



**ALU
FLEX
PACK**

**Sustainability
Report | 2020**

December, 2021

Report profile

This Sustainability Report is published annually and covers the activities of Aluflexpack in 2020. 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, Top System Sp. z.o.o. (consolidated as of 1 September 2020) and Aluflexpack AG, AFP Group GmbH.

This report was developed in accordance with the core version of Global Reporting Initiative Standards (GRI). It has not been subject of external assurance, but we will consider this process for our future sustainability reports.

We value our stakeholders' opinions about our ESG impacts and the manner we approach their management. If you have questions, comments, or suggestions about the content of this report, please let us know. You can direct them at: info.ch@aluflexpack.com.

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Igor Arbanas, CEO

Report profile 2

Letter from the CEO 6

We are Aluflexpack 10

We value 14

2020 Sustainability snapshot 18

Response to Covid-19: protecting our business and our people 22

Material topics and ESG: exploring our impacts in challenging times 26

Stakeholders and their engagement 27

Material topics, assessed importance and management efficiency 29

Materiality matrix 33

Risk management in material areas 34

Contribution to UN sustainable development goals 36

ESG risks, commitments and strategies in impact management 38

Ethics & governance: transparent and fair business 42

Working with integrity 43

Adherence to ethical principles 44

Diversity & equal opportunity 45

Outstanding quality: our customer-centric market approach 48

Reliable service and customer satisfaction 50

Sustainable product development and design 52

Improving product life cycle 53

Safety, quality and shelf life of consumer goods 56

Measurable performance evaluation 57

Engagement across the value chain 58

Environment: managing our operations impacts 62

Industrial emissions management 64

Energy efficiency and renewable energy sources 66

Sustainable waste management 68

Society: our people and communities 72

Employment planning & recruitment 74

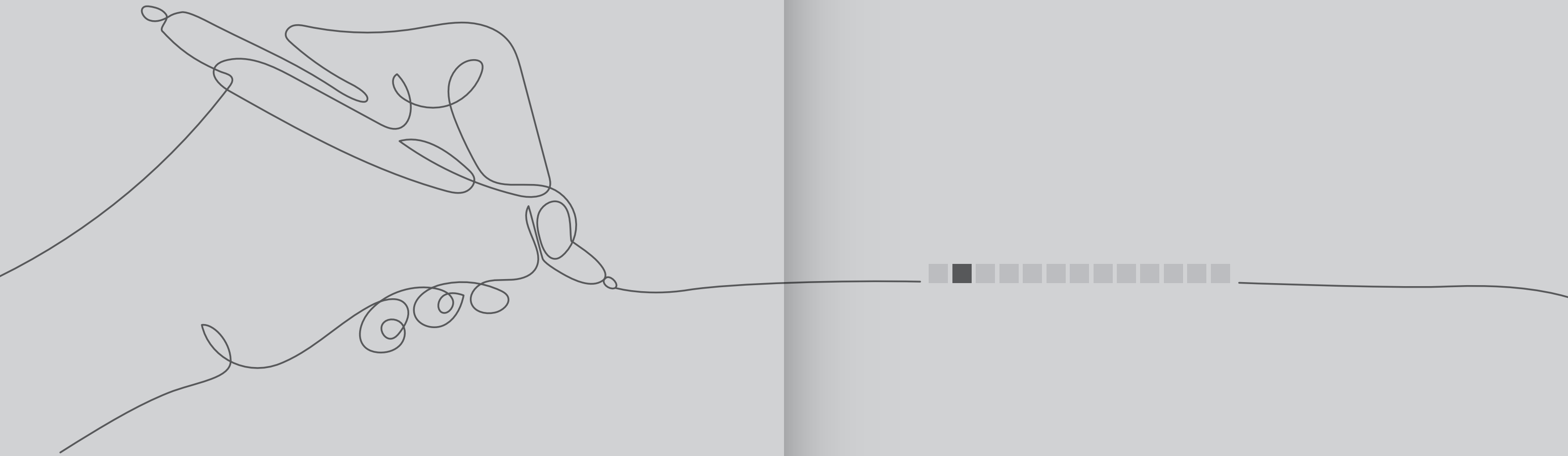
Workplace health & safety 76

Training and professional development 79

Community investments and developmental projects 81

GRI index 84

Letter from the CEO



Letter from the CEO



Dear stakeholders,

the year of unprecedented events 2020 has put to test the overall sustainability of many industries and companies. Focus suddenly turned to re-examination of how robust and resistant value chains really are, faced with severe, unexpected and globally encompassing risks that Covid-19 brought on. At Aluflexpack AG (AFP, Aluflexpack Group), we put all our efforts into securing uninterrupted support in providing products to our customers, as well as securing health and safety of our people as much as we could.

I'm happy to say that we passed the test; we worked closely with our suppliers and customers to revise plans, especially in the first half of the year and the first lockdown. This period saw certain shifts in raw material supply on one hand and changes in consumer behaviour on the other, leading to increased demand for our products. In cooperation with our partners, we ensured full-service continuity, strengthening existing and forging strong new relationships across our value chain.

At the same time, we worked hard to maintain the safety of all people working in our plants and offices across Europe. We introduced numerous safety protocols to keep our employees safe from contagion and managed to maintain our production uninterrupted in this sense as well.

The Covid-19 pandemic might have changed some of our processes but did not halt our ongoing projects to improve the sustainability of our products and our production. We continued extensive R&D efforts to improve our products in terms of sustainability in their entire life cycle, especially considering the ambitious environmental policy European Commission announced with the European Green Deal. The Circular Economy Action Plan, one of the main blocks of the European Green Deal, announces environmental initiatives along the entire life cycle of products, targeting in particular flexible packaging value chain, towards a more sustainable and circular solutions. With that in mind, we performed a comprehensive life cycle assessment study (LCA) to quantify environmental performance of our most influential products and to identify the environmental hot-spots across our value chain. Our environmental policy is therefore focused on the entire flexible packaging value chain we are part of, especially on the processes under the direct control of the Aluflexpack Group and of our suppliers. The performed LCA studies provide a quantified environmental performance data of our most influential products and highlights activities and processes to upgrade in the future. In addition to focus on the improvement of our processes we

will encourage strong environmental effort from our suppliers with the aim of "greening" the whole flexible packaging value chain and to maintain our leading market position and a sustainable manufacturing front-runner status.

It is our commitment also to constantly improve not only the product of our work, but the way we work as well. We introduce projects that will help us be more environmentally and climate friendly in our production, and we constantly raise work quality and experience for our people. We work on making our workplaces more diverse and inclusive, because we recognise that strengths, innovation and ideas always come from a dynamic of different perspectives, experiences, skills and knowledge.

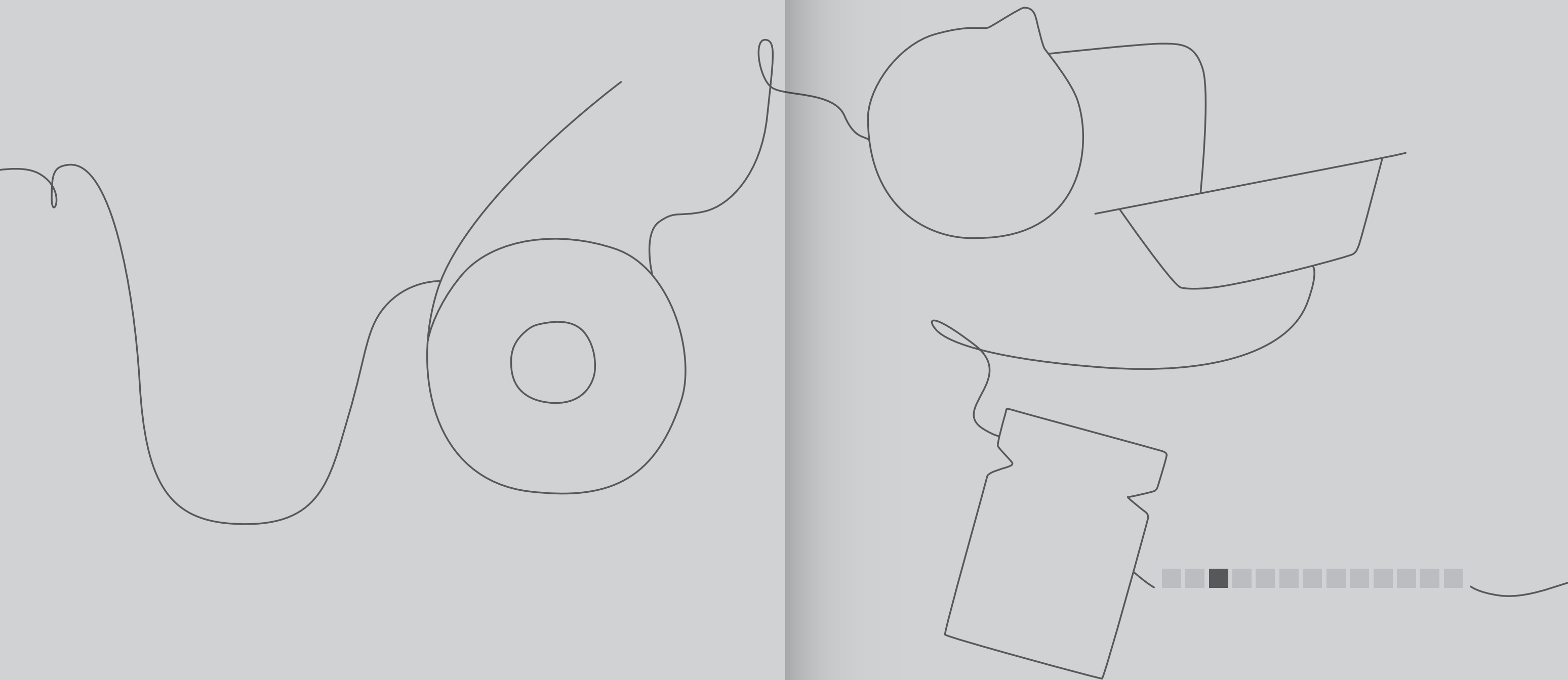
Our efforts in sustainable development are multiplying daily and I hope that you recognise and appreciate the progress that we already made, as well as support us in our continued progress towards fully sustainable operations. We appreciate all your comments, ideas and suggestions on how we can improve and thank you for reading this report.

Sincerely,

Igor Arbanas

Aluflexpack CEO

We are
Aluflexpack



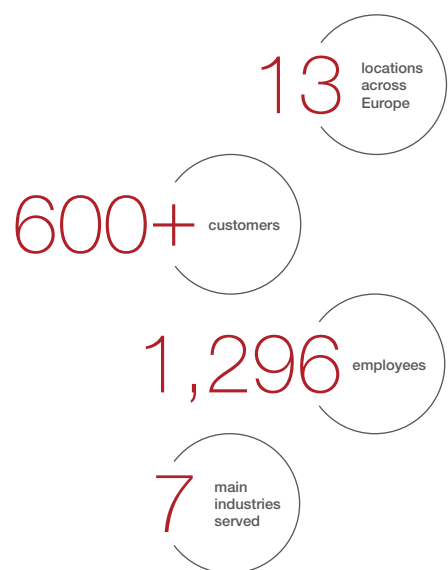
We are Aluflexpack

Aluflexpack (AFP) develops and manufactures aluminium, plastic and paper-based high-quality flexible packaging solutions for brands of leading global trademark companies. More than 40 years of experience in operating and manufacturing for customers in Europe and the world have positioned us as leader in development of solutions for human and pet food, medical, pharmaceutical, personal and household products. We laminate, lacquer, extrude, print, slit, emboss, laser, deep-draw and form aluminium and plastics into sophisticated flexible packaging.

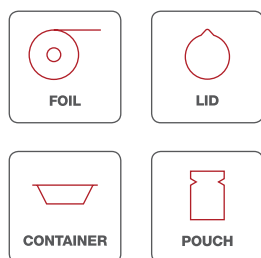
Our numbers, our products, our operations:

Infographic

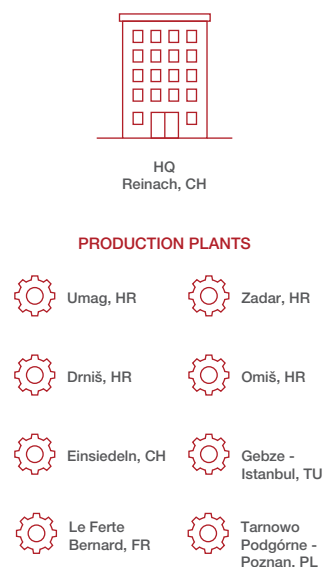
Our numbers



Our products



Our operations



We now operate through 13 integrated locations in Europe, with administrative offices in Austria and Switzerland, a logistics centre and sales office in Poland, and modern factories in locations such as Croatia, France, Switzerland, Poland and Turkey. In 2020, the Aluflexpack Group was joined by a new member, Top System. This is one of the leading companies in Poland servicing dairy industry with flexible packaging solutions; it specialises in production and printing of aluminium and PET lids, lidding foil (laminates and mono-materials) in rolls, as well as IML labels.

Since 2012, Aluflexpack has been in the majority ownership of the technology and innovation-oriented group Montana Tech Components AG (MTC). Aluflexpack is listed in the International Reporting Standard of the SIX Swiss Exchange in Zurich. Along with MTC, which holds 53.6% of the shares, 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.

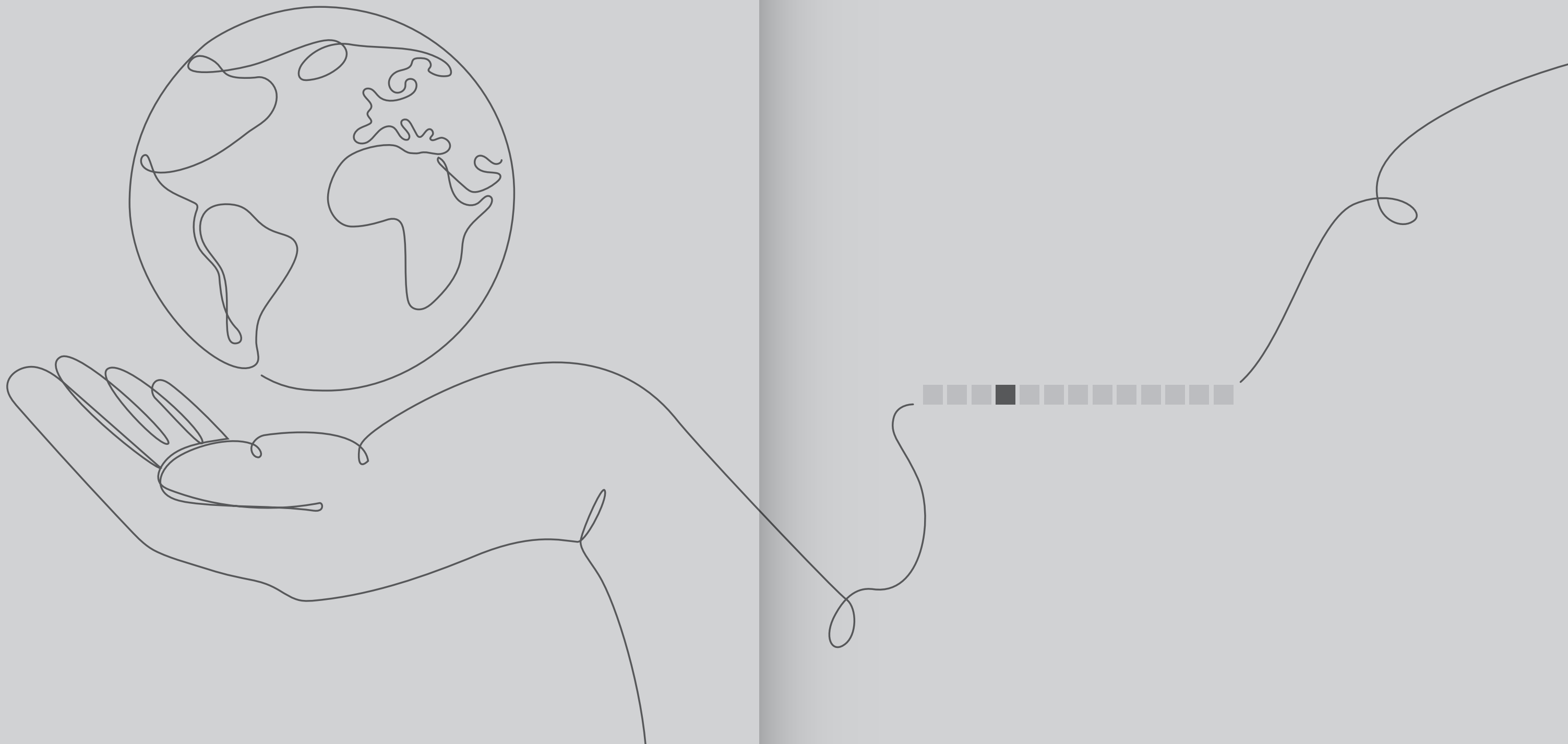
How we work

Aluflexpack operates an integrated value chain, constantly investing in the quality of processes and environmental protection. We are ISO certified and hold other certificates of quality such as BRC, HACCP, SMETA and EcoVadis. Today our operations meet all European environmental, ethical and social responsibility standards. Our management approach enables the creation of synergies between our production sites and delivering optimal service quality: flexibility, agility and reliability in day-to-day operations as well as competence in the development of new and existing products.

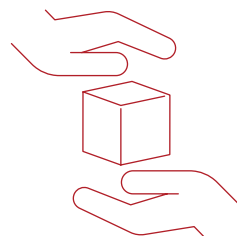
Over 600 customers from multinational to medium-sized businesses and local companies recognise the benefit provided by our strong technological platform, as well as our well-founded know-how and passionate service.

Our Vision: We are the partner of choice for the development and large-scale industrial manufacturing of premium flexible packaging solutions in high demanding end-markets.

We value



We value



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 in product development.

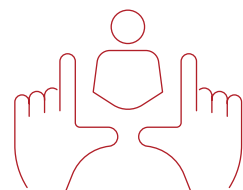
Aluflexpack follows developments in the market through an extensive supply chain network and full cooperation with its stakeholders. All our sites perform regular risk assessments along with internal and external laboratory analysis and utilise customer feedback to detect potential product safety risks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

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

Customer Focus and Innovation

We believe in growth through sustainability-driven innovation, working continuously on upgrading our products and modernizing 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.

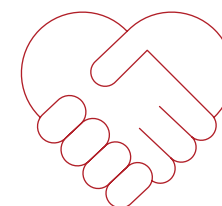
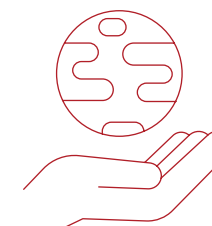
Aluflexpack is a partner of first choice for many European and global market leaders, following their emerging packaging needs. Technological advancement combined with innovative solutions enable us to continuously support them from the initial idea up to serial production. Our customer's benefit is 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, product development (e.g., downgauging, mono-materials), responsible procurement, waste management, infrastructural superiority 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 our 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.

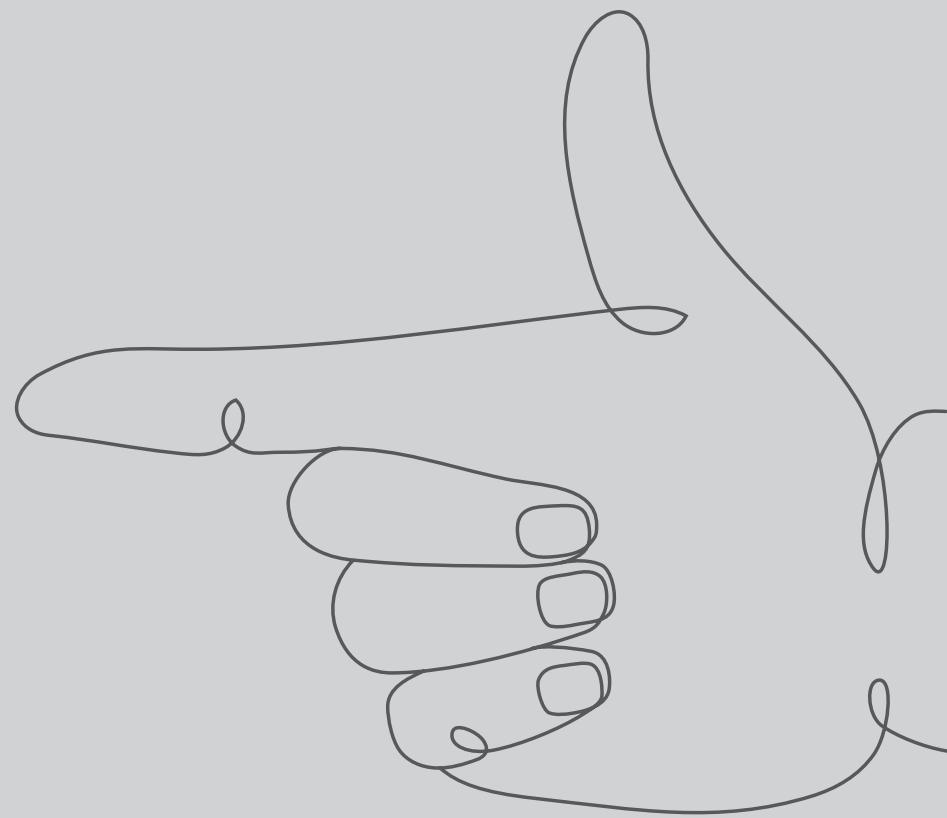
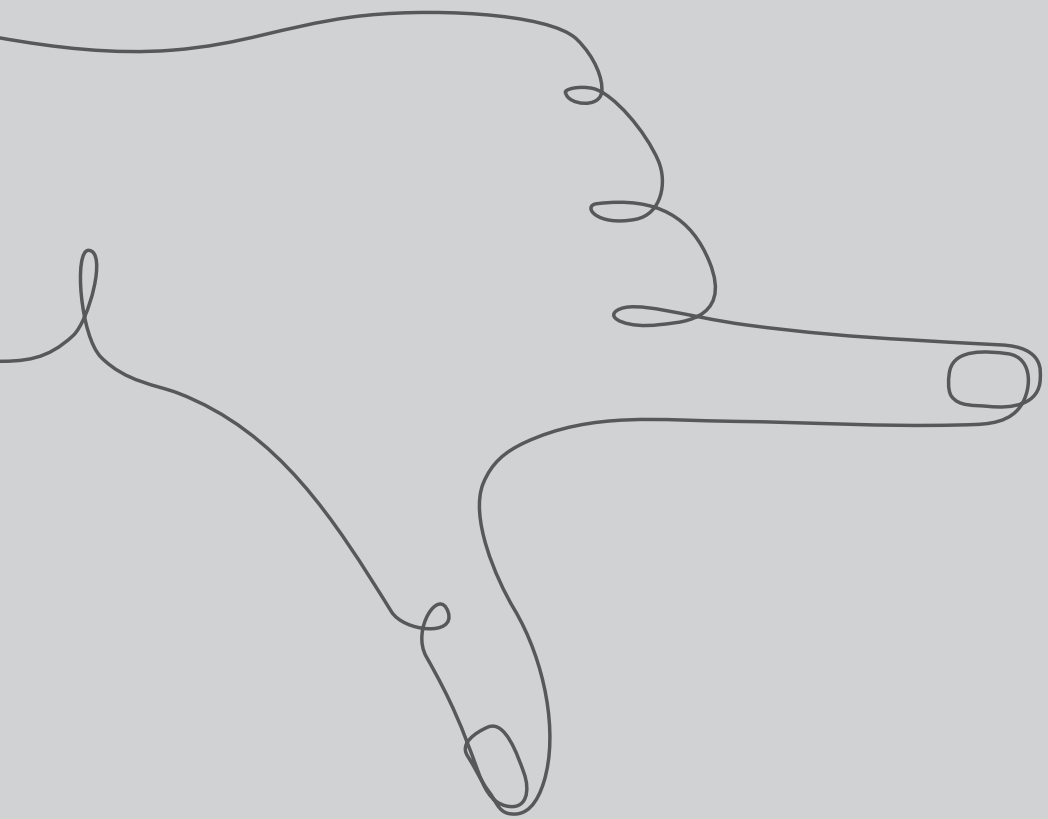
Inclusive Corporate Culture

Diversity and inclusion are key in 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, as well as a contribution to social and economic development.

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

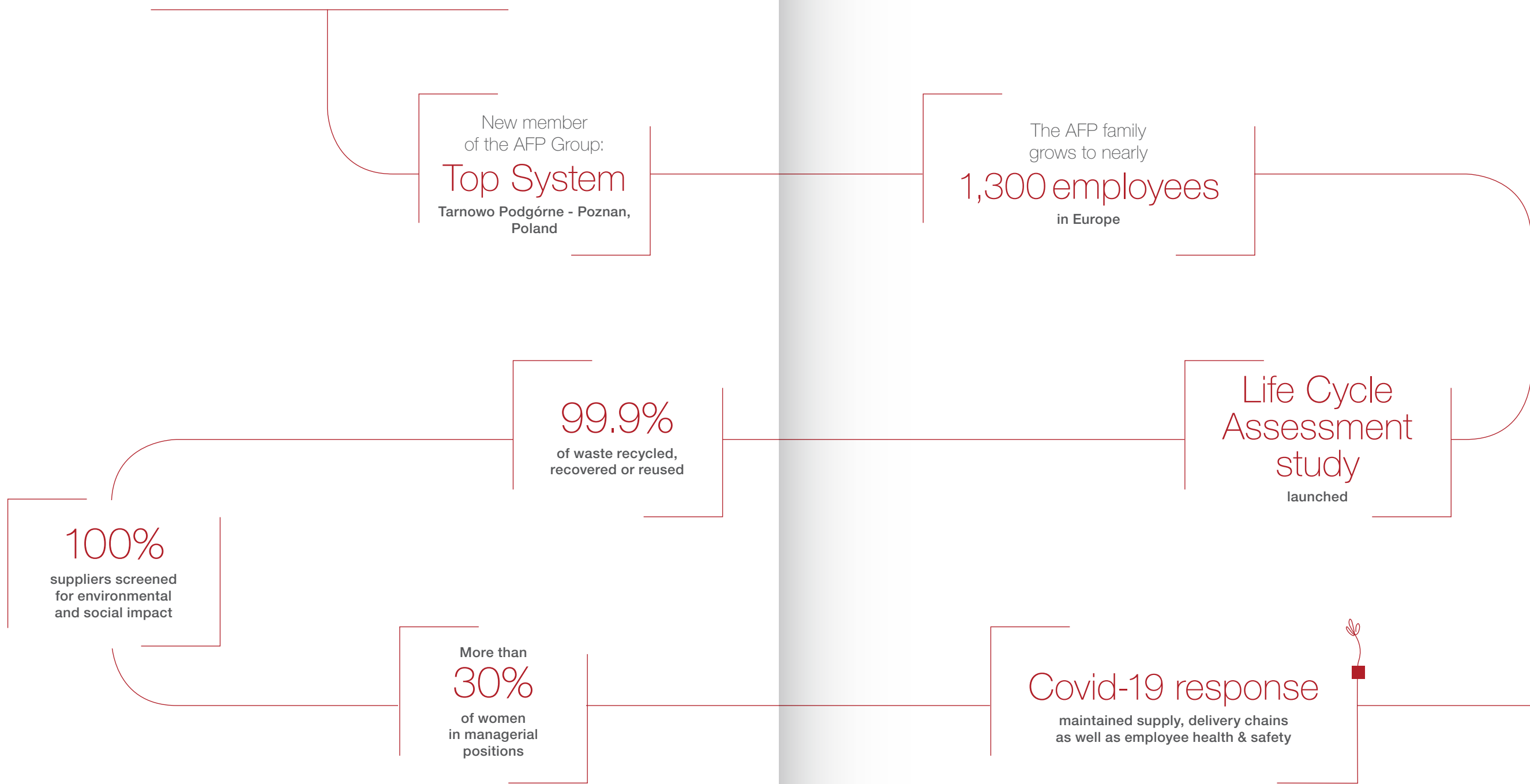


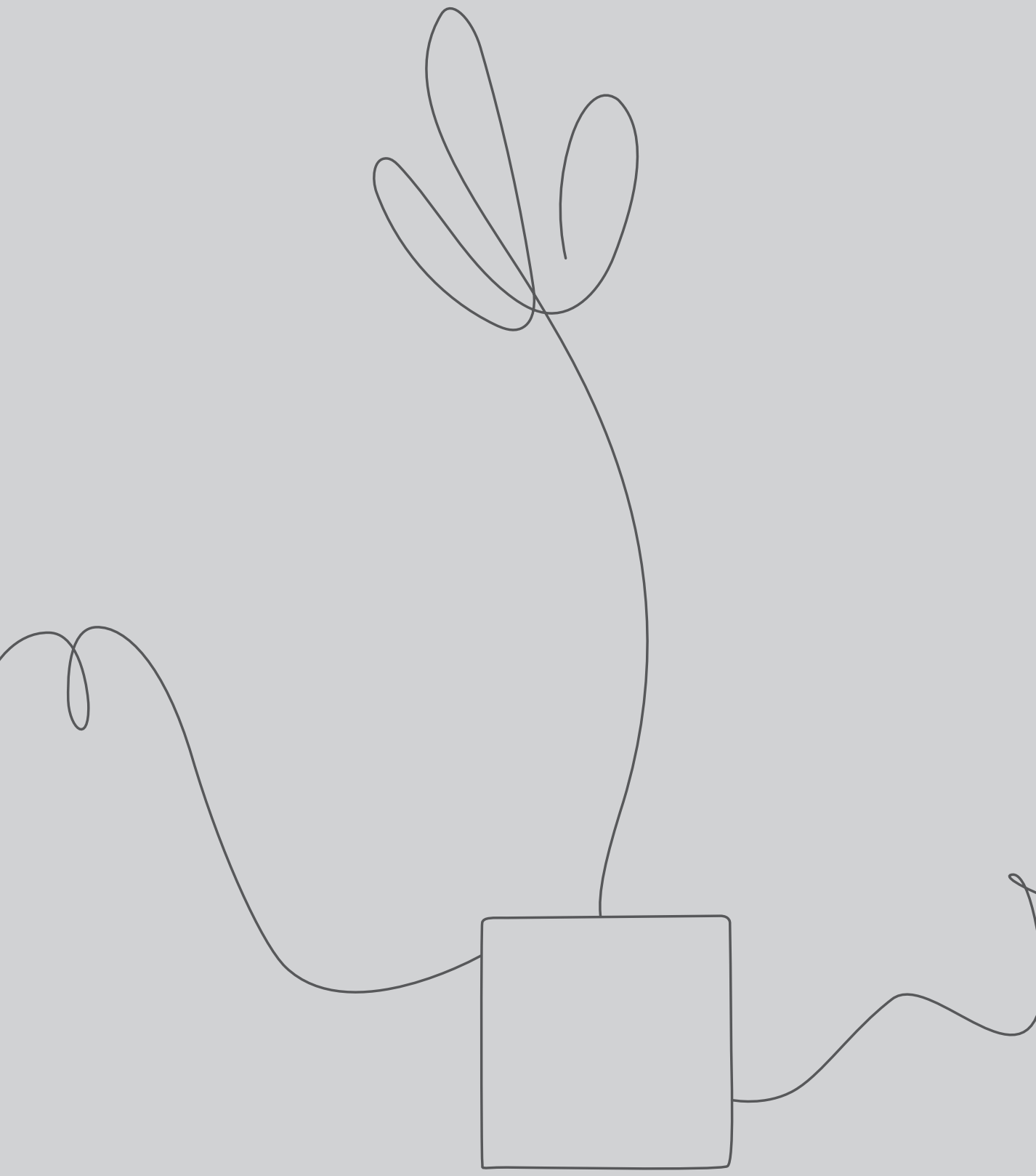


2020
Sustainability
snapshot



2020 Sustainability snapshot





Response
to Covid-19:
protecting
our business
and our people

Response to Covid-19: protecting our business and our people

As soon as the Covid-19 pandemic started spreading in early 2020, Aluflexpack established a task force team gathering members from critical functions, from purchasing, transportation and logistics to sales, among others, to coordinate the response to the growing pandemic in all segments of the company's value chain. This team met regularly and coordinated all Covid-19 related actions, securing the uninterrupted supply chain and delivery, as well as health and safety of everyone included.

The plan devised included activities aimed at two overlapping directions: securing uninterrupted supply and delivery to our customers and securing the health and safety of all our people.

Uncertainty brought on by the pandemic and all the consequences to normal life and operations presented our customers with difficulties to assess their demand and product preference, which aggravated the usual planning processes for us. However, understanding the circumstances, we tried to support our customers and maintain flexibility. Partly, we brought in our experience and approximated customer demand by ourselves, also taking on more materials on our stock in consultation with them to secure supplies. We have provided our suppliers a longer than usual planning horizon to make the planning process on their side easier. Still, we were in daily contact with them as well as governmental organisation to secure the cross boarder flow of material.

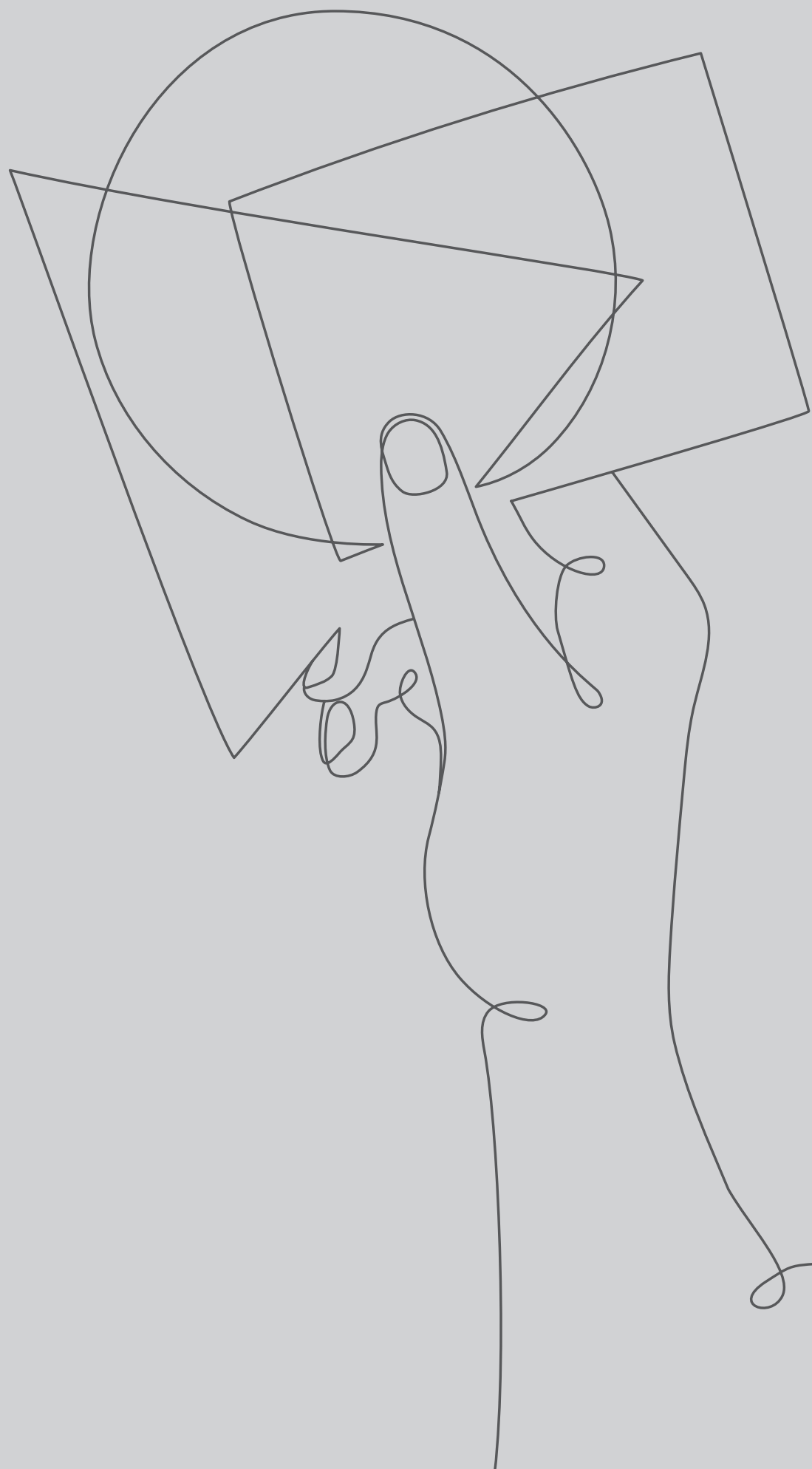
We thus experienced no major supply interruptions throughout 2020, and at no time, we were short of any input material. The fact that we were able to produce and deliver even at the peak of uncertainty proves that our suppliers and customers are best-in-class companies and that the supply chains and the ecosystem we built together over the course of the years are highly resilient.

One major challenge was to adapt our way of working to new circumstances to keep our people safe from transmission. Despite the already high hygiene standards in our industry, we introduced additional health and hygiene measures, which were met with strict compliance among our employees. We implemented remote work or working in shifts where possible, and for tasks requiring on-site presence such as those of a machine operator, we implemented safety buffers between the production shifts.

Along with prevention mechanisms, we invested in comprehensive testing and tracing; in addition to application of all the necessary safety equipment and temperature checks at the gates, we conducted weekly random tests among our employees and on several occasions, we tested all employees of a production site within two days. At the same time, we established protocols in case we recorded a positive test. Furthermore, we aided those of our employees that were in need during this challenging period. All these activities lead to minimizing the possibility of Covid-19 breakout in our facilities, resulting in safe working environment, as well as uninterrupted supply for our customers.

Cornerstones of Aluflexpack's Covid-19 measures





Material topics
and ESG:
exploring our
impacts in
challenging
times



Material topics and ESG: exploring our impacts in challenging times

The year 2020 imposed numerous universal challenges and strongly influenced our stakeholders' priorities, concerns, behaviour and demands. Our concerns about health, safety and security; our access to resources and products; ability to communicate, maintain relationships; imposed mobility restrictions; our buying habits and new opportunities of remote work have influenced the way all of us live, work, produce and conduct business.



The Covid-19 pandemic and its consequences increased businesses attentiveness on how we organise our work, how we perform, our capability to secure safe and healthy working environment, our abilities to supply our customers. Simultaneously, the awareness of the role of sustainability in conducting business also gained importance. European Union's Green Deal, new regulations, emerging standards, along with universal pressures on the businesses to responsibly manage their environmental, social and governance impacts, create a new framework for reconsidering how we operate.

This new framework imposes numerous challenges in which we, as a group dedicated to responsible business, recognise our stakeholders' interests and concerns and take them into account. Therefore, this year we initiated a new process of checking material topics with our stakeholders, inquiring stakeholders' opinions on our materiality in the entire group. Stemming from our commitment to carefully manage our environmental impacts in our production, sourcing and transport of our products as well as being a dedicated and responsive corporate citizen to our communities, we are committed to align our impact management according to shifts in our materiality.

This chapter presents our approach to materiality, approach to ESG (environmental – social – governance) management and the contributions to the SDGs (UN Sustainable Development Goals).

Stakeholders and their engagement

Aluflexpack operates in versatile and diverse markets and our business operations have impact on the lives and business operations of numerous stakeholders. We are dedicated to build our stakeholder relations based on our corporate values: maintaining trust in our product safety and care for customers' health, our commitments to environmental responsibility, conducting business respecting the highest standards of ethical principles and maintaining integrity, and building an inclusive corporate culture. Reassessing our stakeholders, we considered the intensity and scope of AFP impacts and legitimate levels of concerns by various stakeholder groups. In the process we confirmed that stakeholders on whose lives and business AFP has impact are:

- 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 communities

With the purpose of reconsidering material topics and their aspects, we have engaged stakeholders in assessing the levels of activity and how successfully AFP manages material topics in three sustainability areas: environmental, social and governance. Our stakeholder engagement was organised in an online format covering our operations on five markets: Croatia, France, Poland, Switzerland, and Turkey with 97 individual stakeholders in six languages. Response rate varied from 89 to 97 stakeholders, depending on individual questions, with the highest participation in the environmental segment.

In the stakeholder engagement, we received the most substantial feedback from our suppliers and customers – the same as in the previous stakeholder engagement process. This stems from large numbers of our suppliers and customers but also indicates their strong interest in material topics of AFP. Materiality engagement survey

involved other stakeholders: employees and trade unions, shareholders, credit and financial institutions, state and regulatory bodies, local community representatives, civil society associations (NGOs), interest and professional associations, science and education representatives and others.

We asked our stakeholders to share their opinions on which will be the most crucial global topics by 2030 from the perspective of packaging industry sustainability. Over two thirds of them state that it will be the sustainable use of resources and waste management. More than a half of our stakeholders also consider that climate change and energy efficiency as well as technological progress and research into the development of more sustainable packaging products will be areas of significant impacts and developments in our industry. A third of our stakeholders think that responsible sourcing of raw materials and protecting human health will be dominant areas of impact. These statements indicate the direction of development of our stakeholders' concerns and AFP is committed to address these issues in reviewing our sustainability strategies.

Even 41 percent of stakeholders share the opinion that AFP manages their ESG impacts above or highly above standards, whereas 26 additional percent hold that AFP manages their ESG impacts according to standards. Such evaluation indicates that AFP enjoys stakeholders' confidence and that they recognise the efforts invested by AFP in responsible impact management. Stakeholders show the most significant appreciation of how AFP engages with suppliers and partners across the value chain (61% evaluate this engagement as above average) and available service and customer satisfaction (with 58% of stakeholders evaluating this category as excellent).

Material topics, assessed importance and management efficiency

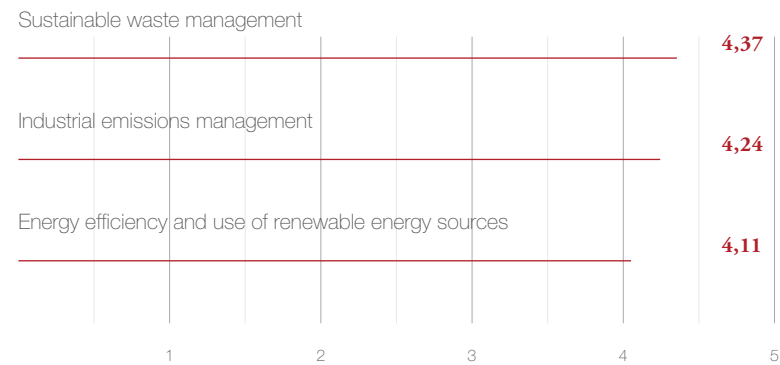
Materiality consideration process was firstly performed internally, in the workshop with the international AFP working group, with the participation of colleagues from all countries and versatile functions and corporate insights. The working group discussed the materiality aspects, importance of particular topics, their aspects and risks in an online workshop. Taking into consideration the specific challenges, trend changes and having and potential future developments the working group suggested rephrasing certain material topics and a more acute definition of specific topics. The result of this analysis was a redefinition or adaptation of material topics in all three areas. In this process, special attention was paid to risks pertaining to each sustainability segment: environmental, social and governance and the ways how AFP manages these risks. Material topics were evaluated in stakeholder engagement process. Compared to the previous reporting period, the topics were adapted to match the realities of diverse markets and a special attention was paid that they are universally significant for the entire group.

Material topics in the areas of environmental impacts

The flexible packaging industry is environmentally intensive, and stakeholders articulated the importance of managing individual material topics. Stakeholders evaluated the importance of managing impacts in these topics quite closely, assigning a somewhat bigger importance to sustainable waste management, which has indeed become a debated topic during 2020, considering the impacts of the pandemic on waste generation, specifically connected with packaging issues. However, the differences in assigning importance of the material topics are minimal and it can be concluded that stakeholders attach rather similar importance also to the topics of industrial emissions management and energy efficiency and use of renewable energy sources. Approximately a third of stakeholders declared themselves unable to assess the quality of environmental management of AFP. Altogether, 25% of informed stakeholders assess environmental management of AFP adheres to standards with additional 43% hold that AFP proves above-standard care in their environmental operations and management. These figures indicate the necessity to strengthen

informing stakeholders on AFP's efforts and achievements in environmental management. The stakeholders' assessment relative to AFP management of material topics indicates that energy efficiency and the use of RES is the most highly evaluated, whereas stakeholders see room for improvement in sustainable waste management.

Stakeholders assigned the following importance to AFP's impact on environment pertaining to specific material topics:



Material topics in the areas of social impacts

Stakeholders evaluate the relevance of social impacts rather highly as well. The Covid year specifically accentuated the importance of developing resilient and agile corporate cultures. Therefore, it is no surprise that successful management of health and safety is perceived as the leading material topic in this segment. Still, the recognition of labour market complexities and significance of continuous investment in employer's capabilities make employee training and professional development as well as employment planning and recruitment relevant material topic for AFP.

Stakeholders assign somewhat less relevance to community investment and cooperation. Similar to environmental management, approximately one third of stakeholders feel unable to assess the capabilities of AFP to manage material topics in this area. However, among those with sufficient insights, 60% assess that AFP applies highest above average standards in managing its social impacts, while 25% think that AFP applies the standardized management processes. Stakeholders recognise health and safety management as the most successful area of impact management, while there is room for improvement in employment planning and recruitment.

Stakeholders assigned the following importance to AFP's impact on society:



Material topics in the areas of governance market impacts



Stakeholders evaluate this set of material topics as the most sensitive related to the AFP impacts, possibly because of their strong focus on market relations and responsibility. The largest shift or redefinition of material topics was made in this area, mainly for the purpose of defining material topics precisely and narrowing them to the most relevant characteristics.

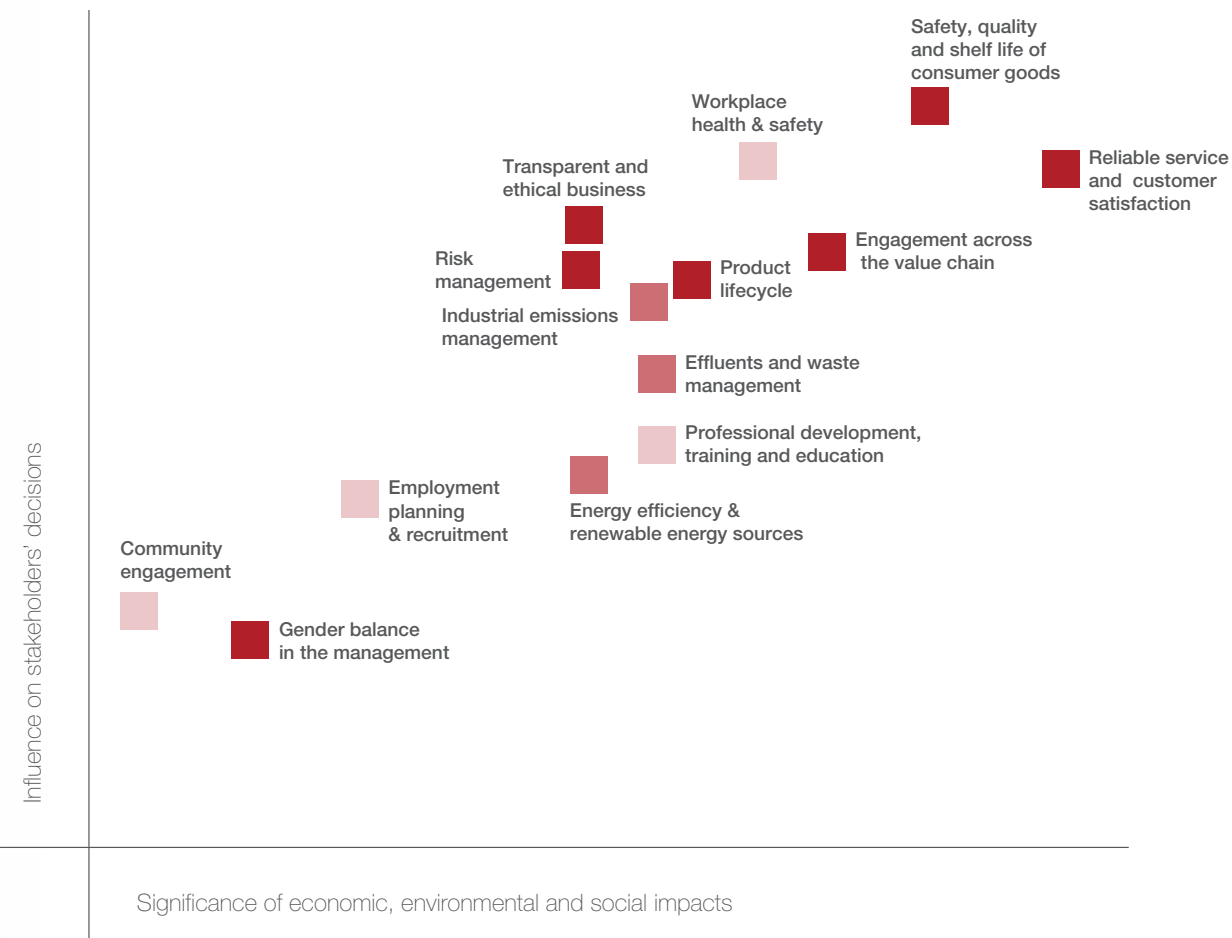
Taking into account the core business of AFP, safety, quality and shelf life of consumer goods and reliable service and customer satisfaction are the highest rated material topics. This was especially recognised during pandemic times, when reliability and quality of products and level of service were highly appreciated by customers. Engaging partners across the value chain is also perceived as important, supporting the claims that large production companies have significant impact on their long value chains. Securing the product lifecycle and applying adequate risk management has also become highly relevant to the stakeholders. Significantly more stakeholders feel confident to evaluate AFP's capabilities to manage these topics and only somewhat over one fifth of them declared unable to assess. Among those who have sufficient insights, 45% hold that AFP manages these topics above or highly above standards, while 27% think that AFP applies a standardised approach to management. Stakeholders recognise and appreciate the most AFP's engagement of partners in the value chain. The problem area perceived is gender balance in the management, but stakeholders assess this material topic as the least important.

Evaluation of the importance of material topics in governance and market areas:

| | |
|---|------|
| Safety, quality and shelf life of consumer goods | 4,74 |
| Reliable service and customer satisfaction | 4,74 |
| Engagement with suppliers and partners across the value chain | 4,68 |
| Product lifecycle | 4,58 |
| Risk management | 4,48 |
| Transparent and ethical business | 4,45 |
| Gender balance in the management | 3,96 |

Materiality matrix

Materiality matrix presents the diagram of relations management of influences and significance of economic, social, and environmental impacts to our stakeholders. These topics are closely connected with business and development objectives of AFP as well as with the risk management in business operations. Management practice in diverse material topics and risk management are described in topical chapters of this report.



Risk management in material areas

Material topics relevant for Aluflexpack and our stakeholders can also be divided by areas of impact content: governance and market topics, environmental and social topics. Risks that stem from Aluflexpack business operations or emerge as significant to the business of the group can be monitored and assessed according to the area of emergence. In the risk assessment process that we undertook in 2020, AFP recognised the risks in several risk categories: operational, market, external and strategic, financial, IT and other risks.

Governance and market risks

There are several aspects of packaging industry that may significantly influence its market and operational capabilities. Primarily the demand to apply the highest standards of product safety, ability to ensure reliable supply chain, ensure adequate supplies of raw materials, complying with standards and by applying all that the ability to ensure a continuous customer satisfaction. Mitigation actions by which we manage risks in this category are close monitoring and careful management of supply chain, selecting high-quality strong and reliable suppliers, applying the highest production quality standards and performing adequate quality checks and ensuring stable product quality for customers. Specific risks may occur related to logistics and transportation, which will demand a more prudent approach to ensuring efficient deliveries to customers. In connection with the transportation of products, longer delivery times were caused due to pandemic-related border rules. In the market domain, risks pertain to raw material prices and pricing recognition risks, which we are committed to manage by using standards, carefully managing prices and maintaining competitiveness based on innovation and development. External and strategic risks comprise force-majeure related occurrences, risk of deterioration of economic environment, legislative, regulatory and political risks as well as risks related to acquisitions. AFP manages them by setting goals to apply relevant standards and enforcing highest protective measures as well as closely monitoring and analysing markets. Furthermore, there are risks pertaining to governance, such as violating stock market regulations, market abuse and reputation risks. AFP mitigates them by ensuring high internal governance standards, organising ad-hoc committees and educating employees on critical topics. Harmonizing policies on the level of the entire group (e.g., new Code of Conduct) and high quality internal and external audits will help mitigate governance risks as well.

Environmental risks

Management of environmental risks is partially connected to the management approach to sustainability, and partially to innovations and advancement of technological part of the process. Major environmental risks may depend on external occurrences, such as natural disasters like fire, floods or earthquake that may cause sudden industrial environmental impacts. Risk management in this area focuses on installing adequate protective equipment, assuring proper health and safety measures, and ensuring adequate insurance. There is also a risk of industrial spills (risk of spilling of hazardous chemicals into soil), which is managed by identifying all impositions and monitoring adherence. Related to environmental topics, while considering sustainability impacts, we recognised additional risks, such as reliability on diverse energy sources and diversity of energy sources among countries, that is the availability of green energy. Increased sustainable packaging may challenge quality standards, which can be managed by fostering innovation and development. Additional risk is the capability to achieve the standards of share of recycling material.

Social risks

Each large company has two significant aspects of social impacts – internal or impacts on own employees and external – impacts on communities in which we operate. Since we operate in diverse markets, social and labour trends may significantly differ. Related to the pandemic situation, operating in large and diverse territories may also result in various health and safety related impacts. In labour intensive industry as packaging, we have always paid significant attention to the highest health and safety standards, which enabled us to manage risks successfully. We faced challenges of on-site professional education of employees during the pandemic. Slowing down of projects development may also occur due to pandemic. In connection to privacy risks, we plan to conduct external GDPR assessment audit and get certified by ISO 27001.

Contribution to UN sustainable development goals

AFP understands its responsibility to seriously address our ESG impacts and to connect our sustainability efforts with our contributions to the UN sustainable development goals. In this reporting period we assessed that it would not be necessary to reconsider our SDG contributions, so they remained largely the same compared to the previous period.

GOVERNANCE & MARKET

Reliable service and customer satisfaction



Engagement across the value chain



Quality, process and risk management



Safety, quality and shelf life of consumer goods



Transparent and ethical business



Gender balance in the management



Risk management



ENVIRONMENT

Energy efficiency & renewable energy sources



Effluents and waste management



Industrial emissions management



SOCIAL

Professional development, training and education
workplace health & safety
employment planning & recruitment



Community engagement

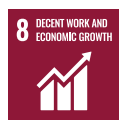


Aluflexpack can contribute to the following sustainable development goals:

SDG 8 DECENT WORK AND ECONOMIC GROWTH:

Promote sustained, inclusive and sustainable economic growth, full and proactive employment and decent work for all.

- 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation
- 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead
- 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment



SDG 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE:

Build resilient infrastructure, inclusive and sustainable industrialisation and foster innovation

- 9.2 Promote inclusive and sustainable industrialisation and, by 2030, significantly raise the industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries
- 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
- 9.b Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities



SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION:

Ensure sustainable consumption and production patterns

- 12.2 By 2030, achieve the sustainable management and efficient use of natural resources
- 12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses
- 12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment
- 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
- 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices
- 12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities



SDG 13 CLIMATE ACTION:

Take urgent action to combat climate change and its impacts

- 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries



SDG 5 GENDER EQUALITY AND WOMEN'S EMPOWERMENT:

Achieve gender equality and empower all women and girls

- 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



SDG 16 PEACE, JUSTICE AND STRONG INSTITUTIONS:

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

- 16.5 Substantially reduce corruption and bribery in all their forms



SDG 17 PARTNERSHIPS FOR THE GOALS:

Strengthen the means of implementation and revitalize the global partnership for sustainable development.


- 17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries
- 17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships Data, monitoring and accountability

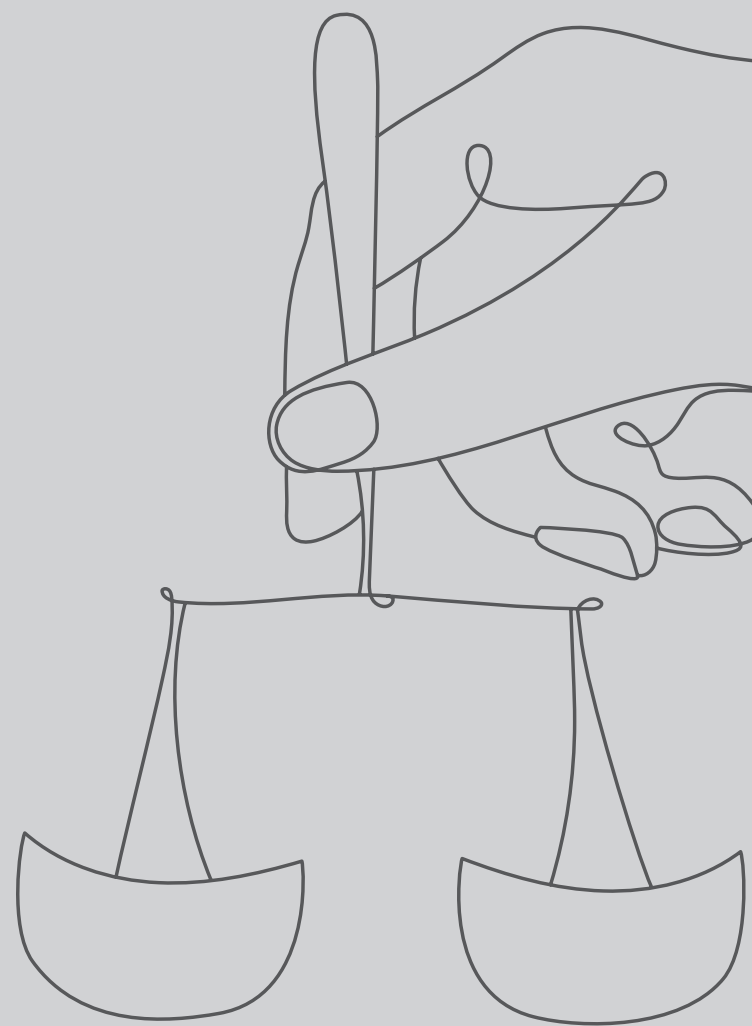


ESG risks, commitments and strategies in impact management

In connection with our material topics, AFP recognises the following potentials and opportunities to generate positive impacts to the realisation of SDGs and the respective targets:

| Market | Material for AFP | Commitment | Strategy and risk mitigation activities |
|--|--|--|--|
| <ul style="list-style-type: none"> • Volatile markets • Lower availability or increased cost of raw materials • Regulatory and compliance risks • Possible technology disruptions • Supply chain disruptions (sourcing, transport) under global risks (e.g., covid-19) • Reliability of value chains • Failing to secure Board diversity • Ethics and transparency risks | Reliable service and customer satisfaction | Offering top-quality products, reliable and flexible service and maintaining customer satisfaction | <ul style="list-style-type: none"> • Further investments into equipment and facilities • Performing stringent quality, risk and overall management processes |
| | Engagement across the value chain | | |
| | Product lifecycle | Improving product sustainability | <ul style="list-style-type: none"> • Continue developing more sustainable packaging (layers, sizes) to prevent food waste and optimize product waste • Develop new products and improve existing in terms of their environmental performance and impact during the entire life cycle |
| | Risk management | | |
| | Safety, quality and shelf life of consumer goods | | |
| | Transparent & ethical business | Increasing responsibility and sustainable practices in supply chain | <ul style="list-style-type: none"> • Cooperation with existing and new suppliers in introducing advanced sustainability practices • Introduce evaluation in supplier social impacts |
| | Gender balance in the management | | |
| | | Advancing standards of business ethics Securing gender balance in managing bodies | <ul style="list-style-type: none"> • Insist on ethical relationships with all stakeholders communicate and ask for commitments set in the CoC • Implement activities to support equal opportunities and strengthen women employment and leadership |
| <ul style="list-style-type: none"> Skilled workforce deficit Migrations Failing to attract and retain talent H&S risks Gender diversity and equal opportunity risks Human rights risks | Professional development, training and education | Further specialisation and professional development | <ul style="list-style-type: none"> • Develop specialisation programs, in-house and with partners |
| | Workplace health & safety | Maintaining high level of OHS management system | <ul style="list-style-type: none"> • Introduce further education and good practices • Strengthen health protection for employees |
| | Employment planning & recruitment | | |
| | Community engagement | Nurturing inclusion and diversity | <ul style="list-style-type: none"> • Further increase ratio of women • Strengthen trade specialization and employment • Secure industry knowledge legacy |
| <ul style="list-style-type: none"> Energy availability and prices Climate change action failure Sustainable management of resources Capabilities for circular economy | Industrial emissions management | | <ul style="list-style-type: none"> • Implement energy efficiency projects and increase renewable energy use |
| | Energy efficiency & renewable energy sources | Offset environmental impact of our production | <ul style="list-style-type: none"> • Further advance waste management systems and contribute to circular economy • Monitor and lower carbon footprint by implementing best available techniques |
| | Effluents and waste management | | |

| KPIs | Performance 2020 | Targets 2030 | SDGs |
|--|--|--|---|
| <ul style="list-style-type: none"> • general investments in % of sales • customer evaluation results and audit results | <ul style="list-style-type: none"> • 8.5% • highest scores according to different customer calculation methods | <ul style="list-style-type: none"> • 6% • maintain high level of customer satisfaction |  |
| <ul style="list-style-type: none"> • % amount spent for technological upgrading • no. of new products / products improved by sustainability standards • % of product groups assessed for life-cycle sustainability (LCA) | <ul style="list-style-type: none"> • 1.5% • 15 • AFP Novi: 65% plant Drniš, 80% plant Zadar | <ul style="list-style-type: none"> • 2% • >20 • 90% |  |
| <ul style="list-style-type: none"> • Memberships in industrial platforms and initiatives • % of suppliers screened for environmental and social impact | <ul style="list-style-type: none"> • CEFLEX, ASI, EAF, FSC • 100% | <ul style="list-style-type: none"> • Strengthen active participation • 100% |  |
| <ul style="list-style-type: none"> • % of suppliers adopting AFP Code of Conduct • % of employees adhering to AFP Code of Conduct • % of women in the Board; % of women in managerial positions | <ul style="list-style-type: none"> • 95% • 95% • 0%; 31% | <ul style="list-style-type: none"> • 100% • 100% • 30%; 50% |  |
| <ul style="list-style-type: none"> • No. of hours of education per employee | <ul style="list-style-type: none"> • 86.4hrs | <ul style="list-style-type: none"> • > 100hrs |  |
| <ul style="list-style-type: none"> • LTI rate • SMETA / EcoVadis results • ISO 45001 | <ul style="list-style-type: none"> • 4.20 • Silver medal • 0 | <ul style="list-style-type: none"> • 0 • Gold medal, highest possible level (Include all production locations in evaluation) • In 4-5 plants (long term 100%) |  |
| <ul style="list-style-type: none"> • % of women employed • % of employees under 30 and over 50 | <ul style="list-style-type: none"> • 20.7% • 23% under 30; 20% over 50 | <ul style="list-style-type: none"> • 25% • 30% under; 25% over |  |
| <ul style="list-style-type: none"> • % of energy consumption decrease in production facilities • % of energy consumption decrease per produced AFP unit • % landfilled waste connected to our production • % GHG emissions intensity/ AFP unit | <ul style="list-style-type: none"> • 12.8 % increase due to expanded production and new plant acquisition • Results to be available in 2022 • 0.06% • -0.26% | <ul style="list-style-type: none"> • Target to be determined in 2022 • Target to be determined in 2022 • 0% • Target to be determined in 2022 |  |



Ethics &
governance:
transparent
and fair
business





Ethics & governance: transparent and fair business

Over 40 years of experience stand behind not only Aluflexpack's market presence, but also its stable and ethical managerial practice. Our experienced management team and efficient management style are the basis of our business success. The ability to adapt to market challenges and requests, recognise business opportunities timely and efficiently and operate on ethical principles lie in the foundation of our operations.

In this chapter:

MATERIAL TOPICS:

- Transparent and Ethical business
- Gender Balance in the Management

ESG CRITERIA:

- Governance - Ethics & Anticorruption
- Board Diversity
- Social - Non discrimination

Working with integrity

Transparent and ethical behaviour is at the core of our operations; we build relations of trust and openness with all our stakeholders, recognising the importance of fair relations not only in our business, but in global business communities.

In our everyday operations, we comply with international standards as well as our own policies and procedures in order to secure ethical and trustworthy relations. In that respect, we have zero-tolerance for corruptive behaviour in our entire value chain; we take all precautions to prevent it and demonstrate our integrity through responsible management.

We ensure that our employees and partners adhere to our Business Ethics Conduct Code, Whistle-blower Ordinance which has already been introduced in Croatia and expected to apply in other group members in the following years, as well as conduct in compliance with the responsible business practice. Aluflexpack's Business Ethics Conduct Code describes how the company not only complies to the laws, regulations, and standards of business operations, but also how the company and all employees approach their everyday operations and relations with various stakeholders. This document, based on the Ethical Trading Initiative, is equally a definition of what the company stands for in relations to external stakeholders, but also how it regulates conventions of operations following UN guidelines. All employees, partners and suppliers are familiarised with the principles and values of the Code and are expected to adhere to them in all business situations.

This Code describes said 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. Additionally, our businesses have locally adopted policies and commitments; for example, our French subsidiary Eliopack communicates and implements ethical commitments, while our Polish subsidiary Top System has a Statement of Corporate Social Responsibility which also addresses issues of ethics.

The culture of ethical behaviour and reliability is key to sustainable success in business activities. Therefore, we regularly conduct both internal and external audits to secure our business relations are transparent and honest. 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 at least annually to the Audit and Compliance committee together with the Management Board, on each location.

Adherence 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.

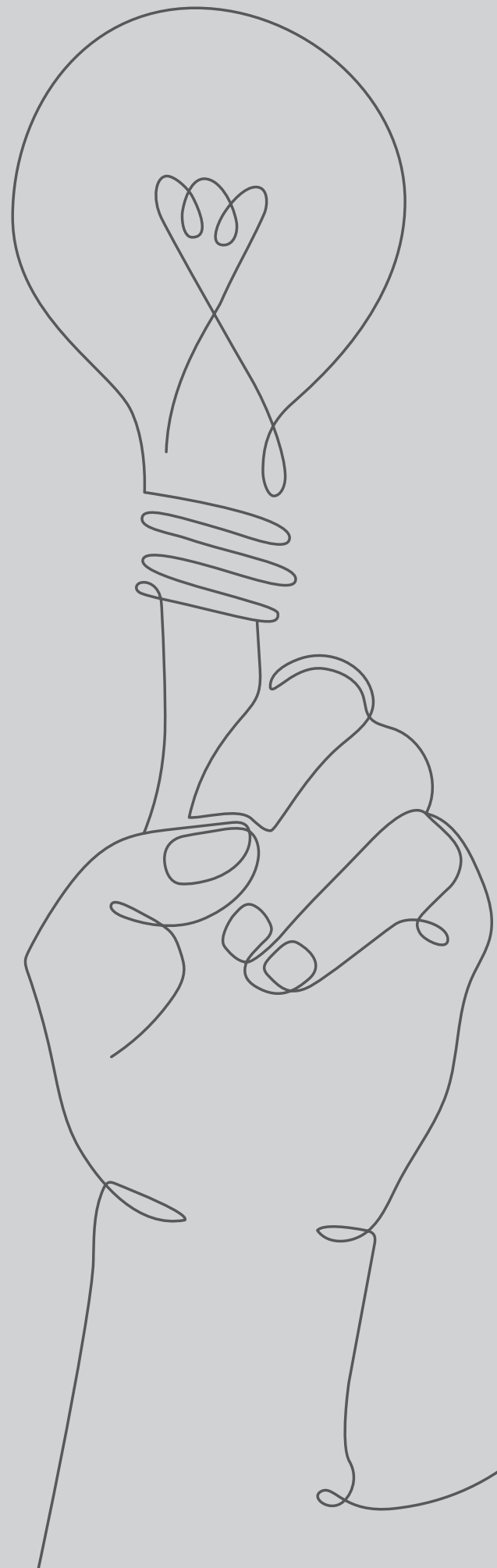
Aluflexpack regularly conducts the SMETA four-pillar audit in its production sites, reviewing, among other, processes that ensure fair and honest business relations, ethical behaviour and compliance with all regulation in this area. SMETA reports are published by audit group members in the SEDEX system, ensuring transparency and efficient exchange of information. The audit was last conducted in sites in Croatia and Turkey in 2019, with the new audit scheduled for 2021.

During 2020, as since the beginning of our operations, we have received neither a complaint related to corruption, nor has a legal proceeding been initiated. The EcoVadis and SMETA audits confirmed that there had not been any violations of regulation and laws in social and economic areas. In fact, the SMETA audit performed in Croatia detailed that there is a transparent base of documents related to examined areas, and underline commitment of our management and employees to permanent improvement of social accountability performances.

Diversity & equal opportunity

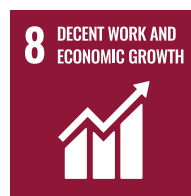
We recognise the benefits diverse backgrounds and gender equality bring to the development of every company. Diversity, especially in the management boards, brings different perspectives and opportunities for growth and innovation. On the other hand, we also recognise our role as an employer to support diversity and inclusion in all levels of the company, securing equal opportunity for diverse people.

Currently, we already have 31 percent of women in managerial positions, namely among engineers and in expert administrative positions, for example in Customer Service, Quality Management, Sales, Accounting or Controlling. We support equal treatment in all positions and adhere to offering equal opportunity to men and women in recruitment and access to company resources. Our member of the Management Board and the Board of Directors are currently 100 percent male; however, it is our goal and obligation to reach at least 30% women in the governing bodies by 2030. To realise this goal, we continuously raise awareness of the gender gap and encourage women to grow through development of their leadership skills. In the years to come, we also plan to implement policies enabling alleviated recruitment of women in all positions in the company, including top managerial positions.



Outstanding
quality:
our
customer
-centric
market
approach





Outstanding quality: our customer -centric market approach

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

In this chapter:

MATERIAL TOPICS:

- Reliable Service and Customer satisfaction
- Product Lifecycle
- Risk management
- Safety
- Quality and Shelf life of Consumer Goods
- Engagement Across the Value Chain

ESG CRITERIA:

- Product Life Cycle
- Customer Relations
- Resource Use
- Circular Economy
- Value Chain Management

In line with sustainable development principles, Aluflexpack has set objectives of managing key impacts on the society, environment and economy. We are dedicated to constantly developing and improving success based on all indicators we use to measure it. They include:

- EcoVadis – silver medal for CSR (Corporate Social Responsibility) rating
- SMETA 4 pillar audit – successful audit according to Sedex requirements
- active cooperation in global organisations that work on improving circular economy in the use of flexible and aluminium packaging
- collaboration with customers and suppliers on projects that include development of sustainable packaging

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.

Our goal is to maintain and improve the ISO 9001:2015, BRCGS issue 6:2019 Packaging Materials, and ISO 14001:2015 systems, SMETA/Sedex and EcoVadis, with which we achieve additional progress and customers' trust in AFP products. Furthermore, our plant in Umag (AFP Novi, Croatia) commits to the FSC values by signing a self-declaration that the organisation is not directly or indirectly involved in activities damaging forests and foresting operations, including violation of traditional, human and labour rights in these operations.

External initiatives and memberships

- Aluminium Stewardship Initiative (ASI)
- CEFLEX, circular economy for flexible packaging
- EAFA, European Aluminium Foil Association
- Flexible Packaging Europe

New cycle of investments to upgrade technologies and capacities.

Following our prior investments into our facilities, we plan to invest € 65m over the next two years in the expansion of two of our plants in Croatia. The investment will go towards adding 13,000 square meters of production and warehouse space, as well as supply of production equipment in Omiš and in Drniš. With the expansion, we will add up to 30,000 metric tons of foil conversion capacity to our platform, vertically integrated covering pre-treatment and coating. Construction works on the planned expansion will begin in the first half of 2021, with production expected to commence towards the end of 2022.

Market expansion to strengthen customer service. On 9 September 2020, we have signed and completed the acquisition of 80% of Top-System, a leading flexible packaging company in the dairy industry in Poland and integrated the company into our value chain.

Top-System is exceptionally well-managed, and it ideally complements our existing production footprint, strengthens our platform in Europe with readily available additional capacities and modern production equipment in a strategically attractive location. Our customers benefit from our joined forces leading to better and broader service and an extended product portfolio.

Reliable service and customer satisfaction

The success of Aluflexpack in general depends on meeting the present and future needs and expectations of the customers, authorised institutions and the interested public. We strive to exceed customer expectations and direct everything to that goal.

To define customer needs and expectations, we:

- identify and evaluate the competition in its market
- conduct continuous dialogue with customers
- determine the key characteristics of the product quality
- identify the opportunities, weaknesses and future competitive advantages
- determine the risks that can have an impact on the product quality, that is, on customer satisfaction. In that regard, activities related to risk assessment are undertaken.

We track customer satisfaction annually, based on documented information received from the customer, including customer audit. A 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. Additionally, we organise visits for our customers to our production plants to discuss possible upgrades and improvements.

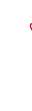
Data for the system evaluation contains:

- degree of fulfilment 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.

We aim to continuously increase customer satisfaction and keep our leadership on the local markets, as well as to sustain success in offering products for trademark companies. In order to succeed in this area, we benefit from the resources of AFP and strong suppliers. We also get use of any feedback to boost up our improvement opportunities, such as market trends, fairs, customer demands/ complaints/audits with the updates on regulations and standards.

We strive to always offer 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. We get feedback from our largest customers within their supplier evaluation systems; as each of them has an individual methodology, the data cannot be cumulated. However, each of evaluations we received from customers indicate their high satisfaction with our products and services in terms of quality, technology, delivery, administration, communication etc.

After the outbreak and during the Covid-19 pandemic in 2020, we developed a series of activities aimed at securing uninterrupted supply to our customers. Focusing on their needs in challenging circumstances on one hand and securing the steady supply of raw materials to our plants on the other, we managed to maintain regular flow of activities and operations, providing the customers with full support using a flexible approach to production management. The customer satisfaction survey and their individual response highlighting our management approach in difficult circumstances indicate that they recognise our robust and reliable service.



Sustainable product development and design

Our most important task and commitment is to produce excellent packaging, securing long shelf-life and sustainability throughout the product life cycle because we are aware that each and every aspect of our production and products has a vital impact on the health and safety properties of commodities which our customers provide to consumers.

Our quality and process management follows internationally adopted 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.

In the development and manufacturing of our products, we carefully consider customer requirements and follow quality management standards. In this process, we consider the output results from business processes, individual activities in the processes, control measures, training needs, equipment, methodology, information flow and all other factors that impact the product realisation success. The entire manufacturing process is controlled through documented instructions, records and parameters on the machinery.

In addition to collaboration with our customers, we collaborate and coordinate our production activities between all manufacturing plants in our group. New product development includes preparation, technology selection and test sample manufacturing; elements that are assessed in all phases of the technology development process are internal input variables, external input variables and other criteria that are identified as product characteristics and that are crucial for the quality of the new product.

We increase sustainability of our customised high-quality products and services using:

- improved characteristics of materials – we initiate R&D projects with our customers to develop materials with lower environmental footprint (e.g., mono-materials, materials with higher recycled content)
- fewer resources used in manufacturing: decrease of material thickness (downgauging), less use of varnishes and inks
- single portion packaging to prevent (food) waste

- optimal shelf life
- flexible lead times: optimisation of printing orders and deliveries
- smaller order quantities (digital printing)

Internal policies and regulations are set to manage our entire process of production, with periodical 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 trust and loyalty of our customers.

Improving product life cycle

Input materials. In our production, we strive to constantly increase the use of recycled raw materials to contribute to a more circular economy. Besides paper and cardboard that are recycled and used mainly for distribution of our products to customers, we are manufacturing and developing products using other recycled raw materials. Plastic recycling (mechanical and chemical) is increasing, however, most of the materials are not yet allowed for food contact. On the other hand, aluminium is a perfect material to recycle, and there are no restrictions to use such a recycled material in food (or non-food) packaging.

We have initiated several projects in cooperation with our aluminium suppliers and different customers to use recycled aluminium or aluminium with low CO₂-footprint for our products. Additionally, we work on decreasing and replacing the use of hazardous or unhealthy ingredients or chemicals in production of our packaging.

Input materials used in 2020

In 2020, 91,8 percent of our input materials were aluminium, liquids and plastic input materials for our products, while paper, cardboard and other renewable materials were at 8,2 percent in the total input materials used.

Ongoing projects and activities include:

- increased use of ASI aluminium in the coming years, by getting ASI Performance standard certificate and Chain of Custody
- increased use of FSC certified paper as a member and certified partner of FSC
- use of PVC-free lacquers for cups and containers
- use of PVC-free inks for retort laminates
- use of epoxy silane free adhesive for retort applications
- thinner raw materials for a lot of our products: ongoing screening of possible products which can be downgauged
- use of aluminium with recycled content

A more sustainable end-of-life. Managing all lifecycle stages is our priority; therefore, most of our products are also recyclable, but we still want to improve the recyclability. Recycling of packaging is, along with waste prevention and reduction, the most important method of protecting the environment and saving resources.

In cooperation with our customers, we develop the best packaging to suit their needs. In this process, we apply Design for Recycling principles to improve the recyclability; we advise our customers how to improve the recyclability and therefore the sustainability of the packaging.

Our ongoing R&D projects include:

- new aluminium containers for human and pet food with heat seal lacquer instead of plastic as a sealing layer
- two ply aluminium-based laminates instead of multi-layers, for easier recyclability
- mono-material pouches (out of PP or PET) for retort and other applications
- mono-material laminates (out of PP, PET or PE) for food and non-food applications
- mono-plastic lids for dairy plastic products
- pure paper packaging for food and non-food
- paper-tapes for closing the transport (cardboard) boxes

We also established a partnership with a company that developed an innovative system to separate multilayer laminates to ensure easier recycling.

We believe that to objectively view the environmental footprint of a product, it must be viewed throughout its entire life cycle, from the extraction of raw materials to product end-of-life. With this in mind, we initiated Life Cycle Assessment (LCA) study in 2021, with the aim to determine the environmental footprint of one of company's major aluminium products - aluminium coffee capsules. The study quantifies the environmental profile of our product according to ISO 14040:2006, ISO 14044: 2006, Product Environmental Footprint Category Rules Guidance and Recommendation 2013/179/EU on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations.

LCA will provide complete information for the coffee capsules produced in Aluflexpack plants, information on environmental hotspots of the product which will enable further improvements in the product design and manufacturing development process as well as environmental information for public communication of the environmental performance of this AFP product. As the environmental footprint of our products largely depends on the environmental contribution of our suppliers, it is important to identify opportunities for improvement and influence our suppliers to reduce the environmental footprint of their products.

The LCA study follows the production of the coffee capsules in the production plant in AFP Novi (Driš plant), PPS and Eliopack. The study of life cycle environmental impacts of this product will be considered, modelled and elaborated considering two different life cycle stages: full life cycle, i.e., from cradle-to-grave (upstream, core and downstream processes included), and cradle-to-gate analysis, i.e., upstream and core processes only. In the long run, we plan to expand the range of products for which LCA analysis has been conducted and to cover all products.

Safety, quality and shelf life of consumer goods



The Covid-19 pandemic shined a spotlight on questions of prevention of all health risks and preservation of integrity of goods offered to consumers. However, regardless of the implications of the pandemic, we are fully dedicated to creating packaging materials that provide safety and quality for the products for which they are used. Our primary mission is to secure that consumer goods remain safe and have an appropriate shelf life to avoid food loss, increase pharmaceutical product protection and efficiency of our customers' production.

By setting up a reliable, comprehensive and integrated management system lead 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 abiding by global guidelines and standards that guarantee safety of consumer goods.

Our operations comply with a series of standards and requirements:

- ISO 9001:2015
- ISO 14001:2015
- ISO 15378:2011
- ISO 22000:2005
- BRC IoP v6 Global Standard Packaging and Packaging Material
- DMF / FDA
- EcoVadis Sustainability Rating
- SMETA – Sedex
- Green Energy

Measurable performance evaluation

Supervision, measurement and analysis are conducted to:

- managing processes and confirming and proving the capability of the processes to achieve the planned (required) results
- proving the product conformity with the set requirements
- evaluating compliance with the corresponding legal and other regulations
- monitoring environmental protection objectives
- timely preventing occurrence of non-compliant products
- determining the possibilities for process improvement

Apart from evaluations and audits within these systems, we regularly implement analytical and mechanical tests, migrations and other mandatory tests. Besides the manufacturing process control, product control is also conducted in the laboratories for all control points for which there is no supervision at the machinery. In 2020, there were no incidents of non-compliance concerning the health and safety impacts of products and services.

Abiding by all regulations and our own standards in operations, AFP did not record cases of non-compliance, in environmental, social or economic areas. EcoVadis audit confirms 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. SMETA audits are planned for 2021.

During 2020, as in all the years since the beginning of our operations, we have received neither a complaint related to corruption, nor has a legal proceeding been initiated. The EcoVadis and external auditors (KPMG) confirmed that there had not been any violations of regulation and laws in social and economic areas.

Engagement across the value chain

We recognise our responsibility as a large international manufacturer to carefully consider all impacts – environmental and social – across our supply chain. Reliable supply is thus not the only parameter we need to consider; we need to select suppliers who provide raw materials that will enable us to develop quality, flexible and sustainable product, but also those who maintain standards in labour, environmental and ethical in their market presence. 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.

To supply raw materials for our production as well as other goods and services, we work with suppliers that are market leaders in product quality. A vast majority of them are in the European Union (about 95%), while the remaining supply pertains mostly to China, India and Turkey. To support our strategy in offering more sustainable packaging solutions, they must be confirmed and certified by third parties.

In the process of selection of any material, the supplier is requested 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 the 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 supplier and materials can be ordered.

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

- Quality, supply and confidential 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)

All suppliers are submitted to annual evaluation, according to the 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 relation to the Covid-19 pandemic, we maintained an uninterrupted supply chain despite extended lead time. In addition, we built inventories of all raw materials which ensured the continuity of production and no delays in deliveries of finished products.

In the reporting period, there have been no results of actual and potential negative environmental impact in supplier evaluations (all screened for this impact), 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.

Environment:
managing our
operations
impacts





Environment: managing our operations impacts

Every human activity, and especially industrial operations, has an unavoidable impact on the environment, and therefore, directly puts the responsibility to manage that impact. Following the global urgent need to address, mitigate and avoid negative environmental impacts, especially considering climate change, pollution, biodiversity and resource use, Aluflexpack recognises its obligation to measure, monitor and decrease the impact its operations have on all components of the environment, as well as its responsibility to contribute to global efforts preserving climate and nature. The biggest impacts of our production we see in industrial emissions management, careful energy use including renewable sources as well as contributing to circular economy by managing the life cycle of our products.

In this chapter:

MATERIAL TOPICS:

- Industrial Emissions Management
- Energy Efficiency and Renewable Energy Sources
- Sustainable Waste Management

ESG CRITERIA:

- Environmental - GHG Emissions
- Emission Intensity
- Climate Risk Mitigation
- Energy Usage
- Energy Mix
- Circular Economy
- Managing Environmental Impacts

We recognise the need to carefully monitor and adjust environmental impacts in the entire value chain and considering the entire lifecycle of our products. Our customers expect our investments in terms of innovation in development of more sustainable packaging solutions for their products, while we expect the same from our suppliers, to assist us in sourcing materials with as low as possible environmental footprint. We are committed to improving our environmental protection management system, reducing adverse influences through solvent recovery and saving natural resources through selective waste collection and other development projects.

Aluflexpack manages the environmental impacts from its production following the ISO 14001 standards. Apart from obtaining all permits and following all local regulation and international standards, our plants have designated environmental protection teams in charge of establishing control systems, determining environmental strategies and monitoring all system parameters. Some of our production sites use the services of environmental consultants and service suppliers for the information on regulations update.

We monitor a series of indicators of our environmental impact and carefully follow sustainable management trends in this area, attend fairs, seminars, follow technological developments, but also respond to customer demands, and regularly examine any negative or positive social, environmental and financial impacts that might occur.

Our aim is to excel and be the leader in all that we do; therefore, we constantly evaluate 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. Regular audits of our plants under ISO 9001 and 14001 have been conducted in 2020, as well as EcoVadis annual audit. Regular SMETA audit is scheduled for 2021.

Industrial emissions management

Following global urgent demands to carefully manage and decrease greenhouse gas emissions (GHG), and aiming to contribute to UN Sustainable Development Goals, Paris Agreement goals, and EU's Green Deal, we recognise our responsibility in these efforts.

GHG and other emissions management are a part of our overall environmental strategies; starting with 2019 as the base year, emissions are measured annually and compared to this benchmark. Most of our impacts occur at our eight production plants, and to a lesser extent at the remaining four office locations and one logistics hub. In terms of investments into environmental footprint management, recuperation and filtering systems as well as process and product developments are the basis for our impact management strategies.

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. Our production locations have been set up for emission monitoring with the base year 2019.

Aluflexpack includes eight production facilities, a logistics hub and four offices, three of which are administrative / sales offices, and one is the Group's headquarters. In 2019, the Group included seven production facilities. The inventory and emissions report for 2020 additionally include the production site of Top-System in Poland, which was acquired by the Aluflexpack Group in September 2020. This acquisition expanded the inventory of greenhouse gas emissions, and emissions related to activities at the new location are included proportionally to the part of the year that the Top-System part is owned by the Aluflexpack Group.

During the data collection on activities for 2020 from all locations, the control of data submitted for year 2019 was also performed to improve the accuracy of activity data. The corrected values of activity data were entered in the emission calculation for 2019, and the recalculation of emissions for 2019 was performed.

The presented GHG emissions can be viewed as our climate footprint for the year 2020. The term "carbon footprint" pertains to carbon dioxide emissions, but the calculation covers other greenhouse gases as well and therefore it can be considered as to represent the entire climate footprint. However, carbon dioxide emissions are dominant, so the carbon footprint represents more than 98% of the climate footprint.

Direct (Scope 1) GHG emissions

The gross direct greenhouse gas emission at the company level amounted 25,391 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.

Indirect (Scope 2) GHG emissions

Gross market-based indirect greenhouse gas emission from energy use at the Group level amounted 1,182 t CO₂e. This result was obtained by considering exclusively emissions from fossil fuels for electricity generation, excluding the plants using green energy in production process.

Emissions intensity

Emissions intensity based on total sales, which includes both emissions of the production facility locations and emissions of non-production activities at the locations of logistics hub, administrative and sales offices amounts to 363.93 kt CO₂e / AFP unit in 2020.

Total direct emission (Scope 1) and total indirect emission (Scope 2) on the group level are 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.

For the specific parameter in the emissions intensity denominator, a specially defined production unit was applied, which considers differences in product technology, product shape and other features of product types – the so-called AFP unit. According to this, our KPI is set to monitor and manage GHG emissions [kt CO₂e] / AFP unit [t]; as we are conducting a thorough analysis which will provide more insights into our opportunities to further decrease our emissions, the target for 2030 will be set in the upcoming period. In comparison to 2019, a slight decrease in emissions has been recorded (-0.26 %).

Energy efficiency and renewable energy sources

Energy efficiency is recognised as the key lever in the creation of low carbon economy. Clean, affordable and secure energy is crucial for the operations of cities, communities and businesses, especially production industry such as ours. Therefore, we chose to use energy from renewable sources in our production wherever this is possible, as well as to optimise our production to decrease energy consumption levels and avoid loss of energy that can be used for different purposes.

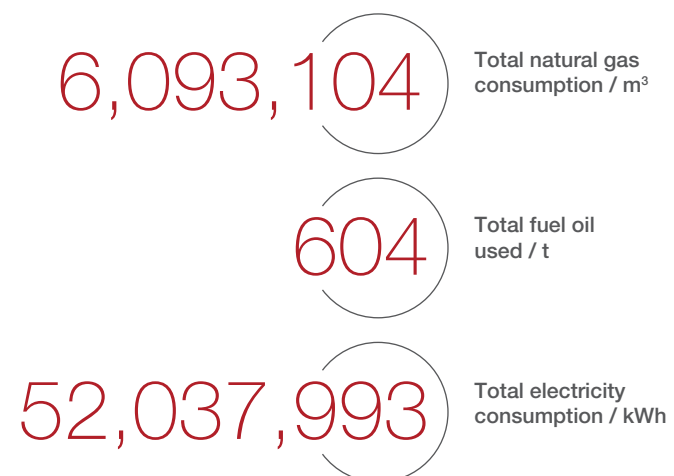
Managing our energy efficiency, we seek and develop improvements in all energy-heavy segments of our value chain. This means that we constantly invest into new, high-end equipment and infrastructure that enables energy efficient production, work together with our employees on implementation of projects that result in decreased energy use, as well as invest efforts into internal awareness raising of sustainable energy consumption. Furthermore, most of our plants have recuperation systems which bring useful solvents out of the process waste stream and provide energy, resulting in significant economic and environmental benefits.

Along with this, we use renewable energy sources for most of our production. As of 2020, five out of eight of our production locations use green energy. Our four production plants in Croatia use exclusively electricity from renewable sources and are certified for green energy use.

Monitoring the energy use and setting targets for lower consumption, we constantly re-evaluate and improve our energy efficiency. Additionally, investments into new technologies that we are constantly undertaking help us achieve better results in this area. However, due to the increase in investments in production facilities and increase of production in 2020, we have recorded a slight increase in energy consumption between 2019 and 2020.

Energy consumption and electricity sources in AFP facilities in 2020

Energy consumption 2020



During 2020, AFP Novi has prepared an energy efficiency project for its plant in Drniš, applying for EU fund co-financing in the segment of energy renovation projects and projects for the use of renewable energy sources, as well as various activities to encourage low-emission mobility. This is only in a series of planned investments into technology that will enable a more efficient production in terms of energy use.

Sustainable waste management

Circular economy as one of priorities of EU Green Deal stipulates resource efficiency from sourcing and production to waste management. As our packaging provides flexible solutions for a series of household, everyday use products, we recognise our responsibility in carefully managing our impacts in the entire value chain.

Managing waste which we produce in our operations is crucial in minimizing our environmental impacts and their residual effects. To minimize environmental impacts caused by waste disposal, we emphasise prioritising options for reuse, recycling, and recovery over waste disposal options. We implement internal waste management organisation processes and conduct employee sensibilisation activities in separating and managing waste in our production.

In managing waste in the entire lifecycle of our products, we develop packaging solutions using downgauging to assure minimum quantities of material are use, maintain their outstanding and reliable quality, assuring protection and longevity of the packed products.

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

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.

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 specialized partners.

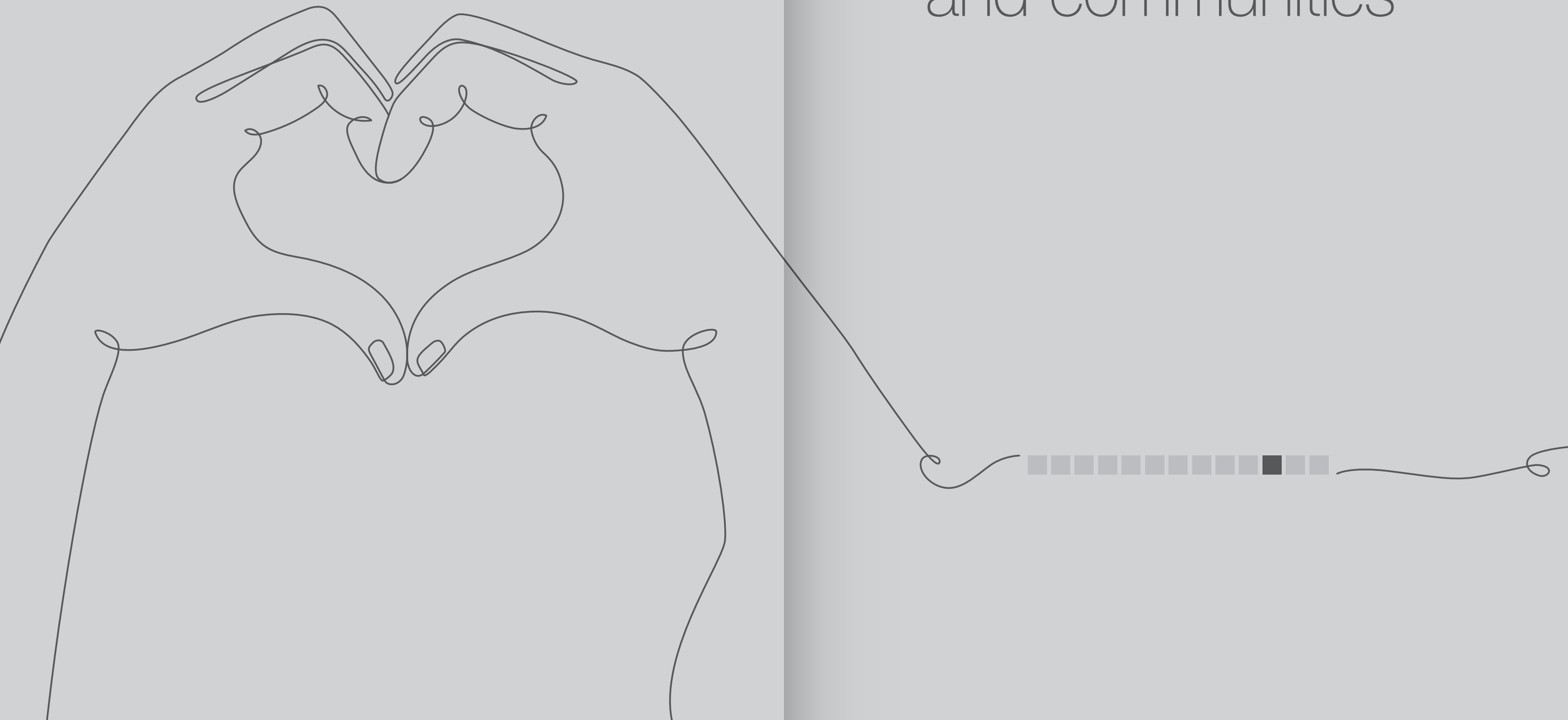
Quantities and methods of waste management in AFP's plants in 2020

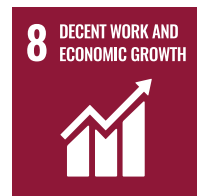
The majority of our waste is aluminium scrap, which is sold in its entirety, recycled and reused. All other waste is recycled if possible or collected by our certified and specialized partners. In 2020, we recycled 906,360.5 tonnes of non-hazardous waste group wide, recovered 1,527.6 tonnes, while only 568.2 tonnes were landfilled. As for hazardous waste, a total of 413,501.3 tonnes went into recycling, 512.6 tonnes were recovered, and 389.0 were otherwise disposed.

99.93%

of waste is recycled
or recovered

Society:
our people
and communities





Society: our people and communities

To successfully manage our social impacts, we closely communicate with our employees as well as the communities in which we operate. By considering the issues our internal and external stakeholders find important, we aim to meet and exceed all the requirements needed for a safe, stimulating work environment where our employees can continually develop, ensuring a sustainable growth of our organisation as well as the communities which we are an integral part of.

In this chapter:

MATERIAL TOPICS:

- Employment Planning and Recruitment
- Workplace Health & Safety
- Training and Professional Development
- Community Investments and Developmental Projects

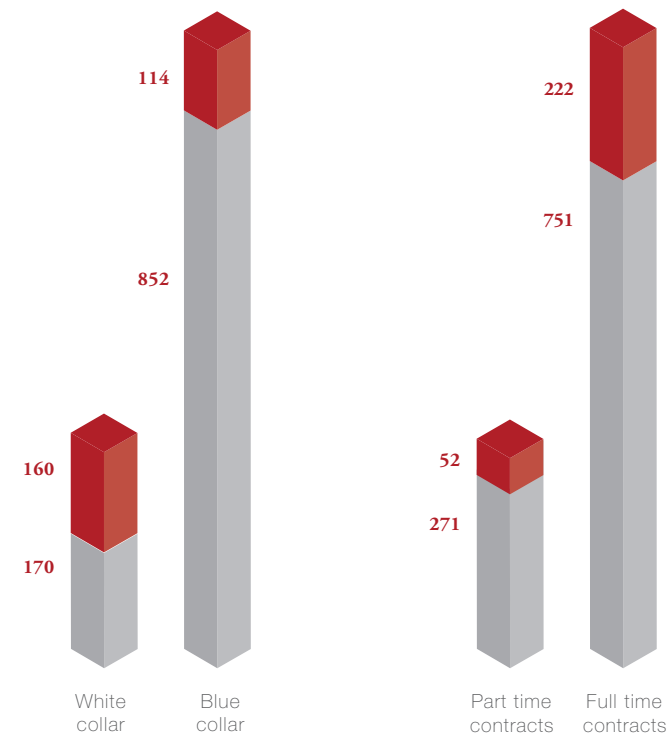
ESG CRITERIA:

- Employee Turnover
- Temporary Worker Ratio
- Gender Pay Ratio
- Non-Discrimination
- Injury Rate
- Global Health & Safety

Employee structure 2020

1,296 employees

Male
Female



A total of 660 employees in Aluflexpack have permanent contracts, while 629 work under fixed-term contract.

There were no changes pertaining to the percentage of senior management hired from the local community. All our plants and respective group member companies are led by mainly local management. In Croatia, France and Poland, 100 percent of senior management are country nationals. In Turkey, 72 percent of senior management is local and in Switzerland 66 percent.

Employment planning & recruitment

To ensure the sustainable growth of our operations, it is paramount to have highly skilled, qualified professionals on our team. Our goal is to remain competitive on the labour market in each of the markets we operate in, we take measures necessary to create a comprehensive hiring plan and recruit personnel which will be able to successfully perform the needed tasks for years to come.

Our Human Resources departments manage this procedure through work instructions and processes which relate to the organisation, encompassing all our departments and business functions, while selection and recruitment are regulated by internal policies in all our locations. The management teams conduct regular reviews of professional development and employee outcomes on all levels, examining:

- internal and external total quality
- production efficiency
- capacity and turnover
- number of days of absenteeism
- SMETA and EcoVadis audit results

At the management review meetings, new decisions or revisions are made for the set actions and targets, taking into account any potential social, environmental impacts, as well as market trends, socio-economic environment, technological developments, consultant feedback for recruitment, customer demands, compliance, regulation and standard updates.

In Covid-19 pandemic, we implemented appropriate additional procedures when interviewing candidates on our locations, introducing all locally required measures during the hiring process to minimise the risk of infection and ensure the continuity of our operations.

Another effect of the pandemic is a higher interest for employment in Croatia, especially present in AFP Novi, as in 2020 the emigration trends of the working age population have significantly slowed down compared to the previous years, while the number of persons returning to Croatia due to the effects associated to the pandemic has increased. In Eliopack, the hiring approach implemented with the French governmental agency *Pôle emploi* through which we created a job description according to our needs, conducted interviews and skill evaluations, and organised the required training, has continued in 2020.

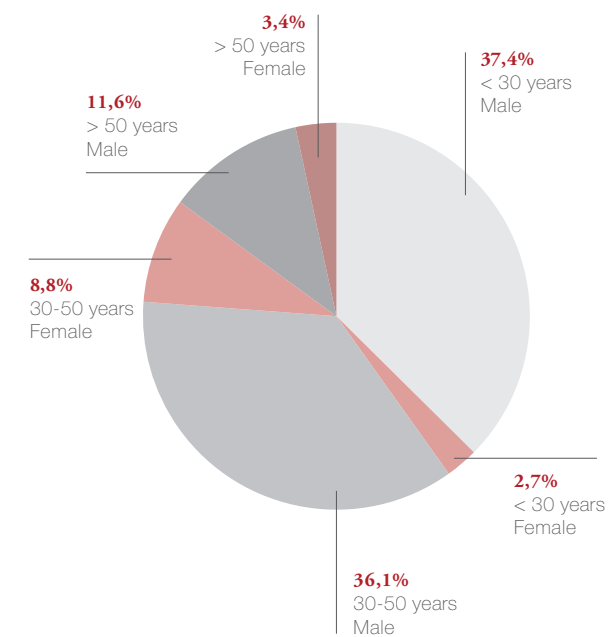
The primary document regulating conditions of employment and defining policies, obligations and practices for Aluflexpack Novi in

Croatia is the Collective Agreement, which has been extended for an additional two years during 2020. Other group members regulate their employment procedures in accordance with the respective local regulations, and currently no other collective bargaining mechanisms are in place.

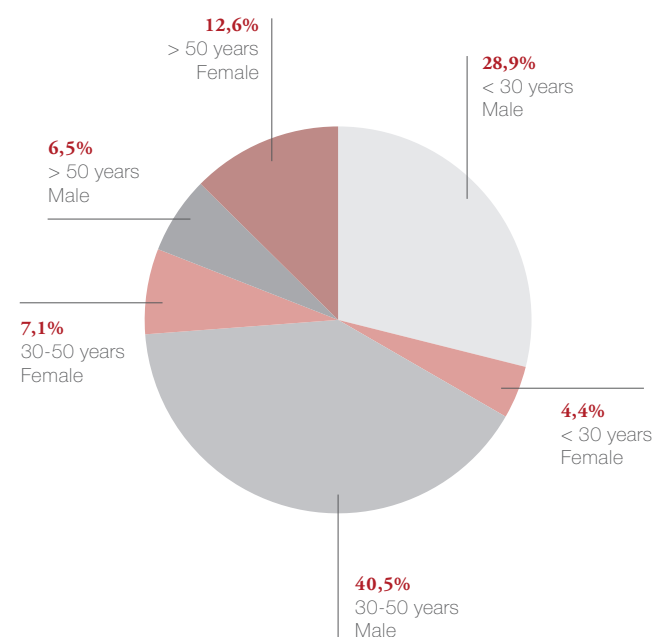
We offer the same benefits to the employees in our Swiss and Croatian group members (PPS, AFP Novi and Omial Novi), regardless of their types of contracts. Our group members in Poland and Turkey have only permanent employees. In France, Eliopack's permanent employees receive the following benefits: 13th salary, disability coverage, retirement provision, and seniority and legal participation following net income result.

New employee hires and employee turnover 2020

Arrivals



Departures



Workplace health & safety

Health and safety of our employees are of the highest importance to our organisation, and we always strive to implement the best practices in our production processes and operations. We acknowledge our obligation to provide safe working conditions and access resources to maintain and improve our co-workers' physical and emotional well-being. In 2020, the Covid-19 pandemic presented a new challenge in this regard, as we had to quickly adapt to the changing circumstances and regulations in all our locations. We managed the occupational health and safety by implementation of local and international regulations and standards, through agreements with employees, regularly validated risk assessments, implementation of the ISO 9001 and 14001 standard system, control of authorised inspectors, required training, as well as numerous external certifications, including EcoVadis covering safety.

Each of our locations organises the occupational health and safety management system in accordance with local laws and regulations, as well as true regularly validated risk assessments, valid for all workers and workplaces. Depending on the plant, risk assessment is conducted internally, or by an external organisation.

We perform internal risk assessment in teams comprised of the general manager, employee representatives, OHS specialists, workplace

medical professionals, support staff (production chief) and maintenance specialists. After the team identifies the risks at our individual locations, the OHS specialists issue an assessment report which serves as a basis for the elimination or diminishing of risk levels. In the event of an accident or any other workplace related incident, we evaluate the reason for its occurrence, process / location where the accident occurred, whether the risk is defined and evaluated in the risk analysis, and whether employees acted in accordance with the risk plan. After the OHS committee completes the evaluation, corrective actions are determined, and necessary adjustments are implemented in the occupational health and safety management system.

An authorised external company performs the risk assessment for locations of all Croatian plants and safe use of computers in offices. Our employees are encouraged to contact their superiors, occupational safety trustees and /or worker council in the plants to report any workplace-related hazards, and all our departments and business functions have operating instructions for work processes and health and safety trustees in place.

Health check is performed for production and production support functions, and their frequency is determined by the risk assessment. Awareness of the personnel is increased through warning signs, notice boards and trainings. The OHS specialist evaluates the process and introduces improvements when necessary. Necessary personal protective equipment was provided to all employees, and new Covid-19 control measures were implemented. In addition to the medical examinations required for employment in production and production support services, our employees have regular check-ups every one or two years, while in some locations our employees have the benefit of private health insurance or a refund for prescription eyeglasses.

All our employees are informed about the correct procedures before and during work as well as of risks for working with equipment and machinery in accordance with local rules and regulations, and the requirements of the HACCP, BRC and ISO certificates. In 2020, AFP did not offer any non-occupational medical and healthcare services or organize voluntary health promotion services and programs offered to workers.

During the pandemic, Health and Safety and Human Resources have been part of the extended Covid team, and who, together with plant managers, have organised operationally that all necessary information relating to Covid-19 reaches all employees. In addition, they made sure that information about possible organisational changes introduced, e.g., Covid-19 passes, transport regulations and hygiene procedures, as well as any measures that were introduced by local authorities and bodies, was conveyed to employees. The OHS team works closely with plant managers in locations regarding Covid-19 testing and coordinating with country public health organisations.

Initial challenge to supply our workers with necessary protective equipment was surpassed in cooperation with our Purchasing Department. We purchased larger quantities of protective equipment

and plan our next purchase accordingly. We also introduced a series of measures crucial for the functioning of production and administration, like a clear separation of the individual shifts to ensure appropriate distances between work stations and at breaks, temperature controls and health assessment prior to entering the production area, PCR tests in case of any doubts about potential infection, delegating administrative employees to remote work, prohibition of delegating and accepting stakeholders on the spot, introduction of obligatory masks and hand disinfection, as well as disinfection of common areas.



Managing the impacts of the Covid crisis was a team effort; we cannot say that any situation addressed during this period was only one department's success. In this situation, we passed the test on our agility, cooperation and communication.

In Arimpeks, the workplace doctor visits the company once a week and provides medical examination services to the personnel in need. The personnel are periodically subjected to health checks during recruitment and attendance. All personnel are subjected to controls including respiratory function test, blood and urine tests, ear audios (hearing level test), lung film, ECG and eye examination and the results are evaluated by the workplace doctor. Private health insurance is provided to all personnel by the company. This insurance covers all expenses when work accident or personnel needs surgery for any reason not only work accident.

There have been no fatalities in any plant in the group as a result of work-related injuries or professional illness.

Work related injuries 2020

There have been no fatalities in any plant in the group as a result of work-related injuries or professional illness. In 2020, a total of 57 injuries were recorded, which equals a rate of injuries of 4.5 percent. This resulted in 0.39 percent of lost hours related to these injuries.



Training and professional development

The competences of our employees determine the overall quality and potential of the company and are a prerequisite for our sustainable growth. By investing into the growth of our employees, we invest in the future of our organisation. To ensure professional development and life-long education opportunities, we provide continual training and education programs, summarised in our yearly Development and Education plan. We also develop mentorship and development plans for new colleagues, most notably when workers with certain qualifications are not present of the labour market, employing young professionals and train and provide funding and education programs to acquire the necessary qualifications before they are included in the production process. By performing regular management reviews, set activities and targets are evaluated and corrected to ensure continued improvement of the professional development, training and education management.

Total hours of training and education in 2020



Packaging
leaders
program



Language
courses



Vocational
prequalification



AFP
Academies



Waste
management
training

86.4 average hours
per employee



In Covid-19 pandemic, numerous changes aimed at maintaining health and safety had to be implemented in the system of work of production and administration. Each change required additional training for all employees, and subsequently resulted in the continuity of production, with no personnel shortages nor interruptions of the supply to customers. Additionally, the planned live educational programs were halted in February; in the first months, we transferred programs to online channels, however, since some of the topics were not successfully transferable in this media, we postponed external live educations until further notice. When the epidemiological situation allowed, on-site education adhering to all active precaution measures was reintroduced. In 2020, we implemented an upgraded version of the ERP system, ensuring a more accurate record of internal educations, and despite the pandemic recorded a significant growth of training hours per employee compared to the previous year.

In all our locations, in our sales teams we aim to recruit a mix of highly experienced professionals as well as junior sales talent, whom we train and develop in-house. In 2021, if the circumstances concerning the pandemic allow, we intend to rotate sales managers in different regions in order to give them a wider perspective and international experience.

Employee receiving regular performance and career development reviews in 2020

43.2% of employees receive
a regular performance
review

We continually aim to improve the planning and management of relations with our employees. Our goal is to raise the percentage of our people who receive regular performance reviews, which amounted to 43.2 % on group level in 2020. Due to limitations related to the Covid-19 pandemic, we did not conduct the regular employee satisfaction survey, and plan to carry out one on a group level in 2021 to learn more about the opinions and position of co-workers.



Community investments and developmental projects

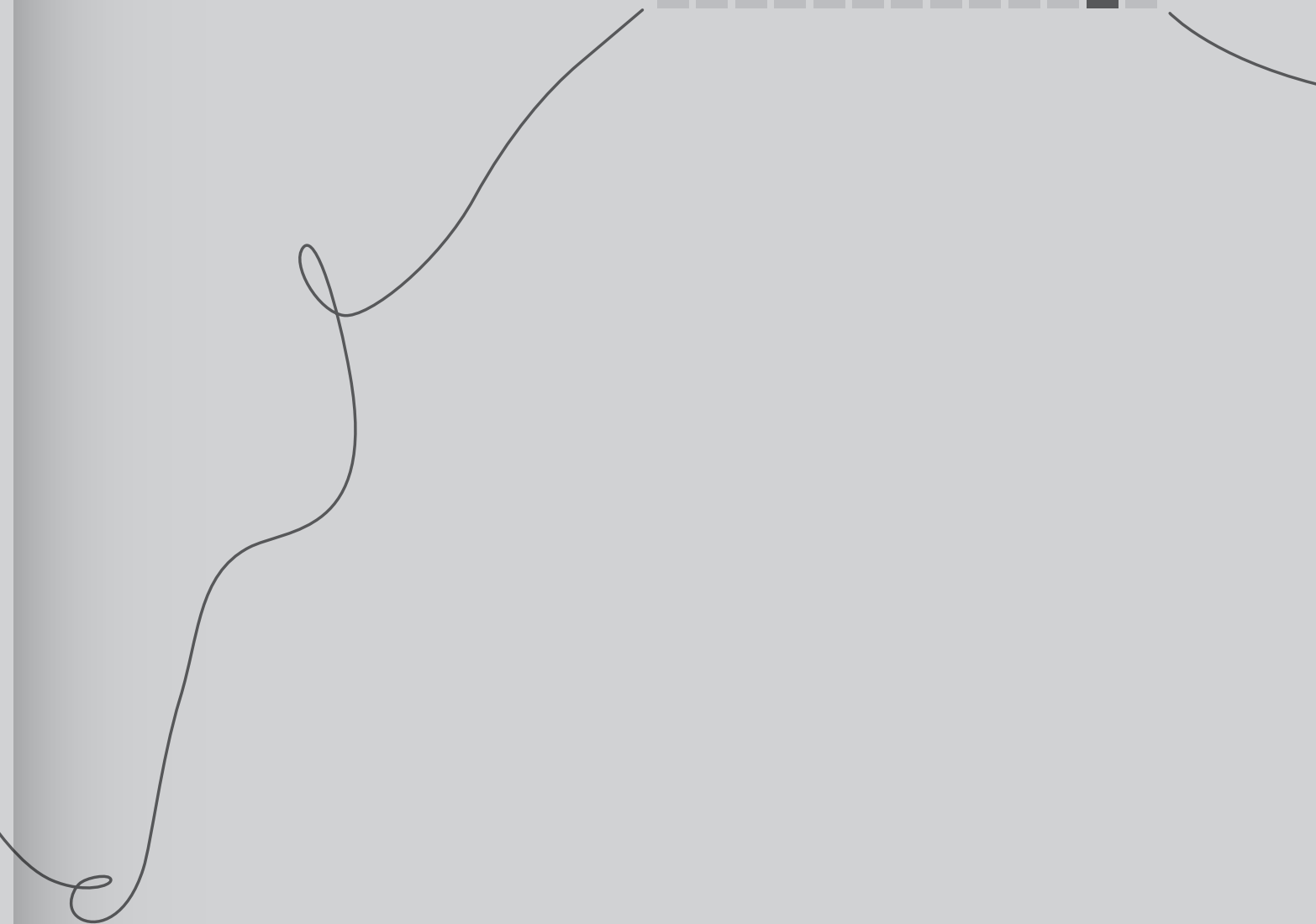
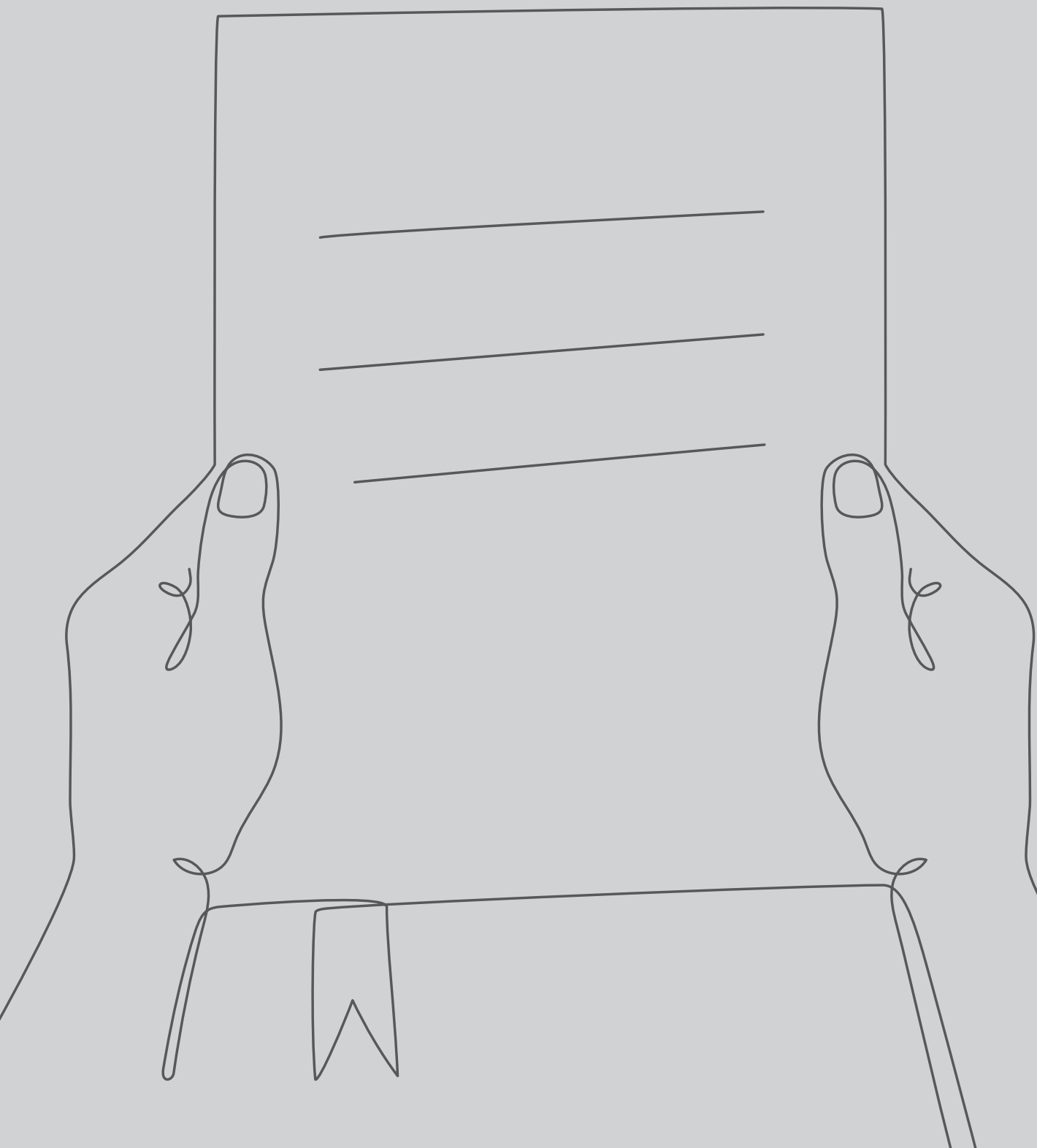
Successful cooperation with communities in which we operate is important for our sustainable growth, as well as our contribution as the facilitator of development of local communities. We actively cooperate with representatives of local communities in order to continuously improve the management of all our impacts, positive or negative. Taking into consideration the needs and expectations of local communities, we strive to facilitate their economic growth through infrastructure investments and creation of new jobs. The management of relations with local communities is carried out on the local level, taking into account the specificities each individual location in which we operate.

In Croatia, the Management Office approves the funds centrally for all four plants in Croatia, on its own initiative, as well as through the donation team at the proposal of Human Resources and Marketing. The donation team regularly considers assistance for employees on long-term sick leave for the current year. The process is carried out during November and December, with donations being paid out in the first quarter of the following year.

During 2020, AFP Novi donated disinfectants to medical facilities, and our employees in Zadar petitioned to forward their company provided award for three months of working under the pandemic regulations to medical facilities in Zadar for the purchase of supplies. Our Human Resources & Payroll department helped employees who initiated this noteworthy action to successfully complete the process since time was of the essence and we had employees working from home and others in production where we tried to minimise the contacts.

We continually perform environmental impact assessments as part of our internal processes and external certifications, considering any potential impacts in the local communities. During 2020, we did not receive any inquiries or complains regarding our impacts in this area from external interested parties, employees, trade unions or our worker council.

GRI
index



GRI index

General disclosures

GRI 101: Foundation 2016

GRI 102: General Disclosures 2016

| Disclosure | | Comment | Page |
|------------------------|--|--|--------------|
| Organizational profile | | | |
| 102-1 | Name of the organisation | | 10 |
| 102-2 | Activities, brands, products, and services | | 10 |
| 102-3 | Location of headquarters | | 11 |
| 102-4 | Location of operations | | 11 |
| 102-5 | Ownership and legal form | | 11 |
| 102-6 | Markets served | | 11 |
| 102-7 | Scale of the organisation | Financial Report available at aluflexpack.com | |
| 102-8 | Information on employees and other workers | | 73 |
| 102-9 | Supply chain | | 58-59 |
| 102-10 | Significant changes to the organisation and its supply chain | | 50 |
| 102-11 | Precautionary Principle or approach | | 50 |
| 102-12 | External initiatives | | 49 |
| 102-13 | Membership of associations | | 49 |
| Strategy | | | |
| 102-14 | Statement from senior decision-maker | | 6-7 |
| 102-15 | Key impacts, risks, and opportunities | | 22-23, 34-35 |
| Ethics and integrity | | | |
| 102-16 | Values, principles, standards, and norms of behaviour | | 14-15 |
| Governance | | | |
| 102-18 | Governance structure | Financial Report available at aluflexpack.com | |

| Disclosure | | Comment | Page |
|------------------------|--|---------|-------|
| Stakeholder engagement | | | |
| 102-40 | List of stakeholder groups | | 27 |
| 102-41 | Collective bargaining agreements | | 75 |
| 102-42 | Identifying and selecting stakeholders | | 27-28 |
| 102-43 | Approach to stakeholder engagement | | 27-28 |
| 102-44 | Key topics and concerns raised | | 29-33 |
| Reporting practice | | | |
| 102-45 | Entities included in the consolidated financial statements | | 2 |
| 102-46 | Defining report content and topic Boundaries | | 29-32 |
| 102-47 | List of material topics | | 33 |
| 102-48 | Restatements of information | none | |
| 102-49 | Changes in reporting | none | |
| 102-50 | Reporting period | | 2 |
| 102-51 | Date of most recent report | | 2 |
| 102-52 | Reporting cycle | | 2 |
| 102-53 | Contact point for questions regarding the report | | 2 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | | 2 |
| 102-55 | GRI content index | | 84-88 |
| 102-56 | External assurance | | 2 |

Topic-specific disclosures

| Standard | Material topics and disclosures | Comment | Page |
|---|--|---------|-------|
| Topic: Product lifecycle | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 52 |
| | 103-2 The management approach and its components | | 52 |
| | 103-3 Evaluation of the management approach | | 52-55 |
| GRI 301: Materials 2016 | 301-1 Materials used by weight or volume | | 53 |
| Topic: Reliable service and customer satisfaction | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 50 |
| | 103-2 The management approach and its components | | 50 |
| | 103-3 Evaluation of the management approach | | 51 |

| Standard | Material topics and disclosures | Comment | Page |
|---|---|---------|--------|
| Topic: Safety, quality and shelf life of consumer goods | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 56 |
| | 103-2 The management approach and its components | | 56 |
| | 103-3 Evaluation of the management approach | | 57 |
| GRI 307: Environmental Compliance 2016 | 307-1 Non-compliance with environmental laws and regulations | | 57 |
| GRI 416: Customer Health and Safety | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | | 57 |
| GRI 419: Socioeconomic Compliance 2016 | 419-1 Non-compliance with laws and regulations in the social and economic area | | 45, 57 |
| Topic: Transparent and ethical business | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 42 |
| | 103-2 The management approach and its components | | 43 |
| | 103-3 Evaluation of the management approach | | 43-44 |
| GRI 205: Anticorruption 2016 | 205-1 Operations assessed for risks related to corruption | | 44 |
| | 205-2 Communication and training about anti-corruption policies and procedures | | 43 |
| | 205-3 Confirmed incidents of corruption and actions taken | | 44 |
| Topic: Gender balance in the management | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 45 |
| | 103-2 The management approach and its components | | 45 |
| | 103-3 Evaluation of the management approach | | 45 |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | | 45 |
| Topic: Engagement across the value chain | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 58 |
| | 103-2 The management approach and its components | | 58 |
| | 103-3 Evaluation of the management approach | | 59 |
| GRI 308: Supplier Environmental Assessment 2016 | 308-2 Negative environmental impacts in the supply chain and actions taken | | 59 |
| GRI 414: Supplier Social Assessment 2016 | 414-2 Negative social impacts in the supply chain and actions taken | | 59 |

| Standard | Material topics and disclosures | Comment | Page |
|---|--|---------|--------|
| Topic: Industrial emissions management | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 63, 64 |
| | 103-2 The management approach and its components | | 63, 64 |
| | 103-3 Evaluation of the management approach | | 63, 64 |
| GRI 305: Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | | 65 |
| | 305-2 Energy indirect (Scope 2) GHG emissions | | 65 |
| | 305-4 Emissions intensity | | 65 |
| Topic: Energy efficiency and renewable energy sources | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 63, 66 |
| | 103-2 The management approach and its components | | 63, 66 |
| | 103-3 Evaluation of the management approach | | 63, 66 |
| GRI 302: Energy 2016 | 302-1 Energy consumption within the organisation | | 67 |
| Topic: Sustainable waste management | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 63, 68 |
| | 103-2 The management approach and its components | | 63, 68 |
| | 103-3 Evaluation of the management approach | | 63, 68 |
| GRI 306: Effluents and Waste 2016 | 306-2 Waste by type and disposal method | | 69 |
| Topic: Employment planning & recruitment | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 74 |
| | 103-2 The management approach and its components | | 74 |
| | 103-3 Evaluation of the management approach | | 74-75 |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | | 75-76 |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | | 75 |
| Topic: Workplace health & safety | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 76 |
| | 103-2 The management approach and its components | | 77 |
| | 103-3 Evaluation of the management approach | | 77 |

| Standard | Material topics and disclosures | Comment | Page |
|---|---|---------|-------|
| Topic: Workplace health & safety | | | |
| GRI 403: Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | | 76 |
| | 403-2 Hazard identification, risk assessment, and incident investigation | | 76-77 |
| | 403-4 Health and safety topics covered in formal agreements with trade unions | | 77 |
| | 403-5 Worker training on occupational health and safety | | 77 |
| | 403-5 Worker training on occupational health and safety | | 77 |
| | 403-6 Promotion of worker health | | 77 |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | | 77-78 |
| | 403-8 Workers covered by an occupational health and safety management system | | 77 |
| | 403-9: Work-related injuries | | 79 |
| Topic: Professional development, training and education | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 79 |
| | 103-2 The management approach and its components | | 79 |
| | 103-3 Evaluation of the management approach | | 79 |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | | 80 |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | | 80-81 |
| Topic: Community engagement | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | | 81 |
| | 103-2 The management approach and its components | | 81 |
| | 103-3 Evaluation of the management approach | | 81 |
| GRI 202: Market Presence 2016 | 202-2 Proportion of senior management hired from the local community | | 73 |
| GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and development programs | | 81 |

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