area: the company does not process amounts of sensitive data beyond those of ordinary business operations and does not operate in a sector exposed to high levels of risk.*

By working on these topics, we also see ourselves as active contributors to implementing the **United Nations 2030 Agenda for Sustainable Development**. Consequently, we present below the Sustainable Development Goals that are most closely aligned with our business and our values, together with a description of our contribution in relation to the material topics listed above. We are proud of our contribution so far; on the other hand, we are aware we can do more as we keep committing ourselves to a fairer, more just, and safer future.

SDG impacted	Our contribution	Material topic
	• We continuously assess and measure **risks** related to **workers' health**, such as chemical exposure from dust. • We have implemented soundproofing measures to **minimise noise levels**. • We have installed **extraction systems** and replaced powdered additives with **granular additives**. • We carry out **thorough and systematic checks on materials** both entering and leaving the company, also to **safeguard the health and safety of end consumers**. **In the future** • We are working to introduce **healthcare coverage benefits** for all our employees and their families, along with a **prevention and check-up programme**.	• Occupational Health and Safety [GRI 403] • Employment and Inclusion [GRI 401] • Product Quality and Safety [GRI 416]
	• We delivered **training courses** to develop both technical and cross-cutting skills, for a total of **1,647 hours** of training in 2024, 62% of which was voluntary. • We continuously update our **training needs analysis**, also through a competency assessment system. • We organise training courses and in-company internships **in collaboration with technical institutes and universities**. • We organise events in collaboration with schools and sports associations to involve them in **environmental education activities**. **In the future** • We are working on the implementation of a **digital platform** that will enable us to better monitor and analyse all documentation relating to training and evaluation.	Training [GRI 404]

SDG impacted	Our contribution	Material topic
	• We recycle the water used in the production process through **an internal treatment system** and we manage the **disposal of the resulting sludge**. **In the future** • We will develop a system for collecting and reusing rainwater.	• Water Management [GRI 303]
 	• We use **certified zero-greenhouse-gas-emission electricity.** • Over the years, we have carried out the **energy upgrading** of our offices and production plants by replacing lighting fixtures with LED systems, by renewing the motors of the granulation and extrusion plants, and by installing timed lighting system. • We prioritise **intermodal rail transport** over road transport wherever possible, and we are progressively mapping the emissions of our logistics suppliers with the aim of minimising their impacts. **In the future** • We are progressively replacing all our forklifts with electric models.	• Climate Change [GRI 302; GRI 305]
	• We have a workforce of **90 employees** in 2024, **88% of whom are employed on permanent contracts**. • We have adopted the **231 Organisation, Management and Control Model (MOGC)** and a **Code of Ethics** to ensure integrity and ethical conduct in all business activities. **In the future** We plan to extend the performance evaluation system to all employees.	• Economic Value Generated and Distributed [GRI 201] • Occupational Health and Safety [GRI 403]

SDG impacted	Our contribution	Material topic
 	○ We intend to develop projects to further support local employment and disadvantaged groups. ○ We base our business activities on the concept of **circular economy**: 82% of the materials used come frome recycling ○ We have implemented a system for recovering our production scraps, which in 2024 enabled us to **halve waste** compared to the previous year. ○ We send the majority of our waste for **recycling or recovery** (70% in 2024). ○ We have implemented a management system in line with the **ISCC Plus - International Sustainability & Carbon Certification** scheme. ○ We are exploring the use of **new secondary raw materials of organic origin.** **In the future** ○ We will increase the recovery of **post-consumer waste**, thereby contributing to the challenge of recycling plastic materials that, to this day, are often sent to landfill.	○ Circular Economy and Upcycling [GRI 301] ○ Waste Management [GRI 306] ○ Responsible Communication [GRI 417]

The **2030 Agenda for Sustainable Development** is a document building on the previous Millennium Development Goals (MDGs), that expired in 2015. It consists of **17 objectives** known as the **Sustainable Development Goals**, further detailed into 169 targets. It represents the United Nations General Assembly's ambitious strategy to address global challenges, with a time horizon set for 2030.

The 2030 Agenda aims to tackle the major challenges of our century in a holistic manner: in this context, businesses too are called upon to take on a proactive role, fostering a culture change that helps define a new development model.

For further information on the contents of this document, please use the following details to contact us:

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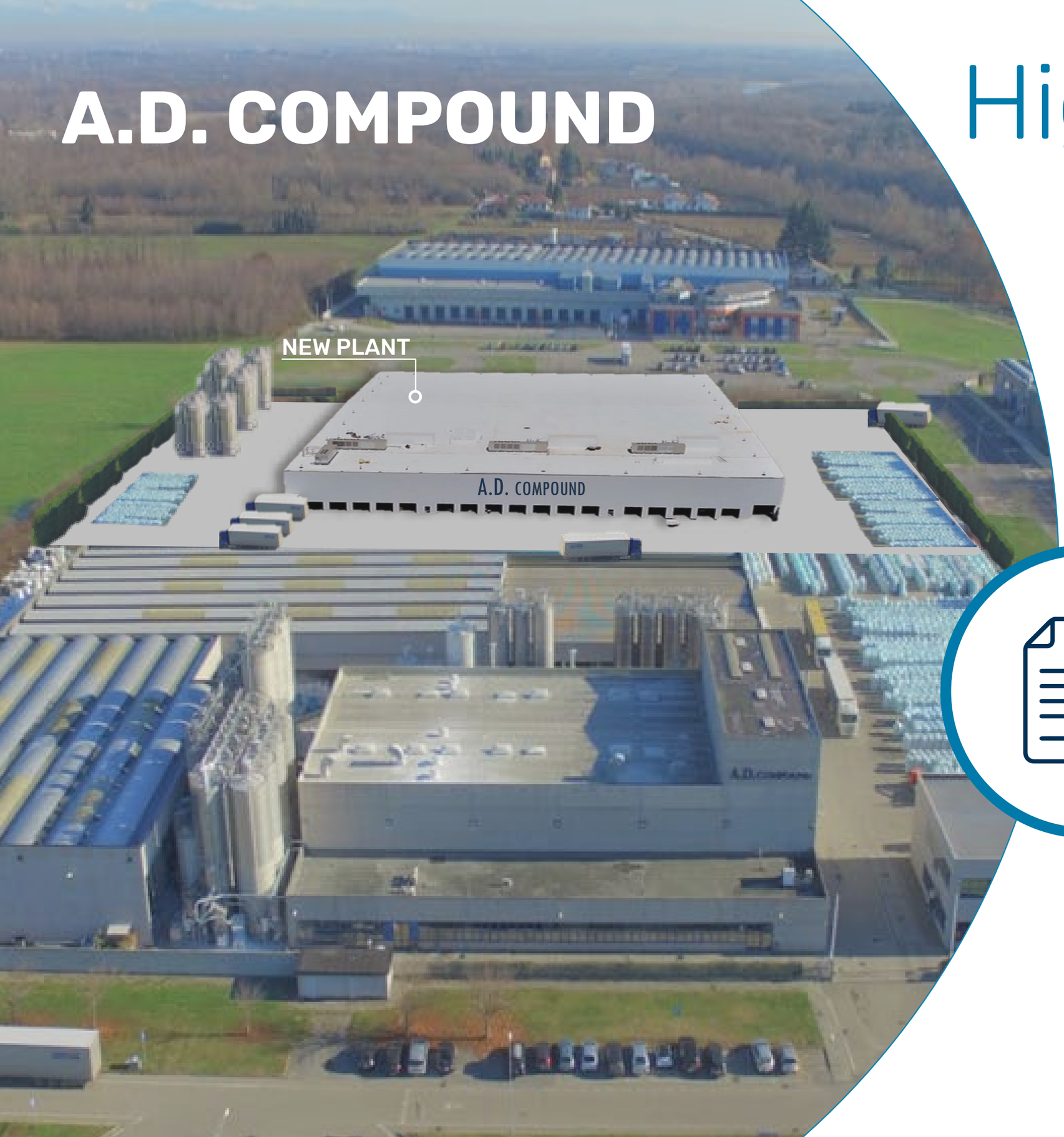


Highlights 1

Of economic value generated in 2024

47,7
MILLION €

3
GENERATIONS

In recycling industrial scraps

CRIBIS Prime Company certification for maximum commercial reliability

1.1 HISTORY AND IDENTITY

A.D. Compound S.p.A. results from **the experience of three generations** who have always been committed to the **circular economy**. We see industrial scraps not as waste, but as materials to be recovered and given new life.

Our story began in the 1950s in Busto Arsizio, a town in the Northern Italian region of Lombardy, with the recovery of **textile and plastic by-products**. In the following decade, we started **recycling paper and cardboard before moving on to plastics**.

The Mercandalli family's business shifted fully to plastics in the 1970s. As Andrea and Davide joined the company in the late 1980s, it specialised in ***compounding*** based on polypropylene scraps — a process that turns raw discarded material into compounds ready for plastic product moulding. The family decided to focus all resources on this journey, with Andrea and Davide founding *A.D. Compound S.r.l.* in nearby Legnano in1991.

As the new millennium kicked off, the time was ripe to create a new, larger presence in the world of compounding: the company moved to its current facility in Galliate, near Novara in the neighbouring region of Piedmont, in 2003 and became an S.p.A.

(a PLC) in 2005. We have kept focusing on innovation ever since, and we invested human and technological resources in our **laboratory.** Today, the lab is the heart of our company — the place where we invent our future every day, through research.

1960S
Recovery of paper, cardboard and plastic scraps

1970S
Recycling of industrial plastic scrap

1991
Andrea and Davide Mercandalli founded A.D. Compound S.r.l. in Legnano

2003
A.D. Compound moves to its new facility in Galliate (Novara)

2005
A.D. Compound is transformed into a joint-stock company (S.p.A.)

TODAY
A.D. Compound invests in its future through research and innovation

1.2 MISSION, VISION AND VALUES

At A.D. Compound, we do not produce waste — we **reduce, reuse and recycle**. This is our mission, and it commits us to processing pre-consumer and post-consumer industrial plastic scraps to produce secondary raw materials. These raw materials are obtained from recovered scraps and waste, and require no further treatment before they are used in industrial processes. Valuing "scrap" is not only a long-established hallmark of our processes, but also a cornerstone of our corporate strategy. Our goal is to become **an industry leader**, a vision we pursue by believing in and investing in quality and innovation. We aim to be able to offer the national and international market a product range that keeps pace with our clients' evolving needs, while respecting both the environment and people.

In the activities we carry out and in the decisions we take each day, whether large or small, we are inspired and guided by the following principles (we will explore them in detail throughout this report):

- **Responsibility and compliance:** we operate in full compliance with the law — and beyond. To this end, we have adopted an Organisation, Management and Control Model pursuant to Legislative Decree 231/01 (on the administrative liability of organisations), along with a Code of Ethics.
- **Safety and health protection:** it is a priority for us that all our employees can carry out their work safely. We aim to continuously improve our performance in this area by staying promptly up to date with developments in current regulations.
- **Training and skills development:** the abilities, preparation and professionalism of our people are essential to achieving our objectives. We are always ready to invest in developing and strengthening them.
- **No to discrimination, yes to inclusion:** we aim to create a working environment based on respect for individuals, their dignity and their values. We avoid any form of discrimination based on sex, racial or ethnic origin, nationality, age, political opinions, religious beliefs, health status, sexual orientation or socio-economic conditions.
- **Sustainable use of resources:** we mitigate environmental impacts not only in *what* we do, but also in how we do it. Our Galliate facility has been equipped since its construction with a treatment plant allowing us to reuse water and reduce consumption. Moreover, we have been using only renewable electricity with Guarantees of Origin since 2019.
- **Attention to the local community:** we believe our impact on the area between Novara and the River Ticino should not be limited to the mere presence of our facility. For this reason, we have supported — and we intend to continue supporting — various initiatives to build connections with the local community.
- **Maximum quality as a standard:** no new life can be given to scraps if we don't enhance and upgrade them. We have built every stage of our production processes on the continuous pursuit of quality — an effort that has been recognised through numerous certifications, including ISO 9001.

1.3 BUSINESS MODEL, PRODUCTS AND MARKETS SERVED

Shortages of raw materials on the one hand, and the excess of scraps and leftovers on the other, are not only a moral emergency. They are also an **opportunity to overcome the linear economic model** (extract, produce, consume and discard), which is now ostensibly in crisis. Our business model aims at applying circular economy to the world of plastics, in line with the ecological transition objectives set by the European Union.

In fact, most plastics are potentially **regenerable indefinitely** if processed correctly. As a consequence, they can be reused to obtain finished products with characteristics similar to those made from virgin material, but with significantly lower environmental impacts in terms of consumption and emissions.

We purchase plastics — mostly polypropylene — from across Europe, by collecting industrial plastic scraps such as films and non-woven fabrics. We also purchase industrial post-consumer waste that would otherwise be destined for disposal – such as packaging, raffia bags and big bags, and headrest fabrics – from a wide variety of sectors (hygiene and healthcare, furniture, packaging, etc.), and we carry out the compounding process within our facility. Our finished product consists of **polypropylene pellets**, made according to formulations developed by our laboratory. They meet the technical and aesthetic requirements of manufacturing industries operating in multiple industries: **furniture, household appliances, automotive, construction**, to name just a few. Several Italian and international multinationals in these sectors have recognised our excellence, and they have established and renewed **long-standing business relationships** that often evolve into **research and development projects**. We are also investing to enter new markets, such as **textiles** and **food packaging**.

APPLICATION SECTORS

FURNITURE

We provide a wide range of materials to manufacture such items as tables, chairs, shoe racks, lockers, profiles and containers of various shapes and sizes, etc.

HOUSEHOLD APPLIANCES

We offer a range of highly reliable compounds to manufacture components for large and small household appliances: tubs and dispensers for washing machines, cutlery trays and various supports for dishwashers, external casings, etc.

AUTOMOTIVE

We supply several types of compounds for this sector, particularly for components intended for vehicle exteriors: bumpers, protective side mouldings, mudguards, etc.

SPORTS EQUIPMENT

In this area, we offer materials to manufacture steps, handles and other components, etc..

GARDEN

We have a strong presence in this sector with a range of compounds suitable for producing chairs, tables, small sofas, deckchairs, umbrella bases, ornamental pots, and more, etc.

CONSTRUCTION

We provide materials to manufacture pipes, fittings and building waterproofing system, etc.

CHILDREN

In line with the highest safety standards, we produce premium-quality compounds designed for children's products.

1.4 BUSINESS ETHICS

As highlighted in the previous section, **responsibility** and **compliance** are our first guiding principles. Driven by good faith and fairness, we strive to ensure our actions comply with the strictest regulatory requirements, even when this means learning from our mistakes.

We have made significant efforts to strengthen and tighten our **supplier qualification and evaluation procedures** in recent years, as well as our **231 Organisation, Management and Control Model (MOGC)** (see insight box).

THE 231 ORGANISATION, MANAGEMENT AND CONTROL MODEL

The Legislative Decree 231/2001 introduced into the Italian legal system the **administrative liability of companies** for offences committed by those — managers, employees, suppliers and others — who have acted unlawfully in the interest of the company itself. This marked the end of the principle *societas delinquere non potest (a company cannot commit an offence),* making companies punishable alongside the individuals who are physically responsible for the offence.

The Decree lists **several categories of offences** a company may be held liable for: from offences against health and safety in the workplace to those against government bodies, and even environmental offences (to name just a few). All activities potentially at risk of unlawful conduct fall within the scope of the legislation. At the same time, the Decree offers companies the possibility of being exempted from liability for such offences if they adopt **an effective Organisation, Management and Control Model** (the so-called MOGC 231, named after the Decree).

To adopt and implement a MOGC 231, a company should:

- **Carry out a risk assessment** to identify, analyse and address the areas most exposed to unlawful conduct risks.
- **Implement specific procedures** to prevent unlawful behaviour.
- **Define the crime prevention management structure,** namely the ethical principles (set out in the Code of Ethics), resources, responsibilities and information flows.

The Decree assigns to a dedicated Supervisory Body, appointed by the directors, the task of overseeing the MOGC adequacy and implementation within the company and ensuring that it is kept up to date.

We have implemented various tools, including the **Code of Ethics** and the **Supervisory Body**. We chose to structure the latter with three external and independent members specialising in criminal, tax and labour law respectively. Thanks to this commitment, today we can confidently state we are at the forefront of risk analysis and control systems among family-owned businesses like our own.

We have also established a **whistleblowing** portal to report offences and other Code of Ethics breaches, in compliance with Legislative Decree 24/2023.

Our efforts have been awarded with the ***CRIBIS Prime Company*** rating, a mark of the highest commercial rigour and reliability. Very few companies in Italy (around 7% of more than 6 million) can claim this recognition.

As further evidence of the effectiveness of our corruption risk prevention and control systems, **no corruption incidents** were reported during the reporting period.

With regard to environmental and social matters, A.D. Compound did not incur monetary fines or sanctions for non-compliance with applicable laws and/or regulations in 2024. Similarly, no cases of non-compliance were recorded in the same period concerning product information or labelling.

1.5 ECONOMIC VALUE GENERATED AND DISTRIBUTED

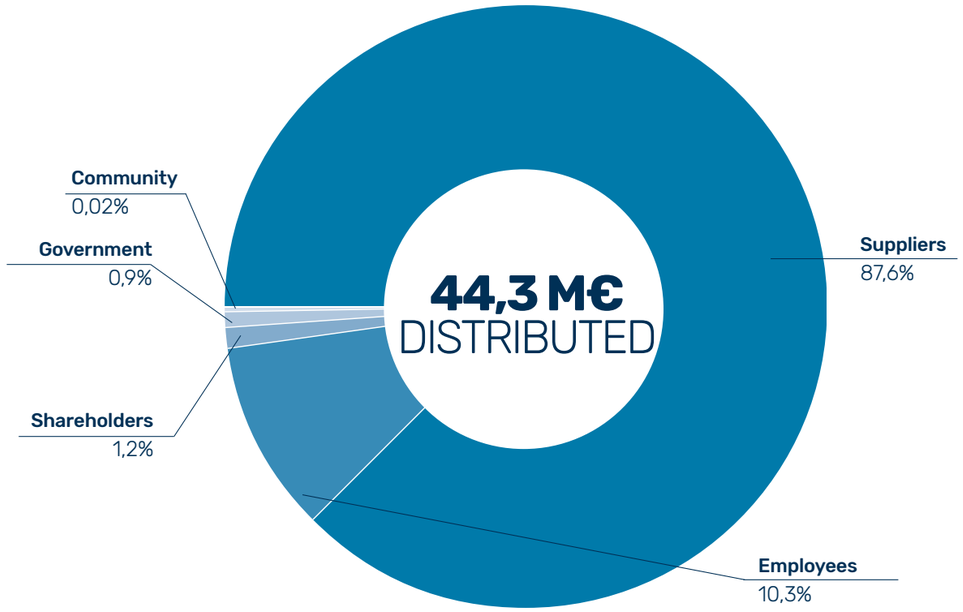
The sustainability of our business is first and foremost economic: being able to generate adequate value added is an essential condition to produce sustainable compounds both from an environmental and social perspective.

The **Economic Value Generated and Distributed (EVG&D)** indicator provides a measure of the wealth created by an organisation through its core business activities (economic value generated) and an illustration of how this wealth is redistributed to the various stakeholders the organisation interacts with (economic value distributed).

We generated economic value amounting to 47.7 million euros in 2024, virtually stable compared to the previous year (+0.7%). A 7.2% of this amount was retained, while the remaining 92.8% was distributed to the following stakeholders:

- **Suppliers:** for the purchase of raw materials and services
- **Employees:** for remuneration, social security contributions and severance payments
- **Government:** for the payment of taxes and duties
- **Lenders:** for the payment of interest and other financial charges
- **Community:** for sponsorships and donations

ECONOMIC VALUE (%) DISTRIBUTED TO STAKEHOLDERS IN 2024



With regard to the value distributed to the community, we more than doubled our efforts in 2024 compared to the previous year. We keep supporting the **Cuore inForma Project** promoted by Italian Medical System, a programme aimed at installing and maintaining four defibrillators in the town of Galliate to help ensure the citizens' safety and protect their health. We also supported the **Area Giovani Cultural Association**, a local youth association in Castellanza, and sponsored **Igor Volley,** the Novara women's volleyball team (see insight box)

.At present, the projects we support are assessed and approved directly by Management, without following a dedicated procedure. However, we have outlined a specific internal procedure

to guide us in identifying investment projects aligned with our corporate mission, in order to strengthen our relationships with, and optimise our contribution to, the community.

A.D. COMPOUND WITH IGOR VOLLEY NOVARA

We are a Super Sponsor of one of the most prestigious and highly decorated women's volleyball teams in Europe, an extraordinary expression of our local area and of the excellence of this corner of Piedmont.

BREAKING THE SILENCE: NO TO VIOLENCE!

On 5 November 2024, Area Giovani Cultural Association filled the auditorium of the Castellanza cinematheatre for an event dedicated to gender-based violence.

A.D. Compound took part actively, together with other institutions and companies, to show its commitment to an issue that is increasingly present in the news, but all too often also affects the daily lives of people who, at first glance, may not appear to be at risk.

Speakers emphasised the importance of preventing and recognising warning signs, and of raising awareness — especially among younger generations — in order for deep change to emerge, fighting indifference and fostering a culture of respect and awareness.

Highlights 2

TAKING CARE OF OUR PEOPLE

Employees in 2024,

90
EMPLOYEES

1.647
Training hours delivered in 2024

20%
Of employees are under 30

88%
PERMANENT CONTRACTS
Of whom are on permanent contracts

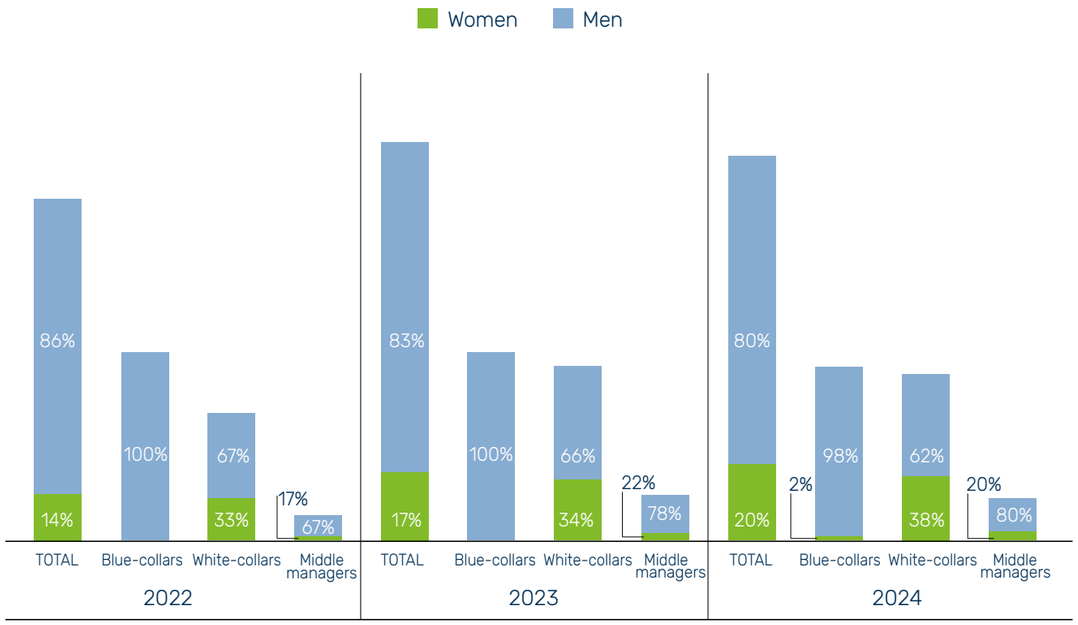
2.1 COMPANY WORKFORCE

A focus on people and a commitment to building stable, constructive relationships with all workers guide A.D. Compound in all its activities. Our team consisted of **90 employees** at the end of 2024, 88% of whom (+1 pp) were employed on permanent contracts. All employees (100%) are covered by **collective labour agreements** and all but three **work full time**. One project-based collaborator and two temporary agency workers complement the employees, bringing the total workforce to 93 people.

In terms of job classification, blue-collar workers account for 46% of employees, white-collar workers for 43%, and middle managers for 11%.

Women represent 20% of total employees (+3 pp compared to 2023) and predominantly hold clerical roles, particularly in the technical and laboratory area, where they account for 50% of the workforce.

PERCENTAGE OF EMPLOYEES BY CATEGORY AND GENDER



PERCENTAGE OF EMPLOYEES BY AGE GROUP

We strongly believe in the value and contribution people of all ages can bring to our organisation, and we invest in workers' categories who may be disadvantaged due to their age.
On the one hand, we invest in younger generations, who are increasingly attentive to the sustainability topics that shape our business. In particular, we offer training and professional development opportunities in a dynamic, innovative environment to support the inclusion of under-30 young talents. On the other hand, we have increased the number of over-50 hires, for a better inclusion of people who face greater difficulty in finding new employment after losing their previous job.
The result is a diverse and well-balanced workforce: the majority of employees **(59%)** fall within the **30-50 age group**, followed by **under-30s (20%)** and **over-50s (21%)**.

We select and hire our staff on meritocratic and non-discriminatory grounds. We rely on authorised intermediaries with active labour market policies, as well as on specialised recruiting firms. We also publish job postings on our website in the dedicated *Work with Us* section. We set up training internships within the framework of the *Garanzia Giovani* governmental programme to recruit first-time general labourers or specialised staff. Moreover, we work with organisations and associations involved in job placement and reintegration, such as Employment Centres, training agencies, trade unions and social cooperatives. We are also consistently committed to building partnerships with schools and educational institutions to spark students' interest in professions concretely connected to environmental sustainability, also with a view to guiding their future educational and career choices.
We established several agreements

in 2024, including one with the Department of Materials Science of the University of Eastern Piedmont, aimed at placing an intern in our laboratory. A collaboration was also launched with the Municipality of Novara through the “Costellazioni Urbane” project in synergy with Fondazione Cariplo.
The project included the placement of a laboratory intern to develop practical skills in using specialist chemical analysis equipment. In addition, we activated an agreement with Fondazione Lavoro for an internship in the management and production area.

As to including people with disabilities, we have entered into an agreement with the Novara Employment Centre: the support of dedicated operators enables us to identify candidates showing a potential for successful integration into our workforce.
The agreement benefits both the worker, in terms of professional satisfaction and workplace inclusion, and the company, in terms of productivity. As of 31 December 2024, five employees belonged to protected worker categories.

Our employee base grew by **21 new hires** in 2024, resulting in an **inbound turnover rate**[2] of **23%**. Conversely, 24 people left the company, corresponding to an outbound turnover rate of 27%.

Our production process is informed by continuous innovation, rooted in research and development. This requires highly specialised skills and knowledge, including strong problem-solving abilities to manage critical situations. Therefore, counting on an adequate staff management system is essential to mitigate the excessive turnover risk. This is especially true in light of the labour market phenomena known as *great resignation and quiet quitting*, prompting A.D. Compound to carry out an in-depth analysis of its talent attraction and retention policies.

Starting in 2023, the initiative took shape in an internal procedure that led to identifying team leaders (process technologists) for each relevant department. Based on their experience and knowledge of the plants, they continuously monitor how the production process is functioning, and they oversee every new issue.

A new position was created in 2024 to process statistics and analyse data in order to provide more information for tangible interventions in the production process, also helping to reduce worker stress.

Looking ahead, we intend to implement a corporate welfare programme aimed at improving employee satisfaction, retention and motivation. This programme is intended not only as a tool to support employees’ health and well-being, but also as value added in terms of sustainability. In fact, we plan to develop schemes encouraging virtuous behaviours from both a social and environmental perspective (sustainable mobility, education, environmental awareness, etc.). However, in light of the company’s performance, it was not possible to grant benefits or develop corporate welfare plans in 2024.

At A.D. Compound, we apply a **Whistleblowing Policy** in compliance with the **MOGC 231**, the Model implementing Legislative Decree 231/2001 on the administrative liability of organisations.

*[2] The inbound turnover rate is calculated as: (number of new hires during the year / total number of employees on permanent and fixed-term contracts as at 31/12) * 100. The outbound turnover rate is calculated as: (number of departures during the year / total number of employees on permanent and fixed-term contracts as at 31/12) * 100. The total turnover rate is calculated as: (number of new hires during the year + number of departures during the year / total number of employees on permanent and fixed-term contracts as at 31/12) * 100.*

In accordance with the Decree’s provisions, we created a dedicated digital channel and a dedicated mailbox for employees to report any offences or Code of Ethics violations.

The principles and values aimed at preventing any form of discrimination are fundamental to our approach: no instances of discrimination were recorded within the company in 2024.

The company’s employees are also periodically interviewed, on a sample basis, by auditors from certain client companies in order to verify their working conditions, safety and well-being.

2.2 **TRAINING**

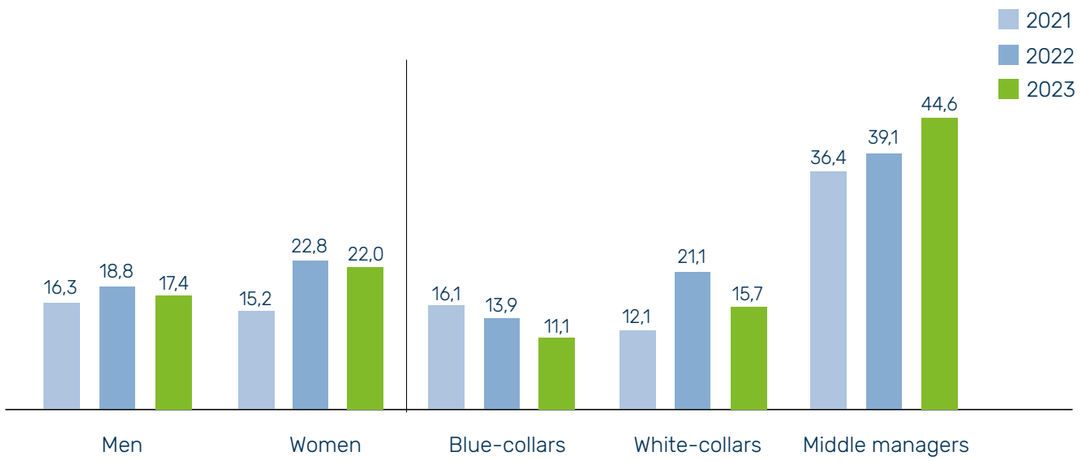
We invest in training our employees, as we believe that supporting the individual growth of our people is a **key factor** in achieving corporate objectives. Training enhances each employee’s contribution by building and reinforcing both technical and transferable skills, while also helping to embed a shared company culture across all levels of the organisation. In turn, this enables us to rely on **qualified and motivated staff,** to the benefit of the company’s growth.

Each worker follows an **individual development plan** from the moment they are hired. The plan provides training both on **technical skills** (*know-how*) and on **soft skills** *(know-how-to-be*). Training needs are constantly and continuously updated: managers can identify training requirements for themselves or for their team members through an evaluation and self-evaluation process, and they submit requests to the Human Resources department. Individual or group training is organised on a case-by-case basis, delivered either on the job or in the classroom. The training may also be funded through Fondimpresa’s *Conto Formazione*, an Italian interprofessional fund for continuing education we subscribe to. Each training activity is formalised through training records, either in paper-based or digital format. Finally, we monitor how effective our training policies are through **assessment tests or descriptive feedback**, including oral descriptions, depending on the type of programme (*What did I learn? What will I do differently from tomorrow?*).

Overall, **a total of 1,647 training hours** were delivered in 2024 (**including 1,122 hours of voluntary training and 524 hours of mandatory training**), for an average of **18.3 training hours per employee** [3].
This figure confirms the importance of investing in staff training from the moment they join the company and throughout their entire employment, in order to ensure professional growth and the full development of our people’s potential.

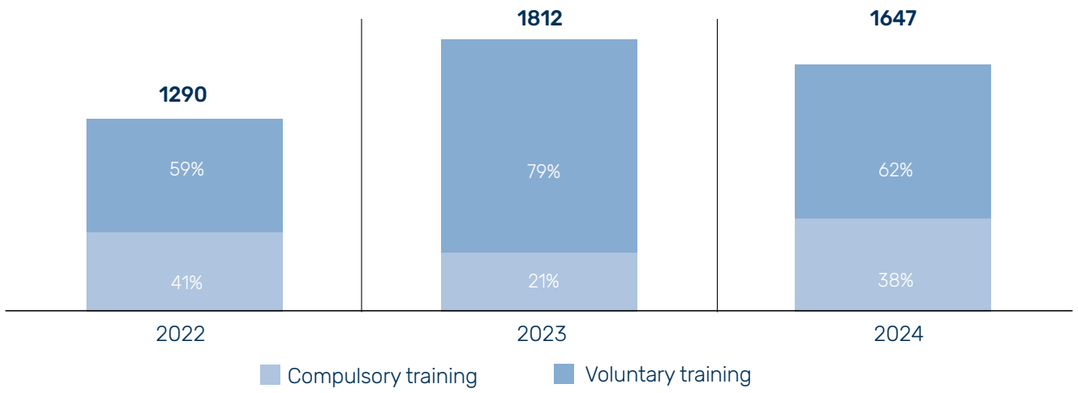
[3] The averages were calculated on the basis of the number of employees on staff as at 31/12/2024. The averages for previous years, initially calculated on the number of employees trained during the year, have been recalculated. The values are available in the Annex.

AVERAGE TRAINING HOURS BY CATEGORY AND GENDER



As many as 62% of the training hours delivered in 2024 were **voluntary training** courses initiated by the company, mainly aimed at developing technical and cross-company skills. Leadership and management courses were delivered during the year based on the needs analysis, along with two-hour individual coaching sessions for managers every month. English language training was also provided. As our ongoing growth resulted in process and organisational structure changes, we further strengthened internal on-the-job training to promote our employees' professional growth. In particular, we will need to upscale knowledge and skills through targeted training initiatives as plants will be enhanced and new product certifications will be achieved. To this end, we will rely on the support of professional experts and on our planning. Such planning has been translated into training programmes scheduled for 2025, benefiting both new hires and staff requiring upskilling.

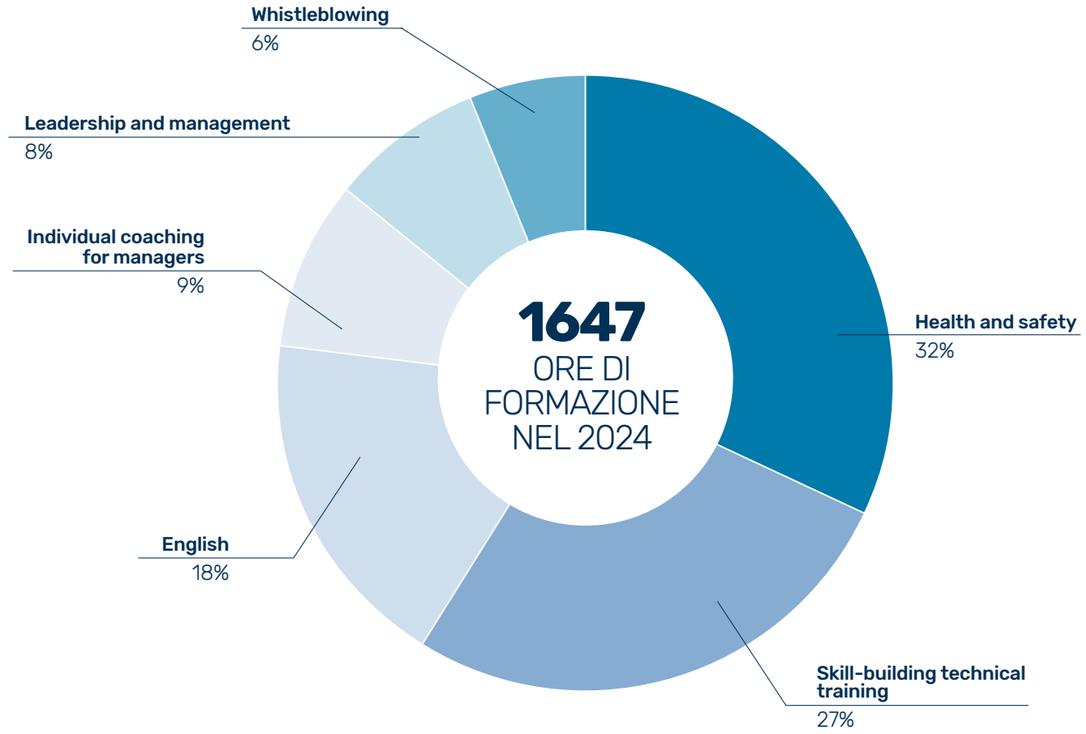
TOTAL VOLUNTARY AND COMPULSORY TRAINING HOURS



The remaining hours were dedicated to **compulsory training**. In 2024, this covered recent regulatory updates regarding the whistleblowing policy and management system, with training completed by the entire company population. However, the vast majority of these training hours continued to concern occupational health and safety, in line with each person's job role and associated risk level. All new hires are required to receive both general and specific training. The latter must be updated every five years, and it applies to such roles as forklift operators and MEWP (mobile elevating work platform) operators, as well as designated supervisors and members of the fire-fighting and first-aid teams. In 2024, we provided training for work at height, and around 300 training hours were delivered for the fire-fighting team as part of a course organised in collaboration with the Novara Fire Brigade.

We pay particular attention to up-to date training for the Workers' Safety Representative (8 hours per year) and for the Head of the Prevention and Protection Service (40 hours within 5 years).

PERCENTAGE OF TRAINING HOURS BY TOPIC (2024)



2.3 OCCUPATIONAL HEALTH AND SAFETY

Protecting the health and safety of our workers, and of all those who carry out activities at the company's sites, is a **non-negotiable principle** for our organisation — a principle that was further reinforced during the pandemic emergency. We are constantly engaged in identifying and minimising risks within our premises.

The **workplace injury rate**[4] was **26.8** during 2024, reflecting **four recorded workplace injuries** in the production departments. None resulted in recovery periods longer than 10 days.

We carry out a thorough risk assessment, documented in the current **Risk Assessment Document (DVR)** in compliance with occupational health and safety laws (as set out in the Consolidated Law on Workplace Health and Safety, Legislative Decree 81/2008 and subsequent amendments). This document is updated whenever substantial changes occur, in agreement with the responsible person (the Employer's Delegate), and, in any case, every two years. The next update was scheduled for April 2025. We have also established additional assessment processes that may be initiated by internal or external audits. They can also be initiated following injuries, recorded workplace injuries, *near misses*, and by sharing information with the Employer's Delegate. These assessments are carried out by the internal Head of the Prevention and Protection Service (RSPP), in coordination with the Employer's Delegate and in collaboration with internal staff, external consultants and the Occupational Physician.

[4] The workplace injury rate is calculated as the number of injuries per million hours worked, that is, as the ratio of (the number of recordable workplace injuries to the number of hours worked) × 1,000,000.

PRINCIPALI INTERVENTI

In recent years, A.D. Compound has implemented multiple measures to minimise various types of occupational health and safety related risks, with particular attention to:

- DUST-RELATED CHEMICAL RISK
- MICROCLIMATE RISK
- MECHANICAL RISK
- RISK OF FALLING FROM HEIGHT
- RISK OF EXPOSURE TO EMF AND AOR

Injury, recorded workplace injury and near miss management is formalised in a **dedicated procedure**. The document defines the rules of conduct and the actions to be taken whenever such events occur. All workers who witness any of these events, or any hazardous situation, are responsible for reporting it promptly through the methods and tools established by company regulations.

Protecting health and safety within the company also means investing in raising our people's awareness. To this end, we have developed a specific plan to meet the safety-training obligations required by law. We are aware that **raising awareness and fostering among workers a health and safety culture** beyond compulsory training are essential tools to ensure safety and prevent incidents. The Employer's Delegate and the RSPP hold weekly meetings with the Workers' Safety Representative to facilitate employee engagement on these topics and gather their needs. Meeting minutes are countersigned. A.D. Compound relies on designated supervisors (*Preposti)* who are responsible for gathering reports and sharing them with the RSPP, as well as raising workers' awareness of correct operating procedures.

We promote healthy lifestyles beyond strictly occupational health and safety related issues. A vending machine has been made available to employees, offering food and beverages designed for a healthy, balanced diet. Employees receive a 30% discount on all products compared to the list price.

OUR RELATIONSHIP WITH SUPPLIERS

Highlights 3

Active suppliers

376

ISO 28000

For supply chain security management

72%

Of purchases from suppliers with an operational base in Italy

3.1 OUR SUPPLY CHAIN

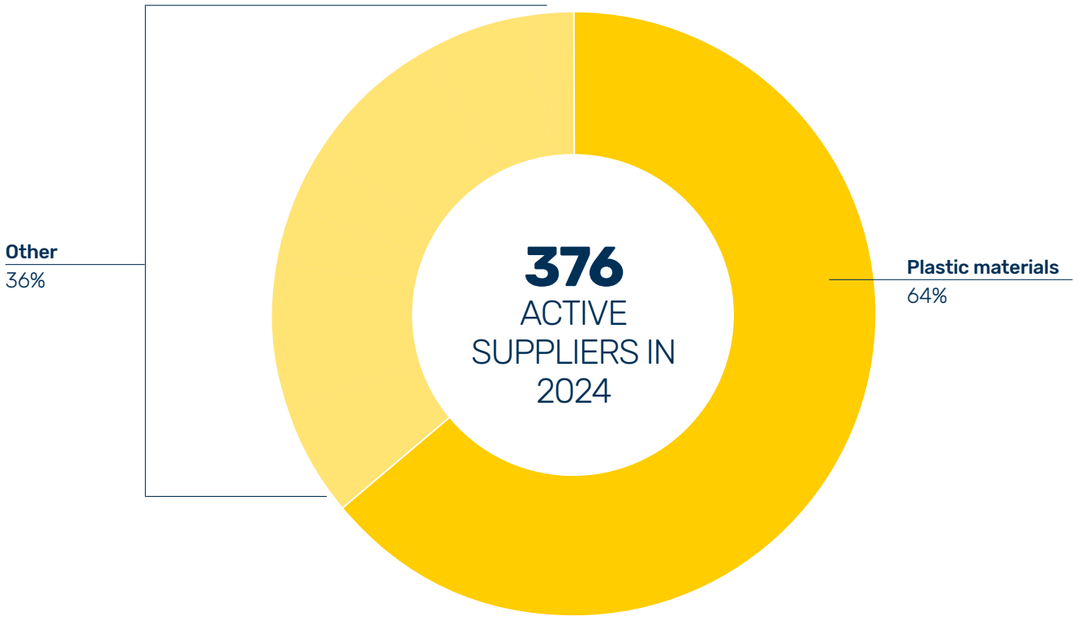
Suppliers are with no doubt the most important stakeholder category for our business. Aiming to work side by side with true **strategic partners**, we build long-term, transparent and **continuously engaged relationships** with our raw material suppliers. With this approach, we are able to ensure a safe, high-quality regenerated final product in carrying out our industrial waste and by-product purchase and recovery activities.

We adopted an **ISO 28000 certified** supply chain security management system to systematically pursue quality and safety objectives throughout our entire supply chain. The system was updated recently with additional control criteria. We are currently working to obtain further product certifications, a process that requires a thorough review and deeper mapping of our supply chain. All our partners are managed in accordance with this system.

For us at A.D. Compound, maintaining quality and safety in this area is a tangible and complex commitment. Our supply chain is highly **diversified and geographically dispersed**: we had **376 active suppliers**[5] at the end of 2024. The largest partners in terms of payment value accounted for around 6%, while 50% of the overall annual expenditure is represented by top 20 suppliers approximately.

Based on each supplier category's contractual weight, almost two-thirds of the expenditure **(64%)** is dedicated to the **purchase of plastic materials** used as a base to produce our compounds. They consist primarily of industrial scrap and post-industrial consumer waste, and they are sourced mainly from suppliers we pursue direct collaboration projects with, to develop the recovery of materials that are currently not recyclable. The remaining 36% relates to suppliers of other production materials (colourants 6%, additives 3%, fillers 3%, packaging 2%) and to service providers, including general service suppliers (8%), logistics transporters (8%) and processing contractors (6%).

SUPPLIER CATEGORIES BY % OF EXPENDITURE



3.2 MORE THAN SUPPLIERS: VALUABLE PARTNERS

Industrial waste purchase and recovery activities are subject to **a number of regulations** and, consequently, to **strict controls and administrative procedures**. It is essential to rely on supply channels for high-quality raw materials, while building relationships of trust and open dialogue with our suppliers, in order to improve production process efficiency and ensure the quality and safety of our final product. We look to our suppliers as true partners, united by a shared commitment to pursuing *upcycling* and circularity objectives through a collaboration based on a win–win approach.

We aim to create a sustainable value chain from raw material to finished product. To this end, A.D. Compound works with its suppliers and clients to develop each year new solutions, which can be innovative and sustainable not only from an environmental standpoint, but also an economic one.

In line with this vision, and with the aim of strengthening and building long-term loyalty in our relationships, we offer our main suppliers a range of additional services, including:

[5] Active suppliers were calculated by considering only those suppliers that engage with the workforce (excluding utilities, restaurants, hotels, rentals and company cars) as well as all service providers with whom commercial negotiations can be established.[10] Gli acquisti verso i fornitori italiani sono stati depurati dall'IVA, per una maggiore comparabilità con gli acquisti verso i fornitori esteri. Nelle precedenti edizioni, gli acquisti verso i fornitori italiani erano comprensivi di IVA.

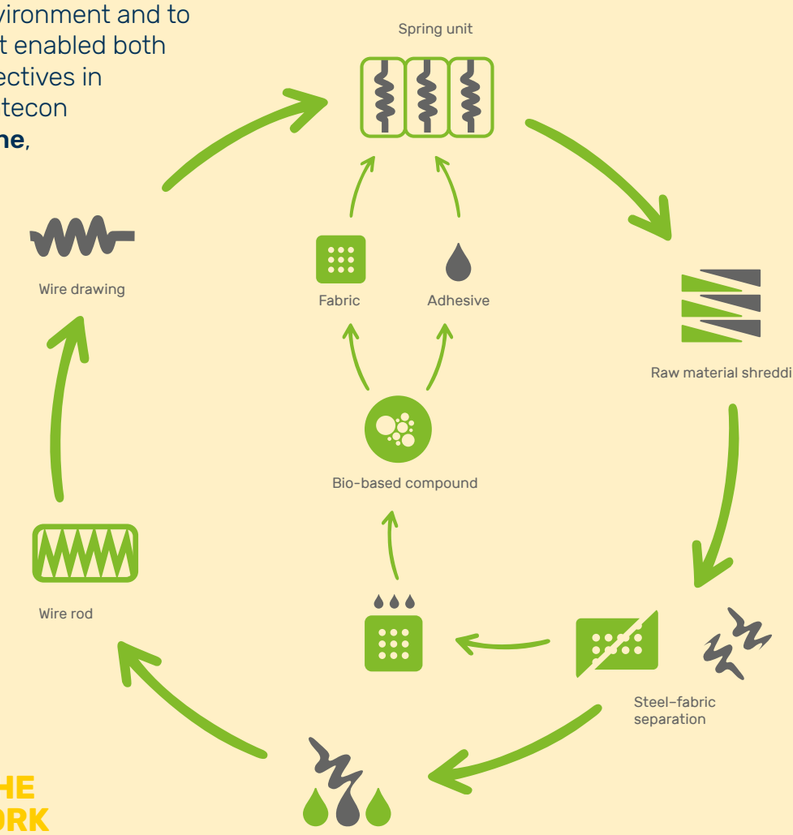
- **Logistics** - All transport costs and procedures are fully covered by A.D. Compound.
- **Laboratory and environmental support** - For each supply, we provide assistance in verifying the compliance of documentation with applicable regulations through our compliance office. In cases where the required chemical analyses are missing, we carry them out directly.
- **Implementation of innovative supply methods** - We help make the collection process more efficient, for instance

  by installing compactors, containers, presses and other equipment directly at the supplier's premises, at our expense.
- **R&D support** – We offer our knowledge and expertise to suppliers, to help them optimise their production processes and assist them in research and development activities. Our goal is to make their waste recyclable, and to enable a transition from unsustainable waste disposal to environmentally sound recovery.

Our work in this area is delivering tangible results: our collaboration with some suppliers has evolved to a new level where we can implement **a closed-loop waste cycle** in practice.

A VALUABLE PARTNERSHIP: THE SUCCESS STORY WITH GRUPPO ANTECON

Our partnership with Gruppo Antecon, Italy's leading manufacturer of mattress springs, has shown that **strength truly lies in collaboration when it comes to recycling**. After an extensive research and analysis period, we developed **a new joint production process** that makes the **nonwoven fabric** used to encase the springs **fully recyclable**. This collaboration is beneficial both to the environment and to the circular economy, and it enabled both parties to achieve their objectives in a win–win logic: Gruppo Antecon launched its new **Green Line**, featuring the first spring system in Italy that is 100% recyclable at end of its life, and we at A.D. Compound are now able to **recover their nonwoven industrial waste** and transform it into compound for new applications.



HOW DOES THE PROCESS WORK

1. Raw materials shredding and spring steel separation from the encasing fabric
2. Steel melting to produce new wire, which is then used to manufacture the original spring unit again
3. Bonding of the spring pocket fabric with the spring binding adhesive to obtain reusable recycled compound

3.3 SUPPLIER SELECTION AND EVALUATION

The supplier selection and evaluation process is a crucial component of A.D. Compound's sustainability and quality strategy. We follow a strict selection and qualification journey to ensure both the supply chain and product quality, and we formalised it in an internal procedure designed to guarantee full compliance with all required specifications. This procedure defines the responsibilities, criteria and activities to select, qualify and periodically assess our suppliers.

As a general rule, the onboarding of new suppliers consists of several stages applicable to all supplier categories, with specific features detailed in the following paragraphs:

1. **Potential supplier identification:** Department Managers identify potential suppliers based on technical specifications and company needs.
2. **Qualification questionnaire submission:** A detailed questionnaire is sent to potential suppliers to gather information on their organisational structure, management systems, certifications and compliance-related aspects. At this stage, suppliers are also required to commit to complying with A.D. Compound's Model pursuant to Legislative Decree 231/2001 and the Code of Ethics.
3. **Financial soundness verification:** The Management Control function uses financial analysis tools, available through dedicated portals and databases, to assesses the supplier's financial solidity and to classify them based on their risk level.
4. **Quotation request and compliance check:** The Department Manager requests a quotation and verifies the supplier meets all A.D. Compound's requirements, which vary depending on the supply type.
5. **Regular assessment:** Once included in the list of qualified suppliers, the supplier is subject to periodic performance monitoring through predefined indicators.

The evaluation is based on assigning a score to each of the defined criteria. Their sum determines the overall evaluation result, up to a maximum of 100 points. Based on the total score obtained, suppliers are divided into three tiers:

GREEN
IF ≥60

Supplier assessed positively

YELLOW
IF 52≥ AND ≤59

Supplier qualified with reservations: specific checks on supplies adequacy must be carried out within the 12 months following the assessment. Based on their outcome, the supplier will be placed in the green tier if assessed positively overall, or in the red tier if found insufficient.

RED,
IF ≤51

The supplier loses its qualification: a new qualification process and/or an audit is required to reintegrate them into the system.

The assessment elements are drawn from the IT system. In detail, the relevant data is extracted from the company's management software, which is monitored on a monthly basis. An **assessment team** composed of representatives from the purchasing, quality and logistics functions meets once a year to perform the overall system analysis, based on the performance monitoring conducted during that period.

In view of ensuring accurate and continuous assessment, a supplier automatically loses its qualification if it's not used for more than 12 months. It will have to repeat the process to be considered eligible again.

Based on the purchasing conditions, **a supplier may be subject to an audit** by A.D. Compound. The audit is scheduled with appropriate notice and is carried out at the supplier's premises by our staff. The audits are aimed to assess the supplier's **technical and organisational ability** to meet the required specifications, with sole regard to the materials and services supplied to us. This process is fully aligned with our approach to building strategic partnerships: audits also intend to support the supplier in improving the quality of its materials and/or services.

3.3.1 RAW MATERIAL SUPPLIERS

Our raw material suppliers include:

- Suppliers of virgin raw materials;
- Suppliers of chemical substances such as additives, colourants, and fillers;
- Suppliers of secondary raw materials, i.e. processed plastics containing pre- and post-consumer recycled content;
- Suppliers of waste materials (pre-/post-consumer);
- Suppliers of by-products.

The qualification process involves an initial verification step aimed at confirming that all technical, administrative, legal, environmental and financial requirements are in place to establish a steady, long-term relationship.

To establish a working relationship with the supplier, the **Department Manager** ensures the required materials conformity documents are provided, according to the type of supply. In particular, **environmental authorisations and chemical characterisation analyses** are required for waste suppliers, in compliance with applicable regulations.

Secondary raw materials and waste suppliers are also required to complete and sign the *Reclaimed Material Supplier Declaration*. The declaration provides key information on material origin, composition and recovery, and on recycling or reuse processes.
The **Department Manager** receives and reviews the documents and works with the **Head of the Prevention and Protection Service (RSPP)** to verify environmental aspects and declarations, where applicable, as well as safety data sheets, where applicable. The RSPP files the environmental and health & safety evidence on the company server.

In case of plastic raw materials, the supplier is also required to provide a sample of the material to be supplied. Laboratory tests are then performed to verify technical requirements in accordance with the approval process set out in the internal procedure.

With regard to regular assessment, the criteria identified for raw material suppliers are as follows:

- Reliability and punctuality
- Quality/price ratio
- After-sales support
- Number of non-conformities per year

3.3.2 LOGISTICS SERVICE SUPPLIERS

Transport service providers also play a fundamental role within our value chain. We have formalised an **internal procedure** entirely dedicated to them, which defines the conditions to select, qualify, and evaluate them.

The qualification process essentially consists of **an analysis of the company's status** from an administrative standpoint, and of the authorisations it holds. Suppliers must be correctly registered in the relevant professional register to pass the qualification process. They must possess a valid DURC certificate, and meet the administrative–financial evaluation criteria. In addition, transporters are required to accept the driver conduct regulations and the memorandum on seals use and conditions.

Once qualified, logistics providers are also subject to **regular assessment, at least annually** (and/or whenever anomalies in transport activities are identified), with the aim of monitoring their performance. The assessment is based on four criteria:

- certifications held
- number of non-conformities in relation to the number of transports carried out
- staff behaviour
- reliability and communication

The last two parameters are assessed by **submitting a questionnaire**. The form must be completed at least once a year for each transporter by office staff and forklift operators involved in the operational processes related to transport activities.

Any anomalies identified during transport activities are reported and recorded in the management system.

The assessment must be repeated immediately to confirm any loss of qualification in the event of serious non-conformities – for example, a non-compliant load with no prior notification, reports of unlawful behaviour, or loss of required documentation.

Our relationship with logistics suppliers is increasingly important, not only to ensure greater control over process quality safety, but also in terms of environmental performance: we are aware that a significant share of our impacts arises from the emissions generated by raw materials and finished products transports. We have initiated dialogue with suppliers aimed at adopting, where possible, lower-impact transport modes, such as intermodal transport (for further details, see paragraph 6.3, "Our emissions").

3.3.3 SUPPLIERS OF OTHER SERVICES AND CONSUMABLES

In addition to strategic raw material and logistics suppliers, A.D. Compound relies on various categories of service and material providers. These suppliers are also subject to qualification procedures and regular assessment, performed at least once a year or whenever significant anomalies arise. This category includes services such as **consultancy, external collaborations, training, construction/plant engineering works, and materials such as tools, equipment and spare parts.**

The criteria for regular assessment are as follows:

- Quality/price ratio of the products/services provided
- Flexibility (availability/punctuality in case of emergency)
- Reliability and compliance with company conduct rules for service providers
- After-sales support for suppliers of materials and equipment
- Number of non-conformities

CIRCULARITY AND INNOVATION: THE HEART OF OUR BUSINESS

Highlights 4

82%
Of the materials used come frome recycling

7
Families of trademarked compounds

400.000 €
Invested in research and development in 2024

4.1 THE COMPOUNDING PROCESS

To understand A.D. Compound's commitment to promoting circular economy principles and innovation, we should start from the core of our business: plastic compounding.
In this process, a **base polymer** is melted and blended with **fillers, additives and colour masterbatches** (all concepts explained in the following boxes).

They modify its physical, thermal and aesthetic properties in order to obtain the desired plastic formulation.

A wide range of materials can be used as base polymers, the most common being polypropylene and polyethylene.

WHAT IS A POLYMER?

The term ***polymer*** comes from a Greek word meaning "made up of many parts": in fact, a polymer is a molecule composed of a large number of smaller units, known as monomers. They may be identical or different, and they are linked together in a chain by chemical bonds. This type of macromolecule also exists in nature (e.g. proteins), but the term is mainly referred to synthetic macromolecules — particularly plastics. Synthetic polymers can take many different forms and exhibit widely varying characteristics. However, they share properties that make them ideal for a broad range of uses: from mechanical resistance to stress and deformation, to easy configuration into amorphous or crystalline structures, while offering different levels of rigidity, transparency, permeability and thermal resistance.

FILLERS, ADDITIVES, AND MASTERBATCHES

FILLERS: their purpose is to structure the polymer compound to give the final material specific properties. Those depend on the particular type of filler used and on the engineered formulation designed to produce a given plastic product. Fillers may be of mineral origin, such as calcium carbonate or talc; of plant origin, such as wood; or they may derive from inorganic fibres obtained from glass or other siliceous materials.

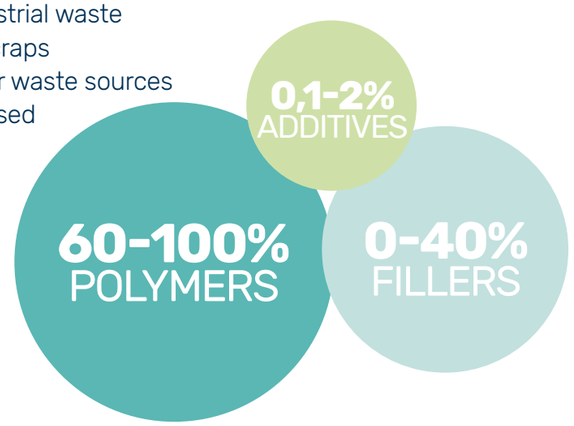
ADDITIVES: these substances have specific functions depending on the type of product required. Some additives protect materials from the action of detergents, others from UV radiation, and others still from additional external agents that may affect the durability of both the polymer material and the derived products. In line with chemical standards of our clients, their formulation and composition define the material's purpose and field of application.

MASTERBATCHES: these are polymer materials where a given pigment has been pre-dispersed; they constitute the colour palette available to compounders such as A.D. Compound.

Our processing activities are applied to a wide range of sectors. A large variety of consumer products — such as toys, furniture, and more — are made with materials developed through compounding. These materials can also be used for industrial applications, for example to manufacture household appliance components: they can replace metal, wood, rubber or expensive engineered plastics. Thanks to this versatility, the **global compounding market** reached USD 67.2 billion in 2023 and is expected to grow at a rate of 7.4% between 2024 and 20306.

In such a dynamic market, we aim to stand out thanks to the quality and sustainability of our product. Our compound is made up of **a polymer component derived predominantly from industrial or post-consumer waste, an additives and colourants component,** and a fillers component, as illustrated in the image below. The mix varies according to the required compound characteristics and intended application.

- Plastics from industrial waste
- Reused internal scraps
- Plastics from other waste sources
- Petrochemical-based polymers



- Thermal stabilisers
- UV stabilisers
- Detergent resistance
- Colourants

- Calcium carbonate
- Talc
- Wood fibre
- Etc.

The main feature of our products is that they are largely composed of **recycled materials,** mostly derived from industrial waste. We invest in recycling in a world where plastic is increasingly surrounded by debate and controversy due to its impact on ecosystems. We are fully aware of the environmental issues linked to plastic production, management and especially dispersion, but also of its enormous potential. Plastic is an incredibly important engineering resource and a material that is, in principle, infinitely regenerable. Industrial waste represents an **opportunity to move beyond the linear economic model** in favour of a **circular economy**. This is precisely A.D. Compound's mission: to recover and enhance plastic waste, contributing to its transformation into high-quality final products, in line with principles of upcycling and circularity.

[6] *https://www.grandviewresearch.com/industry-analysis/plastic-compounding-market*

4.2 RAW MATERIAL AND PACKAGING CONSUMPTION

Analysing the raw materials consumed by A.D. Compound is a useful way to fully understand our business. They are classified into **three macro-categories: plastics, fillers and additives**.

The company applies a precise **incoming plastic materials identification system**. In the past, we used to purchase raw materials based on sample analyses that didn't always represent the entire supply. However, for several years now all incoming material has been analysed in full before being used in production. This enables us to obtain a far more realistic picture of how the waste we purchase is composed, with positive effects on recipe quality, safety and process efficiency.

PLASTIC OR PLASTICS?

People often speak of "plastic" as though it were a single material, but this is not the case. Just as we know that there are different types of metals with distinct properties, there is also a wide variety of plastics, each with its own characteristics and fields of application. Below are the **most common polymers**, which also correspond to those with the greatest potential for recycling. The codes shown (established as the **SPI – Society of Plastic Industry – international standard)** are used to identify the material specifically for recycling purposes. Conversely, Code 7 refers generically to all other types of plastics.

01 PET – Polyethylene Terephthalate
A resin with excellent chemical resistance and barrier properties, good strength, rigidity and abrasion resistance. It can exist in a transparent or semi-crystalline form (white and matte).
Common applications: food trays, bottles, automotive components, electrical and electronic components.

02 HDPE – High-Density Polyethylene
Polyethylene is a resin with excellent insulating properties and chemical stability.
Its high-density version is characterised by stronger intermolecular forces and higher tensile strength compared to lower-density varieties, making it harder, opaquer and more heat resistant.
Common applications: water and natural gas transporting pipes, detergent or food bottles, bottle caps, plastic bags, toys.

03 PVC – Polyvinyl Chloride
A thermoplastic obtained from vinyl monomers, PVC is one of the most widely used plastics in the world. It is rigid in its pure form, but it can become flexible and mouldable when blended with plasticisers. It is historically known as the material used for music records (vinyl).
Common applications: construction pipes, electrical cables, window frames, packaging wrap, vinyl flooring, phonographic records.

04 LDPE – Low-Density Polyethylene
Low-density polyethylene is much more highly branched than HDPE, with weaker intermolecular forces. As a result, it is more ductile and less rigid.
Common applications: containers, bottles, packaging wraps and sheets, plastic bags.

05 PP – Polypropylene
One of the most widely used materials in the plastics sector, second only to polyethylene. It is characterised by high tensile strength, low density and good resistance to heat and abrasion. Countless everyday objects are made of polypropylene.
Common applications: toys, household items, automotive components, appliance parts, gardening tools, caps.

06 PS – Polystyrene
Polystyrene is the polymer of styrene. It is a transparent, rigid plastic at room temperature. It is best known in its expanded form, used to produce packaging and lightweight, insulating, sound-absorbing building materials.
Common applications: packaging, construction products.

Among plastics, **polypropylene (PP)** represents the main polymer used by A.D. Compound. **Polyethylene (PE)** and **polymer blends** account for a smaller share of consumption. The latter, in particular, are used less than in the past due to increasing attention to environmental issues and the circular economy, which is leading to a gradual reduction in the availability of blended waste on the market in favour of single-polymer waste streams, which are more easily recyclable.

Finally, the consumption of **elastomers**—used in the quantities required for their e lastic properties—and **colorants** remains marginal.

THE CHALLENGE OF POST-CONSUMER RECYCLING

A.D. Compound's greatest challenge is to process **post-consumer industrial waste** streams to produce highly technical compounds. This is not a new effort: the company has addressed it in the past. Today, however, it has become increasingly urgent due to growing market demand. The challenge also includes working with materials that are typically **difficult to recover**. An example is the farming sector, from which we have long been receiving **the plastic wrap used as greenhouse covering**. Over the years, we have developed our expertise and refined our selection and qualification processes. Thanks to this effort, we are carrying out several industrial-scale projects, with results that exceed expectations.

We are currently working on projects to collect **urban post-consumer waste** in collaboration with the relevant local authorities, based on various tests and research conducted in recent years. With this initiative, we contribute to the challenge of recycling plastic materials that are still often destined for landfill —either due to contamination issues, or because they are considered bulky waste.

As both clients and public boards grow increasingly aware of environmental sustainability, we are able to further develop and strengthen our long-established practices and know-how.

We also incorporate fillers and additives in our compounds.

MATERIALS USED	u.m.	2024	2023	2022	*Var. % 2023-2024*
TOTAL MATERIALS	**t**	**38,330**	**33,136**	**35,417**	***+15.7%***
of which recycled	%	81.9%	80.1%	76.6%	*+1.8 pp*
of which renewable	%	2.1%	2.1%	3.0%	-

FINAL PRODUCT	u.m.	2024	2023	2022	*Var. % 2023-2024*
TOTAL COMPOUND	**t**	**33,856**	**28,887**	**29,603**	*+17.2%*

Among the various types of fillers we use, it is worth highlighting **wood fibre**, that we use primarily in the form of ***FSC Recycled***-certified wood. This certification ensures the material we use comes from renewable sources of already-recycled wood, further contributing to our circular-economy strategy (for more details, see the box *Our Policy and FSC Chain of Custody Certification* in Chapter 5).

Wood consumption is linked to the demand for **ADFIL**, our bio-based product line (see the following paragraph Our Brands).

Additives come entirely from virgin material. In fact, only virgin additives can guarantee the performance required in finished products.

The remaining, minor share of material consumption relates to **packaging**. This does not mean A.D. Compound is not committed to reducing its impacts in this area as well. **Wooden pallets** are sourced from **regenerated material**, and in 2024 we completed the transition from paper and cardboard packaging to **plastic bags. Once no longer usable, they can be reintroduced into our own production cycle** (see paragraph 6.4 Waste Management).

When considering all raw materials and packaging, A.D. Compound consumed **38,330 tonnes of materials** in 2024, **82% originated from recycled sources**, an increase of two percentage points compared with the previous year. This resulted in **33,856 tonnes of compound** in terms of finished product, marking a 17,2% increase compared to the previous year.

4.3 R&D AND INNOVATION

Innovation is **at the heart of our business**: it is thanks to our research and development efforts, and to close collaboration with clients, suppliers and partners, that we are able to anticipate market needs while expanding and improving our product portfolio.

For A.D. Compound, replacing virgin material does not stop with the use of **PIR** (*Post-Industrial Recycled*). Today, **PCR** (*Post-Consumer Recycled*) also plays an increasingly important role, that amplifies the positive environmental impact and the technical complexity of the solutions we develop. Several successful initiatives stand out among the most valuable projects we have already completed. In these initiatives, using PCR has enabled us to maintain high technical performance while meeting the sustainability criteria required by the market. Significant examples include sectors such as:

- *Industrial Cleaning Equipment,*
- *Household applications,*
- *Outdoor Furniture.*

However, A.D. Compound's R&D efforts do not focus solely on technical and performance-driven innovation. In parallel, the company is developing compounds with **innovative aesthetic effects**, designed to meet emerging needs in product design and differentiation:

- *Stone- or granite-like finishes*
- *Multi-spot finishes obtained from BIOFILLER recovery*
- *Marbled finishes achieved using PCR-based raw materials*

Beyond the projects it carries out in collaboration with clients, AD Compound is also strongly committed to **optimizing resource use** and **recovering more hard-to-process plastic waste**.
The company is developing innovative solutions to re-use materials that are currently sent to waste-toenergy plant or landfill. This is often the case because of processing complexity, or the presence of incompatible polymer blends.
In doing so, the company further strengthens the core principle of the circular economy.
In particular, the products currently under testing and experimentation are multi-layer (poly-laminated) materials of various types.

AD Compound invested a total of **€393,063 in research and development activities** in 2024 to support its commitment to innovation. Some €312,276 covered the remuneration of dedicated personnel and €80,787 reflected depreciation charges of laboratory equipment. AD Compound purchased over the past year a range of equipment worth approximately €70,000 to meet increasingly stringent technical requirements from the market and clients. The equipment is intended for physical-mechanical testing and chemical analysis, thus strengthening our capabilities in analysis, quality control, and support for product and raw-material development.

For all these activities, A.D. Compound relies on a **fully dedicated in-house team**. Their research work is structured along two main streams, referred to as **"Research"** and **"Development."**

4.3.1 RESEARCH

A.D. Compound's primary objective is **to expand into applications and still largely unexplored markets within the recycled polypropylene sector**. With this goal in mind, the Research department works actively with key clients. It carries out numerous innovative projects, including:

AREA	DESCRIPTION
TEXTILE APPLICATION	Formulation of new compounds with high mechanical and processing performance, specifically engineered to be suitable for fibre-spinning. These materials contain a percentage of recycled plastic ranging from 50% to 80%. This is a highly innovative project that tackles the complex challenge of converting waste materials originating from different sectors into highperformance technical compounds. They feature high purity and precise molecular-weight control, suitable for demanding applications such as textile production.
FOAMING APPLICATION	Analysis and investigation of advanced technologies to transform linear-structure polypropylene waste into materials with branched and cross-linked polymer chains through a targeted compounding process. This structural modification enables to significantly improve the material's foamability, allowing final densities as low as 0.2 g/cm³. To date, the products used in this sector are predominantly made from virgin polymers. Our goal is to develop high-performance, sustainable alternatives starting from waste-derived materials.
OIL AND GAS - PIPE	Formulation study aimed at meeting the high technical and mechanical requirements of the Oil & Gas sector. In this context, polypropylene derived from waste materials is co-moulded onto gas and oil pipelines to insulate the metal joints between the different pipe sections. The material developed must ensure the required performance: ○ Efficient thermal control; ○ High mechanical performance capable of withstanding extreme conditions; ○ Maximum long-term durability, even in harsh environments.

AREA	DESCRIPTION
FOOD	The project focuses on identifying and selecting raw materials derived from waste streams that comply with the requirements for food-contact applications, in accordance with applicable regulations. In parallel, research is also geared toward the implementation of plant solutions that ensure: ○ Traceability and safety of recycled materials; ○ Improvement of decontamination processes; ○ Qualification of the production process for food-contact applications. Our goal is to integrate sustainability and safety, making it possible to use our compounds —and therefore recycled plastics— even in highly regulated sectors such as food-contact applications.
FILM APPLICATION	AD Compound's R&D department is actively involved in developing formulations and technologies for the production of transparent or coloured films and foils, where aesthetic and colorimetric features are essential requirements for the end customer. The research work focuses on two main directions: ○ Optimizing incoming raw materials, through technologies capable of removing impurities and contaminants, thereby simplifying the extrusion process; ○ Implementing advanced filtration systems, enabling us to achieve high aesthetic quality even when starting from lower-grade recycled polymers.
TRANSPARENT GRADE	The project currently under development focuses on converting translucent PIR scraps into a compound with optical properties comparable to those of fully transparent petroleum-based virgin random polypropylene. The objective is twofold: ○ To select the most suitable raw materials available from recycling; ○ To define the optimal additive package capable of modifying the chemical structure of polypropylene, thus transforming it into a material with high transparency and aesthetic performance, suitable for high– value-added applications; ○ To implement process enhancements aimed at limiting degradation caused by thermal transformation, in order to obtain a product completely free from contamination and yellowing. The first industrial supplies of a compound with these precise characteristics have already begun In 2024.

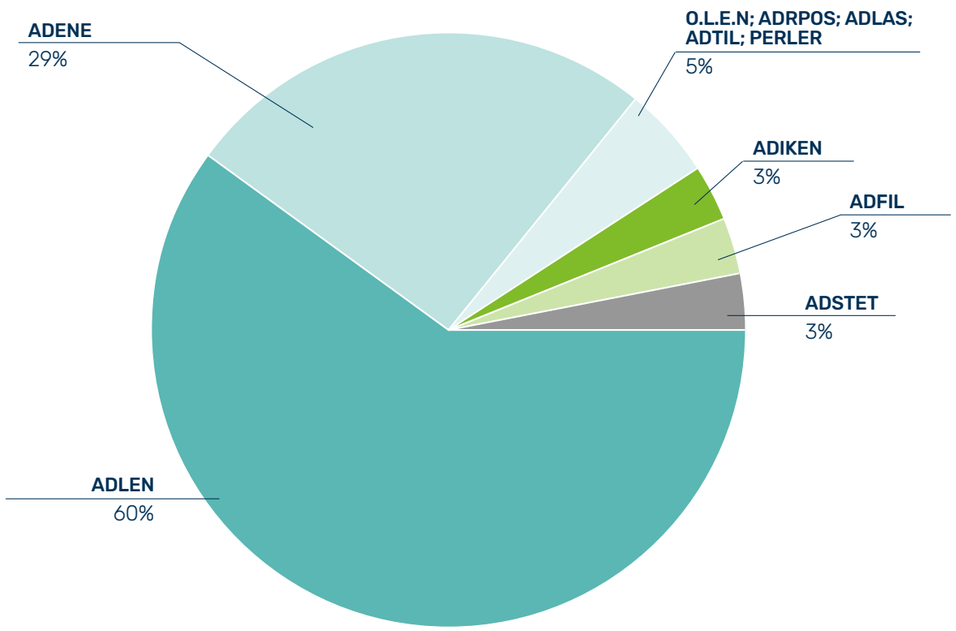
4.3.2 **DEVELOPMENT**

Projects focused on converting virgin materials into recycled-based solutions for highly demanding applications are only part of our commitment. AD Compound also stands out for its responsiveness and ability to adapt to market needs, **developing and refining products intended for the injectionmoulding and extrusion sectors.** These products, which are increasingly in demand, must deliver high performance while incorporating a significant percentage of recycled material.

AREA	PROJECT DESCRIPTION
HOME APPLIANCE A	Following an in-depth study and testing phase, AD Compound has developed a technical compound specifically designed for the home-appliance sector. In particular, the compound is suitable for components used in washing machines and dishwashers, where high resistance to aggressive detergents and elevated temperatures is required. The material was originally formulated with 45% mineral filler and virgin polypropylene. Today, thanks to process optimisation and the selection of highquality scrap-based raw materials, AD Compound produces the same grade with: ○ 45% mineral filler; ○ 40% recycled plastic, thereby reducing the use of virgin polymer by 72% compared to the original formulation.
HOME APPLIANCE B	The same approach has been applied to an even more advanced formulation, engineered to ensure greater resistance to high temperatures and particularly aggressive detergents. These are key requirements for high-stress homeappliance applications. In this case, a material previously composed of virgin polymer with 25% mineral filler has been converted into a version that maintains identical technical performance, while incorporating 50% recycled plastic. This reduces the use of virgin petrochemical polymer by 66%.
HOUSEHOLD APPLICATION	Numerous projects fall within this field of application. In particular, AD Compound has focused on: ○ Developing colour formulations capable of ensuring UV resistance during long ageing periods. Proven and validated results are obtained through advanced laboratory technologies; ○ Products for the Children sector, designed with particular attention to safety, material quality and compliance with applicable regulations, ensuring high performance.

AREA	PROJECT DESCRIPTION
BUILDING AND CONSTRUCTION - PIPE	After an extensive testing and research phase, AD Compound has successfully developed and industrialised a compound intended for PIPE applications — a sector known for its stringent technical and quality requirements. The material is engineered for extrusion processes, and it features highly demanding characteristics: ○ 90% recycled plastic content; ○ Impurity filtration below 70 microns; ○ Strict cross-polymer contamination control; ○ Partial foamability, useful for applications requiring lightness or insulation.

COMPOUND MARKETED IN 2024 BY PRODUCT FAMILY (%)



4.4 OUR TRADEMARKS

Our sustainability and innovation efforts are clearly reflected in our products. Our compound families are the result of our R&D activities, and they all are registered trademarks.

ADFIL®

A range of **wood–plastic compounds** where recycled wood fibres — and, for some specific products, fibres certified under the **FSC Chain of Custody** — are compatibilized with polymers. The material offers excellent toughness, outstanding tensile modulus, and stability under UV exposure and thermal stress.

ADLEN® and ADENE®

These are the most in-demand polypropylene compound lines on the market. Their formulations are tailor-made according to customer needs and the characteristics required by the final applications. **ADLEN contains a minimum of 70% recycled content, while ADENE contains at least 40%, both certified by the independent organisation UL** (Underwriter Laboratories). See Section 5.3, *Transparency and Responsibility in Communication*.

ADSTET®

A compound family featuring a **minimum recycled content of 80%,** specifically designed to achieve **high-end aesthetic finishes**, making the final products unique in their appearance.

ADLAS®

A trademark identifying **highly technical compounds** widely used by manufacturing industries for components requiring high resistance and toughness. They are produced from industrial plastic scrap reinforced with glass fibres.

ADRPOS®

The most recent family developed in response to new market needs. It offers a range of compounds with targeted aesthetic and technical properties, using **post-consumer recycled plastics** as raw materials.

ADIKEN®

The flagship of our company, this family consists of compounds produced from industrial scrap and engineered specifically for products intended for **the children's market**. This brand embodies not only a point of excellence for AD Compound, but also a breakthrough in a sector governed by stringent regulations that traditionally favour virgin materials.

EXCELLENCE AND CLIENT SATISFACTION

Highlights 5

International Sustainability and Carbon Certification PLUS

CERTIFICATION ISCC

Quality Management System certified

ISO 9001:2015

Chain of Custody Certification

FSC
www.fsc.org
FSC® C155198
The mark of responsible forestry

VALIDATED

0

Cases of non-compliance with customer health and safety regulations

0

Cases of non-compliance regarding product information and labelling

Product certifications guaranteeing the percentage of recycled content in our products

5.1 SAFE AND HIGH-QUALITY PRODUCTS

At A.D. Compound, we do not simply recover waste — **we add value to it**. Our goal is to offer our clients a recycled material whose technical and aesthetic quality matches that of virgin material. We firmly believe we can achieve these objectives only through the commitment of everyone who works in the Company and for the Company: for this reason, we actively promote a **"quality culture."**

Our focus on these aspects translates into choices and rules that permeate daily operations. Our quality management system is formalized and structured on the basis of European Regulation No. 1907/2006 **REACH** (Registration, Evaluation, Authorisation and Restriction of Chemicals) and is **ISO 9001:2015** certified. Some of our products (as explained in paragraph 5.3) hold **UL certifications** guaranteeing recycled or bio-based content. Moreover, the FSC certification proves our support for responsible forest management. This effort is complemented by safety controls along the supply chain in compliance with **ISO 28000** (see Chapter 3), with the **ISCC scheme** for the traceability and mass-balance accounting of recycled/bio-based content in purchased raw materials (see Chapter 5), and with **ISO 50001** for the improvement of our energy consumption (see Chapter 6).

We do not intend to stop here: by 2025, we aim to obtain the RecyClass certification for recycled content and recyclability, and the GRS and OEKO-TEX® certifications to support the development and production of recycled-content yarns for the textile industry.

Applying our quality management system effectively is a shared responsibility across all organizational levels. As all people at A.D. Compound play an active role in this effort, we believe **staff training and their active engagement in company decisions are essential.**

An efficient quality management system is crucial for us to **win the challenge** of offering clients a final product **meeting the required specifications while being made from recycled raw material. Our approach is always customer-centric:** formulations are designed to meet specific use requirements while fully complying with industry regulations.

While it is relatively easy to achieve materials consistent with technical sheets by using virgin raw materials, the same cannot be said for raw materials resulting from recycled inputs. In fact, different origins and processing methods may lead to inconsistencies even among lots from the same supplier (as explained in the following box, *Raw Material Control: A Crucial Step*). In this context, A.D. Compound excels at using recycled materials, including those considered difficult to recycle. In 2024, for example, we successfully recycled post-consumer packaging, converting it into high-value products.

DEMONSTRATE PERFORMED

- PHYSICAL
- THERMAL
- MECHANICAL
- IMPACT
- OTHER

A.D. Compound relies on a **highly structured laboratory** to develop and bring high-quality, competitive compounds to both domestic and international markets. The laboratory is equipped with advanced measuring instruments and a strong base of technical know-how.

The laboratory carries out both Product Quality and Research & Development activities (see Chapter 4). Therefore, it plays a central role in the company's business and investment decisions. The in-house laboratory **operates 24 hours a day** to ensure the suitability of its compounds.

It performs **thorough checks on both incoming recycled raw materials and outgoing finished products**, mainly using ISO-standardised methods. Data robustness is guaranteed by periodic instrument certification, specific staff training (with degrees in scientific and engineering disciplines), and recurring internal checks on both instruments and operators to monitor absolute error and support targeted improvements.

In particular, the laboratory is equipped to perform the following analyses and type characterisations:

- **CHEMICAL:** Recycled plastics may contain residual chemicals from original applications or contaminants collected during the recycling process. These include phthalates, bisphenol A (BPA), heavy metals, and other toxic compounds that may migrate into food or the human body. Additionally, additives are often needed to enhance the properties of the final compound. To mitigate the transfer of harmful substances into the product, the laboratory is equipped with state-of-the-art instruments for plastic analysis (such as *FT-IR Spectroscopy–ATR and X-Ray Fluorescence*) and has implemented a dedicated area for chemical analyses equipped with next-generation ICP-MS and GC-MS.
- **THERMAL:** The compound must meet specific thermal properties based on the type of processing it will undergo. During its transformation into a finished product, the compound is subjected to heating and cooling cycles that may trigger chemical reactions (such as decomposition) or physical changes (such as viscosity variations). These behaviours are evaluated using *Differential Scanning Calorimetry (DSC), Thermogravimetric Analysis (TGA),* and *MFI testing*.
- **PHYSICAL-MECHANICAL:** Clients require compounds capable to meet strict final product performance requirements. A.D. Compound performs physical-mechanical testing on specimens produced from the compound requested by the client to assess polymer behaviour under stress, such as tensile testing.

RAW MATERIAL CONTROL: A CRUCIAL STEP

Raw material control is a crucial phase to ensure efficient production processes and therefore the quality of our finished products.

Since A.D. Compound primarily processes Polypropylene (PP) — and to a lesser extent other polymers such as Polyethylene (PE) — we consider all other polymers potentially critical for our processes. Many of these polymers are widely used in the food-packaging industry or in products intended for direct food contact, such as Ethylene Vinyl Acetate (EVA), Polyamide (PA), Polylactic Acid (PLA), Polyvinyl Chloride (PVC), etc..

Traces of such materials may appear in plastic waste streams we purchase and could compromise polypropylene recycling if not properly addressed, as their differing chemical-physical characteristics can hinder compound dispersion. Similar challenges may arise due to traces of non-plastic materials such as wood, paper, aluminium, iron, soil, stones, etc..

For these reasons, the **characterization and control stage** is indispensable: it allows us to **analyse the physical-chemical behaviour of all incoming waste streams** and define the appropriate processing steps to maximize material valorisation and ensure high product quality — always **aiming to recycle all plastic materials** supplied to us, **including the most difficult to recover.**

As noted earlier, our focus extends beyond incoming materials to include outgoing finished products. Although polypropylene is not inherently hazardous, our product quality team implements procedures designed to protect the customer, preventing heavy-metal migration or particle release in compliance with applicable regulations. **This potential risk is continuously monitored** through routine analyses performed in-house and. When necessary, external laboratory testing is performed to safeguard health and safety in specific applications — such as those involving children's products under the ADIKEN line.

We are also developing a dedicated process to produce food-contact packaging materials made from recycled polypropylene. This process will be submitted to the *European Food Safety Authority* (EFSA) to assess suitability for *food-contact applications*, with the aim of positioning A.D. Compound as a pioneer in the use of recycled PP in food-grade applications. This innovation is an ambitious objective that supports more circular food-packaging solutions without compromising quality or safety.

Thanks to all these control measures, we recorded **zero cases of non-compliance** with regulations or industry codes regarding **customer health and safety** in 2024.

5.2 COMPLAINT MANAGEMENT AND CLIENT SATISFACTION

We continuously monitor our commercial relationships through a set of indicators that are evaluated on a monthly basis. This ensures our quality management system is effective and our clients are satisfied. These indicators include returns, non-conformities, **payment punctuality. Client loyalty** is measured through **contract renewals** or collaboration requests on R&D projects for new products or existing product optimization. Once per year, we also send all clients a satisfaction survey regarding our product quality and services, and in turn we receive performance reports from some of our major clients.

We are always ready to respond to complaints: our management system includes dedicated software that ensures complete **traceability** throughout the procedure. Any product or process failing to meet requirements may undergo a **non-conformity management process**. The system provides for immediate containment of the issue and resolution through reworking, repair, downgrading, and/or **a corrective action** to eliminate root causes. Corrective actions are applied when underlying systematic issues are identified that could lead to recurrence or otherwise generate significant organizational impact.

When needed, we also prepare technical reports for customers through our Laboratory and Quality teams.

Weare also ready to respond complaints from our clients' clients — such as moulders unfamiliar with recycled materials — by visiting their facilities to help identify and resolve issues.

5.3 TRANSPARENCY AND RESPONSIBILITY IN COMMUNICATION

We firmly believe sustainability has no meaning without transparency — particularly in a sector like recycled compounding, where greenwashing is a strong temptation.

Transparency begins with acknowledging and clearly communicating our process characteristics. Since the composition and quality of plastic waste vary significantly, fillers and other additives are required to guarantee compound properties, performance, and stability. **It is therefore nearly impossible to obtain final products containing 100% recycled plastic.** For us, emphasizing this fact is a matter of **transparency** and fairness toward clients; implying otherwise would amount to counterproductive **greenwashing**.

These principles led us to make a bold choice that places us at the forefront of our industry. With the support of UL Solutions, a world leader in product certification, we implemented the ***UL 2809 Environmental Claim Validation Procedure (ECVP) for Recycled Content Standard.*** This procedure — detailed in the following box — required reinforcing our production-flow control system, from plastic sourcing to formulation, through to the properties of the final product and by implementing a coding system to ensure data traceability. This work became the subject of a case study published on UL Solutions' website.

Today, thanks to our UL certifications we can guarantee that:

ADENE®

line contain **at least 40% recycled content**

ADLEN®

line contain **at least 70% recycled content**

ADFIL®

line contain a **minimum of 43% recycled content** and are also certified bio-based through FSC, which ensures traceability of the wood-based raw material

In many ways, plastic recycling is a complex task, and independent verification seals represent significant **value added**. They strengthen our transparency and credibility in a market that is sometimes less "green" than it appears. The following boxes illustrate the certifications we have chosen to ensure product quality and sustainability.

UL 2809 ECVP CERTIFICATION

UL Solutions is an independent American safety certification organization. The UL mark appears on tens of billions of products, and its safety and sustainability certifications reach 2 billion consumers globally each year.

In particular, the UL 2809 *Environmental Claim Validation Procedure (ECVP)* assesses and certifies the amount of recycled material in products, enabling them to bear the appropriate certification mark.

The certification is based on five principles:

1. **Reliability** - UL provides independent, external, scientific verification of environmental claims. Through rigorous analysis, UL helps companies demonstrate that their product declarations are accurate in practice.
2. **Significance** - UL 2809 ECVP also considers the social impact on local economies involved in collecting pre-and post-consumer recycled materials, verifying the volume of plastics otherwise destined for disposal or ocean pollution.
3. **Clarity** - The marking clearly communicates the percentage of recycled content, helping consumers recognize companies' circularity efforts.
4. **Transparency** - Consumers may search and verify certified products via UL's online SPOT® database; The search can be carried out by product category, company name, product name, or type of claim.
5. **Accessibility** - The mark is clearly visible on product packaging.

"A.D. Compound truly believes that sustainability is meaningless without transparency Validation of recycled content percentage in products is of utmost importance in the current confused green marketplace. It is a sign of commitment and credibility to have a third-party mark on final products that adds value to the very complex process of plastic recycling."

Maria José Monteagudo Arrebola, environmental project manager, UL Solutions

https://www.ul.com/resources/ul-solutions-validates-ad-compounds-recycled-content-claims

OUR FSC CHAIN OF CUSTODY POLICY AND CERTIFICATION

The *Forest Stewardship Council* (FSC) is a global non-profit that created an internationally recognized certification system for **proper forest management** and **traceability of derived products**, under two standards: Forest Management and Chain of Custody.

In 2019, we adopted our **FSC Chain of Custody Policy**, contributing to improved environmental performance and human-rights protection through the use of wood-based raw materials from responsibly managed forests. This enables us to ensure the highest quality of our products and meet the expectations of a market that is increasingly aware of environmental issues.

We made an explicit commitment not to be directly or indirectly involved in unacceptable activities such as illegal logging or trade, violation of human rights or ILO conventions during forest operations, or conversion of forests into plantations or other non-forest uses.

We implemented an FSC-compliant product traceability system according to **FSC-STD-40-004 Chain of Custody**, and we obtained the **certification** in 2020 for the purchase of 100% mixed and recycled FSC wood flours used in producing FSC 100% wood-plastic composites.

Accordingly, we recorded **zero cases of non-compliance** with regulations or industry codes regarding **product information and labelling** in 2024.

OUR ENVIRONMENTAL IMPACTS

Highlights

6

Of electricity from renewable sources with Guarantee of Origin

100%

5.400 TONNES

Of CO_2 avoided

70%

Disposed of through recovery or recycling

- 50%

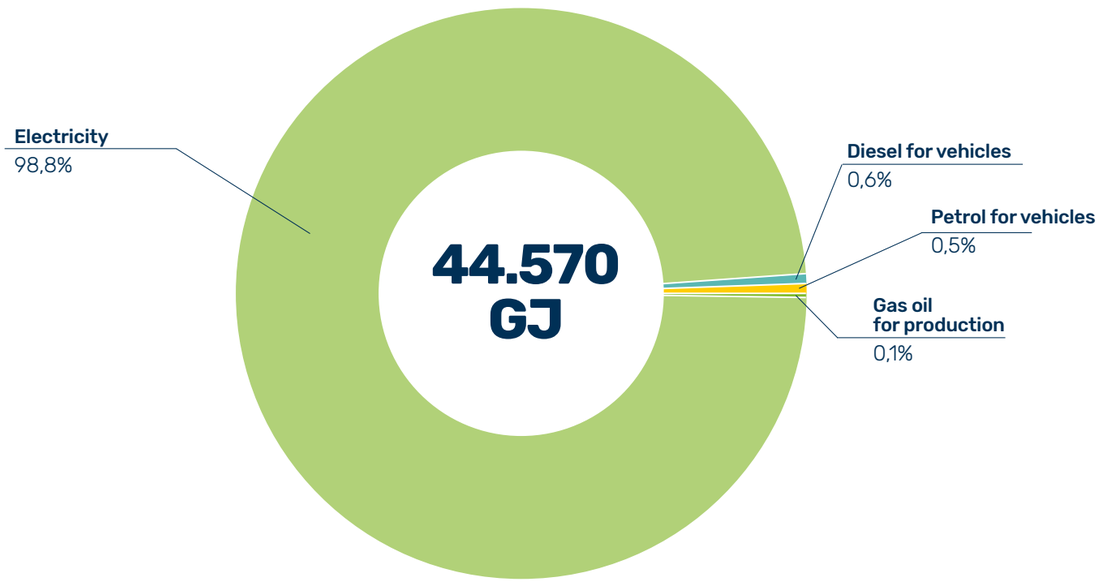
Fewer waste volumes compared to 2023,

6.1 ENERGY CONSUMPTION

Energy consumption represents a highly relevant impact for A.D. Compound. In fact, we are classified among the energy-intensive companies, and in particular electricity-intensive companies, according to the list issued by the Italian Energy and Environmental Services Fund. We have implemented a series of measures to mitigate this impact over the years. They are aimed at improving our energy efficiency, and the certification process currently underway will allow us to obtain the **ISO 50001 certification** for our energy management system by 2025.

Our energy consumption derives mainly from production equipment operation for extrusion, shredding, pneumatic conveying of raw materials and finished products, as well as for packaging activities. All A.D. Compound production lines run on electricity. In line with our commitment to reducing CO_2 emissions, **we have pursued full electrification** in recent years. We have transitioned from a natural gas-powered thermal heating system to an electric system, and we are progressively replacing the diesel-powered forklift fleet with electric vehicles. We currently have 21 electric forklifts out of 22, and we aim to make the fleet fully electric. Consequently, **our primary energy source is electricity itself**, which, with 44,044 GJ (approximately 12,000 MWh), accounts for **98.8% of total consumption**.

TOTAL ENERGY CONSUMPTION BY SOURCE IN 2024 (GJ)

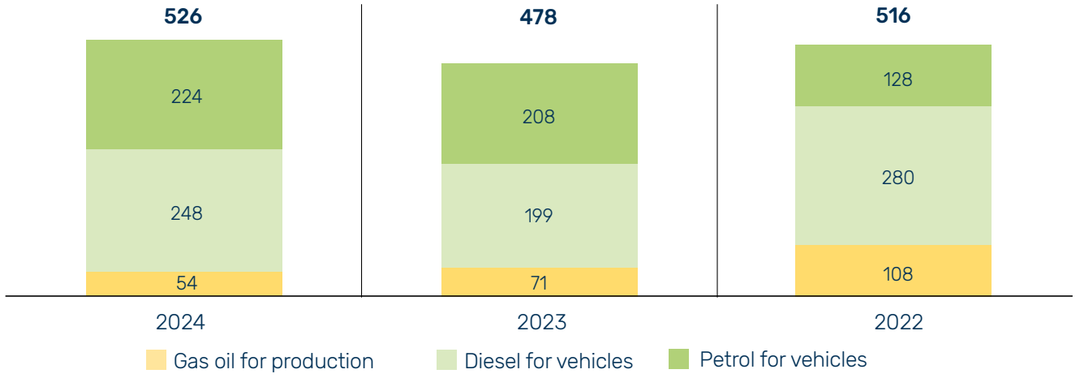


In line with our electrification strategy, the initiatives we undertook in recent years in the energy domain have focused primarily on improving production lines and lighting systems efficiency. In 2022, we replaced the motor of an extrusion line with a more efficient one. Over the years, we have replaced lighting fixtures in office areas with next-generation LED systems and installed timed lighting systems in the changing rooms, spare parts warehouse, fire pump room, and outside yards.

In a perspective of continuous improvement, as noted earlier, the company initiated the ISO 50001 certification process at the end of 2024. This confirms the company's ability to manage and optimize its energy consumption. To this end, energy meters were already operational on one extrusion line in 2024. Additional meters will be installed on the main production plants between 2025 and 2026.

Our remaining residual energy consumption derives from the use of diesel for the fire-fighting pumps and forklifts, as well as diesel and petrol for company vehicles: in 2024, consumption from fossil fuels amounted to 526 GJ, up 10% compared to the previous year.

FOSSIL FUEL CONSUMPTION

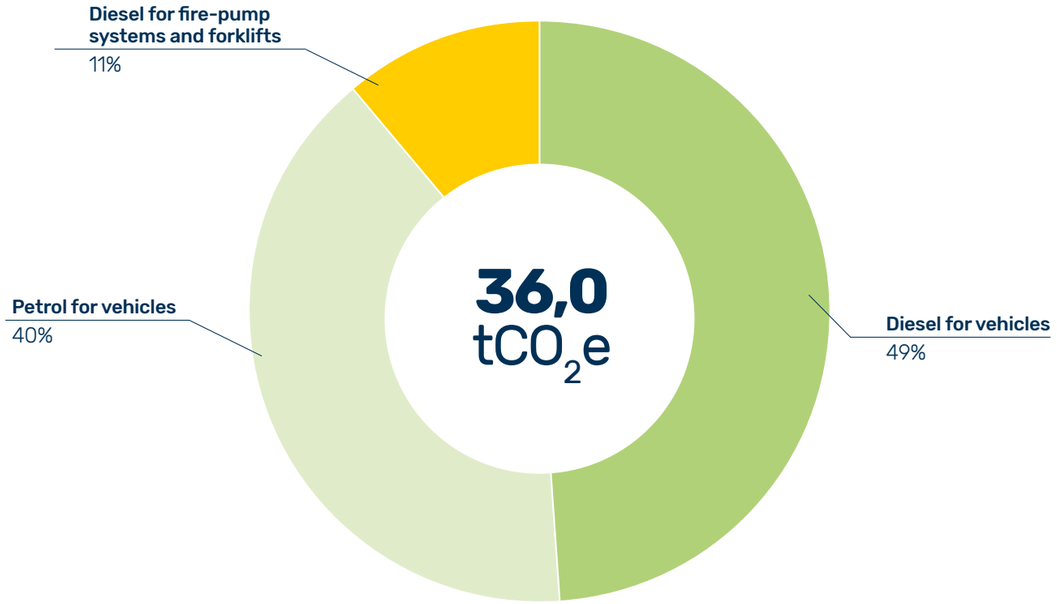


Overall, total energy consumption reached 44,570 GJ in 2024, with an increase of 6.0% compared to the previous year. On the other hand, **energy intensity** in 2024 stood at 1.32 GJ per ton of compound produced, marking a **9% decrease** compared to 2023: this result confirms the effectiveness of our efforts to improve **energy efficiency** and reduce the environmental impact of our production.

6.2 OUR EMISSIONS

Since 2019, **100% of electricity purchased** by A.D. Compound **has come from renewable sources** certified with a **Guarantee of Origin.** This choice has significantly reduced our **CO_2 emissions**, in particular **by reducing to zero our Scope 2 emissions** when calculated using the *market-based* method. As to Scope 1 emissions, they depend exclusively on diesel consumption for forklifts and fire-fighting systems, as well as fuel consumed by company vehicles, for a total of 36.0 tons of CO_2 in 2024.

SOURCES OF SCOPE 1 EMISSIONS IN 2024 (tCO_2e.)



SCOPE 1 – Direct energy emissions (tCO_2e)	2024	2023	2022	Var. % 2024-2023
Diesel for fire-pump systems and forklifts	4,1	5,4	8,3	**-25,0%**
Diesel for vehicles	17,4	14,0	20,0	**+24,3%**
Gasoline/Petrol for vehicles	14,4	13,5	8,5	**+6,7%**
Total Scope 1	**36,0**	**33,0**	**36,7**	**+9,0%**

SCOPE 2 – Indirect energy emissions from purchased electricity (tCO_2)	2024	2023	2022	Var. % 2024-2023
Purchased and consumed with Guarantee of Origin MB[7]	0,0	0,0	0,0	-

	2024	2023	2022	Var. % 2024-2023
Total Scope 1 + 2 emissions (Market Based)	**36,0**	**33,0**	**36,7**	**+9,0%**
Total Scope 1 + 2 emissions (Market Based) / compound produced (1000 t)	**1,06**	**1,14**	**1,24**	**-7,0%**

CO_2 avoided	2024	2023	2022	Var. % 2024-2023
tCO_2 avoided through the purchase of electricity with Guarantee of Origin (Market Based)	**5.398**	**5.745**	**4.943**	**-6,0%**

Overall, Scope 1 emissions increased by 9.0% compared to the previous year, in parallel with higher fuel consumption for company vehicles. No refrigerant leaks requiring system refills were reported.

Beyond absolute emissions, an even more meaningful indicator for measuring environmental impact is **emission intensity**. This is expressed as the ratio between CO_2 emissions and the amount of compound produced during the year. In 2024, this indicator was 1.06 tons of CO_2 equivalent emitted per thousand tons of compound produced, considering Scope 1 and 2 emissions (Market Based). This value represents a **7% decrease** compared to the previous year, despite increased production, demonstrating progress in efficiency and emissions management.

We are aware of the emissions generated outside our facility gates along the value chain, and we strive to prioritize whenever possible logistics providers that can offer lower-impact solutions such as **intermodal transport**. Adopting intermodal routes for certain shipments enabled us to significantly reduce emissions compared to exclusive road transport. According to data provided by some of our suppliers, **we thus avoided the emission of approximately 513 tons of CO_2 equivalent** in 2024.

More broadly, we believe our commitment confirms how fighting climate change and reducing emissions is deeply embedded in A.D. Compound's corporate DNA: our products help avoid emissions that would otherwise result from producing virgin polypropylene. A 2018 study by the Association of Plastic Recyclers (APR) shows that the global warming potential of post-consumer recycled polypropylene is just 29% of that of virgin resin[8].

[7] The data on Scope 2 Location-Based emissions and the emission factors used are provided in the Annex
[8] https://plasticsrecycling.org/images/library/2018-APR-LCI-report.pdf

6.3 WATER CONSUMPTION

Managing water consumption is a particularly important issue to us: water is an integral part of our production cycle, as it is used to support cutting and conveying operations, as well as for cooling our finished product — the compound. Although located in a low water-stress area (the Ticino River basin)[9], we consider it essential to minimize our water footprint.

The rationalisation measures we implemented at our facility highlight the importance we place on this resource: since the plant construction stage, we have operated a **process-water treatment system** that enables us to **reuse the same water** by recovering vapours generated during high-temperature processing. This allows us to reintroduce water into the production cycle, thus preventing waste and minimizing wastewater discharge. In 2024, a **pre-filter** was installed to support the treatment system, capable of trapping most impurities present in the process water — the main cause of sludge formation in the settling tanks, which must then be disposed of. **This will reduce the frequency of tank cleaning and related water use**.

Our process-water management is therefore a closed-loop system, which also allows us to capture microplastics generated during the cutting phase of freshly extruded strands. As these microplastics come into contact with water, they are trapped by filters and then properly disposed of.

Beyond production areas, water is used for restrooms, the cafeteria, and the fire-fighting system. We apply conduct rules to reduce waste in these areas, aimed at raising employee awareness about responsible resource use.

In order to verify water is used properly, we monitor monthly consumption through meter readings on production lines and record the data in a dedicated file.

In accordance with current regulations, we also operate a first-rainwater treatment system (collection and settling tanks) for the facility's outdoor areas.

With the aim of further rationalising our water withdrawals, the Company plans to develop a rainwater recovery system to compensate for the physiological water losses from the treatment plant, caused by evaporation and to minimise freshwater withdrawals for sanitary facilities.
This design is part of a broader project to expand the Company's premises, and we intend to implement it as soon as conditions allow it.

Total water withdrawal from the Galliate municipal aqueduct amounted to approximately 7.9 million litres (ML) in 2024, with an 11% increase compared to the previous year. Discharges derive mainly from sanitary services (directed to sewer) and from irrigation of public green areas near the facility (directed to groundwater). In this way, we fulfil our commitment to

[9] *According to the Aqueduct Water Risk Atlas by the World Resources Institute, The Ticino river basin is an area with low water stress (<10%).*

the municipality of Galliate to maintain them. Total water consumption — defined as withdrawals minus discharges, i.e., the amount of water effectively used in production and not returned to the aquatic environment — was 5.7 million litres, up 4% compared to 2023.

Despite increased compound production (see section 4.3), **water-use intensity recorded a significant decrease,** down to 0.17 litres per kg of compound produced, a 16% decrease compared

to the previous year, demonstrating substantial **water-use efficiency improvements.**

	u.o.m.	2024	2023	2022	Var. % 2024-2023
Total withdrawal of fresh water from third parties (aqueduct)	ML	**7,9**	**7,1**	**8,1**	**+11%**
Total water discharge	ML	**2,3**	**1,4**	**2,0**	**+63%**
of which to sewer	ML	*0,5*	*0,6*	*1,3*	-12%
of which to groundwater	ML	*1,8*	*0,8*	*0,7*	+114%
Total water consumption (withdrawal – discharge)	ML	**5,7**	**5,7**	**6,1**	**+4%**
Water consumption intensity	L / KG compound produced	0,17	0,20	0,21	-16%

No withdrawals, discharges or consumption are reported in areas subject to water stress.

6.4 WASTE MANAGEMENT

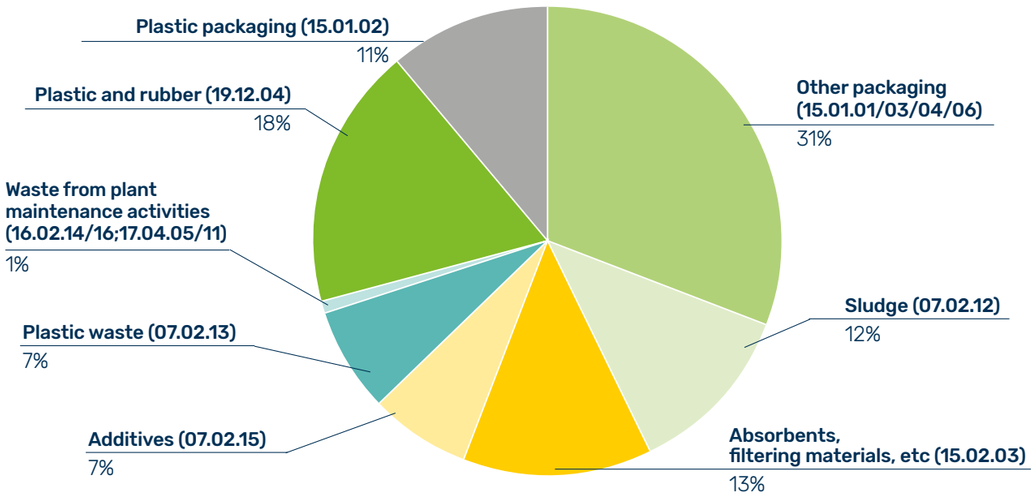
In 2024, A.D. Compound generated a total of **620 tonnes of waste, half the volume of the previous year** (–50.3%). This major result is largely due to the activation of a **new in-house sprue grinding line** — by-products generated during compound production — which enabled the recovery of a significant share of plastic scraps and by-products, substantially reducing the amount of waste sent for external disposal. The largest waste category is represented by **plastic and rubber waste** (EWC code 19.12.04), mostly originating from production scraps: this category **decreased by 78%** compared to 2023, precisely thanks to the new grinding line. For the same reason, **plastic packaging waste also dropped by more than half** (EWC 15.01.02), including the so-called *industrial big bags* (–54.8%).

Other packaging-related waste categories include wood (typically used for pallets), paper and cardboard, mixed materials, and metals.

Another relevant category is sludge (07.02.12) from the water-treatment system, which is also expected to decline in coming years thanks to the commissioning of the **new water-treatment pre-filter** (see previous section).

Other waste types include additional plastic waste (EWC 07.02.13) generated from waste purchased but subsequently sent to subcontractors for external processing not carried out in our own plants, as well as additive waste (07.02.15), absorbents and filtering materials (EWC 15.02.03), and waste from plant maintenance operations (EWC 17.04.05; 16.02.14; 17.04.11; 16.02.16).

NON-HAZARDOUS WASTE GENERATED IN 2024, BY CATEGORY (%)



All the waste listed above is non-hazardous, which represents almost the entirety (99.4%) of the 620 tons generated in 2024. **Only 0.6% is classified as hazardous**, consisting of small amounts generated in the laboratory and waste oil from specific maintenance operations. Hazardous waste is stored in dedicated drums placed inside a containment basin in the temporary storage area and periodically sent for recovery through specialized companies.

In addition to the new sprue-grinding line, A.D. Compound has taken further steps to reduce waste volumes in recent years. In particular, we have installed dust-extraction systems with recovery functions directly into the production cycle. In another significant step forward, we adopted an automated barcode-based management system for temporary waste storage: all operators involved in waste handling are equipped with handheld scanners that generate a code for each waste batch. They record details such as weight and type in the company database, thereby improving traceability and enhancing storage management.

Together with the implementation of dedicated waste-management procedures, the organization of targeted training for workers, and the creation of collection points in every department, these measures have enabled us to develop a responsible management system for our industrial waste, achieving high recycling rates.

Regarding waste destination, most of it is sent for **recycling or material recovery (70% in 2024).** This percentage decreased slightly compared to the previous year precisely because of improved internal practices for recovering by-products. The remaining waste is sent to energy recovery, incineration, or landfill.

DESTINATION OF A.D. COMPOUND'S WASTE IN 2024

Waste management is overseen internally by our environmental manager, supported by a digital management system. Proper waste disposal/recovery and compliance of third parties working with A.D. Compound are monitored through detailed documentation (waste transport forms and loading/unloading registers) and authorization checks, according to company procedures.

ANNEX

The information reported below refers to the reporting boundaries of A.D. Compound S.p.A. for the threeyear period 2022, 2023 and 2024.

GENERAL DISCLOSURE

GRI 2-7 Employees

Employees by Employment Contract and Gender as of 31/12	2024	2023	2022	Var. % 2024-2023
Total employees	**90**	**93**	**80**	**-3,2%**
Women	**18**	**16**	**11**	**+12,5%**
Men	**72**	**77**	**69**	**-16,5%**
Permanent contracts	**79**	**81**	**68**	**-2,5%**
Women	15	16	10	-6,3%
Men	64	65	58	-1,5%
Fixed-term contracts	**11**	**12**	**12**	**-8,3%**
Women	3	0	1	-
Men	8	12	11	-33,3%
Full time	**87**	**92**	**79**	**-5,4%**
Women	17	16	11	+6,3%
Men	70	76	68	-7,9%
Part time	**3**	**1**	**1**	**+200,0%**
Women	1	0	0	-
Men	2	1	1	+6,3%

GRI 2-8 Workers Who Are Not Employees

Non-employee workers by contract type and gender as of 31/12	2024	2023	2022	Var. % 2023-2022
Temp agency workers[10]	**2**	**2**	**0**	**+0,0%**
Women	0	0	0	-
Men	2	2	0	+0,0%
Project-based collaborators[11]	**1**	**1**	**1**	**+0,0%**
Women	1	1	1	+0,0%
Men	0	0	0	-
Interns	**0**	**1**	**1**	**-100,0%**
Women	0	1	0	+100,0%
Men	0	0	1	-
Total non-employee workers	**3**	**4**	**2**	**-25,0%**
Total women	1	2	1	-50,0%
Total men	2	2	1	+0,0%

[10] general production workers
[11] collaboration agreement for human resources management and safety-related delegated duties

ENERGY

GRI 302-1 Energy consumed within the organization; **GRI 302-3** Energy intensity

Energy consumption		u.m.	2024	2023	2022	var %2023-24
Fossil fuels – production	Gas oil	l	1.482	1.975	3.014	-23,9%
		GJ	53,9	70,8	108,4	
Fossil fuels – vehicles	Diesel	l	6.943	5.586	7.804	+24,8%
		GJ	248,1	198,8	280,4	
	Gasoline/Petrol	l	6.930	6.457	3.913	+7,4%
		GJ	223,8	208,4	127,1	
Electricity	Purchased and consumed with Guarantee of Origin	kWh	12.234.549	11.477.610	10.813.330	+6,6%
		GJ	44.044,4	41.319,4	38.928,0	
Total energy consumption		**GJ**	**44.570,1**	**41.797,4**	**39.443,8**	**+6,6%**
Energy intensity - total energy consumption / compound roduced		**GJ /1.000 t**	**1,32**	**1,45**	**1,33**	**-9,0%**

Conversion Factors	u.m.	2024	2023	2022	Fonte
Gas oil	GJ/l	0,03635	0,03586	0,03595	DEFRA 2024/2023/2022, Conversion Factors, "Fuel properties"
Diesel	GJ/l	0,03573	0,03559	0,03593	DEFRA 2024/2023/2022, Conversion Factors, "Fuel properties"
Gasoline/Petrol	GJ/l	0,03229	0,03227	0,03248	DEFRA 2024/2023/2022, Conversion Factors, "Fuel properties"
Electricity	GJ/kWh	0,00360	0,00360	0,0036	DEFRA 2024/2023/2022 Conversion Factors, "Conversions"

EMISSIONS

GRI 305-1 Direct GHG emissions (Scope 1)

SCOPE 1 – Direct energy-related emissions	u.m.	2024	2023	2022	var % 2023-24
Diesel for fire pumps and forklifts	tCO_2e	4,1	5,4	8,3	-25,0%
Diesel for vehicles	tCO_2e	17,4	14,0	20,0	+24,3%
Gasoline/Petrol for vehicles	tCO_2e	14,4	13,5	8,5	+16,7%
Total Scope 1	**tCO_2e**	**36,0**	**33,0**	**36,7**	**+9,0%**

Fuel emission factors	u.m.	2024	2023	2022	Fonte
Diesel for production	tCO_2/l	0,00276	0,00276	0,00276	DEFRA 2024/2023/2022, Conversion factors, foglio "Fuels"
Diesel for road transport	tCO_2/l	0,00251	0,00251	0,00256	DEFRA 2024/2023/2022, Conversion factors, foglio "Fuels"
Petrol	tCO_2/l	0,00208	0,00210	0,00216	DEFRA 2024/2023/2022, Conversion factors, foglio "Fuels"

GRI 305-2 Indirect GHG emissions from energy consumption (Scope 2)

SCOPE 2 – Indirect energy emissions from purchased electricity	u.m.	2024	2023	2022	var % 2023-24
Purchased and consumed with Guarantee of Origin (LB)	tCO_2	3.419,6	4.948,5	3.583,0	+30,9%
Purchased and consumed with Guarantee of Origin (MB)	tCO_2	0	0	0	-

Avoided CO_2	u.m.	2024	2023	2022	var % 2023-24
tCO_2 avoided through the purchase of electricity with Guarantee of Origin (Market Based	tCO_2	5.397,9	5.745,3	4.943,3	-6,0%

Calculated by applying the AIB Residual Mix factor for Italy to total electricity consumption.

Electricity emission factors	u.m.	2024	2023	2022	Fonte
Italy – Electricity (LB)	tCO_2/kWh	0,00028	0,00043	0,00033	AIB 2024/2023/2022, Supplier Mix
Italy – Electricity (MB)	tCO_2/kWh	0,00044	0,00050	0,00046	AIB 2024/2023/2022, Residual Mix

Total SCOPE 1 and SCOPE 2 emissions	u.m.	2024	2023	2022	var % 2023-24
Total Scope 1 + 2 emissions (Location Based)	tCO_2e	3.455,5	4.981,5	3.619,7	-30,6%
Total Scope 1 + 2 emissions (Market Based)	tCO_2e	36,0	33,0	36,7	+9,0%

Emissions intensity	u.m.	2024	2023	2022	var % 2023-24
Scope 1 + 2 emissions (Location Based) per compound produced	$tCO_2e/1000$ t	1,06	1,14	1,24	-7,0%
Scope 1 + 2 emissions (Market Based) per compound produced	$tCO_2e/1000$ t	102,1	172,4	122,3	-40,8%

WASTE

GRI 306-3 Waste generated

HAZARDOUS and NON-HAZARDOUS waste generated, by waste category (EWC)		2024	2023	2022	var % 2023-24
HAZARDOUS		**3,9**	**6,0**	**12,5**	**-52,7%**
12.01.10*	- synthetic machinery oils	2,765	2,11	3,4	+23,7%
07.02.08*	- other bottoms and reaction residues	1, 1	3,5	0,0	-69,3%
16.05.06*	- laboratory chemicals containing or consisting of hazardous substances	0,1	0,0	0,0	+100,0%
16.01.04*	- end-of-life vehicles	0	0	7,6	-
17.06.03*	- other insulating materials containing or consisting of hazardous substances	0	0	0,3	-
12.01.09*	- machinery emulsions and solutions, not containing halogens	0	0,41	0	-100,0%
16.03.05*	- organic wastes containing hazardous substances	0	0	1,2	-
NON-HAZARDOUS		**616,5**	**1.240,3**	**989,0**	**-50,3%**
19.12.04	- plastic and rubber	113,086	520,73	380,5	-78,3%
15.01.02	- plastic packaging	67,776	149,82	115,9	-54,8%
07.02.12	- sludges from on-site effluent treatment, other than those under 07.02.11	71,4	118,86	93,1	-39,9%
15.01.03	- wooden packaging	95,55	110	114,78	-13,1%
07.02.13	- plastic waste	44,642	99,44	0	-55,1%
15.01.01	- paper and cardboard packaging	57,72	58,74	56,5	-1,7%
07.02.15	- wastes from additives, other than those under 07.02.14	40,98	52,12	77,3	-21,4%
15.02.03	- absorbents, filter materials, wiping cloths and protective clothing, other than those under 15.02.02	78,792	40,24	35,4	+95,8%
15.01.06	- mixed material packaging	30,02	39,99	44	-24,9%
17.04.05	- iron and steel	1,16	15,14	14,8	-92,3%
16.02.14	- discarded equipment other than those under 6.02.09 and 16.02.12	4,76	13,92	11,7	-65,8%
19.08.02	- waste from grit removal	0	12,9	10,72	-100,0%
15.01.04	- metal packaging	7,94	7,58	29,1	+4,7%
17.04.11	- cables, other than those under 17.04.10	0,57	0,69	1,4	-17,4%
16.01.22	- components not otherwise specified	0	0,13	0	-100,0%
16.02.16	- components removed from discarded equipment	2,12	0	0	-
16.03.06	- organic wastes, other than those under 16.03.05	0	0	2	-
17.06.04	- insulating materials, other than those under 17.06.01 and 17.06.03	0	0	1,76	-
TOTAL		**620,4**	**1.246,3**	**1.001,5**	**-50,2%**

GRI 306-4 Waste diverted from disposal; **GRI 306-5** Waste directed to disposal

hazardous waste, by destination	u.m.	2024	2023	2022	var % 2023-24
Total hazardous waste	**t**	**3,9**	**6,0**	**12,6**	**-34,5%**
of which sent to material recycling	t				-
of which sent to material recovery	t	2,76	2,11	11,1	+30,8%
of which sent to energy recovery	t				-
of which sent to incineration	t				-
of which sent to landfill	t	1,145	3,86	1,5	-70,3%
non-hazardous waste, by destination	**u.m.**	**2024**	**2023**	**2022**	**var % 2023-24**
Total non-hazardous waste	**t**	**616,5**	**1.240,3**	**988,9**	**-50,3%**
of which sent to material recycling	t	383,52	951,08	732,2	**-59,7%**
of which sent to material recovery	t	49,98	110,02	65,2	**-54,6%**
of which sent to energy recovery	t	30,02	39,99	44,1	**-24,9%**
of which sent to incineration	t	62,4	52,12	77,3	**+19,7%**
of which sent to landfill	t	90,596	87,09	70,1	**+4,0%**

total hazardous and non-hazardous waste, by destination	u.m.	2024	2023	2022	var % 2023-24
Total hazardous and non-hazardous waste	**t**	**620,4**	**1.246,3**	**1.001,5**	**-50,2%**
of which sent to material recycling/ recovery	t	436,26	965	808,7	-54,8%
	%	70,32%	77,43%	80,75%	-7 pp
of which sent to energy recovery/ incineration/landfill	t	184,161	139,21	193,0	32,3%
	%	29,68%	11,17%	19,27%	+18 pp

EMPLOYMENT

GRI 401-1 New hires and employee turnover

New employees hired on fixed-term and permanent contracts, by age group and gender	2024	2023	2022
Under 30	**11**	**10**	**12**
Women	1	1	2
Men	10	9	10
Between 30 and 50	**5**	**10**	**9**
Women	2	4	1
Men	3	15	8
Over 50	**5**	**2**	**1**
Women	2	1	0
Men	3	1	1
Total employees hired	**21**	**31**	**22**
Total women	**5**	**6**	**3**
Total men	**16**	**25**	**19**

Employees whose fixed-term or permanent employment ended, by age group and gender	2024	2023	2022
Under 30	**9**	**6**	**12**
Women	0	2	3
Men	9	4	9
Between 30 and 50	**13**	**13**	**12**
Women	3	0	2
Men	10	13	10
Over 50	**2**	**4**	**2**
Women	0	1	0
Men	2	3	2
Total employees leaving	**24**	**23**	**26**
Total women	**3**	**3**	**5**
Total men	**21**	**20**	**21**

Turnover rates (expressed as %) by age group and gender[12]	2024	2023	2022
Overall turnover rate	**+50,0%**	**+58,1%**	**+60,0%**
Hiring turnover rate	**+50,0%**	**+33,3%**	**+27,5%**
Women	+27,8%	+37,5%	+27,3%
Men	+22,2%	+32,5%	+27,5%
Under 30	**+12,2%**	**+10,8%**	**+15,0%**
Women	+50,0%	+50,0%	+40,0%
Men	+62,5%	+60,0%	+66,7%
Between 30 and 50	**+9,4%**	**+29,7%**	**+19,1%**
Women	+16,7%	+28,6%	+16,7%
Men	+7,3%	+30,0%	+19,5%
Over 50	**+26,3%**	**+16,7%**	**+7,7%**
Women	+50,0%	-	-
Men	+20,0%	+8,3%	+7,7%
Exit turnover rate	**+26,7%**	**+24,7%**	**+32,5%**
Women	+16,7%	+18,8%	+45,5%
Men	+29,2%	+26%	+30,4%
Under 30	**+50,0%**	**+35,3%**	**+60,0%**
Women	+0,0%	+100%	+60,0%
Men	+56,3%	+26,7%	+60,0%
Between 30 and 50	**+24,5%**	**+%**	**+25,5%**
Women	+25,0%	+0%	+33,3%
Men	+24,4%	+26%	+24,4%
Over 50	**+10,5%**	**+33,3%**	**+15,4%**
Women	+0,0%	-	-
Men	+13,3%	+25%	+15,4%

[12] The overall turnover rate is calculated as the ratio of: (number of new hires during the year + number of employees leaving during the year / permanent and fixed-term workforce as of 31 December) × 100. The hiring turnover rate is calculated as the ratio of: (number of new hires during the year / permanent and fixed-term workforce as of 31 December) × 100. The exit turnover rate is calculated as the ratio of: (number of employees leaving during the year / permanent and fixed-term workforce as of 31 December) × 100.

OCCUPATIONAL HEALTH AND SAFETY

GRI 403-9 Work-related injuries: number and rate for employees and contractors

Data on work-related injuries involving employees and contractors	2024	2023	2022
Number of recordable injuries	**4**	**3**	**3**
of which involving employees	4	3	3
of which involving contractors	0	0	0
Number of injuries with severe consequences (over 6 months of absence)	**0**	**0**	**0**
of which involving employees	0	0	0
of which involving contractors	0	0	0
Number of work-related fatalities	**0**	**0**	**0**
of which involving employees	0	0	0
of which involving contractors	0	0	0

Number of hours worked	2024	2023	2022
Total hours worked by employees	149.132	143.654	138.944
Total hours worked by contractors	0	0	0
Total number of hours worked	**149.132**	**143.654**	**143.654**

Injury rates	2024	2023	2022
Rate of recordable work-related injuries	**26,8**	**21,59**	**21,6**
of which involving employees	26,8	21,59	21,6
of which involving contractors	-	-	-
Rate of work-related injuries with severe consequences (excluding fatalities)	**0,0**	**0,0**	**0,0**
of which involving employees	0,0	0,0	0,0
of which involving contractors	-	-	-
Rate of fatalities resulting from work-related injuries	**0,00**	**0,00**	**0,00**
of which involving employees	0,00	0,00	0,00
of which involving contractors	-	-	-

The fatality rate is calculated as the ratio between the number of fatalities resulting from work-related injuries and the number of hours worked, multiplied by 1,000,000.

The rate of work-related injuries with severe consequences is calculated as the ratio between the number of work-related injuries with severe consequences (excluding fatalities) and the number of hours worked, multiplied by 1,000,000.

The rate of recordable work-related injuries is calculated as the ratio between the number of recordable work-related injuries and the number of hours worked, multiplied by 1,000,000. This rate also includes any fatalities, meaning that it considers the total number of work-related injuries.

TRAINING

GRI 404-1 Average training hours per employee per year

Average training hours per employee category and gender*	2024	2023	2022
Middle managers	**44,6**	**39,1**	**36,4**
Women	17,0	15,8	4,0
Men	51,5	45,8	41,9
White-collars	**15,7**	**21,1**	**12,1**
Women	24,1	22,7	16,3
Men	17,0	20,2	10,0
Blue-collars	**11,1**	**13,9**	**16,1**
Women	0,0	-	-
Men	10,8	13,5	16,1
Total	**18,3**	**19,5**	**16,1**
Total women	**22,0**	**22,8**	**15,2**
Total men	**17,4**	**18,8**	**16,3**

* Average training hours are calculated based on the employees reported under GRI 2-7 and GRI 405-1. In the previous edition, average hours were calculated considering only employees who received training during the year; therefore, the data for 2023 and 2022 have been recalculated.

DIVERSITY AND EQUAL OPPORTUNITIES

GRI 405-1 Employees on fixed-term and permanent contracts by employee category, gender and age group

Number of employees by category, age group and gender	2024			2023			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Executives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
under 30	0	0	**0**	0	0	**0**	0	0	**0**
between 30 and 50	0	0	**0**	0	0	**0**	0	0	**0**
over 50	0	0	**0**	0	0	**0**	0	0	**0**
Middle managers	**2**	**8**	**10**	**2**	**7**	**9**	**1**	**5**	**6**
under 30	0	0	**0**	0	0	**0**	0	0	**0**
between 30 and 50	1	7	**8**	2	6	**8**	1	4	**5**
over 50	1	1	**2**	0	1	**1**	0	1	**1**
White-collars	**15**	**24**	**39**	**14**	**27**	**41**	**10**	**20**	**30**
under 30	2	7	**9**	2	7	**9**	5	5	**10**
between 30 and 50	11	16	**27**	12	19	**31**	5	13	**18**
over 50	2	1	**3**	0	1	**1**	0	2	**2**
Blue-collars	**1**	**40**	**41**	**0**	**43**	**43**	**0**	**44**	**44**
under 30	0	9	**9**	0	8	**8**	0	10	**10**
between 30 and 50	0	18	**18**	0	25	**25**	0	24	**24**
over 50	1	13	**14**	0	10	**10**	0	10	**10**
Total	**18**	**72**	**90**	**16**	**77**	**93**	**11**	**69**	**80**
under 30	2	16	**18**	2	15	**17**	5	15	**20**
between 30 and 50	12	42	**53**	14	50	**64**	6	41	**47**
over 50	4	15	**19**	0	12	**12**	0	13	**13**

DIVERSITY AND EQUAL OPPORTUNITIES

GRI 405-1 Employees on fixed-term and permanent contracts by employee category, gender and age group

Percentage of employees by category, age group and gender	2024			2023			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Executives	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
under 30	0%	0%	**0%**	0%	0%	**0%**	0%	0%	**0%**
between 30 and 50	0%	0%	**0%**	0%	0%	**0%**	0%	0%	**0%**
over 50	0%	0%	**0%**	0%	0%	**0%**	0%	0%	**0%**
Middle managers	**2%**	**9%**	**11%**	**2%**	**8%**	**10%**	**1%**	**6%**	**8%**
under 30	0%	0%	**0%**	0%	0%	**0%**	0%	0%	**0%**
between 30 and 50	1%	8%	**9%**	2%	6%	**9%**	1%	5%	**6%**
over 50	1%	1%	**2%**	0%	1%	**1%**	0%	1%	**1%**
White-collars	**17%**	**27%**	**43%**	**15%**	**29%**	**44%**	**13%**	**25%**	**38%**
under 30	2%	8%	**10%**	2%	8%	**10%**	6%	6%	**13%**
between 30 and 50	12%	18%	**30%**	13%	20%	**33%**	6%	16%	**23%**
over 50	2%	1%	**3%**	0%	1%	**1%**	0%	3%	**3%**
Blue-collars	**1%**	**44%**	**46%**	**0%**	**46%**	**46%**	**0%**	**55%**	**55%**
under 30	0%	10%	**10%**	0%	9%	**9%**	0%	13%	**13%**
between 30 and 50	0%	20%	**20%**	0%	27%	**27%**	0%	30%	**30%**
over 50	1%	14%	**16%**	0%	11%	**11%**	0%	13%	**13%**
Total	**20%**	**80%**	**100%**	**17%**	**83%**	**100%**	**14%**	**86%**	**100%**
under 30	2%	18%	**20%**	2%	16%	**18%**	6%	19%	**25%**
between 30 and 50	13%	46%	**59%**	15%	54%	**69%**	8%	51%	**59%**
over 50	4%	17%	**21%**	0%	13%	**13%**	0%	16%	**16%**

GRI CONTENT INDEX

Statement of use	GRI 1 used	Applicable GRI Sector Standards
A.D. Compound S.p.A. has prepared a report with reference to the Global Reporting Initiative Standards for the period from 1 January to 31 December 2024.	GRI 1 – Foundation – 2021 version	None in force at the time of approval of this Sustainability Report

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 2: GENERAL DISCLOSURES – 2021 version	2-1 Organizational details	*Methodological note*
	2-2 Entities included in the organization's sustainability reporting	*Methodological note*
	2-3 Reporting period, frequency and contact point	*Methodological note*
	2-4 Restatements of information	The average training hours under GRI 404-1 were recalculated based on the number of employees reported under GRI 2-7 and GRI 405-1, rather than on the number of employees trained during the year. Data relating to water withdrawals and consumption under GRI 303 for 2023 were corrected following an incorrect meter reading.
	2-5 External assurance	*Independent auditor's assurance report on the Sustainability Report*
	2-6 Activities, value chain and other business relationships	Chapter 1 para 1.3 *Business model, products and markets served*
	2-7 Employees	Chapter 2, para. 2.1 *Company workforce* Annex, *General disclosures section*
	2-8 Workers who are not employees	Chapter 2, para. 2.1 *Company workforce* Annex, *General disclosures section*
	2-9 Governance structure and composition	A.D. Compound adopts a traditional governance system consisting of a Sole Director and a Board of Statutory Auditors (composed of three standing auditors and two alternates, external to the company). Statutory audit of the accounts is entrusted to the external audit firm and the Board of Statutory
	2-12 Role of the highest governance body in overseeing the management of impacts	Among the responsibilities of the Sole Director is the definition of the company's strategic guidelines and objectives, including sustainability policies.
	2-13 Role of the highest governance body in overseeing the management of impacts	The HR Manager holds responsibility for safety, while the HSE Manager holds responsibility for environmental matters.
	2-14 Role of the highest governance body in sustainability reporting	The Sole Director is responsible for reviewing and approving the information.
	2-15 Conflicts of interest	Addressed within the Organization, Management and Control Model pursuant to Legislative Decree 231/01.
	2-16 Communication of critical concerns	Under the 231 Model, the Supervisory Body carries out at least one general audit per year and submits a report to the Sole Director; where necessary, the Supervisory Body conducts additional audits on specific areas and submitsreports to management and the Sole Director.
	2-22 Statement on sustainable development strategy	*Letter to the Stakeholder*
	2-23 Policy commitments	The Code of Ethics sets out the values and principles embraced by the company and defines commitments to responsible business conduct through its activities and business relationships.
	2-26 Mechanisms for seeking advice and raising concerns	Anyone who becomes aware of, or reasonably believes in the existence of, a violation of the Code of Ethics, the 231 Model, applicable laws or company procedures may raise concerns through the dedicated reporting portal accessible via the company website.
	2-27 Compliance with laws and regulations	Chapter 1, para. 1.4 *Business ethics*
	2-28 Membership associations	The Company is a member of Confindustria Novara Vercelli Valsesia, Consorzio San Giulio and Consorzio Proplast.
	2-29 Approach to stakeholder engagement	The Chief Financial Officer periodically sends reports to customers, lenders and creditors; the HR Manager maintains relationships with trade unions, employment centres and educational institutions.
	2-30 Collective bargaining agreements	Chapter 2, para. 2.1 *Company workforce*

MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics – 2021 version	3-1 Process to determine material topics	*Methodological note*
	3-2 List of material topics	

ECONOMIC VALUE CREATION AND DISTRIBUTION

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 versi	3-3 Management of material topics	Chapter 1, para. 1.5 *Economic value generated and distributed*
GRI 201: Economic Performance 2016 version	201-1 Direct economic value generated and distributed	

SUPPLIER PARTNERSHIPS

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 3 *Our relationship with suppliers*
GRI 204: Procurement Practices 2016 version	204-1 Proportion of spending on local suppliers	

BUSINESS ETHICS

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 1, para. 1.4 *Business ethics*
205-3 Confirmed incidents of corruption and actions taken	205-3 Confirmed incidents of corruption and actions taken	

CIRCULAR ECONOMY AND UPCYCLING

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 4, para. 4.1 *The compounding process;* para. 4.2 *Raw material and packaging consumption*
GRI 301: Materials 2016 version	301-1 Materials used by weight or volume	
	301-2 Recycled input materials used	

CLIMATE CHANGE

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 6, para. 6.1 *Energy consumption;* para. 6.2 *Our emissions* Annex, *Energy and Emissions sections*
GRI 302: Energy 2016 version	302-1 Energy consumption within the organization	
	302-3 Energy intensity	
GRI 305: Emissions 2016 version	305-1 Direct (Scope 1) GHG emissions	
	305-2 Energy indirect (Scope 2) GHG emissions	
	305-4 GHG emissions intensity	

WATER MANAGEMENT

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 6, para. 6.3 *Water consumption*
GRI 303: Water and Effluents – 2018 version	303-1 Interactions with water as a shared resource	
	303-3 Water withdrawal	
	303-4 Water discharge	
	303-5 Water consumption	

WASTE MANAGEMENT

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 6, para. 6.4 *Waste management* Annex, *Waste section*
GRI 306: Waste – 2020 version	306-1 Waste generation and significant wasterelated impacts	
	306-2 Management of signifi-cant waste-related impacts	
	306-3 Waste generated	
	306-4 Waste diverted from disposal	
	306-5 Waste directed to disposal	

EMPLOYMENT AND INCLUSION

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 2, para. 2.1 *Company workforce* Annex, sezioni *Employment and Diversity & Equal Opportunity* sections
GRI 401: Employment 2016 version	401-1 New employee hires and turnover	
GRI 405: Diversity and Equal Opportunity – 2016 version	405-1 Diversity of governance bodies and employees	
GRI 406: Nondiscrimination – 2016 version	406-1 Incidents of discrimination and corrective actions taken	

OCCUPATIONAL HEALTH AND SAFETY

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 2, para. 2.3 *Occupational health and safety* Annex, *Occupational health and safety* sections
Health and Safety – 2018 version	403-1 Occupational health and safety management system	
	403-2 Hazard identification, risk assessment and incident investigation	
	403-3 Occupational health services	
	403-4 Worker participation, consultation and communication on occupational health and safety	
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-9 Work-related injuries	
	403-10 Work-related ill health	

TRAINING

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 2, para. 2.2 *Training* Annex, *Training* section
GRI 404: Training and Education 2016 version	404-1 Average hours of training per year per employee	
	404-2 Programs for upgrading employee skills and transition assistance programs	

PRODUCT QUALITY AND SAFETY

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management of material topics	Chapter 5, para. 5.1 *Safe and high-quality products*
GRI 416: Customer Health and Safety 2016 version	416-2 Incidents of noncompliance concerning the health and safety impacts of products and services	

RESPONSIBLE COMMUNICATION

GRI STANDARD	DISCLOSURE	LOCATION AND COMMENTS
GRI 3: Material Topics 2021 version	3-3 Management ofmaterial topics	Chapter 5, para. 5.3 *Transparency and responsibility in communication*
GRI 417: Marketing and Labelling – 2016 version	417-1 Requirements for product and service information and labelling	
	417-2 Incidents of noncompliance concerning product and service information and labelling	

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INDEPENDENT AUDITORS' REPORT
ON THE SUSTAINABILITY REPORT

To the Sole Director of

A.D. Compound S.p.A.

We have been appointed to carry out a "limited assurance engagement" of the Sustainability Report of A.D. Compound S.p.A. (hereinafter "the Company") for the year ended as of December, 31 2024.

Responsibility of the Sole Director for the Sustainability Report

The Sole Director of A.D. Compound S.p.A. is responsible for the preparation of the Sustainability Report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative ("GRI Standards"), as stated in the paragraph "Methodological note" of the Sustainability Report.
The Sole Director is also responsible for such internal control that he determines is necessary to enable the preparation of a Sustainability Report that is free from material misstatements whether due to fraud or error.
The Sole Director is also responsible for the definition of the objectives of A.D. Compound S.p.A. in relation to sustainability performance, as well as for the identification of the stakeholders and significant aspects to report.

Auditor's Independence and quality management

We have complied with the independence and ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is based on the fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.
Our audit firm applies International Standard on Quality Management 1 (ISQM Italy 1) which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to express our conclusion based on the procedures performed on the compliance of the Sustainability Report with the GRI Standards. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter also "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatements.

Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised and, therefore, do not enable us to obtain assurance that we would become aware of all the significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on the Sustainability Report are based on our professional judgment and included inquiries, mainly with Company's personnel responsible for the preparation of the information included in the Sustainability Report, as well as analysis of documents, recalculations and other procedures aimed at obtaining evidence as appropriate.

In particular, we carried out the following procedures:
1. analysis of the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods of analysis and understanding of the context, identification, evaluation and prioritization of actual and potential impacts and to internal validation of the process results;
2. comparison between the economic and financial data and information included in paragraph 1.5 of the Sustainability Report with those included in the Company's financial statements;
3. understanding of the processes underlying the origination, recording and management of the qualitative and quantitative material information included in the Sustainability Report.

In particular, we carried out interviews and discussions with the Company's Management and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmission of non-financial data and information to the department responsible for preparation of the Sustainability Report.

In addition, for material information, taking into consideration the Company's activities and characteristics:
a. with regards to the qualitative information included in the Sustainability Report, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
b. with regards to the quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

For the Galliate site, which we selected based on its activity, its contribution to the performance indicators and its location, we carried out site visits during which we discussed with the management and gathered supporting documentation on a sample basis on the correct application of the procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Company for the year ended as of 31 December 2024 is not prepared, in all material aspects, in accordance with the GRI Standards as stated in the paragraph "Methodological note" of the Sustainability Report.

Emphasis of Matter

We draw attention to the paragraph "Methodological note" of the Sustainability Report, prepared on voluntary basis by the Company, which includes that the Company has prepared the Sustainability Report in accordance with the Global Reporting Initiative (GRI) Standards in the 2021 version in compliance with the "*with reference option*" and that the details of the disclosures used are included in the GRI Index ("GRI Content Index").

The contents presented have been selected based on materiality analysis that identified the most significant environmental, social and economic impacts, and the related material topics. In particular, the results of the previous materiality analysis have been reviewed, updated and approved by the Management, in order to more effectively reflect the new GRI 3 guidelines on material topics, also taking into account organizational changes and regulatory developments.

Our opinion is not expressed with qualifications in relation to these aspects.

Signed by
PRO AUDIT S.r.l.

Marco Rossi
Partner

Milan, November 12, 2025
This report has been translated into the English language solely for the convenience of international readers.

A.D. COMPOUND
Plastic Material Processing

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