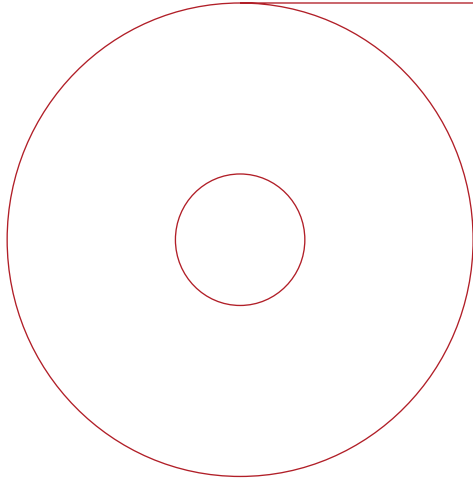




**Sustainability
Report**

—
2019



Report profile

The Sustainability Report of Aluflexpack for 2019 is the Group` s first annual sustainability report.⁸⁶ It includes information from the following entities: Aluflexpack Novi d.o.o., Omial Novi d.o.o., Aluflexpack Polska Sp. z o.o., Arimpeks Alüminyum San. İç ve Dış Tic. A.Ş., Eliopack S.A.S., Process Point Service AG and Aluflexpack AG and AFP Group GmbH.⁸⁷

This report was developed in accordance with the core version of Global Reporting Initiative Standards (GRI).⁸⁸ The report has not undergone of external assurance,⁸⁹ but we will consider this process for our future non-financial reports.

To ensure that our operations are conducted in compliance with sustainability principles, along with careful business planning we value our stakeholders` opinions about our impact on the economy, society, and environment. If you have questions, comments, or suggestions about the content of this report, please let us know. You can direct them to: info.ch@aluflexpack.com.⁹⁰

- The print edition of this profile is:
- printed on FSC 100% recycled paper
 - in a format carefully chosen to leave minimum paper waste after production
 - printed in a local printing press, leaving minimum carbon footprint
 - printed in the FOGRA PSO standard, paying attention to optimal consumption and quality of printing inks
 - bound using 100% organic cotton thread



Igor Arbanas, CEO

⁸⁶ 102-50 Reporting period, 102-51 Date of most recent report, 102-52 Reporting cycle
⁸⁷ 102-45 Entities included in the consolidated financial statements, 102-48: Restatements: none, 102-49: Changes in reporting: none
⁸⁸ 102-54 Claims of reporting in accordance with GRI Standards
⁸⁹ 102-56 External assurance
⁹⁰ 102-53 Contact point for questions regarding the report

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Letter from the CEO



Letter from the CEO¹



Dear Stakeholders,

Sustainable growth is quickly becoming one of the preconditions for success and longevity, not only in manufacturing industries but also in all aspects of our lives. Considering the unpredictable and volatile world we live in, the only way to maintain sustainable operations is to pay close attention not only to financial results but to the impacts that organisations have on their surroundings.

Reading this report, the first Sustainability Report for Aluflexpack, you will learn more about the ways we, as a large manufacturer of packaging solutions for customers from various industries, perceive and manage our impacts on the economy, society and environment. For 2018, we initiated a pilot project for reporting which focused on our operations in Croatia; we took this approach because we wanted to carefully examine our non-financial impacts in one location, and determine what we need to do to show you more about our impacts group-wide. And here it is, the AFP Sustainability Report for 2019, providing deeper insight into the way we produce, create partnerships and increase value throughout Europe and the world.

We are focused on describing the way we develop these flexible products together with the leading brands that rely on them. We do this not only to secure their safety, quality and optimal shelf life but also to keep their impacts on the economy, environment and society to a minimum, from sourcing of materials to production and consumption, all the way to waste management. To do so, we need to invest in the modernisation and optimisation of production, in innovation, research and development, but also in the creation of workplaces for satisfied employees and in the careful management of environmental impacts. These are the assignments to which we are very dedicated.

Our joint efforts in achieving this create a group synergy that brings our individual strengths forward. Not only are we strong, innovative and flexible enough to be competitive globally but we also do this by focusing on the minimisation of any negative impact of our operations.

We are, however, very aware that we can always be better; in this sense, it is important for us to receive your honest and constructive feedback about the ways you see our economic, environmental and social impacts, as well as our commitment to their management. We would like to hear your opinions because only through continuous dialogue are we able to do more and improve our operations to provide more value by using less resources.

Sincerely,

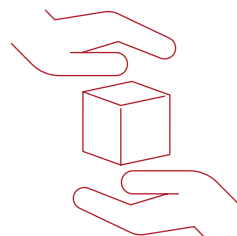
Igor Arbanas

Aluflexpack CEO

We value



We value²



Product Safety and Consumer Health

We always strive to fully comply with the strictest local and international regulations and standards but also to take a proactive approach to product development.

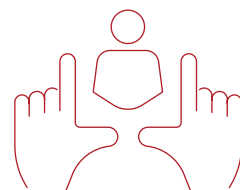
Aluflexpack follows developments on the market through an extensive supply chain network and full cooperation with its stakeholders. All our sites perform regular risk assessments along with internal and external laboratory analysis and utilise customer feedback to detect potential product safety risks and ensure timely improvement studies.

We promote product safety and consumer health awareness among all our stakeholders as a crucial issue for the health of the society.

Customer Focus and Innovation

We believe in growth through sustainability-driven innovation, working continuously on upgrading our products and modernising our production, while engaging experts in manufacturing top-quality flexible packaging. Tailor-made customer solutions, both technical and logistical, are the focus of our daily work.

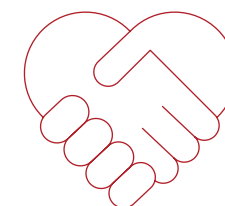
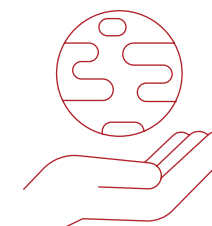
Aluflexpack is a partner of first choice for many European market leaders, following their emerging packaging needs. Technological advancement combined with innovative solutions enables us to continuously support them from the initial idea up to serial production. Our customer's benefit is generated by the highest product quality, timely deliveries, efficient order sizes, competent support, and dedicated service of our employees.



Environmental Efficiency & Responsibility

We are committed to preserving Mother Nature for future generations. We carry a great sense of responsibility for practicing efficient use of resources as well as raising awareness about preserving planet Earth.

Aluflexpack dedicatedly continues to work on producing the best products with the lowest possible use of resources, sustainable product development (e.g. downgauging, monomaterials), responsible procurement, waste management, high-end infrastructure and digitalisation in business operations, thus ensuring resource efficiency, cost optimisation, and carbon footprint reduction.



Ethics & Integrity

Integrity and reliability form the basis of our corporate culture. We forge transparent and ethical relations with all stakeholders based on traceable and accurate data.

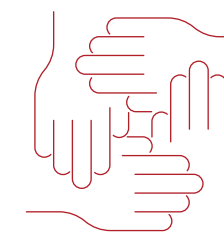
We continuously improve our processes to secure transparency and communicate our dedication to ethical operations to our customers, partners and employees.

Inclusive Corporate Culture

Diversity and inclusion are the key to creating group synergy and a strong organisational culture at Aluflexpack.

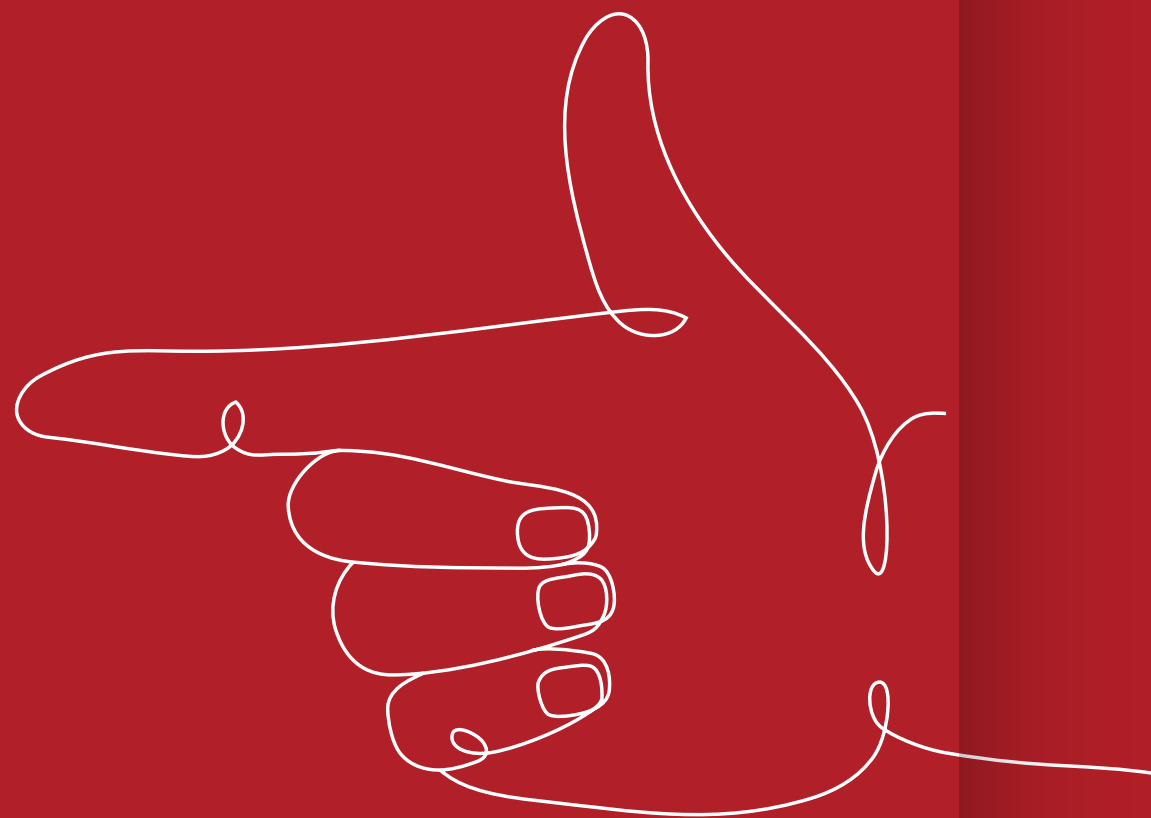
Our group is expanding in different regions with teams and experts from diverse cultures coming together under the same umbrella. We are guided by the fact that only a high-performing and satisfied team can secure efficiency and organisational growth and contribute to social and economic development.

An inclusive approach is important to our communities as well; we strive to help them grow as we grow and find mutual understanding and interests in our cooperation.





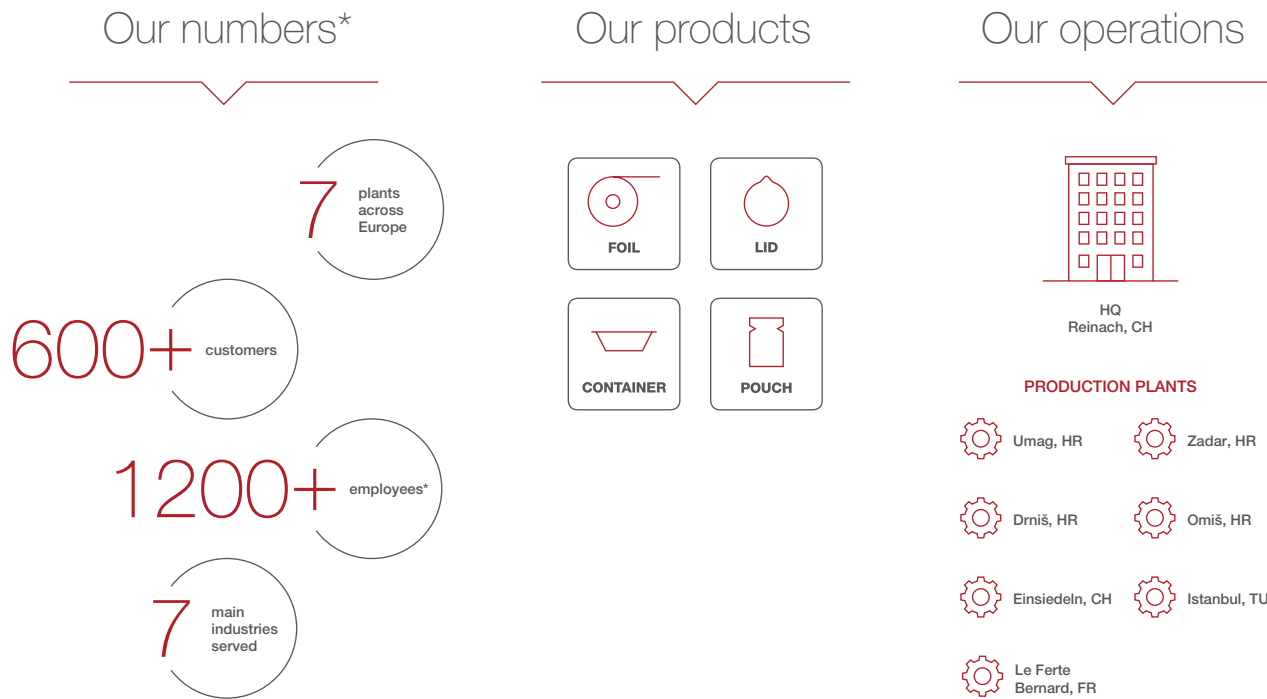
We are
Aluflexpack



We are Aluflexpack

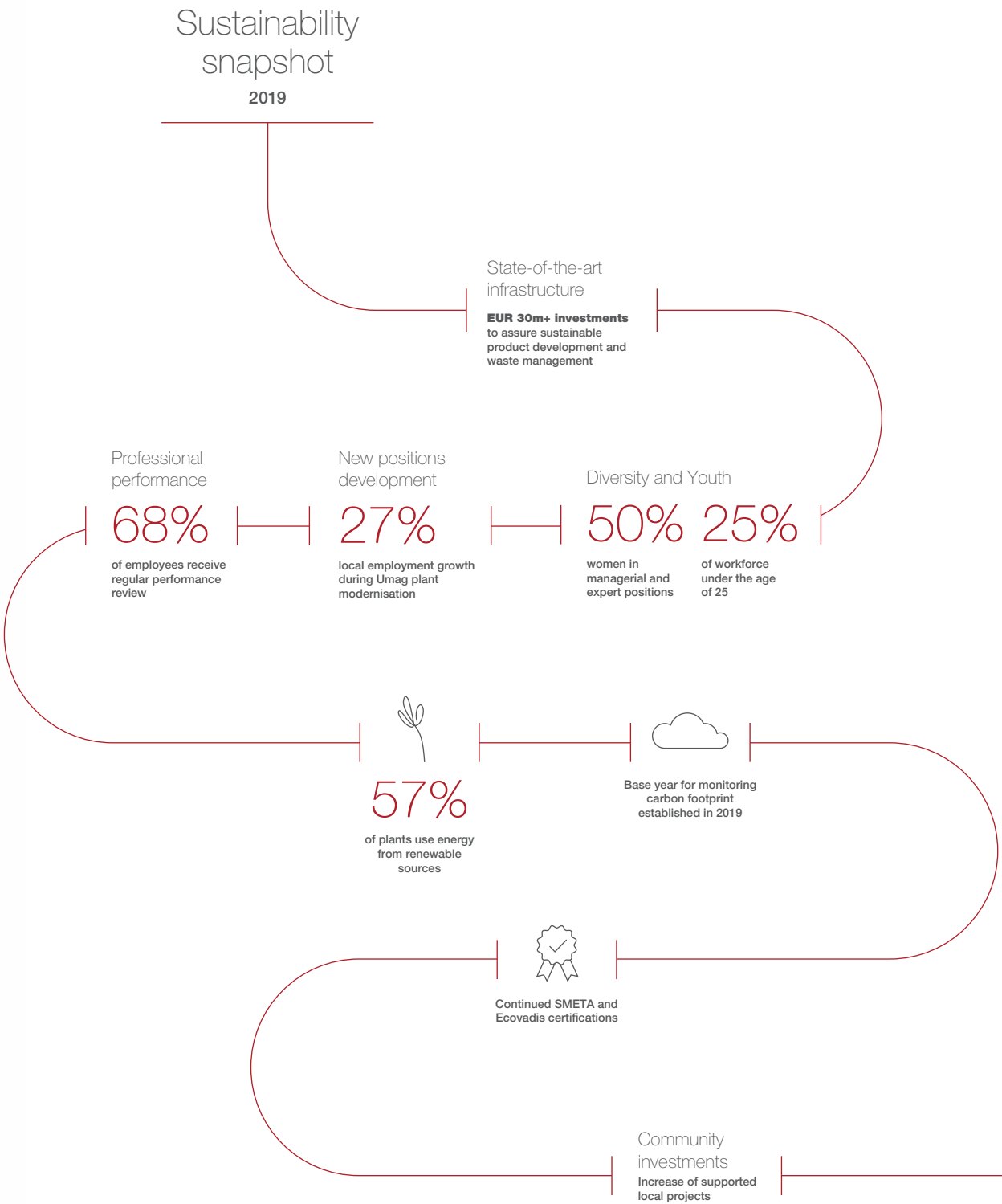
With more than 35 years of experience, operating in European and global markets, Aluflexpack³ focuses on certain product categories, providing high-quality flexible packaging solutions to a variety of valuable and well-known brands of leading European and international manufacturers. Our company's key competence is the development and manufacturing of aluminium- as well as plastic-and paper-based packaging solutions on an industrial scale for the Coffee and Tea, Confectionery, Dairy, Other Food, Other Non Food, Pet Food and Pharmaceutical industry. We serve these markets with high-quality product solutions such as coffee capsules, containers, lids, pouches, foils and films. Our company operates an integrated value chain, which enables us to create synergies between our production sites and deliver optimal service quality: flexibility, agility and reliability in day-to-day operations as well as competence in the development of new and existing products. We currently have over 600 customers, from multinational organisations to medium-sized businesses and local companies,⁴ which benefit from our strong technological platform, as well as our well-founded know-how and passionate service.

Infographic⁵



*these values refer to December 2019

³ 102-1: Name of the organisation
⁴ 102-6: Markets served
⁵ 102-7: Scale of the organisation



Aluflexpack operates through 11 integrated locations in Europe, with a sales and administrative office in Austria, a logistics centre and sales office in Poland, and modern factories at locations in Croatia, France, Switzerland, and Turkey.⁶

Since 2012, Aluflexpack has been owned by Montana Tech Components AG (MTC), which is a technology and innovation-oriented group focused on serving global markets.⁷

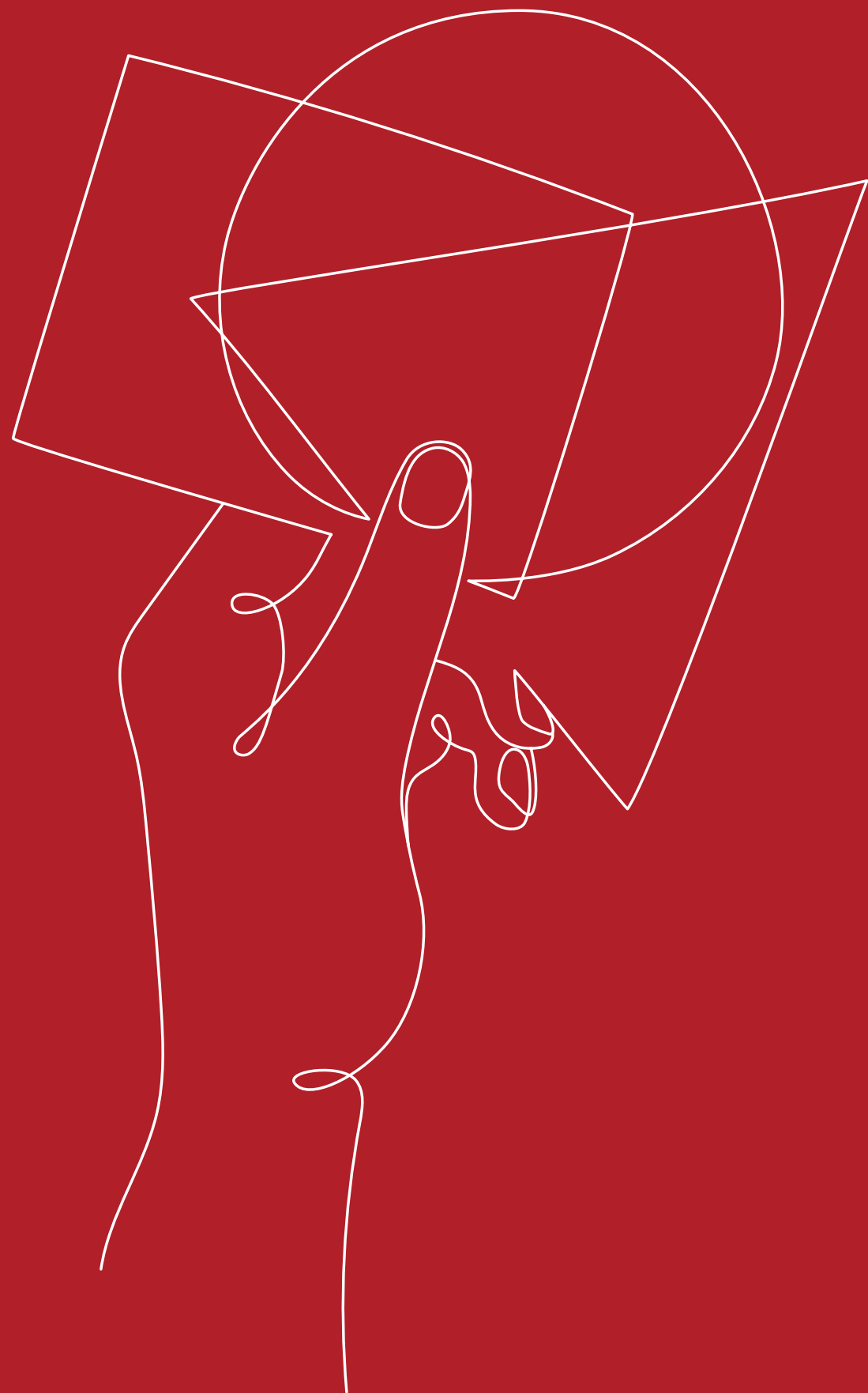
On 28 June 2019, the company reached an important milestone with the listing on the SIX Swiss Exchange. The proceeds from the public offering are used to fund the company’s organic and inorganic expansion of its integrated platform to further improve the services offered to its clients.

Along with MTC, which holds 53.6% of the shares after the IPO, AFP's shareholder base comprises numerous renowned institutional investors from the UK, Switzerland, France, Germany, other European countries and the United States, as well as retail investors.



⁶ 102-3: Location of headquarters, 102-4: Location of operations

⁷ 102-5: Ownership and legal form



Materiality in
the core of
our business

Materiality in the core of our business

As a company operating in the packaging industry, we understand that we play a significant role in a long distribution chain which requires high standards of responsibility and awareness of the sustainable impact for our business. Our views of sustainability are reflected in our strategic and managerial approach to our impacts on the environment, economy and society.

Our products are used by a significant number of stakeholders worldwide in pharmaceutical, medical, food, personal and household products, and we pay special attention to responsibility in our production and delivery processes. We carefully manage our environmental impacts striving to minimise them, and invest in the best available technologies. In our local communities, we invest efforts to be a responsible employer and good corporate citizen, ensuring that our social impact is positive in the areas of our operations.

We are committed to aligning our business efforts to meet the expectations of our stakeholders, manage our processes responsibly within our material topics and align our strategies to contribute to the UN Sustainable Development Goals. This chapter contains our approach to stakeholders, the description of our materiality and our contribution to UN Sustainable Development Goals.

Our stakeholders

In our business relations and other collaborative relations, we uphold an open approach and dialogue, striving to respond adequately to the expectations of our stakeholders. In the stakeholder identification process, we considered their legitimacy, influence, and urgency in the segments in which Aluflexpack builds and maintains relations with them. We recognised the following stakeholder groups as vital to our business and as those on whom we have a significant impact:

- Shareholders
- Customers
- Employees and unions
- Suppliers
- State and regulatory bodies
- Creditors and financial institutions
- Interest and expert associations
- Scientific and education institutions
- Civil society organisations (NGOs)
- Local communities⁸

We have engaged representatives of key stakeholder groups in a material topics assessment process, evaluation of potential contribution of Aluflexpack to the Sustainable Development Goals and the evaluation of the responsible behaviour of our group. Our stakeholder engagement⁹ was organised in an online format on five markets: Croatia, France, Poland, Switzerland, and Turkey with 79 individual stakeholders. In the stakeholder engagement, the most intensive feedback was from our suppliers and customers on all the markets in which AFP operates, since they are the comparatively two largest stakeholder groups and possibly because they have a very active interest in contributing to the discussion on material topics.

⁸ 102-40: List of stakeholder groups
⁹ 102-43: Approach to stakeholder engagement

What is important to them and to us¹⁰

The process of materiality determination was launched by forming an international working group gathering the representatives from various countries in which we operate and various organisational segments. Initially, the working group checked the validity of the selected key organisational stakeholder. In this process, we respected the principle of stakeholders identification, recognising a stakeholder as the group with legitimacy towards the organisation, on whom our business operations or products have an impact or that is involved in any significant business or collaborative relation with Aluflexpack and who can influence the company.¹¹

The working group then assessed what is material for the company based on four criteria: financial and investment impact; regulatory, sectoral (or political) impact; stakeholders’ expectations and reputation impact; and the impact of technology, innovation and development. Material topics were afterwards checked with the stakeholders before their final confirmation. The stakeholders did not raise additional topics or concerns¹² regarding AFP's operations and their impact.

10 102-46 Defining report content and topic Boundaries
11 102-42: Identifying and selecting stakeholders
12 102-44 Key topics and concerns raised

Key economic and market impacts

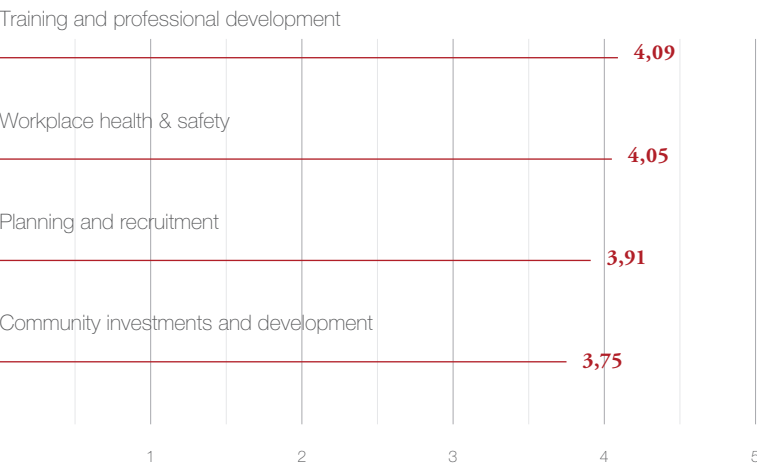
Quality, process and risk management, securing safety, quality and shelf life of consumer goods are scored, expectedly, as the most important topics. This is followed by the topics of reliable service and customer satisfaction, responsible procurement and working with the suppliers to increase a responsible and sustainable supply chain. Sustainable product design and development with the use of sustainable materials are ranked very high, as well. This result stems from the increasing awareness by all stakeholders but specifically customers and suppliers on the importance of the implementation of sustainable practices in production. Maintaining transparent and ethical business, as well as fair market competition scored just somewhat lower, probably because the stakeholders do not perceive this category as very challenging for future developments.

Safety and customer satisfaction, as well as transparent and honest business behaviour, are a logical choice for an industry which has customer trust and responsible market behaviour at the core of its sustainable efforts. All these material topics are strongly connected with the priorities of Aluflexpack stakeholders.



Key social impacts

Areas of social impacts are also rather closely evaluated by the stakeholders. Both internal and external stakeholders agree that internalised material topics - employee training and professional development, health and safety in the workplace, and planning of personnel and recruitment take precedence before community investment and cooperation. Such evaluations are generated by the increased challenges related to the labour markets during 2019. Specifically, the topic of education and professional development becomes increasingly important, while health and safety topics are traditionally significant for production companies.



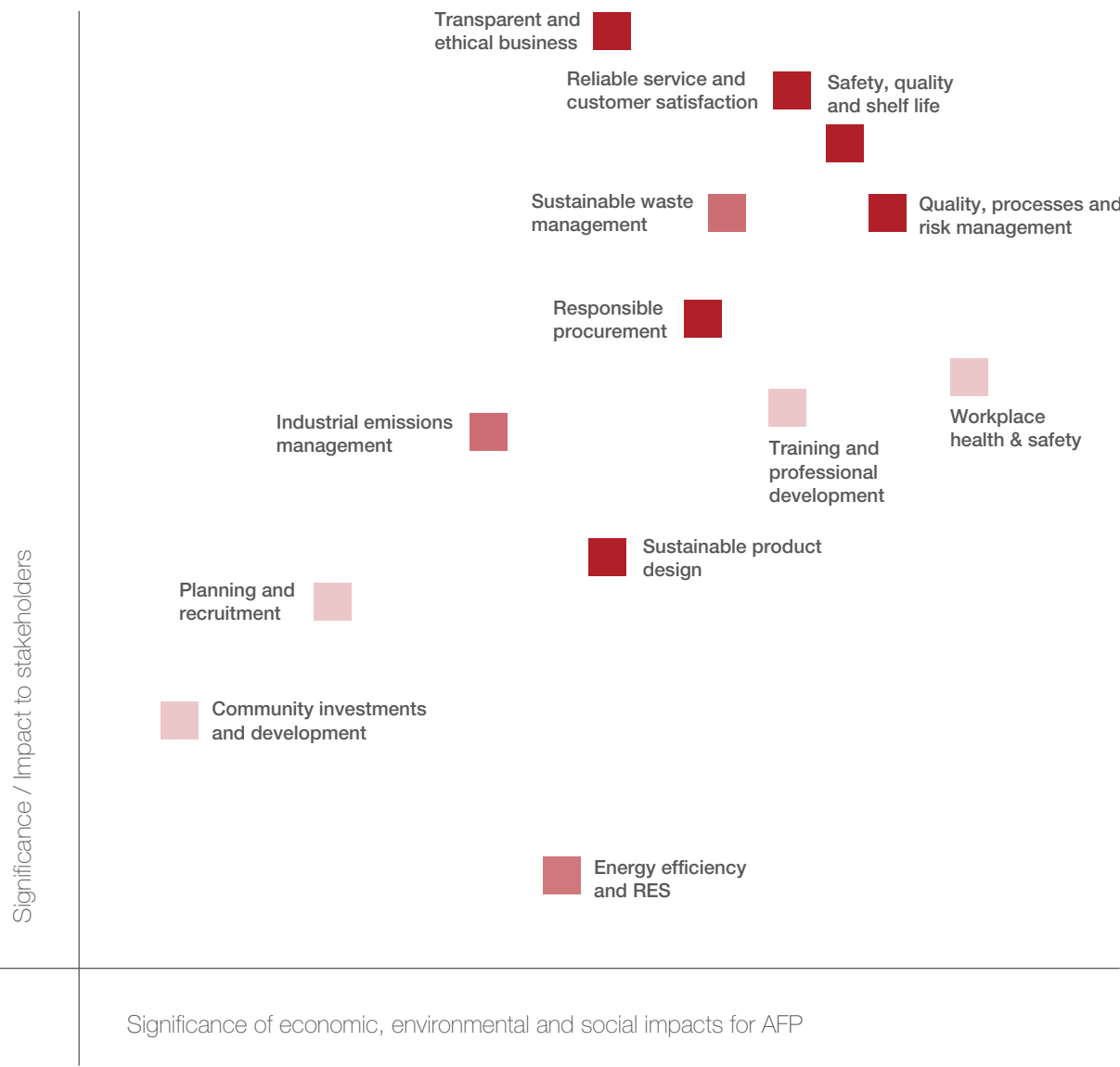
Key environmental impacts

The flexible packaging industry comes along with environmental implications in various aspects. Stakeholders articulated the importance of managing individual material topics. Stakeholders evaluated the importance of managing impacts in these topics quite closely, giving somewhat greater importance to energy efficiency and the use of renewable energy sources. With the emergence of the awareness of sustainable management of energy sources such a trend of stakeholder opinion development is expected. Sustainable waste management remains a vitally important topic, closely followed by industrial emissions management.

Evaluation of the significance of all material topics was evaluated by an average of 4.07 (out of 5), while the influence of these material topics on stakeholder assessments and decisions marked an average of 4.59. This means that the stakeholders are increasingly aware of the impacts by industries on their business viability. There were no major differences in evaluations by diverse stakeholder groups. Some stakeholders gave with higher grades to those material topics which they perceived as having a more direct impact on their business and sustainability.



Materiality matrix¹³



13 102-47: List of material topics

Efficiency in impact management

Our stakeholders' perception of our success in managing our non-financial impacts (infographics)

Average grade in all material topics

4.20 / 5

97%	Health and safety in the workplace <small>say excellent or very good</small>	86%	Waste management <small>say excellent or very good</small>
97%	Education and professional development <small>say excellent or very good</small>	82%	Responsible procurement <small>say excellent or very good</small>
92%	Reliable service and customer trust <small>say excellent or very good</small>	81%	Industrial emissions management <small>say excellent or very good</small>
91%	Safety, quality and the shelf life of consumer goods <small>say excellent or very good</small>	78%	Sustainable product development and design <small>say excellent or very good</small>
88%	Fair market competition <small>say excellent or very good</small>	77%	Community investments and collaboration <small>say excellent or very good</small>
88%	Quality, process and risk management <small>say excellent or very good</small>	67%	Energy efficiency <small>say excellent or very good</small>
88%	Recruitment <small>say excellent or very good</small>		

Managing risks

Risks which stem from Aluflexpack business operations or otherwise emerge as significant can be monitored and assessed according to their area of emergence.

Economic and market risks

Risks in this domain are strictly connected to successful business conduct and financial and economic sustainability of the company, its responsibility in conduct on the market in relations with customers, suppliers, and other business partners. The foundation of sustainability and successful risk management is specifically connected to quality maintenance and responsible process management. Aluflexpack, with its strict approach to quality management and high-quality products continuously secures growth in various market segments, which decreases the risk of exposure to potential market crises. In the supply chain, risks may occur in the case of market irregularities, which can cause the transfer of economic losses in the supply chain. Market risks also comprise food safety, which is the most important material topic for Aluflexpack, which actively manages processes of quality control in the production, transport and storage of products.

Environmental risks

Management of environmental risks is partially connected to the management approach to sustainability, and partially to innovations and advancement of the technological segment of the process. Responsible business in environmental protection and the decrease of impacts on the environment and nature is also related to quality management processes and relevant standards and certificates. Aluflexpack implements strict standards of environmental protection as well as regular monitoring and measuring, by which we minimise our negative impacts on the environment.

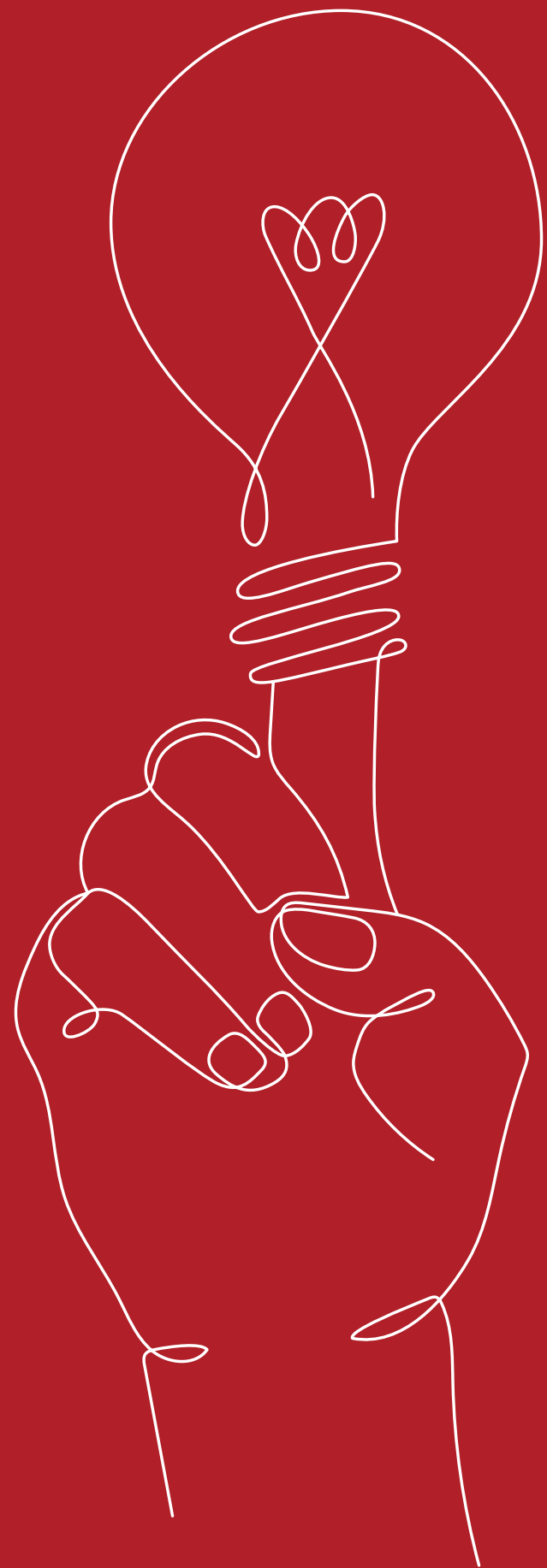
Social risks

Each large company is very strongly exposed in the context of the society and local communities in which it operates. Social and labour trends are diverse in various markets in which we operate. Generally, they reflect the constant rejuvenation of the labour force and changing priorities of the younger generations, a continuous competition to earn the trust of high potential and high-quality workforce and volatile demographic trends. Since Aluflexpack is a large employer in some local communities where we have our production facilities, we are especially careful in our approach to the employment of local people. Health and safety at work are actively managed by implemented high standard processes appropriate for the industry of flexible packaging.

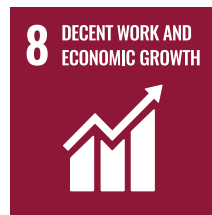
Contribution to the UN sustainable development goals (SDGs)

Every large industry having significant impacts on the economy, environment and society is required to consider the relation of its business policies, plans, sustainability and responsibility strategies and its daily business operations to the realisation of the UN Sustainable Development Goals. Our reporting team discussed at its workshop the ways Aluflexpack business operations respond to SDGs and how the material topics are connected to them. Following the self-evaluation assessing to which SDGs we positively contribute, we also asked our stakeholders to share their opinions. The final analysis indicated that we can contribute to the following SDGs:





Market:
outstanding
operations with
stakeholders
at the centre



Market: outstanding operations with stakeholders at the centre

Our approach relies on meeting and exceeding the needs of our customers by developing and manufacturing high-value-added products, focusing on fast-growing end markets and our deeply integrated value chain. We operate in an entrepreneurial and innovative way, harnessing our decades-long expertise, dedication to the development and full process control.

We are converting aluminium, paper and plastic films to high-quality final products so Aluflexpack is the partner of choice for the development and large-scale industrial manufacturing of premium flexible packaging solutions in high-demand end-markets.

A new phase of investments in modernisation

“One Billion Pouch” project

In 2018, Aluflexpack continued investing in modern equipment, technology and production facilities by upgrading general infrastructure and initiating new projects. In 2019, only at one site EUR 6 million was invested in renovation and extension. Also, the expansion of production capacities is expected to have an investment amount of around EUR 30 million in total and is to be completed in the coming years. This project includes:

- construction of new production facilities, laboratory and a warehouse (6.000 m²)
- installation of new equipment for pouch production
- customised and state-of-the-art machinery
- investment in modern lab equipment
- conversion of the existing production facility
- extensive intervention into machine and power installations
- expansion of the solvent recuperation facility
- the construction of a new power station, avoiding production loss time

This investment expands production capacity, increases energy, resource and time efficiency and improves agility, offering superior service capabilities to our customers in fast-growing markets.

New Digital Line

In 2019 AFP completed the launch of the first digital printer, thus increasing product quality and further decreasing the environmental impacts of production. Its benefits include:

- faster setup of digital artwork, avoiding loss of time
- user-friendly and automated system, avoiding manual application defects
- less waste with an easy operation and maintenance – cost-effective and contributing to environmental development
- faster lead time for adapting to customer demands - supporting customer planning and satisfaction
- customisation of the product with its aspects of variable and serialised data printing

Accelerated development with RAPID Program

RAPID Program is a project for which a Grant Agreement was signed for projects co-financed by the European Structural and Investment Funds in the 2014-2020 financial period¹⁴. The project aims at the development of new products, improvement of technologies and operative processes as well as increasing capacity and overall efficiency in the whole supply chain, through the increase of own investment on implementation of experimental research and development activities in Aluflexpack. The implementation boosts innovation, excellence achievement in experimental research, marketing of new products, capacity, revenue and competitiveness increase, as well as contributing to the development of the local economy.

¹⁴ 201-4: Financial assistance from the Government

Responsible service and customer satisfaction

The satisfaction of our customers is the basis and the most credible indicator of our company development. Besides economic aspects, our customers are increasingly aware of environmental and social impacts of their own business. Their value chains are considered through this lens, taking into account their own sustainable development in general.¹⁵

We aim to continuously increase customer satisfaction and keep our leadership on local markets, and to sustain success in offering products for leading brand owners. Complying with all commitments, it is the responsibility of all our employees under the leadership of top management to contribute to the success of our production and customer satisfaction. In order to succeed in this area, we benefit from the resources of AFP and strong suppliers. We appreciate and use every feedback that would boost up our improvement opportunities, such as market trends, fairs, customer demands/ complaints/audits with the updates on regulations and standards.

Our focus is firmly fixed on outstanding product quality, development as well as reliable and committed service, which serves as the basis for long-standing partnerships and makes our company the partner of choice for numerous well-known producers and brands.

Aluflexpack works to offer custom-tailored, high quality products and services with:¹⁶

- improved characteristics of materials: R&D projects in cooperation with customers to develop materials with a lower environmental footprint (mono-materials)
- lower resources spent in manufacturing: decrease of material thickness, less use of varnishes and inks
- safety guarantee: internal policies and regulations are set to manage our entire process of production, with periodic updates on local and global regulations and standards to maintain and advance ISO 9001, 14001 and BRC, SMETA norms as well as ECOVADIS sustainability rating and good manufacturing practice aimed at securing the trust and loyalty of our customers

¹⁵ 103-1: Explanation of the material topic and its Boundary

¹⁶ 103-2: The management approach and its components

- optimal shelf life
- flexible lead times: optimisation of printing orders and deliveries
- single portion packaging to prevent (food) waste
- smaller order quantities (digital printing)

Customer satisfaction is tracked on an annual level¹⁷ and based on documented information received from the customer, including customer audit. The CRM software is also at our customers’ disposal to record any feedback. Customer claims are documented on our internal platform SharePoint, where root cause analysis and improvements are evaluated. At least once a year, the efficiency and effectiveness of our integrated management system is examined by the Management Board to determine whether it complies with strategic direction of the company.

Data for the system evaluation contains:

- degree of fulfillment of quality goals
- safety and environmental impacts
- results of audits on compliance with norms, regulations and standards
- internal and external claims, cases, incidents, feedback
- necessity and opportunities for improvements
- risk assessment results
- annual plan to reach measurable goals.



17 103-3: Evaluation of the management approach, 102-11: Precautionary Principle

Sustainable product development and design

We believe in growth through sustainability-driven innovation. Aluflexpack products are manufactured in integrated processes that not only provide adjustments to customer demands but also follow trends in consumer market and technological advancements. This process is focused on creating sustainable, modern and flexible packaging, supporting the needs of modern life, but taking into consideration all impacts in its life cycle as well.¹⁸

This process is also constantly evolving through multi-stakeholder co-operation; by engaging our customers, suppliers and employees, we work on decreasing our product impact and offering added value. At Aluflexpack, we always strive to find a way to offer the best product with the least possible amount of material, thus decreasing the environmental footprint of our company, our customers and their end-users. Regular monthly and yearly management review meetings are held to re-evaluate and advance these processes.¹⁹

Following our determination to provide increasingly sustainable packaging solutions, during the past several years we have been working on a series of research and development projects, also aligned with our investments into the modernisation of our plants.

In the production of packaging, due to regulations and customer requirements, we use virgin raw materials for primary packaging.²⁰ Total purchased volume at the group level (AFP Novi, Omial Novi, Arimpeks, Eliopack) in 2019 was ≈ 47 000 t; this pertains to raw materials; solid and liquid, not including the weight of purchased packaging material.²¹ However, the modernisation of the production process in some of our plants, enabled us to use around 50% less heat seal lacquer in the product composition for aluminium lid products in the food industry without decreasing any quality and safety aspects.

Current projects in different phases of development:

- Reducing weight of aluminium and plastics used in products
- Replacement of PVC lacquer for packaging
- Developing mono-material solutions



18 103-1: Explanation of the material topic and its Boundary

19 103-3: Evaluation of the management approach

20 301-2: Recycled input materials used

21 301-1 Materials used by weight or volume

Quality, process and risk management

We are constantly aware that every aspect of our production and products may have a vital impact on the health and safety properties of products that our customers provide to end users. Therefore, our most important job is to produce equally excellent packaging, securing long a shelf life and sustainability throughout the life cycle.²²

Aluflexpack determines its quality and process management utilising industrial standards and principles including ISO, the British Retail Consortium Standard (BRC), SMETA goods manufacturing practice and others. Additionally, we examine the way we comply to sustainability principles in the entire value chain by submitting our operations to a sustainability rating conducted by EcoVadis.

In our everyday work, we establish and follow internal procedures that abide by all local and international regulations, customer requirements and expectations from our stakeholders.²³

We increase the effectiveness of this system by closely identifying and monitoring risks and opportunities and engaging employees and suppliers to provide feedback about the success of its implementation. We perform internal and external audits, including financial audits, local government audits, third-party certification body audits, and periodical customer audits to determine possible room for improvements, as well as implementing multiple checks and approvals in our management systems throughout the value chain.²⁴

Abiding by all regulations and our own standards in operations, AFP did not record cases of non-compliance in environmental,²⁵ social or economic areas.²⁶ Both EcoVadis and SMETA audits confirm that all segments of operations within our value chain are in line with positive standards, for which we try to constantly raise and exceed the bar in our everyday production.

22 103-1: Explanation of the material topic and its Boundary

23 103-2: The management approach and its components

24 103-3: Evaluation of the management approach

25 307-1: Non-compliance with environmental laws and regulations

26 419-1: Non-compliance with laws and regulations in the social and economic area

In frame:

Compliant with international standards

- ISO 9001:2015
- ISO 14001:2015
- ISO 15378:2011
- ISO 22000:2005
- BRC IoP v5 Global Standard Packaging and Packaging Material
- DMF / FDA
- Ecovadis Sustainability Rating
- SMETA – Sedex
- Green Energy

Successful management of incident at Eliopack

In June 2019, a fire has broke out at AFP subsidiary Eliopack in the industrial zone of Ajeux in La Ferté Bernard in France. The fire burned outside of the production building in the washing area close to the ink department and affected parts of the facilities’ electrical infrastructure, causing damage to existing stock and assets in its proximity.

Independent expert investigation of this incident confirmed that the fire was caused by a broken cable and that there was no wrongdoing by Eliopack. Moreover, the authorities affirmed the legal compliance of existing safety and construction measures of the building and operations, which limited the damage and prevented any environmental issues related to the incident.

Since the incident, the electrical infrastructure had been completely reinstalled. Production areas not affected by the fire were fully operational within a week after the incident and performing flawlessly ever since. Other machines started production within three weeks after the incident. The facility was fully functional in August 2019.

Since then, Eliopack has invested more than 6 million EUR into a flexo machine and building in August and September. Another 2.7 million were invested into new forming activity for a product distributed within AFP.

Safety, quality and shelf life of consumer goods

Packaging materials are crucial for the health and safety of end-users. Living in a fast-paced world with long value chains, it is crucial for consumer goods to remain safe and have an appropriate shelf life to avoid food loss and increase pharmaceutical product protection and efficiency of our customers' production.²⁷

Aluflexpack's products are used daily by an exceptionally large number of people worldwide. They are in direct contact with food, medicine or personal care goods with the primary purpose of protecting these goods in the best possible manner to preserve the product's nutritional value, taste and quality for the end-consumer, while also preventing food from being wasted.

By setting up a reliable, comprehensive and integrated management system led by top management, we prioritise this issue and put it in the centre of our attention. At the demand of our customers, we produce packaging material adhering to global guidelines and standards that guarantee safety of consumer goods.²⁸ Apart from evaluations and audits within these systems, we regularly implement analytical and mechanical tests, migrations and other mandatory tests.²⁹ In 2019, there were no incidents of non-compliance concerning the health and safety impacts of products and services.³⁰

²⁷ 103-1: Explanation of the material topic and its Boundary

²⁸ 103-2: The management approach and its components

²⁹ 103-3: Evaluation of the management approach

³⁰ 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services

Nitrosamine case

In 2019, the pharmaceutical industry became concerned about the possible effect of nitrosamine in the products used in the packaging material for pharmaceuticals. They needed information about the subject, future strategies, procurement planning, quality standards, new market regulations and trends. Nitrocellulose-based primer was designated as a potential threat by the European Medicine Agency. Aluflexpack had a significant advantage, already having nitrocellulose-free printing solutions and products.

Epoxysilane case

During 2019, the EU Commission regulation for food contact material was amended regarding epoxysilane Cas 2530-83-8. This had a significant impact on the production of glue for multilayer products. In cooperation with suppliers, customers and expert institutes, the problem was solved by introducing glues that lack this specific substance (glymo-free glues). At Aluflexpack, we developed two new products following this change, containers and pouches for wet pet food sterilisation.

Responsible procurement and sustainable supply chain

Responsibility in the entire value chain is what secures the high standards of safety and quality of the materials we use in production and the products we offer to our customers. The selection of suppliers has a crucial impact on our finished products which is dedicated to providing safety and longevity for consumer goods. We recognise our role as their customer in setting standards with which they need to comply, so we track our supplier's improvements, thus raising the bar of responsible production throughout our supply chain.³¹

In the process of selection of any material, the supplier is asked to submit their certificates proving quality, technical specifications and compliance statements. After the documentation is evaluated and accepted by quality control, samples are ordered. If the samples are granted positive evaluation in laboratory testing, the company procures larger quantities for industrial testing. If the industrial testing is in order, the supplier is listed on the list of approved suppliers and materials can be ordered.³²

We work with suppliers which are market leaders for product quality. A vast majority of suppliers for our production are in the European Union (about 95%), while the remaining supply pertains mostly to China, India and Turkey.

Our priority in procurement activities is product and consumer safety as well as contributing to environmental development and maintaining an ethical business approach, hence we focus on compliance with local and customer region regulations, global standards, and customer demands. We always process validations on the supplied material or service and strictly adhere to our commitments:

- Quality, supply and confidentiality agreements with customers and suppliers (material, machine and service)
- Product and material specifications
- Our and supplier compliance declarations with local and international regulations, directives (EU directives), standards (BRC, ISO, GMP)

³¹ 103-1: Explanation of the material topic and its Boundary
³² 103-2: The management approach and its components

All suppliers are undergo an annual evaluation,³³ according to set criteria. There are two assessment methods: self-evaluation survey for suppliers to submit the required data and AFP audit at the supplier site. Should any changes occur related to the materials (supplier, raw materials, technical parameters), suppliers are obliged to immediately report such changes, and we subsequently inform our customers. In the case of changes, the material is submitted to the above described process of control: initial contacts and communication with suppliers are conducted in various ways – from contacts at trade fairs to proactive offers. If a supplier fulfils all criteria including documentation and quality assessed by quality management and technology departments, the procurement department is authorised to discuss the commercial conditions. Supplier audits are carried out periodically, and supplier questionnaires, non-conformities and supplier evaluation results are reviewed in annual meetings to define strategies and further actions needed for improvement.

In the reporting period, there have been no results of actual and potential negative environmental impact in supplier evaluations (all screened for this impact),³⁴ hence there was no need to develop special actions aimed at dealing with such issues. For 2020, we plan to introduce another dimension in supply evaluations: monitoring and assessing their social impact.³⁵

³³ 103-3: Evaluation of the management approach
³⁴ 308-2: New suppliers that were screened using environmental criteria
³⁵ 414-2: Negative social impacts in the supply chain and actions taken

Transparent and ethical business

At Aluflexpack we build trust in our relationships through transparent and ethical behaviour, thus, we create and forge honest and open relations with all our stakeholders. Therefore, we take all precautions to prevent corrupt behaviour in our entire value chain and demonstrate our integrity through responsible management and business practice.³⁶

We ensure that our employees and partners adhere to our Business Ethics Conduct Code, newly published Whistle-blower Ordinance and operate in compliance with the responsible business practice. Aluflexpack's Business Ethics Conduct Code (hereinafter referred to as "Code of Conduct")³⁷ describes how the company not only complies with laws, regulations, and standards of business operations, but also how the company and all employees approach their everyday operations and forge connections and relationships. This document, based on the Ethical Trading Initiative, is equally a definition of what the company stands for in relation to external stakeholders, but also how it regulates conventions of operations following UN guidelines. All employees are familiarised with the principles and values of the Code of Conduct and are expected to adopt and apply them in all business situations.

This Code of Conduct describes our values and general principles of operations, expected attitude towards work, colleagues and partners, relations with customers, suppliers, and other organisations, as well as protection of human rights, health, safety, and environment.

We deliver a copy of our Code of Conduct to our customers and confirm that Aluflexpack operates according to all these standards and stated values, as well as respecting customers ethical codes. Including SMETA /Sedex, EcoVadis and ISO 14001 audits, all regulatory permits, standard certificates and compliance documents. In 2019, we have communicated to all of our key suppliers our policies and procedures relating to anti-corruption and the AFP Code of Conduct.³⁸

³⁶ 103-1: Explanation of the material topic and its Boundary

³⁷ 102-16: Values, principles, standards, and norms of behaviour

³⁸ 205-2: Communication and training on anti-corruption policies and processes

Aluflexpack sees a culture of ethical behaviour and reliability as the key to sustainable success in business activities and regularly conducts both internal and external audits. The internal audit verifies compliance with any entities' responsibilities, risk management, efficiency of the company business structures and processes in place. The findings are recorded in written reports, which are submitted for review to the Audit and Compliance committee together with the Management Board, on each location.

Business checked according to Ethical Principles

Our efforts and results to create a transparent and ethical business environment are constantly being tested in audits by independent audit institutions and third-party certification bodies. Besides independent financial audits, we monitor the efficiency of corporate governance by conducting audits on corporate responsibility and sustainability.

In 2019, the SMETA 4 pillar audit was conducted in AFP sites in Croatia and Turkey reviewing business ethics, along with three other areas: labour, health and safety and environment. SMETA is an audit methodology, providing a compilation of best practice ethical audit techniques. It is not a special standard or certificate, but a set of protocols for high-quality audit, used along with the existing audit standards. SMETA is designed to decrease multiplying efforts and provide the members of AAF format which is easy to share. SMETA reports are published by audit with a group members in SEDEX system, ensuring transparency and efficient exchange of the information.

During 2019, as since the beginning of our operations, we have received neither complaints related to corruption, nor have any lawsuits been filed. The EcoVadis and SMETA audits confirmed that there had not been any violations of regulation and laws in social and economic areas.³⁹ In fact, the SMETA audits performed in Croatia detailed that there is a transparent base of documents related to examined areas, and underline commitment of our management and employees the permanent the improvement of social accountability performance.

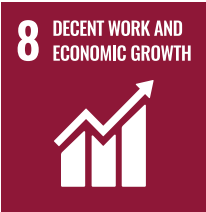
³⁹ 419-1: Non-compliance with laws and regulations in the social and economic area

2020 and beyond: Commitments and strategies in economic impact management

Commitment	Strategy	KPIs
Offering top-quality products and maintaining customer satisfaction	<ul style="list-style-type: none">■ further investments into new equipment and facilities■ performing stringent process, quality and risk management processes	<ul style="list-style-type: none">■ general investments in % of sales
Focusing on product sustainability	<ul style="list-style-type: none">■ continue developing more sustainable packaging and adjust sizes to prevent food waste and optimise product waste	<ul style="list-style-type: none">■ % amount spent for technological upgrading■ % amount spent for innovation activities
Increasing responsibility and sustainable practices in supply chain	<ul style="list-style-type: none">■ further work with existing and new suppliers in introducing advanced sustainability practices■ introduce evaluation in supplier social impacts	<ul style="list-style-type: none">■ Memberships in industrial platforms and initiatives■ % suppliers screened for environmental and social impact
Advancing standards of ethics	<ul style="list-style-type: none">■ insist on ethical relationships with all stakeholders communicate and ask for commitments set in the Business Ethics Conduct Code	

Society: our people and communities





Society: our people and communities

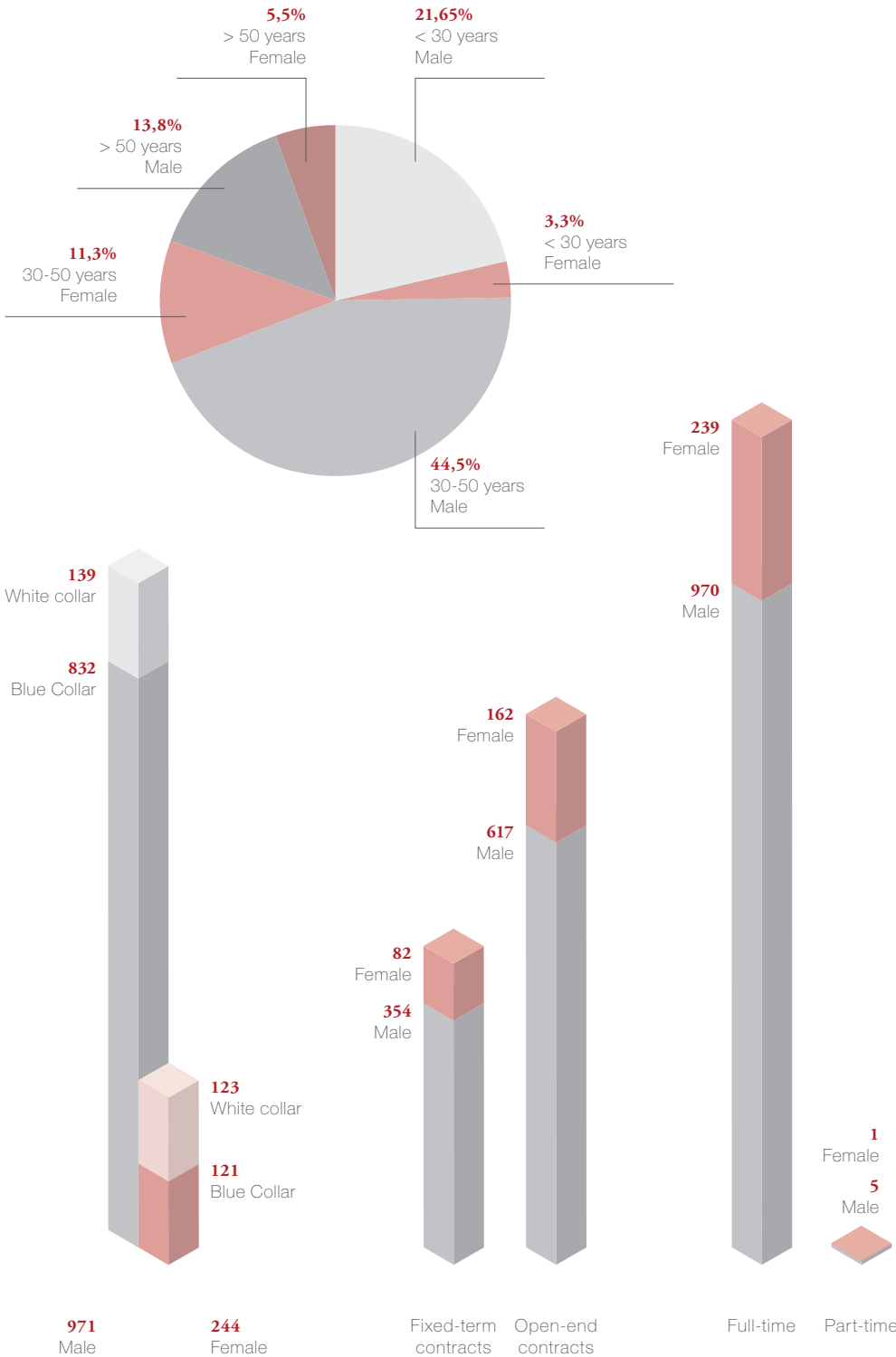
The approach to societal issues for Aluflexpack means to listen and collaborate with our internal stakeholders – employees, as well as external ones, closely entwined with our internal development – communities. We take into consideration the needs of our employees for safe, pleasant and encouraging workplaces, as well as our relations with the communities they come from. In this segment, we focus on the following topics: employment planning, occupational health and safety and professional development of our people, as well as contributions to and development of our communities.

Our success builds upon our dedicated and experienced talent. A total of 1,215 people in Europe work in Aluflexpack, from Turkey to France. Our cultures and locations are diverse, but what we all have in common is the striving to develop safe and fulfilling workplaces in each of our locations.⁴⁰

40 102-8: Information on employees and other workers

Our people

1 215 employees



There are more men than women in our companies, especially within our operations, due to legal and physical constraints. However, we try to hire women wherever and whenever that is possible. Each year we are increasing the number of women within the management (almost 50:50 split), engineers and expert administration positions.⁴¹ As for our age structure, although more than a half of our employees are between 30 and 50 years old (56%), we work diligently to secure workplaces for young members of the workforce in some of our operations in cooperation with vocational schools.

All our plants and respective group member companies are led by local management mainly. In Croatia, France and Poland, 100 percent of senior management are country nationals. In Turkey, 72 percent of senior management is local and 66 percent in Switzerland.⁴²

For years, we have been implementing a sustainability rating conducted by EcoVadis that evaluates the level of integration of CSR in the business and management system of our company. SMETA and EcoVadis audits recognise positive efforts in multitudes of processes aimed at labour and OHS management, including formalised procedures related to health and safety, collective agreements in some of the sites, policies set to protect workplaces, promote diversity and abolish discrimination, harassment or illegal employment practices. Our efforts in areas such as health care coverage, representation of employees, professional development and vocational training, best working practices including OHS practices and policies were recognised and commended within SMETA and EcoVadis audits.

⁴¹ 405-1: Diversity of governance bodies and employees
⁴² 202-2: Proportion of senior management hired from the local community employees

Employment planning and recruitment

Global developments in the past several years have led employers to compete for highly qualified and motivated professionals, willing to develop the business further and grow with it. At Aluflexpack, we believe it is a key factor to have a high-performing and motivated team for growth, as well as to contribute to the local social and economic development.⁴³

We seek to efficiently recruit and hire qualified professionals who successfully perform jobs that each individual position in the organisation requires. This process is managed through work instructions and processes set by Human Resources that relate to all departments and business functions within the organisation. Selection and recruitment are regulated by internal policies in all AFP locations.⁴⁴ The basic document defining policies, obligations and practices for Aluflexpack Novi in Croatia is the Collective Agreement,⁴⁵ regulating conditions of employment. For other companies within the group, no collective bargaining mechanisms were put into place. They regulate their workplaces and relations with workers in accordance with and respecting all local labour regulations.

There is no difference in benefits offered to workers depending on their types of contract in Croatian and Swiss group members (AFP Novi, Omial Novi and PPS). For Eliopack, permanent employees receive disability coverage, retirement provision, 13th salary, seniority and legal participation following net income result. Both Turkish and Polish subsidiaries only have permanent employees.⁴⁶

According to numerous global reports, trends in the workforce between 2015 and 2019 indicate higher employee turnover rates. In some this is mainly explained as various push and pull factors, including career development, work-life balance and corporate culture. Additionally, new generations of employees tend to stay in one position shorter than older generations. High mobility of the workforce, especially within the EU, which notes the significant movement of working-age individuals from the east towards the west of the EU also contributes to differences in local results. However, turnover rates in Aluflexpack are below average.

⁴³ 103-1: Explanation of the material topic and its Boundary
⁴⁴ 103-2: The management approach and its components
⁴⁵ 102-41: Collective contract
⁴⁶ 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees

Turnover rate 2019⁴⁷



Professional development and employee results on all levels are reviewed regularly with the management team, examining production efficiency, number of days of absenteeism, capacity and turnover, internal and external total quality as well as SMETA and EcoVadis audit results. This is compared to market trends, socio-economic environment, technological developments, consultant feedback for recruitment, customer demands, compliance, regulation and standard updates, as well as questioning if any negative or positive social, environmental and financial impacts occur. According to the evaluation of the management review meetings, new decisions or revisions are made for the set actions and targets. We are working to increase the numbers of AFP employees who receive regular performance reviews; on the local group level it amounts to a little over 68% of employees.⁴⁸ In addition, 25% of our operations conducted regular employee satisfaction surveys to gain more insight into the opinions and position of co-workers. In planning and managing relations with our employees, we provide continuous improvement with corrective actions to contribute to a sustainable social and economic development.

⁴⁸ 404-3: Percentage of employees receiving regular performance and career development reviews

Employment



Workplace health and safety

Protection of all people working in Aluflexpack is a top priority for our operations; only safe and healthy people can contribute to the development and growth of any organisation. Neglected, the negative impacts can include increased rates of sick leave, work-related injuries, cost of recruiting substitute workers, labour market conditions and quality workers available for employment, etc. Therefore, we acknowledge the obligation to provide safe working conditions and access resources to maintain and improve our co-workers' physical and emotional well-being.⁴⁹

We manage workplace health and safety through the implementation of local and international regulations and standards, through agreements with employees, regularly validated risk assessments,⁵⁰ implementation of the ISO 9001 and 14001 standard system, control of authorised inspectors, as well as numerous external certifications, including EcoVadis, SMETA/Sedex covering safety within the 4 pillar certification system – this has so far been implemented in 70% of operations.⁵¹

The occupational health and safety management system in each location is prepared in accordance with local laws and regulations, as well as true regularly validated risk assessments, covering all workers and workplaces.⁵² Risk assessment is, depending on the plant, conducted internally, or by an external organisation. In our Croatian subsidiaries, for example, risk assessment is performed by an authorised external company for locations of all plants as well as for computer work. In other locations, risk assessment is done internally, in risk assessment⁵³ teams consisting of general manager, employee representatives,⁵⁴ OHS specialist, workplace medical professional, support staff (production chief) and maintenance specialist.

Employees are encouraged to report any workplace-related hazards to their superiors, and if the worker does not want to report danger connected to their workplace or a hazardous situation, the employee, work council or employee commissioner is involved in the process. Each department and business function has its operating instructions for work processes and health and safety trustees.

⁴⁹ 103-1: Explanation of the material topic and its boundaries

⁵⁰ 102-11: Precautionary Principle

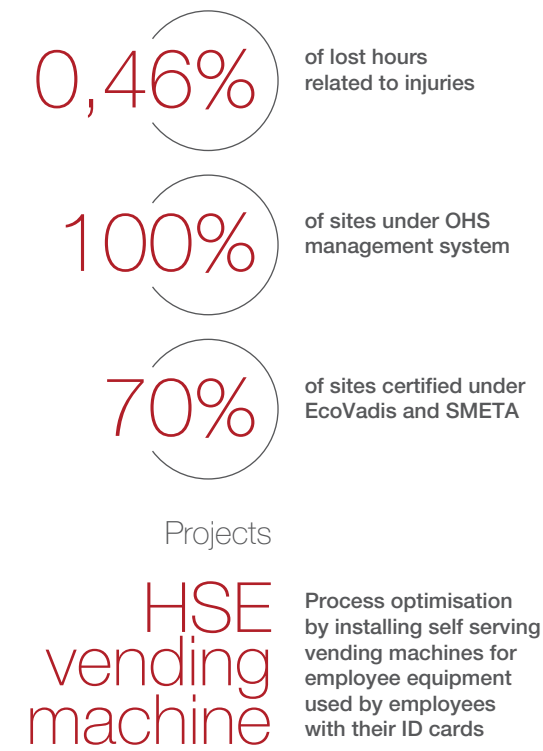
⁵¹ 103-2: The management approach and its components, 103-3: Evaluation of the management approach

⁵² 403-1: Occupational health and safety management system; 403-8: Workers covered by an occupational health and safety management system

⁵³ 403-2: Hazard identification, risk assessment, and incident investigation

⁵⁴ 403-4: Worker participation, consultation, and communication on occupational health and safety

Health & Safety



Workers can contact the occupational safety trustees and /or worker council in the plants. When investigating an incident at work and the reason an accident has occurred, the responsible person at the location provides suggestions for preventing the occurrence of an individual injury at work.⁵⁵

Every year, general and job specific training is provided by the OHS specialists. New employees are obligated to pass a training program which provides them with information and knowledge about operations.

All workers are aware of the correct procedures before and during work as well as the risks of working with equipment and machinery. They are obliged to operate with due diligence and take care of their safety and health protection as well as fire protection, environmental protection and general information and work-specific information requirements of the HACCP and BRC certificates, as well as ISO certificates.⁵⁶

⁵⁵ 403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

⁵⁶ 403-5: Worker training on occupational health and safety

Along with legally regulated medical examinations which employees need to pass to be hired in production and production support services, they are also directed in regular check-ups on an annual or bi-annual level. In addition, depending on to local entity sources, some of our locations offer private health insurance as well as a refund for prescription glasses.⁵⁷ In 2019, AFP did not offer any non-occupational medical and healthcare services or organise voluntary health promotion services and programs offered to workers.⁵⁸

As a result of this management system, work-related injuries and related lost hours or days have been at a very low level at Aluflexpack, only 0.46 percent on average for a total of 2.1 million working hours (calculated on the basis of 200,000 hours). There have been no fatalities in any plant in the group as a result of work-related injuries or professional illness.⁵⁹

“Vending machine”

HSE protection equipment was tested and approved for implementation in some AFP plants. This investment project goal was to introduce automation of the assigned work protection equipment through self-service devices so that the distribution and registration (tracking) of the equipment taken by the worker is automated, thus enabling easy access to equipment and convenience and reliability for HSE specialists to analyse the results.

Each worker depending on the job has access to HSE equipment related to risk assessment for that position. The worker has the authority to take over work safety equipment with their ID card, while the occupational safety business function receives the report of utilised work protection equipment for each worker as needed (monthly, quarterly, yearly or ad hoc) report.

57 403-3: Occupational health services
58 403-6: Promotion of worker health
59 403-9 Work-related injuries


Training and professional development

Investments into continuous growth and progress of our people are of utmost importance to us; not only do we maintain skilled and educated employees by offering them opportunities to grow, but we also contribute to the labour market as a whole, increasing the level of competencies and skills needed for the performance on industrial positions. We believe that only a qualified team can be the cornerstone of sustainable development and success.⁶⁰


In Aluflexpack, we organise in-house education and training, often with the assistance of consultants or authorised institutions. Annual training plans are developed in accordance with legal provisions for certain positions as well as the individual needs and interests of our employees. In cases where the organisation has greater needs for qualified workforce than is available on the labour market, group members employ young professionals and fund their external training, but also invest a significant number of hours in internal training and education in order for them to acquire necessary knowledge and qualifications for inclusion in production processes.

We ensure that identification of the development and educational needs of employees is summarised in the Development and Education plan for the current year.⁶¹ Through the implementation of the prescribed processes and operational activities we managed to maintain a high level of training and professional development, adjusting to the needs of employees.⁶² In 2019, we had 23 hours of training per employee,⁶³ which is a number we aim to increase in the upcoming period.


Training and education




Packaging leaders program
7-week program for young managers




Language courses
Compensation offered



Vocational prequalification
2,13% employees above 45 years were supported by upgrading their education level



AFP Academies
Tailor-made internal education to speed up learning curve for the new employees



Waste management training
Training and exams for employees in advancing environmental efficiency

60 103-1: Explanation of the material topic and its boundaries
61 103-2: The management approach and its components
62 103-3: Evaluation of the management approach
63 404-1: Average hours of training per year per employee

Community investments and developmental projects

The precondition for a sustainable future are social and economic development in communities. With the aim of understanding any real and potential impacts that an organisation has on the local community and society, our plants actively cooperate with representatives of the local communities, respecting their expectations and needs. Our infrastructure investments encourage the economic development of local communities; we open numerous jobs, thus encouraging economic growth and development in our local communities.⁶⁴

Relations with the local communities are left to each location's estimation to engage in and develop; this is an aspect of our operations that highly depends on local contexts and needs of each of our communities from Turkey to France. However, we do nurture joint initiatives like community investments, corporate philanthropy and cooperation with local communities in raising the level of local expert vocational capabilities.

One of the best examples of this is how we manage this topic in our communities in Croatia. This is done at two organisational levels, through the Management Office, which, at the proposal of Human Resources and Marketing and on its own initiative, approves the funds centrally for all four plants in Croatia, as well as through the donation team. Responsibilities and obligations are clearly distributed through the activities of these two teams.⁶⁵ Each year, the donation team considers assistance and suggestions to assist workers on long-term sick leave for the current year. The donation is launched in November and payments for approved donations to workers and workers' children are carried out in December, while other donations are paid out in the first quarter of the following year.

⁶⁴ 103-1: Explanation of the material topic and its Boundary
⁶⁵ 103-2: The management approach and its components



The challenge remains to identify and evaluate quality local programs where the organisation can participate and contribute to the development of the local community. These subsidiaries identify organisations and projects in the communities yearly and direct sponsorships and donations. In 2019, we donated funds to numerous associations and clubs, and sponsored sports clubs, competitions and cultural events.

As a significant employer, our Croatian locations greatly affect the reduction of unemployment; in addition, through increased employment of young or qualified workers of certain profiles. For example, according to the 2011 census, Umag has 13,476 people; 315 people work in AFP Novi (27% more than 2018),⁶⁶ which pertains to 2.3% of the total population of the city of Umag. If the calculation were performed on the working-age population, we estimate that this percentage would be over 5% of the total Umag population which confirms the importance of AFP on the local level.

Considering potential impacts on the communities in which we operate, environmental impact assessments are continuously carried out under various certifications and internal processes.⁶⁷ In cooperation with local communities, we try to solve any additional questions to the satisfaction of all interested parties. We did not record any objections and/or complaints from employees, trade unions or worker council regarding any negative impacts in 2019, nor were there any inquiries or complaints about this from external interested parties.

⁶⁶ 401-1: New employee hires and employee turnover
⁶⁷ 413-1: Operations with local community engagement, impact assessments, and development programs

Aluflexpack runners

On April 7, 2019, racing under the colours of the Montana Tech Components Company, the Aluflexpack team participated in the 36th annual Vienna City Marathon, doing so for the sixth year in a row. Five teams had the opportunity to run the relay marathon on a course a bit longer than 42 km and demonstrate perseverance and physical fitness and the most important – good cooperation and teamwork, exactly as they do daily, cooperating with their colleagues from other plants.

This was not the only race our teams participated in; in May 2019, 11 of our colleagues joined Wings for Life World Run – a global race that takes place at several dozen locations around the world, including Zadar, Croatia. 100% of all entry fees and donations raised through fundraising campaigns were directed to important spinal cord re-search projects and clinical trials at renowned universities and institutes worldwide.



2020 and beyond: Commitments and strategies in social impact management

Commitment	Strategy	KPIs
Invest in specialisation and professional development	<ul style="list-style-type: none">■ Develop specialisation programs, in-house and with partners	<ul style="list-style-type: none">■ No. of hours of education per employee
Maintain high level of OHS management system	<ul style="list-style-type: none">■ Introduce further education and good practices■ Strengthen health protection for employees	<ul style="list-style-type: none">■ % of LTI■ SMETA / Ecovadis results
Nurture inclusion and diversity	<ul style="list-style-type: none">■ further increase ratio of women in managerial positions, strengthen youth trade specialisation and employment	<ul style="list-style-type: none">■ % of women in the management■ % of employees under 30 and over 50



Environment:
advanced impact
management



Environment: advanced impact management

We are living in a world which is increasingly sensitive to the effects of human life and work. For the sake of our planet, we develop and grow our understanding of what we need to do to manage our environmental footprints, while simultaneously maintaining production that will sustain the needs of customers and communities. This is a balance that is easily tipped and is thus carefully considered in the planning and development of new products and services. At Aluflexpack, we are committed to finding ways to produce and innovate, while keeping this balance in mind – to improve our product quality and elevate our processes, at the same time increasing our environmental efficiency.⁶⁸

Balancing economic, social and environmental impacts is not only limited to our processes on a standalone basis but pertains to the entire value chain. Our customers have high sustainability standards related to safety, human health and environmental protection. At the same time, when it comes to environmental and social standards, Aluflexpack poses the same demands on its own suppliers. We manage⁶⁹ our environmental sustainability performance by:

- designating an environmental protection and ISO 14001 team
- obtaining all required regulatory environmental permits and certifications
- assuring compliance with all local and international standards/regulations
- monitoring system parameters
- establishing control systems for our environmental footprint
- monitoring global environmental developments
- determining strategies for our environmental actions.

Our aim is to excel and be the leader in all that we do; therefore, we constantly evaluate⁷⁰ all our results and seek opportunities for investments and improvement by analysing the results of our internal and external audits for local and international standards/regulations, setting up periodic management review meetings and implementing periodic maintenance checks.

⁶⁸ 103-1: Explanation of the material topic and its Boundary

⁶⁹ 103-2: The management approach and its components

⁷⁰ 103-3: Evaluation of the management approach

Industrial emissions management

We acknowledge that minimising industrial emissions, especially greenhouse gas emissions, is critical and recognise our role in this process, continually striving for more sustainable management of this impact.⁷¹ Emissions and their management are an important part of our environmental management systems. The impact boundaries include direct emissions of greenhouse gases from sources owned or controlled by Aluflexpack (Scope 1) and indirect emissions from energy use (Scope 2). Other indirect emissions (Scope 3) are not covered by the impact boundaries.

We develop strategies aimed at reducing our environmental impacts and gas emissions through investments in recuperation and filtering systems as well as process and product developments. Emissions into the air are measured yearly and compared to base year emissions that are within legal limit values and in accordance with legislation requirements. Most of our impacts occur at the seven production plants, and to a lesser extent at the remaining four office locations and one logistics hub.⁷²

To quantify and establish the inventory of GHG emissions at the group level for the year 2019, we measure CO₂ and the emission of other pollutants in cooperation with an authorised third-party organisation.⁷³ The carbon footprint calculation was prepared for the first time for 2019 and will be considered the base year in further GHG reduction efforts. The operational control approach was used for the emission consolidation. All organisational units comprised by calculation are fully owned by the Aluflexpack.

DIRECT (Scope 1) GHG EMISSIONS⁷⁴

The gross direct greenhouse gas emission at the company level amounted to 30,932 t CO₂e, with all greenhouse gases included in the calculation. No sources of direct emission of NF₃ and group of PFC gases were identified. Biogenic direct CO₂ emission amounted to 0 t CO₂e.

⁷¹ 103-1: Explanation of the material topic and its Boundary

⁷² 103-2: The management approach and its components

⁷³ 103-3: Evaluation of the management approach

⁷⁴ 305-1: Direct (Scope 1) GHG emissions

INDIRECT (Scope 2) GHG EMISSIONS⁷⁵

Gross location-based indirect greenhouse gas emission from energy use at the group level amounted to 14,039 t CO₂e. This result was obtained by considering exclusively emissions from fossil fuels for electricity generation. When the emission of greenhouse gases generated in the biomass-based electricity generation is taken into account, these emission amount to 16,411 t CO₂e. Gross market-based indirect greenhouse gas emissions from energy use at the group level amounted to 1,053 t CO₂e.

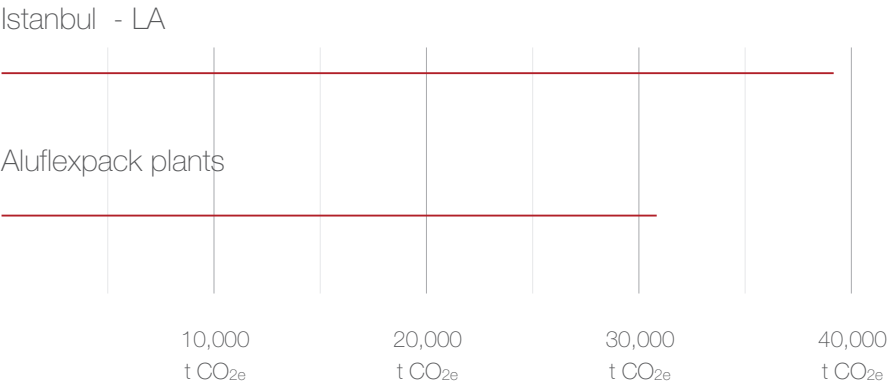
EMISSIONS INTENSITY⁷⁶

Emissions intensity resulting from the production of all products on the group level, which includes both emissions of the production facility locations and emissions of non-production activities at the locations of a logistics hub, administrative and sales offices amounts to 25.38 t CO₂e/AFP unit.

For the specific parameter in the emissions intensity denominator specially defined production unit was applied, which considers differences in product technology, product shape and other features of product types – AFP unit, i.e. total annual production of all products normalised to AFP unit is 1,260.16.

Total direct emission (Scope 1) and total indirect emission (Scope 2) on the group level is included in the emissions intensity with market-based method chosen for Scope 2 emissions. All greenhouse gases are included in the calculation. No sources of emissions of group of PFC gases and emissions of NF₃ were identified.

⁷⁵ 305-2: Indirect (Scope 2) GHG emissions
⁷⁶ 305-4 GHG emissions intensity



The presented GHG emissions can be viewed as our climate footprint for the year 2019. The term ‘carbon footprint’ pertains to carbon dioxide emissions, but the calculation covers other greenhouse gases as well and therefore it can be considered to represent the entire ‘climate footprint’. However, carbon dioxide emissions are dominant, so the carbon footprint represents more than 98% of the climate footprint.

To illustrate the level of our GHG emissions, we represented them in comparison to all flights operated by passenger aircraft type Boeing 747-8 on the Istanbul – Los Angeles route without stopping at other airports, performed during one calendar year, assuming one return flight per week, to GHG emissions at our group level in 2019.

Our results in this area show lower carbon emissions at our individual plants. Our activities aimed at reducing this footprint include constant maintenance work at our plant for thermic waste processing of air in Drniš, as well as our plant for the solvent recuperation in Umag. Other plants manage emissions into air using the best available techniques (BAT).



Energy efficiency and renewable energy sources

In order to increase the energy efficiency of our business operations, we strive to optimise production and decrease energy consumption levels, as well as to offset our environmental impact by using renewable energy wherever we can.⁷⁷

We carefully monitor our energy consumption and plan for future investments taking energy efficiency into consideration. In most of our plants we use recuperation systems which bring useful solvents out of the process waste stream and provide energy, resulting in significant economic and environmental benefits.

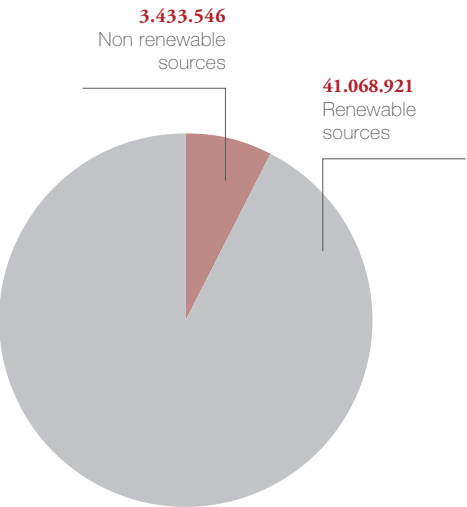
Striving for improvements in the energy efficiency of our operations, we:

- invest in providing high-tech infrastructure and equipment for sustainable energy use
- periodically measure and evaluate energy consumption
- implement projects that result in decrease of our energy consumption.⁷⁸

Our collected data shows that energy consumption⁷⁹ in Aluflexpack was at the same level as in 2018, measuring energy spent on tons of product. To further increase our energy efficiency, we conducted a detailed overview of necessary investments and opportunities for energy efficiency for co-financing from local government and EU funds in 2020.⁸⁰ For most of our production, we use renewable energy sources - 63% of our locations are certified for green energy use.

⁷⁷ 103-1: Explanation of the material topic and its Boundary
⁷⁸ 103-2: The management approach and its components
⁷⁹ 302-1 Energy consumption within the organisation
⁸⁰ 103-3: Evaluation of the management approach

Monitored electrical energy consumption in AFP in 2019⁸¹(in kWh)



Sustainable waste management

Managing the waste which we produce in our operations is crucial in minimising our environmental impacts and their residual effects. To minimise environmental impacts caused by waste disposal, we emphasise prioritising options for reuse, recycling, and recovery over waste disposal options.⁸²

In order to achieve this, we produce our packaging solutions:

- using downgauging to assure minimum quantities of material are used
- keeping quality at the highest level
- assuring protection and longevity of packed products

⁸¹ 302-1 Energy consumption within the organisation
⁸² 103-1: Explanation of the material topic and its Boundary

The partnerships which we form along our value chain with our customers and solution partners are an important condition for the successful implementation of the following objectives:

- decreasing the packaging weight without loss of quality
- minimising waste quantities
- increasing recyclability

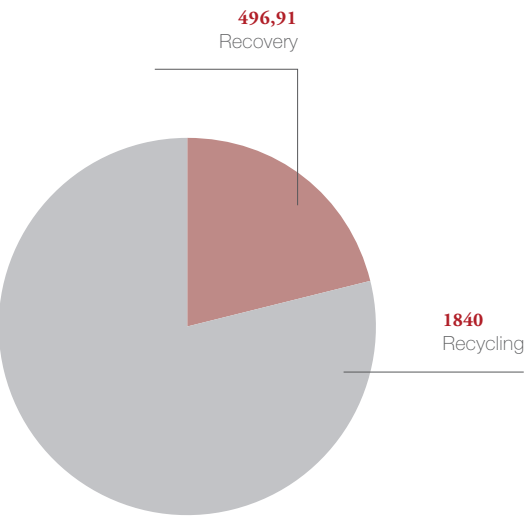
Furthermore, by measuring the total weight of both hazardous and non-hazardous waste, including a breakdown of their disposal methods, we continually monitor the effectiveness of our waste management strategies across the group.⁸³

The majority of our waste is aluminium scrap, which is sold in its entirety, recycled and reused. All other waste is recycled if possible or collected by our certified and specialised partners.

In 2019, we improved the organisation of waste management at all our sites. In Croatia, we reorganised plateaus and improved sorting according to the waste hierarchy, resulting in better control of waste streams and general improvement of the environmental management system.⁸⁴

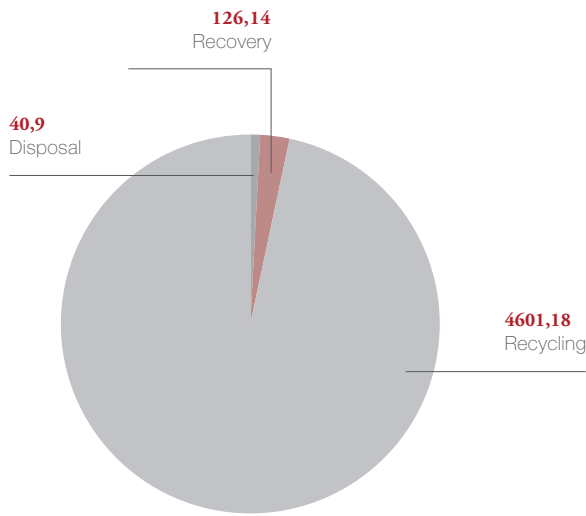
Quantities and methods of waste management in AFP in 2019⁸⁵

Hazardous waste (in tons)



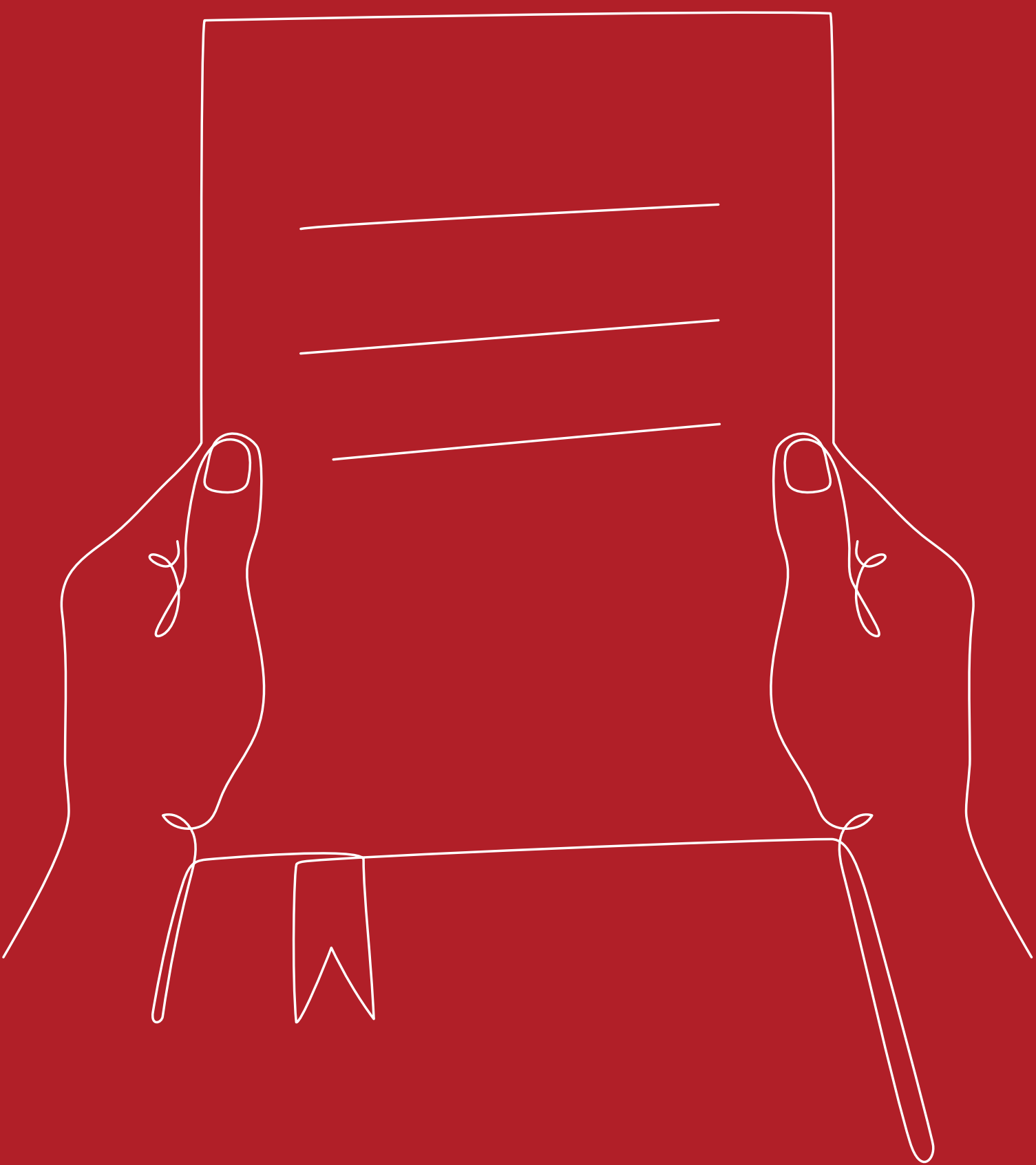
⁸³ 103-2: The management approach and its components
⁸⁴ 103-3: Evaluation of the management approach
⁸⁵ 306-2: Waste by type and disposal method

Non-hazardous waste (in tons)



2020 and beyond: Commitments and strategies in environmental impact management

Commitment	Strategy	KPIs
Lower environmental impact of products	<ul style="list-style-type: none">■ Develop new products and improve existing products in terms of their environmental performance and impact during the entire life cycle	<ul style="list-style-type: none">■ % of products screened for life-cycle sustainability
Offset environmental impact of our production	<ul style="list-style-type: none">■ Implement energy efficiency projects and increase renewable energy use■ Further advance waste management systems and contribute to circular economy■ Monitor and lower carbon footprint by implementing best available techniques	<ul style="list-style-type: none">■ Energy consumption decrease per produced AFP unit■ Landfill waste decrease■ Carbon footprint decrease per produced AFP unit



GRI
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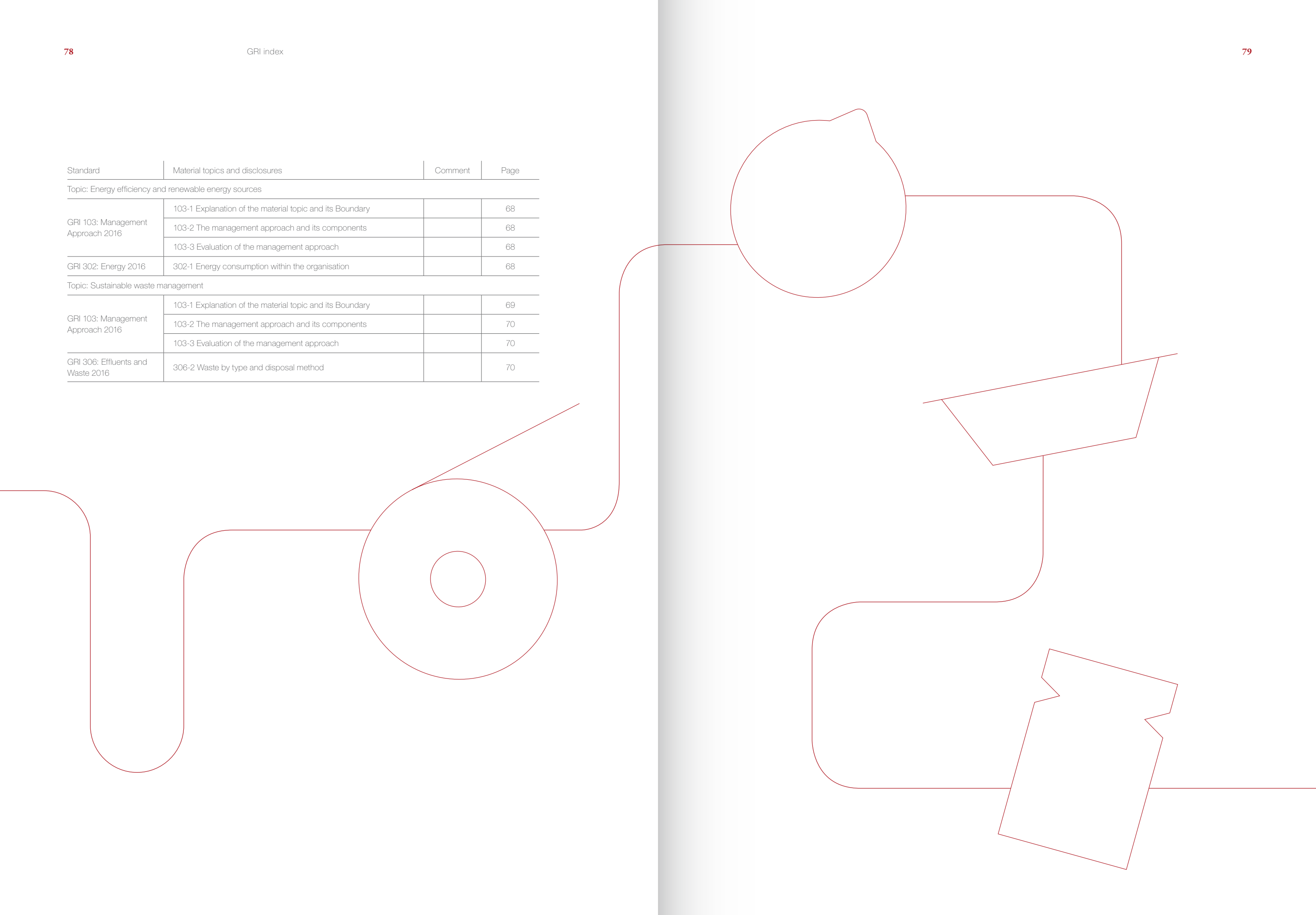
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