



CSR REPORT 2018

Non-Financial Performance
Statement



1 - THE SPHERE GROUP BUSINESS MODEL

The SPHERE group is fully aware of its social, societal and environmental responsibility and for many years has worked on improving its footprint in these areas. This Non-Financial Performance Statement (NFPS) is a formal report of analyses and efforts carried out by the group as required by the CSR Directive, applicable to the group as from the 2018 financial year.

The main activity of the SPHERE group is to design, produce and market bags and packaging used by the general public, retailers or professionals, products such as garbage bags (bin-liners), carrier bags, aluminium foil and trays, plastic film, food wrapping paper, etc.

These products are mainly made of plastic (essentially virgin or recycled polyethylene, or bio-based and/or compostable bioplastic), but also of paper or aluminium.

SPHERE also has other activities such as the production of bioplastic resins, printing on film and paper, the distribution of cosmetics, gloves, disposable tableware, etc.

These products are manufactured by SPHERE and account for more than three-quarters of the group's total revenue, which in 2018 amounted to €537 million.

In 2018, SPHERE's average headcount was 1,418 employees, about two thirds of whom were in France and the remaining third almost exclusively in Western Europe. SPHERE's area of activity is almost exclusively in Western Europe, where more than 98% of the group's revenue and total production is generated. In its 14 plants (in 2018), the group starts out with raw material and ends with the finished product. Subcontractors are used only marginally.

Raw material procurement comes from all over the world (mainly from Europe but also from Asia). SPHERE distributes its products in a wide variety of ways:

- ▶ through multiple distribution channels: mainly supermarket chains but also retailers, e-commerce, local authorities and small businesses,

- ▶ under different types of brands: national brands, own brands, low price brands or even unbranded

labels, for example at economy stores. SPHERE differs from other European market players in that for the past twenty years and more, it has placed environmental matters at the heart of its development strategy and business model.

The interactions with SPHERE's activities primarily involve employees, customers and suppliers, even though the group is frequently involved with a number of professional organisations (at the European, national and local levels) and has ties with European and national public authorities, contributing to the development of regulations that concern its products.

SPHERE is an independent group, created in 1976, and continues to grow consistently. Today revenue stands at €537 million and the headcount at 1,418 employees, but business is kept very much on a human scale and shareholding is private with the majority of shares



still in the hands of the group's founders.

This has helped to build and respect **a long-term vision for the group, focused on innovation for responsible packaging. The value created has always been essentially reinvested in the group's development, in both the company's economic development and the social advancement of its employees.**

The group's French and European ties are very strong, backed by the certainty that investments and good organisation make it possible to avoid relocations by using European skills and supporting the European economy, where we find our customers and our consumers.

The advancement of the group's employees is supported by this **commitment to local production**, as well as by a fundamental sense of environmental responsibility that drives the whole SPHERE group.

The group's future lies in maintaining its strong values and in pursuing innovation to provide even more environmentally friendly packaging solutions.

“A LONG-TERM VISION FOR THE GROUP FOCUSED ON INNOVATION FOR RESPONSIBLE PACKAGING.”

2 - ANALYSIS OF THE RISKS LINKED TO THE ACTIVITY OF THE SPHERE GROUP

The SPHERE group has carried out an analysis of its non-financial risks, the method of which is described in the methodology memorandum at the end of this document.

This report focuses on the main risks: impacts on employees and environmental footprint, although the SPHERE group also addresses the other risks with answers explained in this report.

This analysis and its conclusions were worked on with senior management and the human resources and sustainable development departments; they were then presented to and validated by the Board of Directors.

MAIN RISKS (a brief description given in detail under the chapter “Social, Societal and Environmental Information.”):

➤ Impacts on employees

Employee health (injuries, work-related illnesses, etc.): each SPHERE company is responsible for and closely monitors the strict application of regulations and the evolution of work-related accidents or illnesses.

Internal skills match: the SPHERE group permanently bears in mind the progressive aging of its workforce, the need to adapt to an evolving business model, and the ensuing changes in professions and qualifications.

➤ The environmental footprint of products

The main raw material that has traditionally been used by SPHERE is virgin polyethylene from petroleum, which is therefore a fossil material. At the end of its life, it is normally placed into a controlled waste treatment stream, but if it seeps out of this stream, it will continue to litter natural spaces for years.

This is why the SPHERE group **has been working on the development of more environmentally friendly solutions for more than 20 years.**



3 - SOCIAL, SOCIETAL AND ENVIRONMENTAL INFORMATION

SOCIAL INFORMATION

In the social aspects of its engagements, the SPHERE group is particularly committed to accountability around two major concerns:

➤ **Ensuring a safe and healthy working environment for staff**

➤ **Acquiring the human resources that best support its needs and prospects for growth**

Over and above these concerns, SPHERE keeps a very close eye on the fight against all forms of discrimination.

THE IMPACT OF ACTIVITY ON THE HEALTH AND SAFETY OF SPHERE EMPLOYEES IN THE WORK-PLACE.

The SPHERE group manages entities in which production facilities and associated working conditions present measured risks to health and safety at work, as evidenced by the indicators for work-related and commuting accidents where the frequency rate is 36.55 and the severity rate 1.96.

In addition, particular attention is paid to **safety training**, through both initial training schemes (first aid, reactions and postures, fire and evacuation, etc.) and regular refresher courses (according to the official definition). Taking full

account of the hardship of tasks is an element that is becoming increasingly important in the management of production sites, as evidenced, for example, by the automation of certain production lines.

Due to its activity, which globally requires intensive use of production facilities, the SPHERE group is required to set up and organize shift work in 14 subsidiaries, mainly 2, 3 and 5 eight-hour shifts, and, less frequently, 4 eight-hour shifts plus special organization on weekends. In all, 784 people are involved in shift work, 40% of whom work continuous cycles.

The SPHERE group scrupulously ensures compliance with all the rules relating to these different forms of shift work (medical examinations, rest periods, layout of break rooms, etc.).

➤ **The monitoring of absenteeism indicators**

Absenteeism indicators are constantly monitored by SPHERE group companies Multifactorial by nature, they are regularly cross-referenced with data on accidents at work, work-related illnesses, work organisation methods, and also changes in the average age of employees. In 2018, the overall absenteeism rate (illness and accidents) was 5.92%.

THE NON-STOP QUEST TO ADAPT SPHERE GROUP HUMAN RESOURCES TO THE NEEDS INDUCED BY ITS BUSINESS MODEL

SPHERE's stated ambitions for both the organic and external growth of its business and the markets in which the group operates require human resources that are geared to the continuity and development of the industrial and commercial needs implicit in its business model.

In concrete terms, this involves raising the qualifications of staff, anticipating the evolution of the age pyramid, and strengthening attractiveness.

In addition to these actions, SPHERE further meets its need

for qualified personnel brought about by the **renewal and development of skills** by implementing approaches akin to pre-recruitment: apprenticeships and school internships or, even further up the line, by targeting the apprenticeship tax budgets paid to high schools, universities and establishments of higher education.

As at 31 December 2018, the SPHERE group employed 1,455 people, more than half of whom were blue-collar (52% of the total). 960 people are employed in France and 495 abroad, i.e. a ratio of 66%/34%. A year earlier, at 31 December 2017, the group had a total headcount of 1,410 people, of whom 920 were in France and 490 abroad.

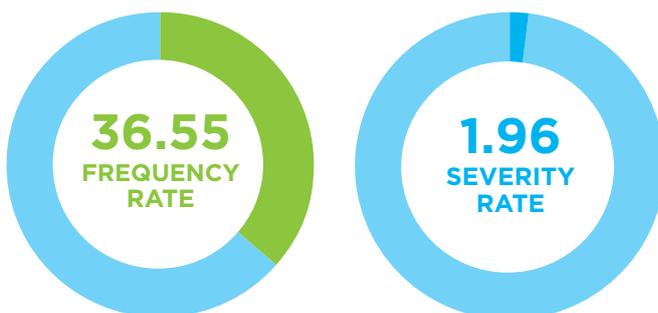
Women represent 30% of the group's workforce, 34% of executive personnel, 20% of blue-collar workers and 43% of clerks,

technicians and supervisory staff.

Another response to the need to increase skills within SPHERE is that all our training activities represent a volume of 8,331 hours, for 772 people, at a total cost of around €256,000. The main aim is to strengthen the business expertise of the group's employees. Finally, the group is developing a dynamic approach to enhance its attractiveness through its **compensation and social security coverage/benefits policy**.

In total, the group's payroll was €81.0 million as at 31 December 2018. This total amounted to €71.1 million at 31 December 2017, with the integration of the AEF group entities into SPHERE taking effect only at the end of June 2017.

→ Indicators relating to work-related and commuting accidents





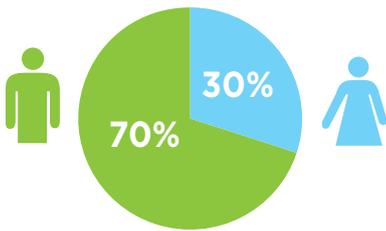
THE FIGHT AGAINST DISCRIMINATION, THE PROMOTION OF DIVERSITY AND MEASURES TAKEN FOR DISABLED PERSONS

The implementation in 2011 of SPHERE's **Code of Ethics and Conduct** reflects the group's commitment to combating discrimination, promoting diversity and integrating disabled workers.

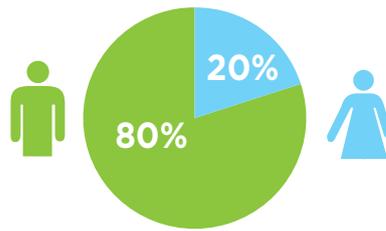
Women actively participate in the group's management; the share of women executives is higher than their share in the overall headcount of SPHERE, as mentioned above. The group employs the full-time equivalent of 44 disabled workers.

→ Gender split within the group

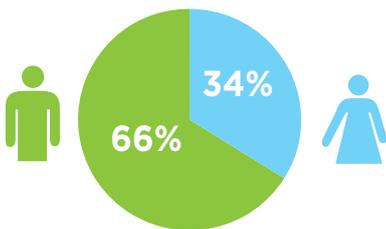
GROUP HEADCOUNT



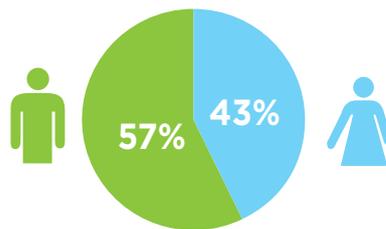
BLUE COLLAR



EXECUTIVE



CLERKS, TECHNICIANS AND SUPERVISORY STAFF



ENVIRONMENTAL INFORMATION

The detailed life cycle analysis carried out by Pricewaterhouse Coopers-Ecobilan for the SPHERE group showed that over the entire life cycle of a garbage bag/bin liner (from the production of raw material to the bag's end of life), the stages that have the greatest environmental impact are:

- ▶ the production of the raw material, causing 60 to 80% of the full footprint,
- ▶ the bag's end of life, causing about 10 to 30% of impacts; SPHERE has been working on this for **more than 25 years by applying the following eco-design principles:**
- ▶ reducing the quantity of material used for the same user function (in particular by reducing thicknesses),
- ▶ choosing the material that affords the least possible environmental impact over the entire life of the product, in particular by aiming to cut out the use of fossil-sourced virgin polyethylene and replacing it with:
 - recycled polyethylene,
 - polyethylene of vegetable origin,
 - biodegradable and compostable bio-sourced bioplastic.

A PROACTIVE POLICY THAT FULLY EMBRACES THE PRINCIPLES OF THE CIRCULAR ECONOMY

For many years, the SPHERE group has been adopting a proactive approach to saving on the consumption of non-renewable materials; this involves reducing the thickness of bags, using recycled materials, and promoting biosourced and/or biodegradable materials to produce bags.

As early as 1983, this resulted in a 30% reduction in bag thickness by using new generations of polyethylene. The group is also the source of NF Environment certification in France and is participating in the review of this label, which ensures that influential factors are taken into account throughout the life cycle of waste bags.

The group has made **significant investments in recycling**, i. e. used plastics from its own production or from outside the group. These efforts and investments continue to increase the use of recycled products in extruded material mixtures and consequently reduce the consumption of virgin materials.

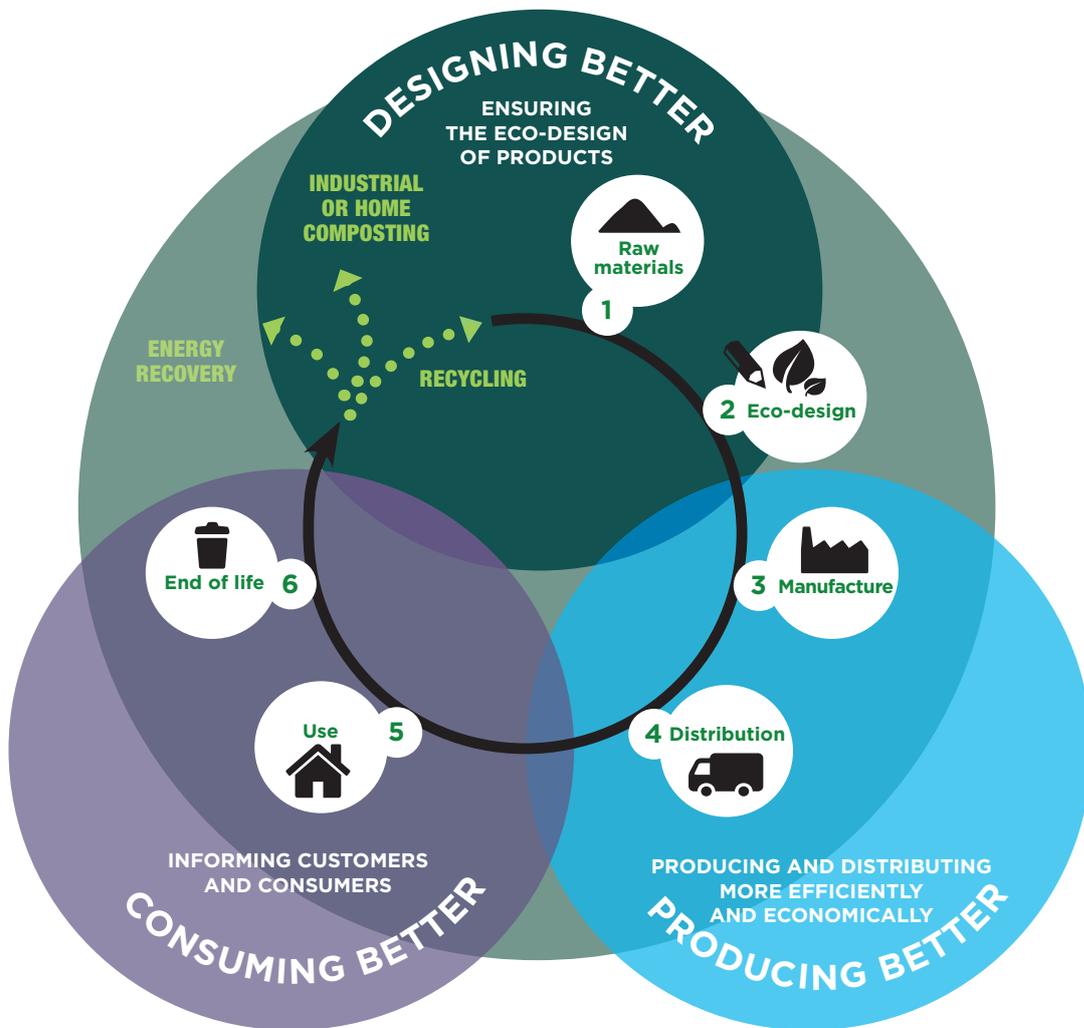
For more than five years, the extruded tonnage of virgin fossil fuels has fallen to a lower level each year as compared to recycled materials.

The group's environmental protection policy is based on innovative solutions. **The group effectively focuses its research efforts on the development of biodegradable and compostable bioplastics made from renewable plant materials.**

In 2018, the group saw continued strong growth in its production of bioplastics, particularly with bio-sourced fruit and vegetable bags that are compostable at home, in compliance with the requirements of the Energy Transition for Green Growth Act.



→ The virtuous circle of the circular economy



Additionally, the group continues to develop a range of plastic products that are not biodegradable but based on plant-sourced materials. These products have technical characteristics equal to or better than petroleum-based polyethylene. Their carbon footprint is 95% lower than that of fossil polyethylene products.

As part of the circular economy roadmap, the group continues to integrate the end-of-life issues of the products it manufactures so as not to disrupt the recycling and industrial or domestic composting sectors.

ASSESSMENT OR CERTIFICATION PROCESSES AS PART OF THE ENVIRONMENT POLICY

The environmental process aims to systematically take on board the impact of the company's activities on the environment, to assess this impact, and then to reduce it. In this respect, the SPHERE group is committed to **two approaches to environmental stewardship:**

➤ **the site approach:** an internal site management tool based on continuous improvement. Four of the group's sites are ISO 14001 certified (and also ISO 9001 certified) as of December 31, 2018 and this commitment to certification should be pursued at the other sites. The

number of ISO 14001 certified sites is one of the indicators monitored by SPHERE.

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

PREVENTION AND MANAGEMENT OF WASTE

➔ **The internal management of reusable waste**

Virtually all of plastic waste, including bioplastics, is recycled and reincorporated back into production.

The majority of production sites are equipped with a **recycling unit** and are also involved in the recovery of external plastic waste, which is also integrated into the materials used to produce waste bags.

Once emptied of their contents, the bags sold by SPHERE for selective collection are recovered by the group for recycling and recovery. The group also uses significant quantities of recycled plastic granules purchased outside the group.

Overall, **recycled plastic (internal or external) accounts for more than one half of the group's plastic consumption** and this figure rose by about

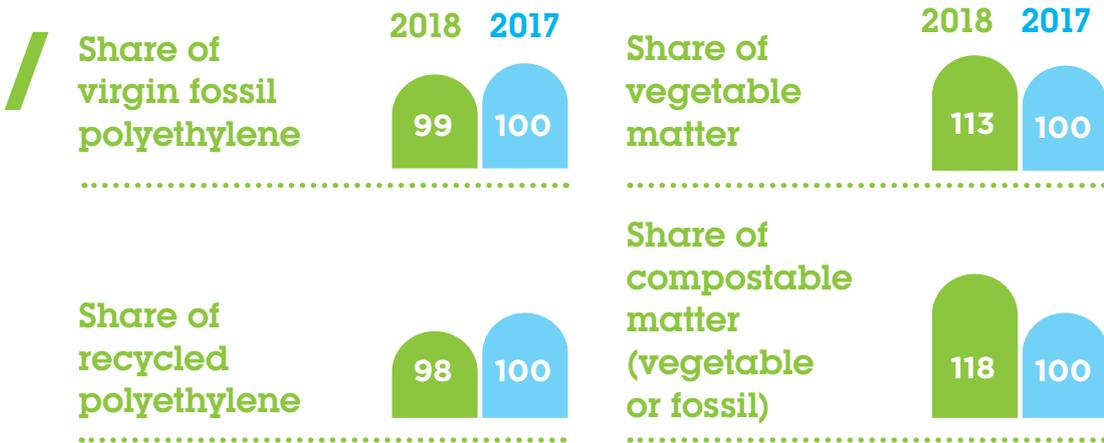
1% in tonnes between 2017 and 2018. About 70% of this consumed recycled plastic is externally sourced.

➔ **The consumption of raw materials and measures taken to improve efficiency in the way they are used**

As already mentioned, raw materials are the factor that has the greatest impact on the environment during the full life cycle of the main products distributed by SPHERE (plastic bags). So SPHERE has decided to very closely monitor the mix of raw materials used in its productions of bioplastic granules and plastic products, clearly distinguishing between, in particular:

- virgin polyethylene and recycled polyethylene,
- fossil sourced and plant-sourced materials,
- compostable matter and non compostable matter.

Out of a total of 100% of plant and fossil matter used and using the 2017 percentage as a baseline (= 100), the trend is evolving as follows:



For example, **the share of compostable materials increased by 18% in 2018 compared to the figure for 2017.**

These indicators will be monitored annually.

→ **Energy consumption**, measures taken to improve energy efficiency and the use of renewable energy.

SPHERE aims to reduce its electricity consumption per tonne produced and to contribute through its procurement policy to the **development of electricity from renewable sources**, following the example of its subsidiary BIO-TEC. This subject will be addressed in more detail in the NFPS reports in the coming years.

→ **The use of soils**
Plastics of plant origin represent less than 15% of SPHERE

materials. In addition, the global production capacity of all plant-based plastics mobilizes less than 0.02% of the world's agricultural lands, as reported by the European Bioplastics association.

SPHERE is nevertheless vigilant as to the proper sustainable management of plant resources and will address this point in more detail and in a responsible manner in this report when the amounts of these materials increase.

CLIMATE CHANGE

Climate change as a result of greenhouse gas emissions is a fundamental issue that SPHERE has been tackling for decades. Despite the many life cycle analyses already available, SPHERE does not currently endorse a simple, representative and reliable

indicator to monitor its CO₂ footprint, neither globally, nor in its plants, nor per unit of use (e.g. bag product). The group is working on this and should be able to formalize an approach ready for the 2019 NFPS report. Nevertheless, SPHERE continues to work on reducing the quantity of materials consumed per equivalent service rendered, and on the use of recycled or vegetable matter in order to continue to reduce the CO₂ footprint of its products.

SOCIETAL INFORMATION

SPHERE is committed to respecting the legislative and regulatory framework governing its business activity whilst promoting its corporate values.

ETHICS, VALUES, LEGAL AND REGULATORY COMPLIANCE

The SPHERE group has every intention to strictly comply with legal and regulatory obligations both in form and in spirit.

As such, a Code of Ethics was introduced within the group in 2011 and systematically communicated to the group's employees. To ensure water-tight application, the code has been added to the by-laws of all the group's subsidiaries. Non-compliance with the Ethics Charter is subject to potential referral to a gcompliance officer.

The Ethics Charter, posted on SPHERE's website, is often perceived by candidates for recruitment as a key component of the group's attractiveness and of its commitment to sustainable development.

In 2017, a plan to prevent the risks of corruption and influence peddling, pursuant to the Sapin II Act, was adopted by the Board of Directors. This plan has helped to identify all the risks of corruption and influence peddling related to the conducting of business,

outlining their characteristics, defining the processes for preventing their occurrence, and setting up a whistle-blowing system based on a network of local lead consultants.

ACTIONS TO COMBAT FOOD WASTE

The SPHERE group does not work with food products and so does not generate food waste. But many listed products manufactured by the group are used by consumers to protect, preserve, freeze and consequently optimize the shelf life of food products and reduce food waste, for instance freezer bags, stretch film, etc.

As an example, for several years now our Alfapac brand has been running a communication campaign (press and internet) addressing consumers on this subject. It included, in particular, **the production in 2018 of educational fun videos** and publications in food and women's magazines, designed to **raise awareness over the proper use of products and the fight against food waste**.

PARTNERSHIP OR SPONSORSHIP ACTIONS

Opting for sponsorship is an opportunity for a company to express its identity and values,

and to showcase its social and cultural responsibility. Since its creation, the SPHERE group has supported a range of charitable actions (such as artificial respirators for the Saint-Vincent-de-Paul hospital) and humanitarian work (including the Dominique Lapierre Foundation).

In 2004, the group created the SPHERE Corporate Foundation, which is involved in two areas: **music and humanitarian work**.

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

The group also supported the Dominique Lapierre Foundation in Calcutta, which helps leper children and provides them with schooling. In 2017, it supported the Global Heart Watch association in the fight against cardiac arrest. As for music, the SPHERE Foundation has set out to support and revive forgotten works.

One example was in 2012, when the Foundation initiated the revival of the quartets and sonatas of Chevalier de Saint-George in Martinique, or Treemonisha, Scott Joplin's first black opera, which had been performed on just the one occasion since it was first written.

In 2015, the Foundation sponsored a performance of «L'Amant Anonyme» in Martinique, the only fully completed opera by



Chevalier de Saint George that the composer left behind. Lately, the SPHERE Foundation paid tribute to the full international career of the soprano singer Christiane Eda-Pierre in Martinique. The SPHERE Corporate Foundation ensures the sustainability of these actions through the allocation of subsidies, and through tireless long-term participation aimed at involving associations and NGOs.

CONSIDERATION FOR SOCIAL AND ENVIRONMENTAL RESPONSIBILITY IN RELATIONS WITH SUPPLIERS AND SUBCONTRACTORS

Our Asian suppliers of finished products comply with BRC/BSCI standards and are audited by third parties. Our other suppliers comply with their national regulations and are also audited regularly.

LOYALTY OF PRACTICES: MEASURES TAKEN TO PROMOTE CONSUMER HEALTH AND SAFETY

From the initial design stage of its products, the group strives to apply user information on each product and its packaging clearly mentioning the proper use of the product, user restrictions, composition and environmental benefits.

4 - METHODOLOGY MEMORANDUM

The scope taken into account is the same as for financial data, i.e. all companies over which the SPHERE group has exclusive control. Nevertheless, in this non-financial report, one subsidiary acquired during the 2018 financial year will be consolidated only for 2019 given that its impact is non-material.

The period considered is the 2018 calendar year, as is the case for financial data.

The analysis of social, societal and environmental risks was mainly carried out by the human resources and sustainable development departments, working with senior management. Other SPHERE departments will be more involved from 2019 onwards alongside the HSE and HR managers of our main subsidiaries.

A very broad list of potential risks was established. Then each one was weighted according to dangerousness, likelihood of occurrence and the proportion of SPHERE's potentially impacted activity. This helped to establish an overall score. Only the main risks, given the highest ratings, have been detailed in this report. Relevant monitoring indicators have been chosen to monitor the evolution of these risks. For some, the accuracy of the 2017 data did not allow their 2017 value to be indicated in comparison to that of 2018. The selected indicators have been put together as given below. With regard to the social indicators given in the document's social section, construction was as follows:

- The total theoretical number of hours worked: for each subsidiary, this indicator is calculated as the sum of the individual theoretical annual hours plus overtime and time added on.
- Total number of actual hours worked: this indicator is calculated from the theoretical number

of hours worked, after deduction of all forms of leave, whatever its nature (paid leave, seniority leave, fractioning, unpaid leave, compensatory rest, etc.), plus all types of absence, whether paid or unpaid.

- Frequency rate: this is calculated by multiplying by one million the number of work-related and commuting accidents involving time lost during the year, then dividing the sum thus obtained by the total number of hours actually worked.

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

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

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

- Hours of training: this covers all training activities deployed throughout the group's subsidiaries, including health, safety and working conditions. Actions relating to work-study contracts - apprenticeships and professionalisation - are excluded.

- Training costs: these include teaching costs and the travel expenses incurred, but exclude the salaries of trainees.

For the record and unless explicitly stated otherwise, the number of employees is calculated on the basis of those present as at 31 December 2018.

For two subsidiaries representing less than 1% of the group's headcount, only workforce data was taken into account. In the absence of more precise data, the number of theoretical and actual hours worked was estimated, and the data for

absenteeism and training has been left at zero given the specific characteristics of these entities.

Data prior to 2018 was included only insofar as it was based on the same calculation methods as used in 2018.

The environmental indicators pertain to the use of the following different raw materials: virgin fossil polyethylene, recycled polyethylene (resulting from the internal re-granulation of the group's production waste or purchased externally in the form of granules), vegetable matter, compostable materials.

For each of these subjects, the indicator covers:

- the total tonnage actually consumed in extrusion in each of the group's manufacturing plants in 2018 for the production of plastic products (bags or granules sold outside the group),
- divided by the total tonnage of plant and fossil materials consumed within the same scope over the same period.

This 2018 NFPS report is a first step that stretches beyond SPHERE's strictly regulatory obligations, and will be further developed in 2019.

The following themes were not addressed:

- themes that are not relevant to the activities of the SPHERE group: animal welfare, the fight against food insecurity, responsible, fair and sustainable food;
- collective agreements, because they are managed at the level of each company and are not monitored centrally; this subject, although important, does not constitute a major risk for the group and does not warrant a specific monitoring indicator.

The whole of this 2019 Extra-Financial Performance Statement has been thoroughly verified by an independent third-party body KPMG, which has drawn up this report in May 2019.



Head office:
3, rue Scheffer - 75116 Paris
Public limited company with a capital of 7 510 000 €
RCS Paris B 306 591 249
www.sphere.eu