



# Sustainability Report | 2021



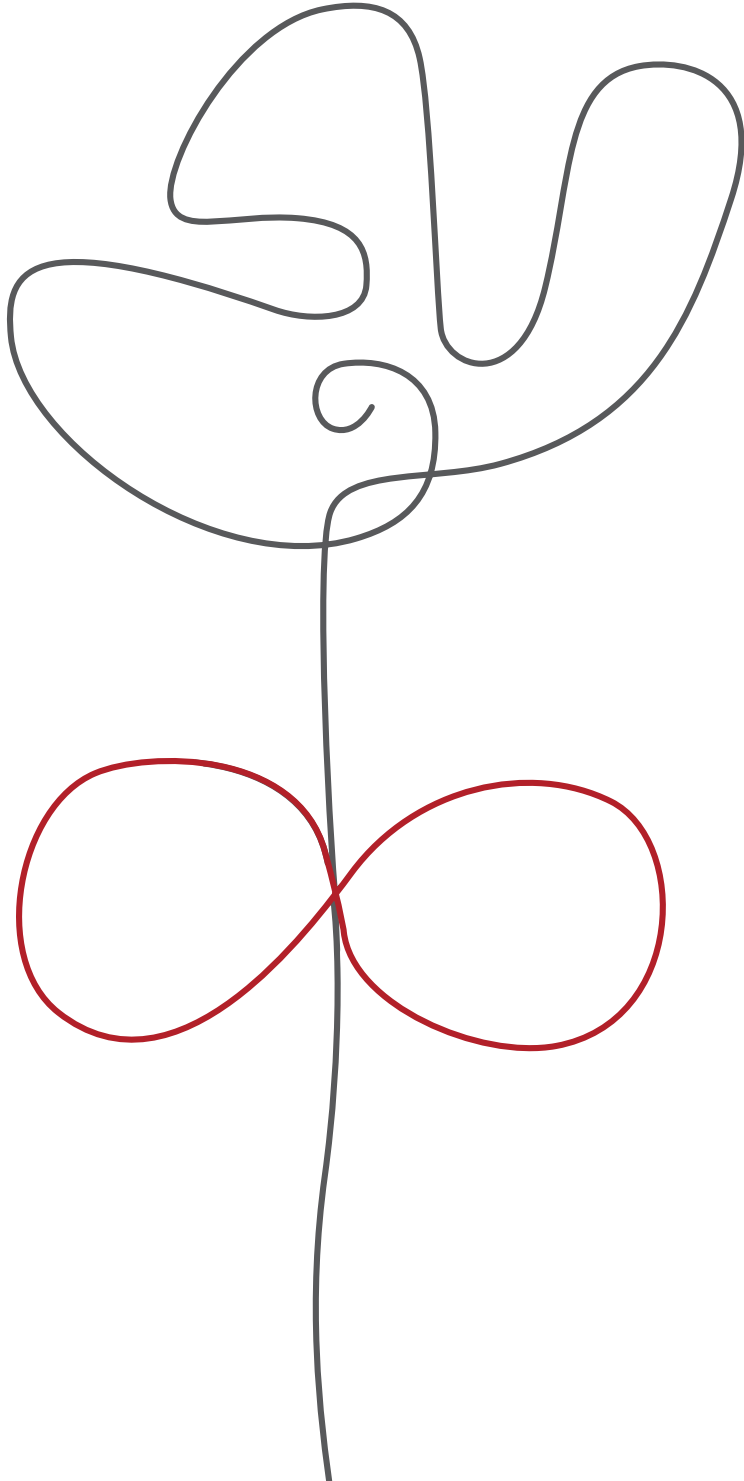
**ALU  
FLEX  
PACK**



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The Aluminium Flower represents the sustainable growth enabled by its excellent barrier properties and reusability.



RECYCLABLE  
& REUSABLE



LIGHTWEIGHT



BARRIER



HEAT RESISTANT



LONGER  
SHELF LIFE



ENERGY SAVING



REDUCING  
FOOD WASTE





# Interview with our CEO, Johannes Steurer

## What progress has Aluflexpack made in its sustainability in 2021?

2021 marked an important year for Aluflexpack in terms of sustainability. We have identified that we can make the most difference by decarbonizing our production and by developing circular products and systems. In our quest for carbon footprint reduction, we initiated a structured emission reduction and energy efficiency process to create an emission and efficiency roadmap considering the whole value chain including Scope 1,2 and 3 emissions. What is equally important, we pushed further in our R&D efforts to develop packaging that is fully recyclable or reusable. We are particularly proud of our development that significantly improves the recyclability of containers for pet food, but also of the variety of plastic-based flexible packaging for which we are already able to offer recyclable solutions today. As part of our goal to become a better place to work for our employees, we launched the Great Place to Work initiative. Finally, we also achieved the ASI Performance Standard and Chain of Custody Certification for our plants in Croatia and Switzerland, which underlines our commitment to sustainable and responsible sourcing.

## What are the biggest sustainability developments in the flexible packaging industry?

There are several megatrends in the flexible packaging industry. We see that the industry is moving more actively towards manufacturing products that are recyclable and reusable. At the same time, there is an increasing awareness of the effects of the manufacturing process on the

environment, which has led players in the packaging industry to take action for CO<sub>2</sub> reduction in line with the Paris climate goals. Another important trend is the traceability of the ESG footprint, which requires greater involvement of all the stakeholders along the value chain.

## How is Aluflexpack responding to these challenges?

We constantly monitor the EU regulations and market trends. Our clear goal is to identify these trends well in advance and to start developments at an early stage. Only in this way can we realize a competitive advantage together with our customers. Already right now, the overwhelming majority of projects in our R&D department are sustainability-oriented and in 2021 we managed to increase the share of our portfolio with recycle-ready solutions significantly, a process which we aim to accelerate further in the future. We also strive to be able to advise our customers optimally about the ecological footprint of their packaging. To ensure this, we are already raising transparency from our suppliers today. With the help of an independent tool, we are now able to carry out LCA analyses very efficiently for our customers, which enables the comparison of different packaging types.

## How does your expertise in aluminium help you to create circular solutions?

Its unique properties make aluminium the leading material when it comes to recyclability. Aluminium can be infinitely recycled without quality losses. This is highlighted by the fact that 70% of the aluminium ever produced is still in use. For applications

“We will move forward on our efforts to reduce carbon emissions and maximize energy efficiency.”

where the protective barrier is absolutely critical, like in several pharmaceutical products, there is no adequate replacement for aluminium. For oxygen-sensitive products, like coffee, aluminium packaging provides the best product quality for the consumer. Packaging with high barrier properties like aluminium-based solutions also decreases the overall CO<sub>2</sub> footprint due to longer shelf life of the packed product, which leads to less food waste.

## What can Aluflexpack stakeholders expect in 2022?

Aluflexpack will be even more proactive in the future to inspire our customers and respond efficiently and promptly to our customer demands, which means ongoing innovation and exciting news on more sustainable products. We will move forward on our efforts to reduce carbon emissions and maximize energy efficiency. In the future, the strategic sustainability agenda will be coordinated at the group level by our new head of sustainability. This underlines the focus on sustainability and will further accelerate the sustainability topics at Aluflexpack.



# Highlights 2021

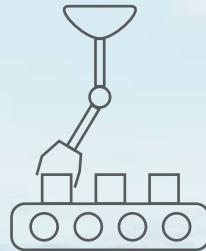
## Product innovation

Nearly **100%** of our new product developments are recyclable

More than **80%** of our portfolio has a recycle-ready solution

Over **70%** of our R&D projects are related to sustainability

Use of monomaterial structures increased by more than **50%** compared to the previous year



## Waste management

**94%** of non-hazardous waste was recycled or recovered

**77%** of hazardous waste was recycled or recovered



## Decarbonisation and energy management project launched

Emission intensity in Kt CO<sub>2</sub>/Aluflexpack unit

**91%** renewable electricity use



## Employee experience

Conducted the **Great Place to Work Initiative**, to capture valuable employee feedback, further improve talent development and the overall working environment



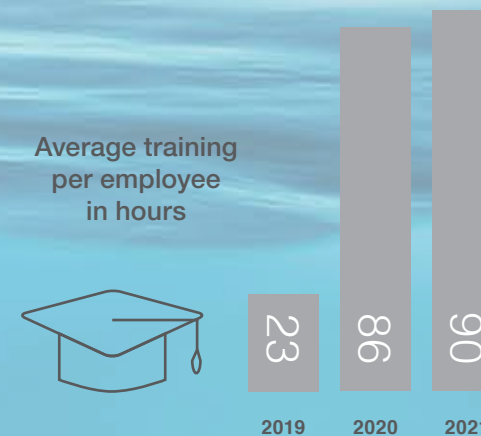
## Health & Safety

**83%** of employees work in production plants audited according to SMETA/SEDEX



## Employee training

Average training per employee in hours



## Our team

**66%** of employees received a regular performance review, as compared to 43% last year





# Aluflexpack key facts 2021

Our integrated value chain ranges from design services, pre-treatment of the material, converting to different printing techniques and various value-adding finishing steps, as well as continuous investment in the quality of processes and environmental protection. ISO certificates and other certificates of quality such as BRC, HACCP, SMETA and EcoVadis speak in favour of our environmental, ethical and social responsibility standards.

Our management approach enables the creation of synergies between our production sites and delivers 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 700 customers, ranging from multinational organizations to medium-sized businesses and local companies recognize the benefit provided by our strong technological platform, as well as our well-founded know-how and passionate service.



HQ  
Reinach, CH

## PRODUCTION PLANTS



Umag, HR



Zadar, HR



Drniš, HR



Omiš, HR



Einsiedeln, CH



Gebze -  
Istanbul, TU



Le Ferte  
Bernard, FR



Tarnowo  
Podgórze -  
Poznan, PL

## OPERATIONS

Poznan, PL  
Tychy, PL  
Vienna, AT

**700+** **1,342**

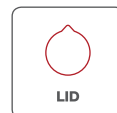
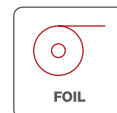
customers

employees

## INDUSTRIES

Coffee & Tea, Confectionery, Dairy,  
Other food, Other non-food,  
Pet food, Pharmaceutical

## PRODUCTS



## Our Vision:

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

## A member of the Aluminium Stewardship Initiative (ASI)

Since 2018, Aluflexpack has achieved the ASI Performance Standard in plant Drniš and Chain of Custody Certification for plants Drniš and Process Point Service in 2021. The ASI Performance Standard defines environmental, social and governance principles and criteria, with the aim to address sustainability issues in the aluminium value chain.

## External initiatives and memberships

- Aluminium Stewardship Initiative (ASI)
- CEFLEX
- EAFA

## Certifications

- 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, Gold Medal
- SMETA – Sedex
- Green Energy



# Our values and principles in sustainability

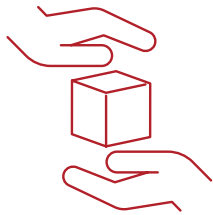


## Environmental Responsibility

We are committed to preserving nature for future generations. We carry a great sense of responsibility for

practicing efficient use of resources as well as raising awareness about preserving our planet.

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 digitalization in business operations, thus ensuring resource efficiency, cost optimization, and carbon footprint reduction.



## 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 utilize customer feedback to detect potential product safety risks and ensure timely improvement studies.

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



## Customer Focus and Innovation

We believe in growth through sustainability-driven innovation, working

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



## 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

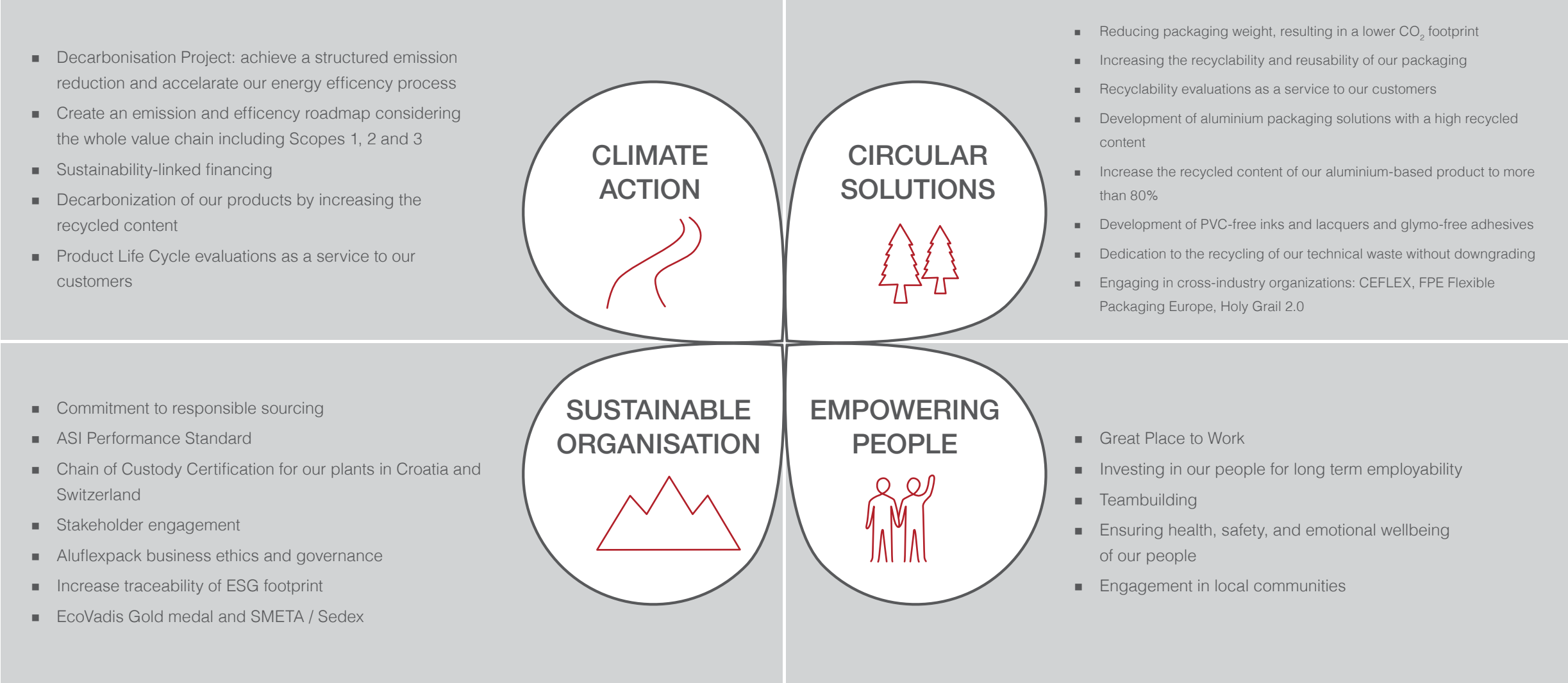
Diversity and inclusion are key in creating group synergy and a strong organizational culture at Aluflexpack.

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 organizational 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.







# Sustainability strategy and commitments












## Climate action






Commitment	Strategy and risk mitigation activities	KPIs 2021	Performance 2021	Targets 2030	SDGs
Offset environmental impact of our production	Further advance waste management systems and contribute to circular economy	% landfilled waste connected to production	6% non-hazardous waste; 23% hazardous waste	0	   
	Monitor and lower carbon footprint by implementing best available techniques	Emission intensity in kt CO <sub>2</sub> / AFP unit (t)	323	Target to be determined in 2023	
	Safeguard water resources in our operations	Water consumption in m3 / tons of product sold	3.3	Target to be determined in 2023	

## Circular solutions








Commitment	Strategy and risk mitigation activities	KPIs 2021	Performance 2021	Targets 2030	SDGs
Offering top-quality products and maintaining customer satisfaction	<p>Further investments into equipment and facilities</p> <p>Performing stringent process, quality and risk management processes</p>	<p>General investments in % of sales</p> <p>Customer evaluation results and audit results</p>	<p>22.7%</p> <p>High level of satisfaction recorded on all evaluations and customer audits</p>	<p>6%</p> <p>Maintain high level of customer satisfaction</p>	  
Improving product sustainability	<p>Continue developing more sustainable packaging (layers, sizes) to prevent food waste and optimize product waste</p> <p>Develop new products and improve existing in terms of their environmental performance and impact during the entire life cycle</p>	<p>no. of new products / products improved by sustainability standards</p> <p>% of products assessed for life-cycle sustainability (LCA)</p>	<p>17</p> <p>AFP Novi: 65% plant Drnis, 80% plant Zadar</p>	<p>&gt;20</p> <p>90%</p>	   



## Empowering people

Commitment	Strategy and risk mitigation activities	KPIs 2021	Performance 2021	Targets 2030	SDGs
Further specialization and professional development	Develop specialization programs, in-house and with partners	No. of hours of education per employee	90.3 hours	>100 hrs	
Maintaining high level of OHS management system	Introduce further education and good practices Strengthen health protection for employees	LTI rate SMETA/Sedex ISO 45001 certification	6.1 83% of employees work in production plants audited according to SMETA/Sedex Implementation ongoing	0 100% of production plants audited 100% of production locations	
Nurturing inclusion and diversity	Further increase ratio of women Strengthen youth trade specialization and employment Secure industry knowlegde legacy	% of women employed % of employees under 30 and over 50	21% 22.6% under 30; 19.4% over 50	25% 30% under 30; 25% over 50	  

## Sustainable organisation

Commitment	Strategy and risk mitigation activities	KPIs 2021	Performance 2021	Targets 2030	SDGs
Increasing responsibility and sustainable practices in supply chain	Cooperation with existing and new suppliers in introducing advanced sustainability practices Introduce evaluation in supplier social impacts	Memberships in industrial platforms and initiatives % suppliers screened for environmental and social impact EcoVadis results	CEFLEX, ASI, EAF, FSC 95% EcoVadis Gold medal	Strengthen new active participation 100% Platinum medal	   
Advancing standards of business ethics Securing gender balance in managing bodies	Insist on ethical relationships with all stakeholders. Communicate and ask for commitments set in the Code of Conduct Implement activities to support equal opportunities and strenghten women employment and leadership	% of suppliers adopting Aluflexpack Code of Conduct % of employees adhering to Aluflexpack Code of Conduct % of women in the Board; % of women in managerial positions	95% 100% 0; 23%	100% 100% 30%; 50%	  





# Climate action



# Climate action

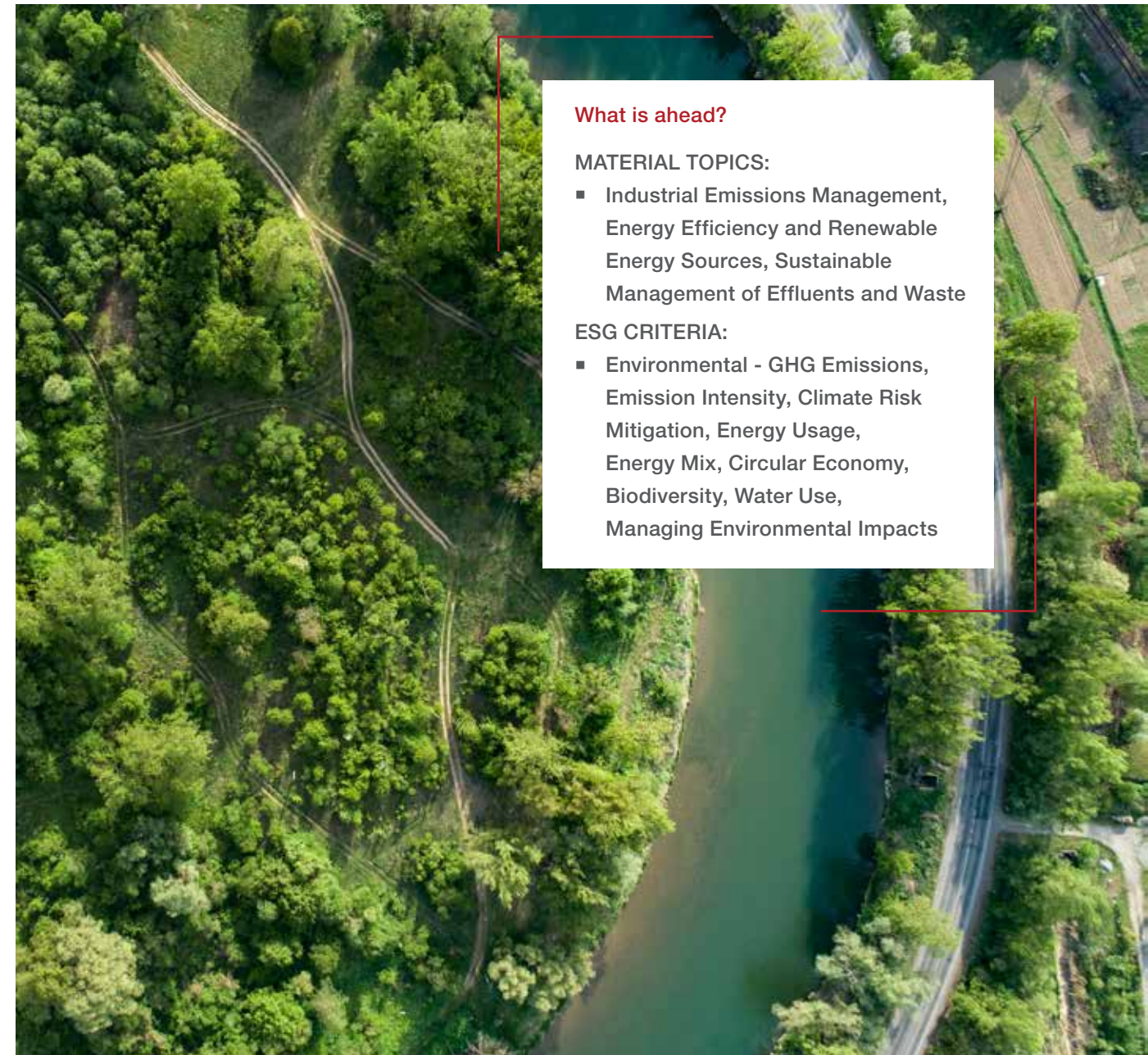


The impact that people and their activities have on the environment is unavoidable; what must be avoided, however, is a carefree approach to these impacts. It is our obligation, as industrial producer, to carefully identify, assess, and manage our environmental impacts. We take this obligation extremely seriously; we see it not only within our operations but in the effect our production and products have on our entire value chain as well as the value chains of our customers.

Climate change, pollution, biodiversity, and resource use are now the focus of global, and particularly European efforts to preserve the natural environment for future generations. Assessing our production and its role in these efforts, we recognize that our major impacts are industrial emissions, energy use, and waste management, with special emphasis on contributions circular economy by managing the life cycle of our products.

In cooperation with our customers, we harness innovation to develop more sustainable solutions and work with our suppliers to procure 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 the selective waste collection and other development projects.

Environmental impacts from production in Aluflexpack production locations in Croatia are managed following the ISO 14001 standard. Apart from obtaining all permits and following all local regulations and international standards, our plants have dedicated environmental protection teams to monitor and manage environmental impacts, control systems, and determine environmental strategies. We follow a set of indicators matched against international standards, global benchmarks, and best available techniques, aiming to constantly improve our output in terms of environmental impacts. We analyse 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 2021, as well as EcoVadis annual audit and ASI audit in AFP Novi Driš. ASI certification is planned for Process Point production site (Switzerland) in 2022, while regular SMETA audits were conducted in five plants.



## What is ahead?

### MATERIAL TOPICS:

- Industrial Emissions Management, Energy Efficiency and Renewable Energy Sources, Sustainable Management of Effluents and Waste

### ESG CRITERIA:

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



# Industrial emissions management

Climate change mitigation is the most important environmental topic today; the future of next generations depends on joint efforts we now make to decrease and avoid GHG emissions from our business activities. We recognize the role industries have in maintaining global and European climate goals and commit to contributing to the realisation of UN Sustainable Development Goals, Paris Agreement goals, and the EU's Green Deal.

We started monitoring emissions systematically in 2019 and set this as the base year. Emissions are measured on the group level annually, reported against this benchmark and compared to previous years. Our most important impact occurs at our eight production plants, with four office locations and one logistics hub to a lesser extent.

However, wanting to implement a structured emission reduction and energy efficiency process to create an emission and energy efficiency roadmap based on our industrial requirements, in late 2021 we mandated an experienced external party to support the company in its decarbonization efforts.

1 Emission intensity is calculated as total scope 1 and scope 2 emissions divided by a specifically defined production unit, which considers differences in product technology, product shape and other features of product types - the so-called "Aluflexpack unit".

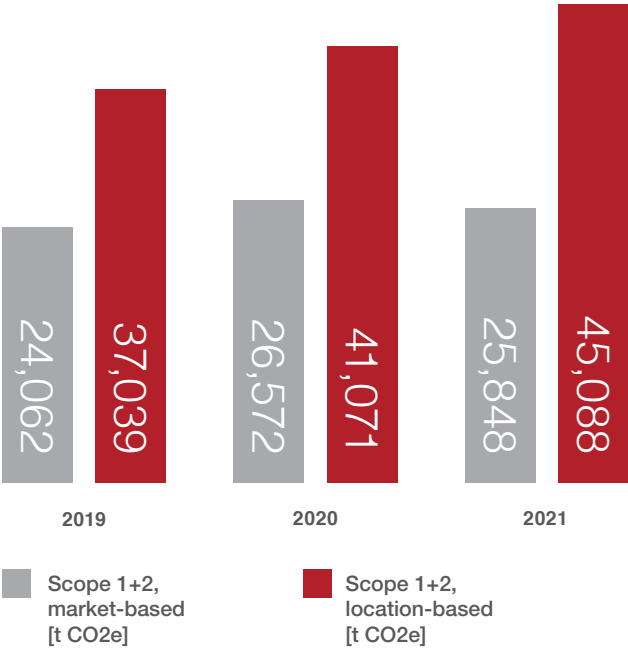
The project includes:

- Data collection and analysis of scope 1, 2 and 3: on-site audits in production plants with significant CO<sub>2</sub> emissions and off-site audits for those with marginal CO<sub>2</sub> emissions
- Targets and Top-down: calculation of possible targets based on carbon footprint, scenario evaluations, alignment with SBT, setting of Group ambitions and definition of quality requirements
- Strategy: definition of Scope 1, 2 and 3 strategy as well as a definition of a global company strategy
- Roadmap: definition of milestones and timeline (based on scenario and targets), cross-check to ensure effectiveness and consistency towards a global strategy
- Monitoring and roll out: securing data quality and implementing monitoring of defined targets

The project is expected to be concluded by the end of 2022 or the beginning of 2023. The KPIs will be presented in the fourth quarter of 2022 earliest.

Meanwhile, we openly report about our emissions in 2021. 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) will be defined during 2022, along with the GHG emission strategy and roadmap. To quantify and establish the inventory of GHG emissions at the group level for the year 2021, we measure CO<sub>2</sub> and emission of other pollutants in cooperation with an authorized third-party organization.

Scope 1 & 2 emissions (market-based & location-based)



Emission intensity in kt CO<sub>2</sub> / AFP unit (t)<sup>1</sup>



The presented GHG emissions provide information about Aluflexpack's climate footprint. This term pertains to carbon dioxide emissions, but the calculation covers other greenhouse gases as well. However, carbon dioxide emissions are dominant, so the carbon footprint represents a significant part of the climate footprint. In comparison of the results, certain differences may appear between the data for 2019/2020 and data for 2021 due to different inputs and factors of calculation. Calculations for 2021 are based on GHG-Protocol, including transportation

and process emissions. Furthermore, up-to-date available factors from ICCP and ecoinvent were used in calculations for 2021. 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. All our plants manage emissions into air using best available techniques (BAT), while the strategy in development will provide a roadmap for a systemic decrease of GHG emissions from our operations.



# Energy efficiency and renewable energy sources

The creation of low carbon and, eventually, a carbon-neutral economy depends on the energy efficiency used in all business activities. New sources of secure, clean and affordable energy are crucial for the future of mankind, the prosperity of people and communities, and the sustainability of production industries. In our own production, we rely heavily on energy from renewable sources and optimize our operations to decrease energy consumption levels and avoid loss of energy that can be used for different purposes.

We use renewable energy sources for most of our production. As of 2021, six out of eight of our locations use green energy. Four production plants in Croatia use exclusively electricity from renewable sources, while AFP Novi plants, three out of four plants in Croatia, are certified for green energy use.

Managing our energy efficiency, we seek and develop improvements in all energy-intensive segments of our value chain. This means that we constantly invest in new, high-end equipment and infrastructure that

enables energy-efficient production, work together with our employees on the 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 eight plants have recuperation systems which bring useful solvents out of the process waste stream and provide energy, resulting in significant economic and environmental benefits.

In 2021, we continued to expand our operations and increase production, a trend that has been present for the past several years as a result of expansion of production facilities and the increase of plants that became members of the Aluflexpack Group. This directly influences the consumption of energy from

various sources. However, parallel with the growth in our production, we are developing plans for investment in renewable energy sources and technologies that will support our growing production while limiting the energy consumed.

## Efficient energy management in AFP Novi

In 2021, AFP Novi introduced a new standard operating procedure for all employees, aimed at raising awareness and changing behaviour regarding energy consumption. An obvious example of the impact of employee behaviour on increased energy consumption is unnecessary heating and lighting of rooms when they are not used, which significantly increases energy consumption, and this energy loss, with little

## Energy management developments

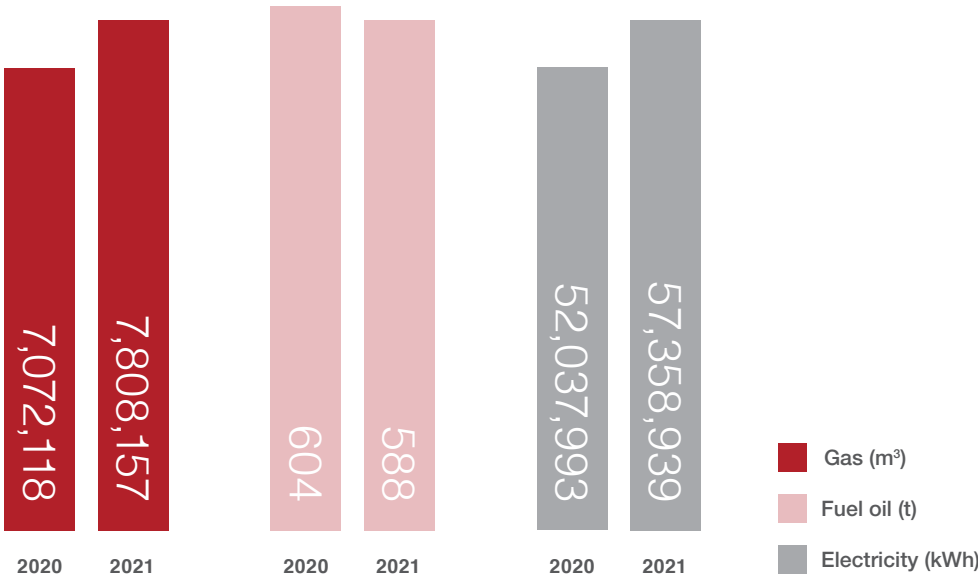
**AFP Novi Umag:** all production and warehouse areas have been retrofitted with LED lights; oil is used for thermal energy transfer in a closed system where no oil losses occur

**AFP Novi Drniš:** revitalization of existing electric installations and installing energy-efficient lighting leads to a 55% decrease in energy consumed

effort, can be easily avoided. In addition to procedural changes, technological changes are underway (lighting, machinery, HVAC, water, energy control, regeneration devices, insulation, etc.) to improve the efficient use of energy.

Both guests and employees use energy, so their habits and behaviour have a significant impact on energy consumption within the organization. Therefore, the company introduced a communication campaign to incite rational use of energy. It focused on desirable behaviours, tips and instructions like care for unnecessary energy use, regular maintenance of lighting and equipment, all the way to physical improvements e.g., checking worn and cracked seals on doors and windows, improving the thermal insulation of external walls, ceilings and floors, using energy-efficient heating, cooling and ventilation system and combine it with renewable energy sources and other.

## Energy consumption in 2020 and 2021<sup>2</sup>



<sup>2</sup> Energy consumption data was calculated for all production plants of Aluflexpack, excluding administrative offices, sales offices and warehouses.



# Sustainable waste and water management

Responsible use of resources and production with circularity in mind is one of the cornerstones of global and national environmental strategies. Not only are we, as producers of packaging for consumer goods, obligated to source more sustainable materials, but we also have to organize production in a way to achieve as little as possible residue that cannot be recovered, recycled or reused. As aluminium is fully recyclable without the loss of properties, we take the monitoring and adjustment of processes to see every scrap gets recycled very seriously.

Within our environmental management system, we prioritize internal waste management. We organize processes and educate employees to achieve the highest efficiency in terms of waste production. In managing waste in the entire lifecycle of our products, we develop packaging solutions using downgauging to assure minimum quantities of material are used, maintain their outstanding and reliable quality, assuring the protection and longevity of the packed products.

3 Non-hazardous and hazardous waste data was calculated for all production plants of Aluflexpack, excluding administrative offices, sales offices and warehouses.

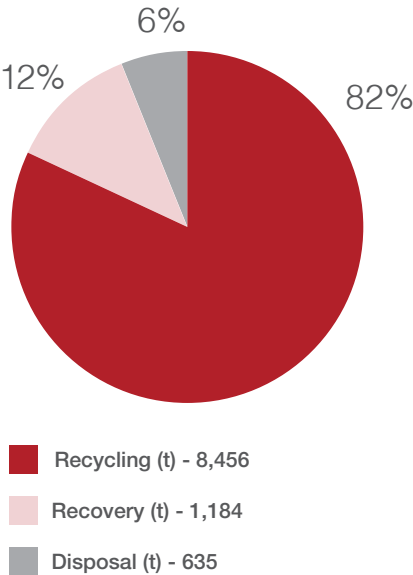
Using different strategies like decreasing the packaging weight without loss of quality, minimizing waste quantities, and increasing recyclability, we directly impact not only our own management of resources but impact value creation across our customers' value chains. We also form partnerships and enter initiatives like Holy Grail 2.0 along our value chain to condition our successful resource management.

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 companies.

## Waste management developments

- Arimpeks:** increased printing/laminating raw material widths to decrease side waste ratio; pipeline system for solvent evaporation losses was built in all machines, lacquer pools closed
- Top System:** oil thickness decreased, new die cutting and or printing tolls applied, minimization of foil consumption, replacement of the disposable cleaning cloth with the reusable cloth

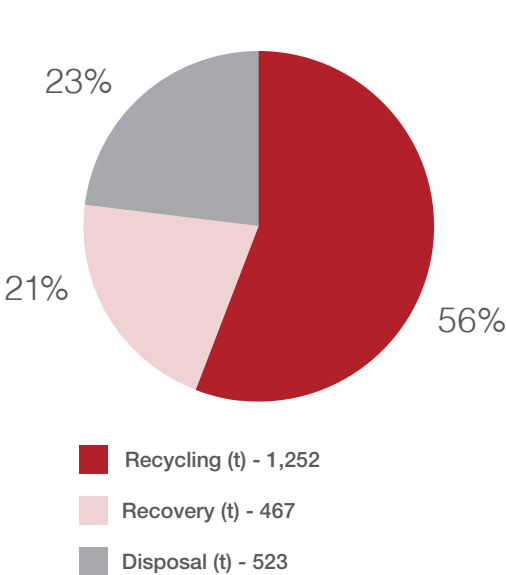
Non-hazardous waste in 2021<sup>3</sup>



With the expansion of production in Aluflexpack Group, quantities of non-hazardous waste generated increased from one year to the next; however, the ratios recycled and recovered outweighed the quantities disposed on the landfills. For non-hazardous waste, 94% (FY 2020: 92%) was recycled and recovered, while only 6% (FY 2020: 8%) was disposed. On the other hand, 77% of hazardous waste was recycled and recovered (FY 2020: 75%), while 23% was disposed (FY 2020: 25%)

In 2020 a significantly higher amount of generated waste was reported in one of our Croatian locations, which experienced difficulties in cooperation with local waste management companies. These difficulties not only affected the dynamic of

Hazardous waste in 2021<sup>3</sup>



2020	Non-hazardous waste <sup>3</sup>	Hazardous waste <sup>3</sup>
Recycling (t)	8,188	1,219
Recovery (t)	1,191	462
Disposal (t)	772	556

waste takeover but resulted in errors in record keeping. Following the local regulations, waste is weighted and classified by the authorised waste management companies at the time of its takeover. Since the service was not provided in a usual manner, errors were made in the amounts and the types of handling and were as such reported to the



Register of Environmental Pollution managed by the Croatian Ministry of Economy and Sustainable Development. Upon receiving the correct data of waste quantities from the waste management companies, formal requests were made to correct the quantities reported in the Register, which was approved.<sup>4</sup>

In Aluflexpack locations, we consume water mainly from the local supply networks and use it mostly as drinking and sanitary water. Some of our plants use water for cooling the equipment, while one of our plants uses water in the production process itself. Depending on the location, water disposal varies from the local sewage systems were available to independent disposal systems i.e., septic tanks and water purifiers. Cooling water is mostly used in closed-circuit processes, collected and processed within water purifiers before discharge. In all our plants that use water in processes, its microbiological and physiochemical content is regularly analysed by authorised services like institutes for public health. Two of our production plants are situated in high water-stressed areas and one is in medium water-stressed area; however, these plants have very limited water use.

In total we have consumed 106,880 m<sup>3</sup> of water in our locations in 2021. Out of this, the biggest consumption pertains to Omial Novi, which is the plant that uses water in production process (58% of total group water consumption). In Omial Novi, water is used to degrease aluminium strips. Water

used in this process is treated and purified before discharge. AFP Novi Umag, which is among larger water consumers in the group (30,417 m<sup>3</sup> in 2021), uses water for cooling. Due to the evaporation of the cooling water, the system must be regularly replenished with fresh water. For the cooling system alone the monthly consumption of water during the solvent recovery is about 1,500 m<sup>3</sup>.

Our other plants used between 2,000 and 6,000 m<sup>3</sup> of water in 2021, while the locations of our offices and warehouses kept their water consumption in 2021 at around 100 m<sup>3</sup> or less. Although Aluflexpack is not a major user of water resources, we see it in our responsibility to use water resources responsibly and carefully, therefore measures and targets for possible reductions and reuse will be investigated and defined in next steps.

### Snapshot of biodiversity protection: Drniš plant practices

During the import and export of goods, unintentional introduction of invasive alien species into nature and the environment is possible. For example, vehicles can transmit parts of invasive plant species that are introduced into habitats and can harm other species (suppress the growth of native species) or affect human health (e.g., pollen or contact allergies). Packages, boxes, and pallets containing goods from other areas and countries may also contain “stowaways”, invasive alien plants or animals.

Applying a code of good practice can reduce the possibility of introducing invasive species. Therefore, the plant in Drniš introduced recommendations to

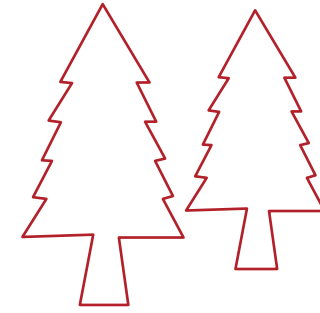
prevent the introduction and spread of invasive alien species. The drive protocol includes vehicle and pallet inspection and in case of finding an invasive species, they should be disposed of in municipal compost. Animal or insect eggs should be put in alcohol or acetone. Authorised local

institutions are to be contacted and informed about the finding, which will provide everything necessary to remove the invasive species. In case of invasive species are discovered along the edges of plants in natural habitats, professional removal would be organized.



<sup>4</sup> Restated 2020 waste management data are presented in page 15.





# Circular solutions



# Circular solutions

Our European operations produce and operate according to environmental, ethical, and social responsibility standards. Creating synergies between our production sites secures top quality, optimal service and added value to our customers, offering flexible, reliable, and agile approaches to fulfilling their packaging needs. In cooperation with them, we research, develop, test, and employ new packaging solutions which at the same time guarantee uncompromised quality and shelf life of products and sustainable solutions that contribute to climate change mitigation and circular economy.



## What is ahead?

### 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:

- Customer Relations, Resource Use, Circular Economy, Value Chain Management



We recognize the impact our business has on the economy, environment, and society. Therefore, we employ market standards in our management approach to guarantee that all our processes are led reliably and safely, providing top results for all our stakeholders. We increase their effectiveness by closely identifying and monitoring risks and

opportunities, as well as engaging employees and suppliers. 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 implement multiple checks and approvals

in our management systems throughout the value chain.

We implement, monitor, and improve management systems according to ISO 9001:2015, BRCGS issue 6:2019 Packaging Materials, and ISO 14001:2015, ISO 15378:2011 and ISO 22000:2005 systems. Furthermore, Aluflexpack's

plant in Umag commits to the FSC values by signing a self-declaration that the organization is not directly or indirectly involved in activities damaging to the forests and foresting operations, including violation of traditional, human, and labour rights in these operations.

# BRCGS Packaging Materials v6/2019



We are very proud that all our plants are BRCGS certified. BRCGS is a global market leader that sets the benchmark for good manufacturing practice and helps to provide assurance to customers that our products are safe, legal and of high quality.

**AA status:**  
Process Point System, Arimpeks and Top System

**A status:**  
Eliopack, Aluflexpack Novi plants Drniš, Zadar, Umag, and Omial Novi

- HQ
- PRODUCTION PLANTS
- ADMINISTRATIVE OFFICE



Furthermore, our comprehensive approach to managing all market-related issues is measured against the most reliable sustainability indicators, but also managing key stakeholder relations and including them in the estimation of all issues surrounding product development. They include:

- EcoVadis
- SMETA 4 pillar audit
- ASI audit
- active cooperation in global organizations that work on improving circular economy in the use of flexible and aluminium packaging
- collaboration with customers and suppliers on projects that include the development of sustainable packaging

**Finally, we participate in external initiatives and organizations aimed at advancing aluminium and aluminium-based products, as well as packaging manufacturing in general.**

- Aluminium Stewardship Initiative (ASI)
- CEFLEX, circular economy for flexible packaging
- EAFA, European Aluminium Foil Association
- Flexible Packaging Europe
- Holy Grail 2.0



## In the top 1% of companies in printing industry

In 2021, we were granted the EcoVadis Gold Medal, placing us in the top 1% of companies rated by EcoVadis in the printing industry. EcoVadis rates sustainability performance in four main pillars: Environment, Labour & Human Rights, Sustainable Procurement and Ethics. The overall score of 70 puts us in the 96th percentile of all the rated companies, and in the top 1% of companies rated by EcoVadis in the printing and service activities related to the printing industry. Aluflexpack always aims toward operational excellence in all areas of its business and this Gold Medal confirms our efforts and improvement compared to the last year's score, when we received the Silver Medal status. In the environmental segment, which has the biggest impact on the final



rating, our score grew from 70 to 80 points, while the largest improvement is shown in the segment of ethics, where our score increased from 50 to 70 points.



# Conversation with Dr. Uwe Bauer and Eike Schopper

HEAD OF RESEARCH AND DEVELOPMENT

HEAD OF BUSINESS DEVELOPMENT, STRATEGY & INNOVATION

## How can Aluflexpack support their customers in increasing the sustainability of their packaging?

**Uwe:** The development of more sustainable packaging has been identified as a critical component. In the R&D department, sustainability is currently at the top of the agenda. We are constantly monitoring market regulations and responding quickly to any changes. Simultaneously, we maintain the dialogue with our customers in order to meet their needs. The majority of projects are addressing either increased recyclability, higher recycled content, or weight reduction of packaging material, resulting in a lower CO<sub>2</sub> footprint.

**Eike:** We were able to make a difference for our customers by providing them with insights on various packaging types. On a daily basis, we advise them on how to improve the sustainability of their packaging. We recommend structures that are “made for recycling” in their target markets, and we

guide them on the CO<sub>2</sub> footprint of their packaging based on the knowledge we gained from the Life cycle assessments (LCA's) we performed on our portfolio. To take this a step further, we are now launching an LCA tool that will use a database provided by “circular analytics”. This enables us to perform recyclability and CO<sub>2</sub> evaluations for our customers with complete integrity based on independent data.

## Is aluminium packaging recyclable?

**Uwe:** Yes! Aluminium packaging is recyclable, and the higher the share of aluminium, the better! Unlike plastics, aluminium can be recycled over and over again without any quality loss. With our aluminium packaging solutions, we are already one step ahead because many of our solutions are not only ready for recycling, but also have a high recycled content. Our goal is to increase the recycled content of our aluminium-based products to more than 80%.



Eike Schopper (left), Dr. Uwe Bauer (right )



**Eike:** We are strongly committed to playing a key role in shaping the circular economy, and the recyclability and high recycled content of our products are significant steps toward this goal. The recycled content in the packaging not only ensures a circular system, but it also significantly reduces the CO2 footprint of the packaging. We see brand owners in a variety of sectors increasing their communication efforts about the advantages of aluminium-based packaging. They perceive it as a good alternative to plastic-based packaging.

**Plastic-based products account for a significant share of your portfolio; can they be sustainable?**

**Uwe:** Aluflexpack is an expert in reducing

packaging weight and increasing the recyclability of packaging, both of which are critical to making plastic-based products more sustainable. We are working to improve the recyclability of all of our plastic-based products by developing mono-material solutions for a variety of applications such as coffee, fruit pouches, cereals, and cosmetics. Our environmental commitment is also demonstrated by our ongoing development of PVC-free inks and lacquers, as well as glymo-free adhesives.

**Eike:** We discovered that when we tackle these developments collaboratively with other industry leaders, we are most successful. As a result, we established very close collaboration with our

customers, suppliers, and packaging machine manufacturers, allowing us to be at the forefront of sustainable packaging development.

**How do you improve the sustainability of your operations through innovation?**

**Eike:** We are committed to our long-term goal of fully recycling our technical waste without material losses or downgrading during the recycling process. For materials which can be recycled directly, we innovate how we work with our suppliers by forming closer relationships with them in order to recycle the internal waste in a closed loop, keeping the material in the circle and avoiding downgrading.

**Uwe:** We have taken the first step toward achieving our goal for multi-layer materials by partnering with Saperatec. To separate multi-layer aluminium-based materials, they employ cutting-edge technology. We began our collaboration in the second half of 2021 by testing the delamination process on our technical waste. The multi-layer material was successfully delaminated and separated into distinct layers, allowing it to be recycled without downgrading. This

is a big step forward to better and easier recycling of multi-layer laminates.

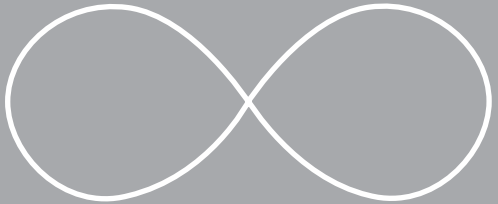
**What actions do you plan to take to be more circular in light of the complex and rapidly changing regulatory landscape?**

**Uwe:** We are committed to improving the circularity of our products in order to be among the market leaders in closed loop solutions. As a result, we work closely with institutes such as Interseroh and Cyclos to develop the best possible recyclability solutions, and then, of course, to certify the packaging accordingly.

**Eike:** At the same time, we are actively supporting efforts in circular solutions by engaging in cross-industry organizations such as CEFLEX, Flexible Packaging Europe (FPE), European Aluminium Foils Association (EAFA), Aluminium Stewardship Initiative (ASI) and Holy Grail 2.0. Building relationships with industry leaders allows us to better understand the impact on critical ecosystem elements. We are confident that by implementing these measures, we will be able to shape a more sustainable future.



Aluminium is infinitely  
recyclable with  
no loss in quality:  
75% of aluminium ever sourced  
is still in use today!





# Sustainable product development and design

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

The development and large-scale manufacturing of new and state-of-the-art packaging solutions, aligned with the latest demands and regulations of sustainability, is our core business. We are determined to produce excellent packaging that secures long shelf-life and sustainability throughout the life cycle. Exploring new uses of existing materials, as well as introducing recycled materials while maintaining the quality and safety of our products and consumer goods they carry are our biggest and most exciting challenges now, and in the years to come.

## Target: produce exclusively recyclable or reusable packaging by 2030

To reach this ambitious target, we cooperate with our customers, but also among our production facilities, at the same time following strict quality management standards. 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.

Maintaining close cooperation with customers, Aluflexpack works with them daily to strengthen the sustainability characteristics of its products and manage their impacts within their value chains. Working together with them, and striving to help them fulfil their own sustainability goals, we work on developing new products aimed at:

- **Recyclability:** aluminium is a fully recyclable material, providing excellent barrier properties at even the lowest thickness. Besides aluminium, we are currently developing specific solutions tailor-made to each of our customer's needs, such as mono-material laminates. In addition, we are committed to securing recyclability of our products by taking part in various initiatives, among others, participation in HolyGrail 2.0 and using innovative Saperatec solutions, aimed at managing the circularity of our products from cradle to grave.

- **Raw material sustainability:** there is increasing demand for sustainable raw materials like aluminium with recycled content or low CO<sub>2</sub> footprint, PVC-free lacquers, and renewable materials like paper or water-based coatings or lacquers. Aluflexpack launched a series of testing processes aimed at supplying and testing raw materials that decrease the environmental impact of our packaging solutions.

- **Managing energy and emissions:** Aluflexpack works with the customers to assist them in reducing their Scope 3 GHG emissions. This is achieved through certified green energy use but also monitoring and setting targets for own emissions. In 2021, we have launched an extensive decarbonization program that will not only enable us to carefully monitor our emissions, but also to set ambitious goals for their decrease.

- Sustainable product strategies**
- **Mono-materials:** development of materials with a lower environmental footprint
  - **Resource management:** decrease of material thickness, less use of varnishes and inks
  - **Single portion packaging**
  - **Optimal shelf life**
  - **Flexible lead times:** optimization of printing orders and deliveries
  - **Smaller order quantities (digital printing)**





We are highly proud of our aluminium-based product portfolio, ranging from thin aluminium for chocolate, over foils and lids for dairy and food industry, aluminium foils for pharmaceuticals – blisters and pharma caps, all the way up to

aluminium containers and capsules for coffee. All our plants process aluminium by lacquering, printing, slitting, punching, deep drawing... and in all those processes, there is aluminium scrap. This scrap is entirely collected, pressed into aluminium

blocks and sold to recycling companies, and later return to the product stream as a raw material.

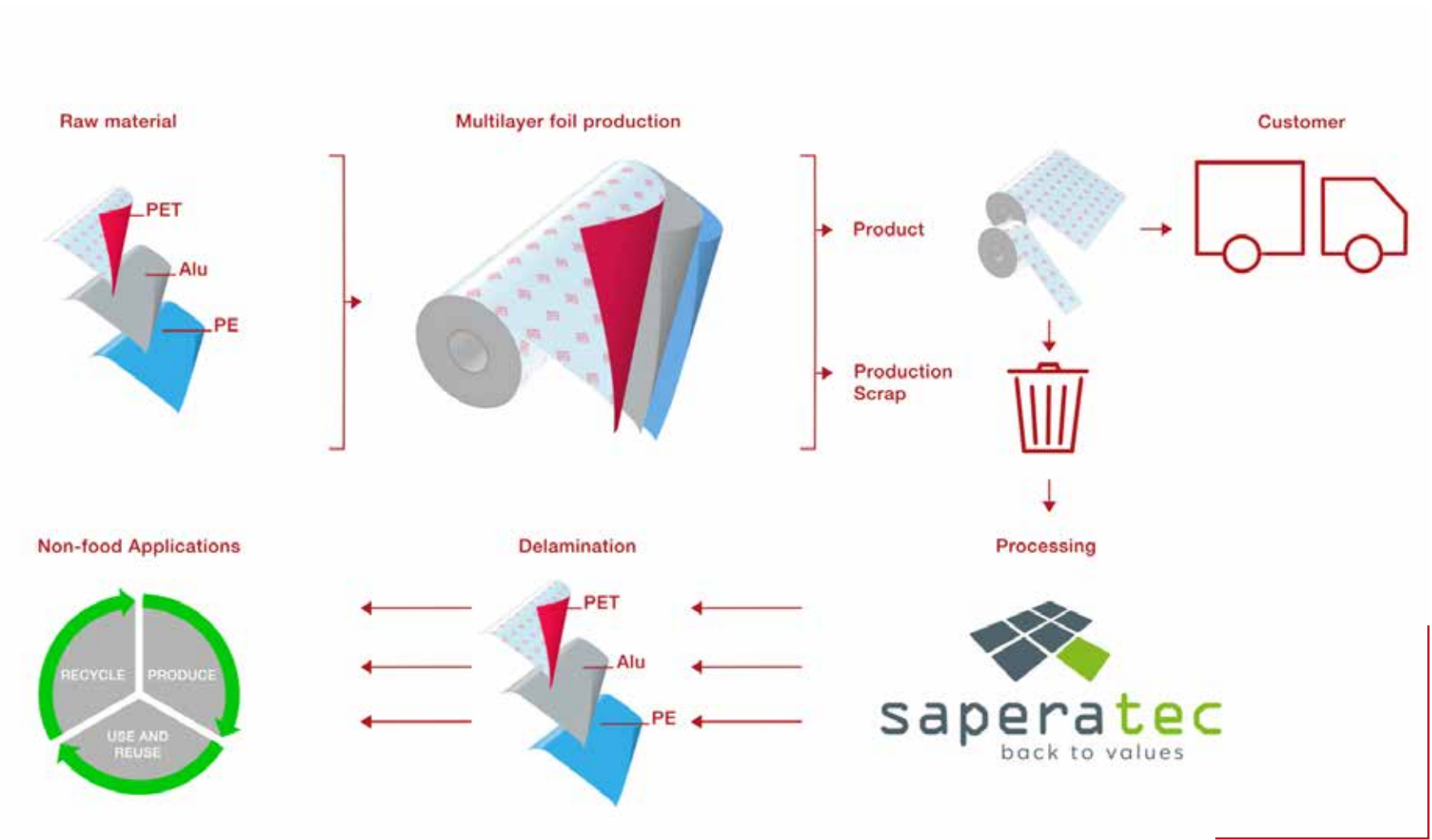
Besides it being recycled, it is also reused in various community projects in our plants. Artist

Josip Švaljek used the aluminium scrap blocks to create the Aluminium Flower sculpture, and our plant in Omiš donates its scrap containers to a local kindergarten for their arts and crafts projects at Christmas.

## Focus on circularity

An innovative system developed by **Saperatec** to separate aluminium-based laminates into single components help us make the most out of our scrap: we started the cooperation by delivering the scrap laminates for delamination testing. This is one key to the recycling of the used raw materials in aluminium laminates. We plan to have more than 50% of our internal aluminium-based scrap separated by Saperatec technology, making them a new resource.

Cross-value chain initiative under the name **HolyGrail 2.0** includes the launch of an industrial pilot to prove the viability of digital watermark technologies for more accurate sorting of packaging and higher-quality recycling. As a member of the initiative, Aluflexpack packaging will hold a digital watermark that will provide information for recycling facilities about the composition of the packaging and the manner of recycling of different fractions. In this way, we plan to contribute to improving the management of product waste and boosting the development of circular economy on the global level.





### From cradle to gate: Life cycle analyses

The main goals of the LCA study for our most used product – coffee capsules - launched in 2020 was aimed at providing environmental information based on life cycle assessment, as well as identification of hotspots along the product life cycle to define potential improvements, eventually addressing raw materials and/or the onsite manufacturing activities. Soon after, in 2021, we ordered an LCA study for another of our most popular products, yoghurt lids. Modelled life cycle stages for yoghurt lids and coffee pods included raw materials acquisition, pre-processing, and production.

Both these products include efforts from various plants in the Aluflexpack group; the production of coffee capsules starts in the AFP Novi Driš plant, which performs lacquering and printing, drying and slitting and removal of defects. The semi-finished product is further transported to the Omial Novi plant where oiling of the semi-finishing is performed. The oiled rolls are then transported to PPS, HLM and Eliopack plants. There, deep drawing of aluminium takes place and the final product, coffee capsule, is formed. Yoghurt lid production also starts in the Driš production plant; the semi-finished product is then transported for further processing to Aluflexpack's plant in Zadar where production of yogurt lids is finalized.

The identification of the most relevant impact categories is based on the results of the analysed product, while at least three relevant impact categories are considered. For coffee capsules, the most relevant impact categories are acidification,

climate change – fossils, resource use fossils, particulate matter, and water use. In the production phase for coffee capsules, the most relevant process is represented by the credits related to the recycling of aluminium scraps generated in the different manufacturing stages. For yoghurt lids, the LCA study shows that the most relevant impact categories are represented by climate change, resource use (fossil) and particulate matter. Same as for coffee capsules, the impacts of raw material acquisition and pre-processing stage are driven by the manufacturing of aluminium foils.

Based on the main findings of the LCA study for both products, the main potential area of improvement concerns the supply of aluminium foils. The studies suggest a selection of aluminium suppliers with higher recycled content to reduce the impact related to its production. The impact of secondary aluminium (from remelting furnace) is 97% lower than the impact of primary aluminium on climate change. Following these findings, Aluflexpack is developing a new strategy and tools which will enable us to improve LCA management for our products.

While committed to contributing to environmental and climate goals by offering products with higher content of recycled aluminium, due to the possible misinterpretation of the standard ISO 14021 environmental labels and declarations, and the fact that this standard is not subject to mandatory certification, we communicate our strict policy to supply aluminium foil only from manufacturers with documented quality certificates related to alloy content and mechanical properties.

**Aluminium is lightweight and maintains its full properties at very low thickness, resulting in space efficiency and savings in transport!**





## Input materials

In 2021, the weight of input materials for our products amounted to 58,785 tonnes. Virtually all materials we use for the development of our products and their packaging are recyclable: aluminium, liquids, different kinds of plastic, paper, cardboard and wood. On the other hand, the percentage of recycled materials used to manufacture and package our products is still low – only 4% of our input materials are recycled, and they pertain mainly to paper and cardboard used for packaging of our products.

Having in mind that our products need to secure safety of packaged consumer products and health of end users, we still used virgin aluminium and plastic in our products, but we are very diligent in testing and developing new solutions. Determined to increase quantities of recycled input materials in the development of our products, along with mentioned activities in managing aluminium use, we employ ongoing processes including:

- 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

In product development, we also collaborate with academia to get the best results. In 2021, we collaborated with the Faculty of Graphical Technology of the University of Zagreb and the Faculty of Chemistry of Technology in Split, which assisted us with their specialized laboratories in testing and improvements of our developed products.

## Warehouses and transport: Initiatives aimed at lower emissions and circular economy

An increasing number of Aluflexpack's customers carefully manage their impacts on resource use and develop solutions in their business operations that rely on principles of the circular economy. This is just one of the reasons Aluflexpack also invests efforts into finding more sustainable solutions for packaging and transport of its products, with the end goal to secure that all packaging components can be used again, circulating within the packaging and transportation system.

Aluflexpack engages partners and customers in working on new solutions, which leaves zero waste in the process and decreases emissions. Several packaging components are currently being tested in partnership with customers to find the

most sustainable and efficient means of packaging and transportation of our products.

**Product and waste packaging:** thinner recyclable stretch foil with pre-tensioning for product and waste packaging is used since end-2021, decreasing the quantities consumed. The first results of this change show about 60% in quantity savings, which in turn decreases the quantities of this type of waste.

PP tape was replaced by PET tape, mainly produced from recycled materials. PET tape has a higher load capacity and breaking strength, lowering damage in transport. At the same time, it is of better quality from the aspect of use on welding machines; there is less need for servicing, which prolongs the work life of the machinery.

**Internal transport:** electric forklifts are used exclusively, with LI-ION batteries. In all plants, fleet changes have drastically reduced the use of other technologies like diesel-powered forklifts, which also benefit CO2 emissions decrease.

**Transport to customers:** wherever possible, transport connects cargo on the same route and thus optimizes vehicle load and reduces CO2 emissions. Logistic system also works to optimize transport in a way to maximise the efficiency of deliveries in terms of utilization of cargo space and frequency. Additionally, the so-called "green index" in transport software is used to signal if the cargo space of the vehicle is not optimally utilized. Our goal for the upcoming period is to calculate Scope 3 emissions and use the data to introduce new management strategies and plans.





# Safety, quality and shelf life of consumer goods

We are fully dedicated to creating solutions that provide safety and quality for consumer goods and consumers themselves. Quality management in Aluflexpack is focused on securing the safety of packaged goods and maintaining their shelf life, avoiding unnecessary losses when it comes to food manufactured for people and animals, and also increasing the safety of pharmaceuticals and every other product that uses our packaging.

By setting up a reliable, comprehensive, and integrated management system led by top management, we prioritize this issue and put it at the centre of our attention. At the demand of our customers, we produce packaging material abiding by global guidelines and standards that guarantee the safety of consumer goods. 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 realization success. The

entire manufacturing process is controlled through documented instructions, records, and parameters on the machinery.

QAS is provided via portal common to Zadar, Drniš, Umag and Omiš plants. The portal consists of three parts: Quality Management System, Claim Management and Audit. Processes are implemented for the purpose of improving system efficiency by monitoring the effectiveness of corrective and preventive actions according to individual processes, procedures, and technological performances. This process ensures the same operating rules for handling machines, equipment, cleaning and maintenance conditions, safe operation, and other procedures. External documents ensure the exchange of information from customer quality requirements to declarations of conformity of manufactured raw material.

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 of the machinery. In 2021, there were no incidents of non-compliance concerning the health and safety impacts of products and services and no market recalls of our products. Abiding by all regulations and our own standards in operations, Aluflexpack did not record cases of non-compliance in environmental, social, or economic areas.

## Sustainability and safety

From the standpoint of the safety of goods packaged in our products, the most important

issue is the possible migration of substances from the packaging to the product, i.e., the preservation of the health and safety of consumers. The development of new products thus highly depends on the content of recycled materials like plastic. For products that have primary contact with food, we have not yet used recycled plastic due to food regulations regarding the migration of substances, so we have not yet engaged in the development of such packaging either. Emerging regulation, e.g., EU Chemical Strategy for Sustainability, also influences the development of new products. Here

customer requirements are mostly related to the content of substances that fall into the category of endocrine disruptors.

Due to these requirements, we expect further changes in REACH regulations in the next period, which will lead to the change of starting substances and the development of new types of inks, lacquers, adhesives, and other materials for food contact application. In our cooperation with our own suppliers, we demand adherence to all standards and regulations aimed at securing quality and safety for consumers.





# Reliable service and customer satisfaction



Improving the value our customers offer to their customers, consumers of packaged goods and services, is our top priority. Close cooperation on the development of new solutions and improvement of existing ones demands a holistic approach in which customer satisfaction is monitored and evaluated in conjunction with every other aspect of our service.

We aim at creating tailor-made solutions for our customers, focusing on their individual needs. Additionally, we use our deep value chain, and the backup production options to place the production near the customer, therefore decreasing the carbon footprint of the product.

Identification and re-evaluation of risks, opportunities, and key product characteristics are at the base of our customer approach. For this purpose, we introduced new systems in 2021 that will help us use time and resources more efficiently while at the same time increasing the support we provide to our customers.

Our new CRM system provides the Sales department structure in the pre-sales part of the sales process - tracking the customer from initial contact, through the start of cooperation, up to the contract and regular sales. This provides other supporting departments (e.g., Product Management, R&D, CS) with early information on new customers and their interest in our products. At the same time, it allows the management to qualify and approve and track all new relevant activities in the company. This approach enables improved planning and allocation of resources in all departments.

GP links system provides transparency of product management – all the technical documentation related to a product is systematically listed and enables the users to approach and manage the data easily. Working towards data integration, it offers less room for error, as well as less time consumption

## Branding project - brand enhancement

In 2021 we initiated participation in branding project, aimed at defining and directing our activities to enhance the Aluflexpack brand. We started the cooperation by analysing the current situation, and the perception of our employees, customers, suppliers, and other stakeholders. We have received very high ratings from our customers in terms of reliability. The outcome of the project will be a clear vision of Aluflexpack representation in public and a unique position for all people that work in Aluflexpack.

in daily tasks. Also, it saves paper on the operational level, eliminating the need for document printing.

We are evaluated by our customers against a strict set of KPIs that include quality, safety, and environmental impacts, compliance with norms, regulations and standards, internal and external claims, cases, incidents, feedback, necessity and opportunities for improvements, risk assessment results as well as annual plan to reach measurable goals.

We track customer satisfaction annually, based on documented information received from the customer, including customer audits. However, due to travel restrictions, customer audits were greatly reduced or maintained virtually still in 2021. The customer

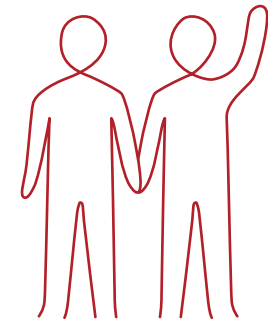
ratings we received in the first two months of 2022 for the previous year are very positive. In the absence of on-site audits, we fulfilled many customer assessments and questionnaires, as we also referred to our suppliers and evaluated them based on questionnaires.

Our goal is 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.

**Aluminium provides 100% protection against light, moisture, oxygen and other gases as well as against microorganisms and bacteria, therefore preserving the product and ensuring longer shelf life!**





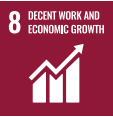


# Empowering people



# Empowering people

Strengthening partnerships with our employees and the communities we operate in and integrating their diverse perspectives is essential for the sustainable growth of Aluflexpack as a company. We continuously follow the latest trends and are dedicated to building our capacities to adapt to the great dynamics and frequent changes in our industry and in the labour market to provide quality working conditions. To responsibly manage our social impacts within different contexts and better understand specific local needs, we engage internal and external stakeholders in the countries in which we are present. The purpose of this process is to make sure our business operations are up to par with the latest safety and work environment standards and that we acknowledge differing circumstances in which we operate to be able to transfer sustainability benefits to societies of which we consider ourselves to be an integral part.



## What is ahead?

### 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



Workforce through the years



Our human resources approach is founded on the belief that employees are the company's main asset, and our goal is to improve motivational factors and organisational culture by recognising every employee's needs. Our policies are aimed at providing all Aluflexpack employees with safe and stimulating working conditions in which they can realize their full professional potential, feel fulfilled in their workplace, and achieve a healthy work-life balance.

To further improve our strategic approach to managing this topic and improve our employee

engagement, in 2021 we conducted a standardised voluntary and anonymous employee satisfaction survey Great Place to Work®. This employee satisfaction survey includes the development of the trust index, a measure for monitoring employee trust levels in the management and the organisation in five segments: credibility of the company, respect and fairness towards employees, employees' pride in the company, as well as a sense of camaraderie and belonging to the company. This project enabled us to examine how our employees view their workplace and to get their suggestions of areas that provide the most significant opportunities for improvement. More than 75% of employees and management in 13 locations – productions plants, offices and logistics hubs - participated in the workshops and provided written and verbal feedback to determine their attitudes, the level of their trust in the management and the organisation, topics they consider to be the most important in 2021/22, possible improvements of our onboarding processes and management of growth and increase of productivity. Based on their input, we recognised individual focus areas at each location which include fringe benefits, internal communication, employee engagement, team spirit to infrastructure and working conditions. The results of the Great Place to Work® were presented to our employees and these findings will be used to set location-specific targets aimed at building a truly great place of employment.

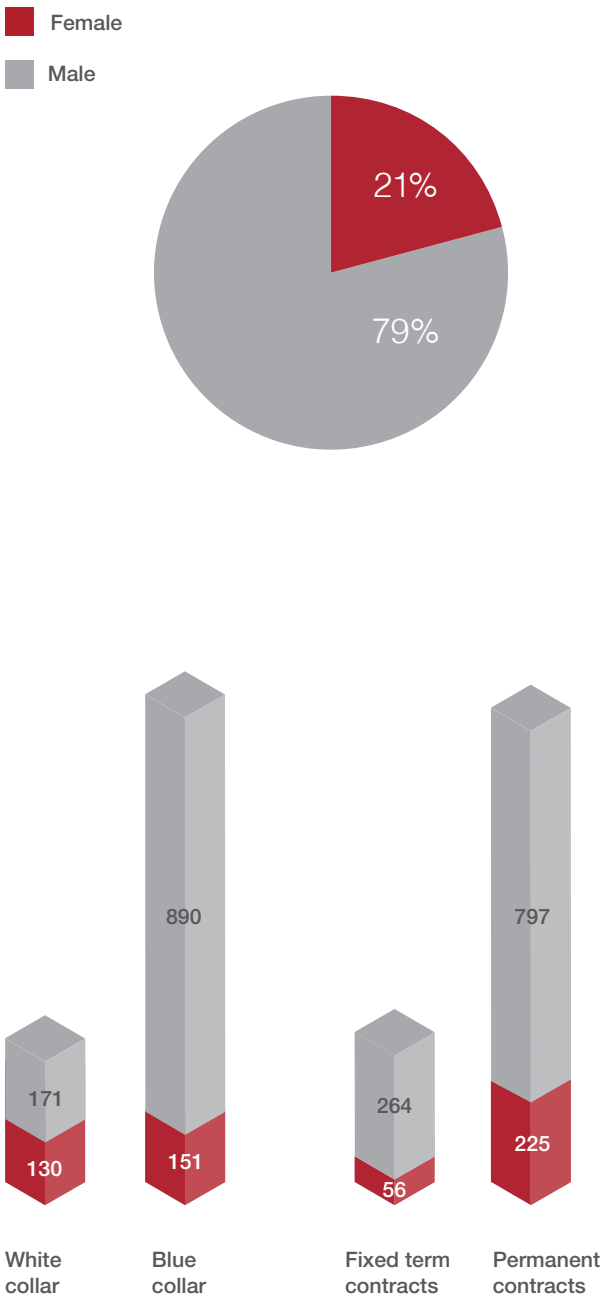
Based on the feedback from our employees, already in 2021, we began modifications to the dining areas at our Drniš and Zadar plants

to create an enjoyable space where they can relax, dine, meet for a work discussion, or get a cup of coffee. In our plant in Umag we made several infrastructure improvements to create a more comfortable place of work; new racks and refurbished floors in warehouses of finished goods, packing materials and non-conforming goods, air-conditioning in the finished products warehouse, introduced new improved lights (LED lights) and new ceilings in production halls 2 and 3.

Wanting to attract and keep high-potential employees, in 2021 we also initiated the development the Aluflexpack Talent Management strategy which we aim to complete and start implementing in 2022.

Employees in 2021

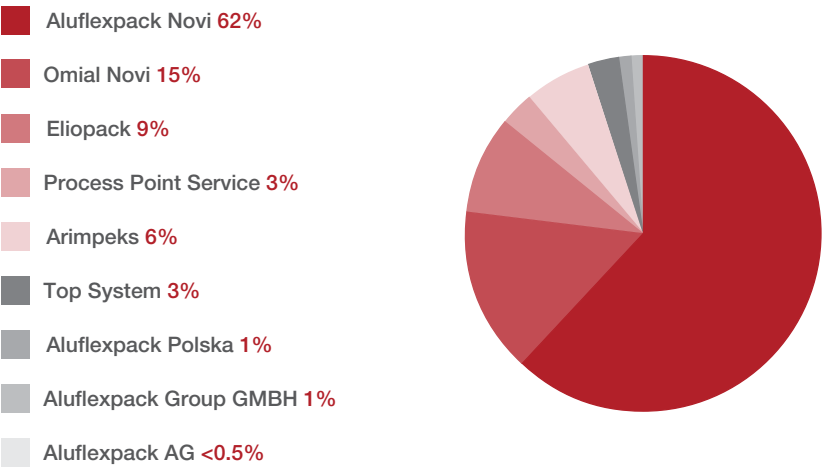
A total of 1,342 employees work in Aluflexpack in 13 integrated locations in Europe. Wanting to develop a more secure workplace for them, we began the implementation of permanent contracts as a rule for those employees that have passed their trial period, depending on the location and nature of a particular production segment. In comparison to 2020, the increase is mostly attributed to a large portion of employees in Croatian factories receiving regulatory mandated permanent contracts after successfully completing their trial period.<sup>5</sup> Group members in Poland and Turkey have only permanent employees.



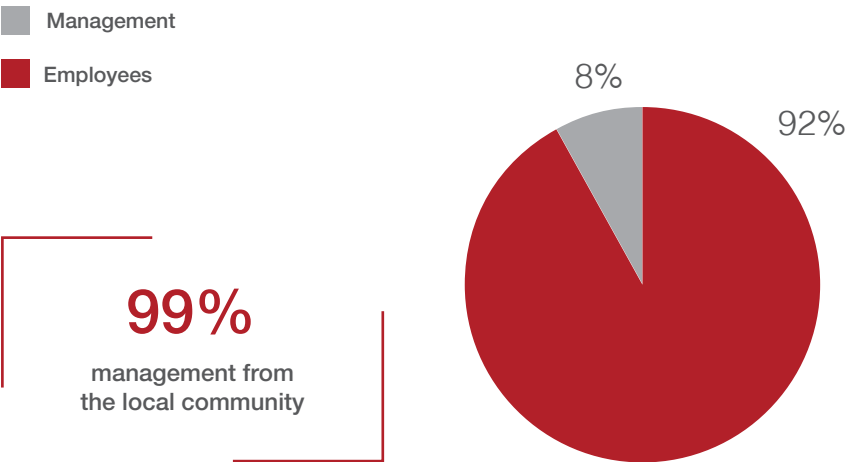
<sup>5</sup> Permanent employment contract is defined without end date i.e. indefinitely, while the fixed term employment contract has a strictly defined start and end date.



Employees by location 31/12/21



Share of management employees as a % of total employees (31/12/21)

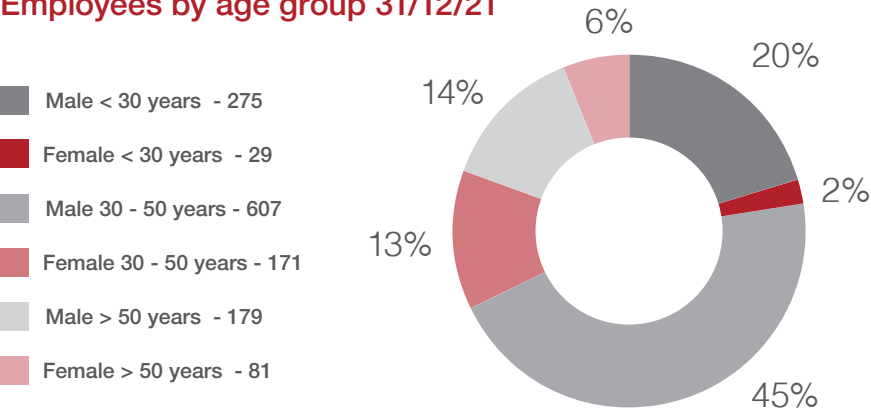


All our plants and respective group member companies are predominantly led by locally hired management. Out of 113 management positions across the Aluflexpack Group, 112 are filled by respective nationals.

Multicultural settings

Our group member Process Point Service (PPS) proudly employs people of 15 different nationalities in their production site in Einsiedeln, Switzerland and offices in Triesen, Liechtenstein. Although all our employees have already been local residents when they began working at PPS, only 16% of workers are Liechtensteiners and Swiss. To be able to tap into the richness of all cultures, we facilitated English lessons for all and bridged language barriers between us. As a result, we experienced all the benefits that come from integrating such ethnic diversity. When it comes to business operations, exchanging different ways of operating daily tasks helps us improve processes and make our business grow. On top of that, our people get to share their customs at their workplace and learn different languages which helps strengthen company culture and interpersonal relationships.

Employees by age group 31/12/21





# Employment planning & recruitment

Our vision of becoming a global market packaging leader is predicated on our ability to attract motivated professionals that possess advanced skills and competences and share our commitment to integrating sustainability in all business aspects. To make sure we can meet these goals in an increasingly competitive labour market, Human Resources manage these procedures on the Group level by putting in place work instructions and processes which identify needs across all our departments and business functions.

Selection and recruitment processes are regulated by internal policies in each location to address specific local requirements and needs in all the locations we are present in. Management teams continually monitor progress by carrying out regular professional development and employee outcome reviews on all levels by examining:

- internal and external total quality
- production efficiency
- capacity and turnover
- number of days of absenteeism

- SMETA and EcoVadis audit results
- ASI performance standard results (AFP Novi Drniš, PPS)
- Great Place to Work® project

Existing planned actions and set targets are evaluated, upgraded, and supplemented by new measures at the management review meetings based on potential social and environmental impacts, market trends, current socio-economic environment, technological advancements, expert feedback, customer demands, compliance requirements and new regulation and standard requirements.

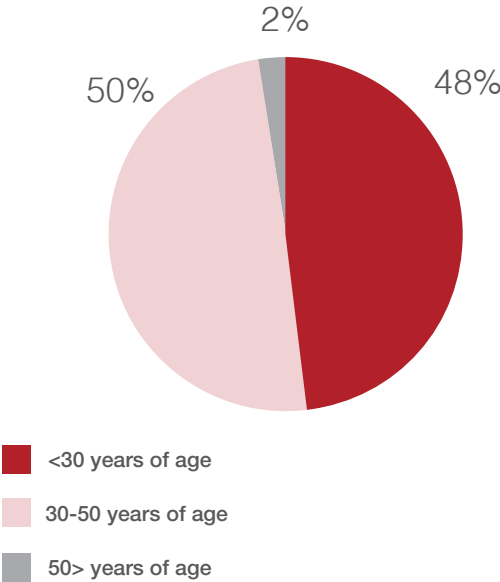
We actively work on recruiting and developing promising young professionals, especially when workers with certain qualifications are not present in the labour market. Cooperation with local academic institutions is an important instrument to nurture and bring in new talent. Despite challenges due to the Covid-19 pandemic, in 2021 our group members in Croatia successfully carried out apprenticeships for high school and university students at our factories in Omiš, Umag and Zadar.

Employment conditions, policies obligations and practices at Aluflexpack Novi in Croatia are regulated by the Collective Agreement in place until 2022. Employment procedures in the rest of the Aluflexpack Group are individually aligned with local regulations.

Our Swiss and Croatian group members (PPS, AFP Novi and Omial Novi) provide all employees, regardless of the type of their contracts the

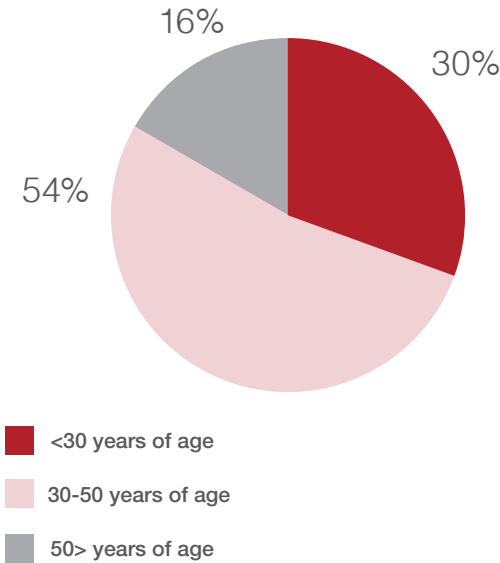
## New employee hiring and turnover 2021

Arrivals



same benefits. Eliopack in France provides their permanent employees with the 13th salary, disability coverage, retirement provision and legal participation following net income result. Due to high inflation in Turkey, in addition to raising salaries for our employees at Arimpeks, we have improved the existing social benefits and created additional ones like treatment support for disabled family members and social fund for unexpected situations.

Departures



Taking into account the specificities of each of our locations and the nature of our production, we record higher fluctuation whenever we have the need to fill more work positions – which is the trend in Aluflexpack for the last several years due to production expansion. Adjustments to the requirements of working in production plants can be overwhelming, especially for those with little or no experience working in plants. The result is a relatively high fluctuation of employees within the trial period. Another specificity is the increased number of retirees in 2021, and paired with labour market conditions, in which demand for qualified workers is high, this results in higher fluctuation.



# Workplace health & safety

Providing all our employees with a safe working environment and instruments to take care of their physical and emotional well-being is a top priority at Aluflexpack. To make sure we can maintain safe and stimulating working conditions, we are continuously searching for best practices to implement in order to improve our production processes and operations. Seeing our organisation has operations in multiple countries, our health and safety management is based on the implementation of local and international regulations and standards, engagement and agreement with our employees, regularly validated risk assessments, implementation of the ISO 9001 and 14001 standard systems, control of authorised inspectors, required training, as well as numerous external certifications, including the ASI Performance Standard and EcoVadis covering employee safety.

The health and safety department coordinates all actions, measures, revisions, testing and internal education related to health and safety and facilitates employees' personal protection equipment management. Our health and safety management systems are based on the regular risk assessment performed internally or by an authorised external contractor, depending on the plant. Risk assessments are updated with each change within a manufacturing system re-evaluating the condition of every workplace, machine, equipment, and the production process itself. The progress has been achieved by encouraging more direct and easier interactions between our workforce and management which has decreased reaction time to a potential risk issue.

In 2021, PPS and AFP Novi Dniš plant were certified with the ASI performance standard that approved our management system based on the ISO 45001 standard. Certification according to the ISO 45001 standard is planned for 2022 in the Dniš plant and 2023 in the Umag and Zadar plants.

Each of our factories in Croatia employs two occupational safety experts who make daily tours

As many as 83% of Aluflexpack employees work in plants audited according to SMETA/ Sedex



through all facilities. Internal inspections are carried out once a month and corrective actions are taken to prevent the recurrence of the same irregularities, educating employees on the first working day on hazards, harms and efforts in the workplace and providing personal protective clothing to workers in accordance with the risk assessment. Workers are required by law to pass an occupation medical examination to determine their health status based on hazards in the workplace.

Our employees are actively involved in risk assessment procedures and frequent internal inspections. In Aluflexpack Novi, we have employee representatives for health and safety issues as well as a joint committee which includes a management representative, an employee delegate and an occupational health and safety expert that meets regularly to discuss updates and improvements. At Arimpeks the risk assessment team consists of a general manager, an occupational health and safety specialist, a workplace physician, a production chief and a maintenance specialist. The team is responsible for identifying risks at the factory and the occupational health and safety

specialist reports this assessment. Based on this risk assessment report, identified risks are eliminated or risk levels are reduced. The occupational health and safety specialist is responsible for yearly training of the risk assessment team. Staff representatives at Eliopack discuss health and safety matters and direction with the management and decide on the further direction and initiatives.

In 2021, we introduced a system for monitoring working machines and tools using QR codes in our plant in Zadar, the scanning of which provides data on their testing and internal and external inspection of the hydrant. QR codes on the hydrants are designed to serve as seals to help identify their misuse or use. By scanning the QR code, the company collects data for the annual review and internal reviews. This is planned to be introduced group-wide starting from 2022 onward.

Personal protective equipment management has also been improved. Paper form registration has been replaced by an early warning online system which issues digital signatures to facilitate the retrieval of personal protective equipment enabling more efficient tracking and timely replacement. Each worker manages their own issuance of equipment with a personal record card on the device that sends the company daily and monthly reports.

In response to the Covid-19 pandemic, we put in place measures to ensure the health of both employees and visitors that enabled us to resume our business operations without interruptions. Visitors were asked to provide a Covid pass or a negative PCR test not older than 48 hours. In 2021, the organisation implemented guidelines for respecting travel restrictions, free

Aluminium foil in food packaging applications saves more resources than are needed in its production - its mechanical and barrier properties ensure longer shelf life!





weekly antigen testing for all employees and PCR testing at public health institutions. As a prevention measure, we advised our employees to get vaccinated and introduced additional benefits at our factories in Croatia to motivate them (two additional vacation days or remuneration). The vaccination rate varied from 10% at our plant in Drniš to over 90% in our facilities in Switzerland and Turkey.

In 2021, Aluflexpack Novi organised education for its employees to familiarise them with the most frequent dangers and injuries at their workplace. Part of this education, were also benefits from the company such as eye examinations and refunds for frames and glasses for all employees that work with computer monitors for over four hours per day.

**LTI rate 6.1**

Employees at our Turkish facility Arimpeks are provided with yearly health examinations and private health insurance. This insurance covers all expenses when a work accident occurs or personnel needs surgery for any reason, not only work accidents.

There have been no fatalities in any plant in the group as a result of work-related injuries or professional illnesses in 2021.

# Training and professional development

At Aluflexpack, we believe skills and competencies of our workers are our main asset on the path to becoming an agile, modern company and we aim to distinguish ourselves by facilitating the professional development of our employees. Our professional development approach which includes training and education programmes is founded on an individual approach and the life-long learning principle which enables our employees to advance their existing skills and acquire new competencies necessary to remain at the forefront in an increasingly competitive market.

Aluflexpack's Human Resources department coordinates the process of collecting input from all departments and locations to create the Development and Education Plan for the existing year. The plan includes the revision of the planned training which was not carried out in the previous year and needs to be approved by the President of the Management Board and adopted by the end of the second quarter. Each manager is required to create individual training and education programmes based on the needs of the position and an employee's personal priorities and oversee its execution. The process of defining

educational needs is carried out according to our system of internal and external education without discrimination. According to their professional needs and preferences, our workers are provided with opportunities and funding for obtaining targeted qualifications not available in the labour market. At our Polish plant Top System, we provide English training for all our employees.

In 2021, we increased the annual employee training and education average from 86.4 to 90.3 hours. Considering that we recorded 23 hours of education per employee on average in 2019, this shows our continuous investments in the training and development of our people.

**90.3**

average training hours per employee

Onboarding processes for new employees include individual mentorships and development plans to facilitate their inclusion in production processes. These processes undergo regular management reviews which determine whether employees are meeting their targets and if the planned activities need to be adjusted.

Increasing the portion of employees receiving regular performance reviews was a top priority for us and we significantly increased the rate from 43.2% in 2020 to 66.5% of employees in 2021. The goal is to have each and every one of our employees included in performance reviews to have a greater insight into the perception of our employees, their motivation, commitment and satisfaction.

**66.5%**

of employees receive a regular performance review

We continuously track our employees' work performance. The performance of our production workers is monitored and evaluated using the Machine Reporting System (MRS) which objectively measures and reports on their productivity. Based on meeting their performance objectives, our employees in Croatia qualify for one-time bonuses awarded by the Management Board at the end of the year. Our goal is to implement this reward system in all group member companies.



# Community investments and developmental projects

As a company with diverse business operations present in multiple countries, we consider the sustainable growth of our company to be directly linked with our ability to positively affect local economic and social progress and limit negative environmental impacts. To effectively build partnerships with each community we operate in, we proactively engage local stakeholders to improve understanding of their needs and expectations. Our Group members are given the autonomy to develop cooperation and pursue joint initiatives with local partners based on distinctive circumstances within their business environment.

The Management Office is tasked with centrally approving funds 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. The focus of our community engagement in 2021 was placed

on targeted support for local sports, education, and culture associations where our contributions would have the most significant impact. In addition to providing funding assistance, we purchased equipment for local youth sports clubs and school computers. We also developed different forms of non-financial cooperation with academic institutions which includes apprenticeships for high school and university students, collaboration on multiple projects with universities across the country and study visits to exchange know-how.

## Community investments highlights

We invested in the construction of the local water pipeline and road connecting the two streets behind the new production plant in Drniš, Croatia, and supplied disinfectant for the city streets while the pandemic was at its peak.

Our quality control team from the Drniš plant visited the Faculty of Metallurgy in Sisak as the first part of the knowledge exchange with the faculty where they were educated about all the processes necessary for metallographic analysis. The next phase of the partnership will include a visit of the faculty personnel to the new plant and laboratory once it is up and running.

We donated funds for the purchase of three computers to a primary school in Zadar to facilitate the development of digital skills.

Employees from our Turkish facility, Arimpeks placed the focus on positive environmental impact by planting 250 trees through collaboration with the TEMA Foundation.

## Industry and art go hand in hand

Aluflexpack Novi was a sponsor of GOODfest 2021, a five-day festival celebrating dramatic arts and local Drniš culture with a programme suitable both for adults and children. The event was used to further promote our “Live in Colours!” project by presenting the works of artists who already exhibited with Aluflexpack, and to invite the artists from the local community to approach the company, to exhibit their artwork in our Drniš plant.

The project “Live in Colours!” hosted the art exhibition by artist Inga Budimir from Zadar, in our Zadar plant. After the exhibition, the company bought an artwork called “Brod” (“Ship”), acrylic on canvas, 2020., and put it on permanent display in the plant.

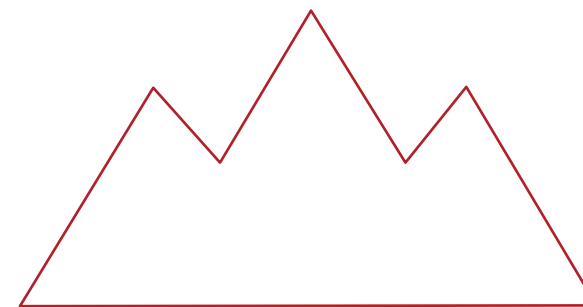
The Aluminium flower presented throughout this report is a work of art by the academic painter Josip Švaljek, who used the aluminium scrap generated in our factory and turned it into a sculpture, showing our commitment to sustainable growth by supporting the local community and protecting the environment.







# Sustainable organisation





# Sustainable organisation



Nearly four decades of history in developing flexible packaging solutions also provide a track record of transparent, ethical, and stable management. As a listed company, we adhere to the strictest standards of corporate governance and ethical behaviour in all our dealings. Sustainability as one of the key determinants of our operations complements our strategies and activities to reach outcomes creating added value for the environment and communities.

In its governance, Aluflexpack is steered by Business Ethics Conduct Code and aims to develop individual policies and codes to further strengthen its own responsibility and relations with stakeholders.

## Evaluation of management success against ESG criteria

Starting with 2021, compensation for the Management Board is tied in both short-term and long-term to ESG KPIs as well. Individual targets, which include specific ESG goals, are introduced in the management compensation to tie it to Aluflexpack's success in achieving its ESG goals. The Board of Directors decides on the achievement of the short term ESG goals for the Management Board and sets new ESG goals yearly.



### What is ahead?

#### MATERIAL TOPICS:

- Transparent and Ethical Business, Gender Balance in the Management

#### ESG CRITERIA:

- Governance - Ethics & Anticorruption, Remuneration, Diversity and Inclusion



# Interview with Antonio Stojanov

BOARD MEMBER ALUFLEXPACK  
NOVI - PRODUCT MANAGEMENT  
AND MARKETING

## How would you describe Product Management in Aluflexpack, in your own words?

Product management (PM) in Aluflexpack serves as a „bridge“ between market and the Sales team on one side, and R&D, technology and production on the other, in order to coordinate the activities and channel the company's efforts in order to provide the customers with the best products and service possible, therefore boosting the company image. We collect information from the market, track the competitors and packaging trends, communicate with the suppliers, ... But we also communicate to all our departments and gather the internal data from production, technology, R&D, and most importantly sales using Customer Relationship Management (CRM). Combining all these data enables us to create new opportunities and propose the best solutions to our customers to support them throughout their value chain.

## You mentioned CRM. Can you describe how does it help you in your work?

CRM, or Customer Relationship Management, is a system that tracks the new sales – leads and opportunities. In addition, it provides a 360 view of the existing customers, therefore giving us insight into all the activities that our Sales Team is taking on the market. By analysing the CRM data, we can steer our efforts to the specific market, industry or product.

## How does this relate to sustainability?

We consider sustainability an integral part of the company, which envelops everything we do. Sustainability isn't viewed only through product or the environment activities; we see it at the core of our activities and processes, as we work hard on minimizing resources to get the best results possible. The product managers collect, structure and communicate information within the company on all product-related topics, and therefore accelerate and improve the internal processes.

## Can you give us an example?

As I explained, the PMs collect, structure and communicate all the product information, as well as track the product development projects in daily operations. In this process, they track the existing solutions that we have for the customer, and guided by R&D and Innovations together we look into alternative solutions, focusing on more sustainable products.

When we talk about the sustainability of the product, Aluflexpack focuses on more than just the



Antonio Stojanov (right)

material itself: besides the material recyclability, we look into the resources necessary for its production, from recycled content up to green energy and energy management; the savings it will offer in the transport, therefore minimising the CO<sub>2</sub> footprint of the Customer's product, and also the product packed lifecycle, it's shelf life, food protection and food waste prevention.

Using our wide product portfolio and R&D and Innovation projects, we are always aiming at offering more sustainable products to our customers. But also, as the world around us develops further in these efforts, we work hard on being at the forefront of the information, and steering our operations towards an even more sustainable future!

Sustainability is at the core of our daily operations: besides the efforts in all our product-related activities, we work hard to optimise our processes in order to provide best solutions for our customers.



# Ethics and integrity

We pride ourselves in maintaining the strictest criteria of transparent and ethical behaviour, nurturing a positive and open approach to all our stakeholders. Open and fair treatment is at the core of our operations, and we recognize our responsibility as a significant market player in setting the standards of ethical behaviour across our value chain. We have zero tolerance for corruptive behaviours, take all precautions to prevent it and demonstrate our integrity through responsible management and enable secure and efficient mechanisms of handling any non-compliance.

Aluflexpack's Business Ethics Conduct Code, based on the Ethical Trading Initiative, describes how the company not only complies with 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. All employees, partners and suppliers are familiarized with the principles and values of the Code and are expected to adhere to them in all business situations. It is regularly updated to include more standards of acceptable behaviour; its latest version from end-2021 includes

compliance with laws and social norms, respect, integrity, non-discrimination, fair competition, data protection, labour, and human rights.

Stakeholders can report any misconduct using the new online tool Aluflexpack Integrity Line, introduced in 2021 and available on the company website. This tool guarantees confidentiality and anonymity to reporters who are encouraged to report any actual or suspected misconduct that can affect our company or the well-being of people.

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 entity's 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.

The Management Board conducts regular risk assessments which include assessments of risks from corruption in all company operations. During the reporting period, there has been no organized education for employees in this topic, but the company uses internal communication channels to regularly raise awareness of all aspects of ethical behaviour. Furthermore, through the new Sustainability Procurement Policy that was developed in 2021 and published in early 2022, the company obligates suppliers to adhere to the same ethical standards Aluflexpack adheres to. During



Management Board of the Aluflexpack Group

2021, as since the beginning of our operations, we have received neither a complaint related to corruption nor a legal proceeding.

Aluflexpack regularly conducts 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 SEDEX system, ensuring transparency and efficient exchange of information. The audit was conducted in sites in Croatia and

Turkey, covering 83% of group employees. EcoVadis audit was completed for AFP Novi and in 2021 we have scored a gold rating sustainability certificate.

The EcoVadis and SMETA audits confirm that there were no regulations and laws violations 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 underlines the commitment of our management and employees to permanent improvement of social accountability performances.



# Diversity and 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 at all levels of the company, securing equal opportunity for diverse people.

We support equal treatment in all positions and adhere to offering equal opportunity to men and women in recruitment and access to company resources. Currently, 21% of our employees are female, which is not unusual for a manufacturing company. There are 23% of women in managerial positions and 12% in professional positions, namely among engineers and in expert administrative positions, for example in Customer Service, Quality Management, Sales, Accounting or Controlling. Our members of the Management Board and the Board of Directors are currently 100% male. Aligned with our goal and obligation to reach at least 30% of women in the governing bodies by 2030, we continuously raise awareness of the gender gap and encourage women to grow

through the 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.

# Engagement across the value chain

As a company operating in various markets and cooperating with more than a thousand suppliers, we understand our responsibilities in managing impacts across our value chain. We closely cooperate with our suppliers to provide top-quality goods and services we require, but we also put forward certain demands in supplier engagement, aimed at maintaining standards in labour, environment and ethical behaviour 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.

Recognising and managing risks in the supply chain, Aluflexpack secured reliable raw materials supply by strengthening relations with existing



# New standard securing contribution to environment and society

As aluminium is the primary raw material used in our production, its sustainability-related issues along the supply chain are the main concern and focus in our daily operations. Being convinced of all the benefits associated with the use of responsibly sourced aluminium, we carefully choose our suppliers and partners and act in accordance with worldwide sustainability standards: to secure product safety, quality, and optimal shelf life, as well as to keep the impact on the economy, environment, and society to a minimum, from sourcing of materials to production and consumption, up to waste management. Aluminium Stewardship Initiative recognised our efforts and certified us against ASI Performance and Chain of Custody Standards in October 2021.





suppliers and expanding the list with new ones. Facing a high increase in prices for all raw materials, the company deployed close monitoring and deep insight into the price drivers to alleviate some of the high price effects.

Suppliers we work with are significantly situated in the European Union (96%), while the remaining supply pertains mostly to China, India, and Turkey. To support our strategy of offering more sustainable packaging solutions, suppliers must possess third-party certifications as well as comply with our own standards. In selecting any material, the supplier is requested to submit their certificates proving quality, technical specifications, and compliance statements, as well as samples for laboratory testing. Positively graded samples are then sent for industrial testing, and if the industrial testing is

in order, the supplier is listed on the list of approved suppliers.

All suppliers are submitted to an annual evaluation, according to the set criteria. Self-evaluation survey filled in annually shows that more than 40 suppliers that participated in it 2021 did not record any actual and potential negative environmental or social impacts. To further strengthen their commitment and mutual understanding of sustainability standards, Aluflexpack prepared Sustainable Procurement Policy in 2021 that was published and communicated to suppliers in early 2022. This policy focuses on environmental, ethical, work-related and community-related standards and behaviours Aluflexpack's suppliers are obligated to implement in their own operations and follow.



6 Data as of 31 December 2021

# Strong development strategy wins investor acclaim

As a leading manufacturer of flexible packaging solutions listed on SIX Swiss Exchange, Aluflexpack won the “Star of 2021” award at the European Small and Mid-Cap Awards, which took place in November 2021 in Portorož, Slovenia. As a joint initiative of the European Commission, leading European stock exchanges and European Issuers, these awards promote best practices and encourage more small and medium-sized enterprises to access capital markets via initial public offerings. In 2019, Aluflexpack went public and raised CHF 168.6 million (€ 151.8 million) with the aim to continue its growth story by increasing production capacities and efficiency as well as by completing targeted M&A. Since its IPO, Aluflexpack has increased its market capitalization by over 10% to CHF 415 million.<sup>6</sup>



# AFP Novi wins recognition as one of the best Croatian exporters

Aluflexpack Novi won the Golden Key (Zlatni ključ) Award presented by the Croatian Exporters' Association to the best exporters in several categories. AFP Novi received the award as the best exporter to France, along with a nomination for the best exporter to Canada.



# Our stakeholders and key impacts

Efficient ESG impact management highly depends on their timely identification, estimation, and management, as well as stakeholder engagement to provide additional perspective. This is particularly true in the uncertain times that proved to be years marked by a pandemic and following market disruptions. It is our firm belief that only careful management of identified impacts and risks (as well as keeping an open eye for others) is the key to the successful – and sustainable – management of any operation in 2021.

Our focus in 2021 remained strongly on sustainability issues, or rather, on introducing new policies, procedures and projects that enabled us to manage our businesses successfully and create added value for our shareholders and stakeholders. Our attention remained on health, safety and security of our people and our products, but went further in securing a sustainable and reliable value chain and in developing packaging solutions that take into special consideration all environmental impacts: circular economy, energy

efficiency, mitigation of climate changes. Therefore, we launched a series of projects, initiatives and partnerships that are presented in detail in this report.

We remained vigilant in closely following various new European regulations being adopted under the Green Deal umbrella. We take demands posted in front of companies very seriously and recognise our potential to contribute to the development of a more sustainable and more ambitious future. We use the new frameworks as an opportunity to improve our operations in a way that would enable us to create new value for our employees, communities, partners, and shareholders. At the same time, it 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 again, we engaged our stakeholders in a process of evaluation of our earlier determined material topics.



**Aluminium is highly conductive to heat, resisting a very wide range of temperatures, from very cold to very hot without losing its mechanical properties**





# Stakeholder engagement: focus on safety and satisfaction

In our estimation of material impacts, every year we include over 100 stakeholders from our key stakeholder groups. Our operations are specific in that we operate in a deep value chain but still on different markets and even outside EU, so it is important for us to take into consideration different stakeholder perspectives from different market. All languages spoken in our group – English, German, Croatian, French, Turkish and Polish –

are included to engage our various stakeholders in a way most comfortable for them, and to gain as many valuable inputs as possible. In 2021, we maintained a wide list of stakeholder groups and considered the intensity and scope of Aluflexpack impacts as well as legitimate levels of concerns by various stakeholder groups. They 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 Aluflexpack manages material topics in three sustainability areas: environmental, social and governance. Our stakeholder engagement was organised in an online format covering our operations in five markets with 116 individual stakeholders. The response rate varied from 70 to 80 stakeholders, depending on area, which is a somewhat poorer result compared to the previous reporting period when considering the number of stakeholders. This can perhaps be explained in

two ways: a relatively small period between two surveys or the method of stakeholder engagement. Either way, we will consider the change in the dynamics, concept, and method of stakeholder engagement in the following periods to gain even more insight into their positions and perceptions of our impact management.

As in the previous years, we received the most substantial feedback from our suppliers and customers. This stems from large numbers of our suppliers and customers but also indicates their strong interest and perceived impact of Aluflexpack for their impact management, which is not surprising. Again, we wanted to know how our stakeholders see trends and crucial global topics that will be most important by the end of the decade for the packaging industry as a whole and Aluflexpack in particular; and again, more than 79% of them, as in the previous year, see resource and waste management as the key issue. We take their opinions seriously, so we constantly work on our resource efficiency and contribution to the circular economy. The second most important trend is climate change and energy efficiency (63%), followed by technological progress and research into the development of more sustainable packaging products (52%) – again, the same as in the previous survey. However, one additional trend that joined the top mentioned ones is responsible sourcing of raw materials (52%), which is not surprising considering the disruption of supply chains during the pandemic on one hand, and increased demands for the development of recycled input materials on the other.





High barrier allows for long life conservation of the product packed without refrigeration, thus saving energy!



Looking into stakeholder opinions of Aluflexpack's success in the management of key ESG areas, the majority of those that provided their estimation agree that the company manages these areas in line with or above standards. In the environmental area, 49% of stakeholders think Aluflexpack manages those impacts in line with standards, while 51% claim it does so by exceeding the standards. In the social segment, including labour and community impacts, 58% of participants see Aluflexpack practices

within standards, while 41.5% of them claim they are above or well above standards. Finally, in the market approach and governance segment, 43% of stakeholders claim that Aluflexpack manages impacts within standards, while over 56% of them see management of these impacts in Aluflexpack to be above or significantly above standards. It should be noted that in each of these categories, around 30% of participants opted out of providing their estimate of the success of Aluflexpack's impact management. The ratio of participants that stated they were not able to assess Aluflexpack's success in managing these impacts shows that communication with stakeholders on these topics needs to be strengthened.

**Material topics, assessed importance and management efficiency**

As in the previous periods, we maintained the same process of materiality estimation; we considered existing topics and estimated them internally, with the participation of a wider reporting team consisting of key management functions and from all Aluflexpack locations. The working group assessed the materiality aspects, the importance of particular topics, their aspects and risks taking into consideration specific challenges, trends, and potential developments in the market. In this process, special attention was paid to risks pertaining to each sustainability segment: environmental, social and governance and the way how Aluflexpack manages these risks. Material topics were then evaluated in the described stakeholder engagement process.

**Material topics in the areas of environmental impacts**

The impact the packaging industry has on the environment and climate grows with the visibility and importance of these impacts in the public space. Increased discussions about the future of the planer and environmental protection are also seen in the results of this stakeholder engagement process; while these impacts were rated with 4.11 to 4.35 in 2020, they were given even

higher importance in 2021. Effluents and waste management remains the most important impact perceived by the stakeholders, followed closely by energy efficiency and emissions management. Compared to 2020, when stakeholders graded its importance at 4.11, perceived importance of energy efficiency increased to 4.46, sharing the position with industrial emissions management. This could also indicate that the stakeholders perceive these two impacts to be mutually aligned at need to be addressed jointly.

**Environmental impacts**



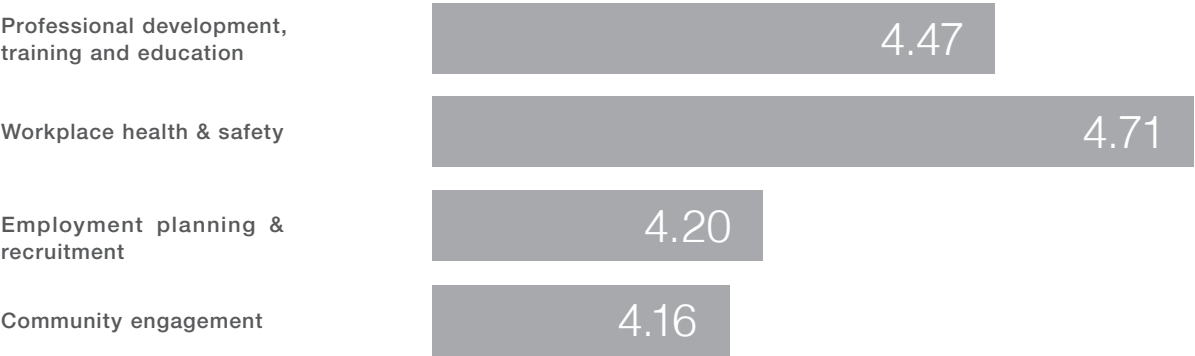


Material topics in the areas of social impacts

Stakeholders increased their grades in evaluation of the importance of social impacts as well compared to the previous reporting period, although the relative relations remained pretty much the same. In this segment, health and safety conditions at work top the list with 4.71 (4.68 in 2020) and is one of the impacts recognised by the stakeholders

as the most important overall. It is followed by employee training and professional development with 4.47 (4.24 in 2020) and recruitment planning at 4.20 (4.11 in 2020). Finally, similar to last year, community engagement was graded somewhat lower in importance, although this indicator also grew year to year, from 3.71 to 4.16 in 2021, showing that the stakeholders recognised the efforts Aluflexpack invests in local communities.

Social impacts



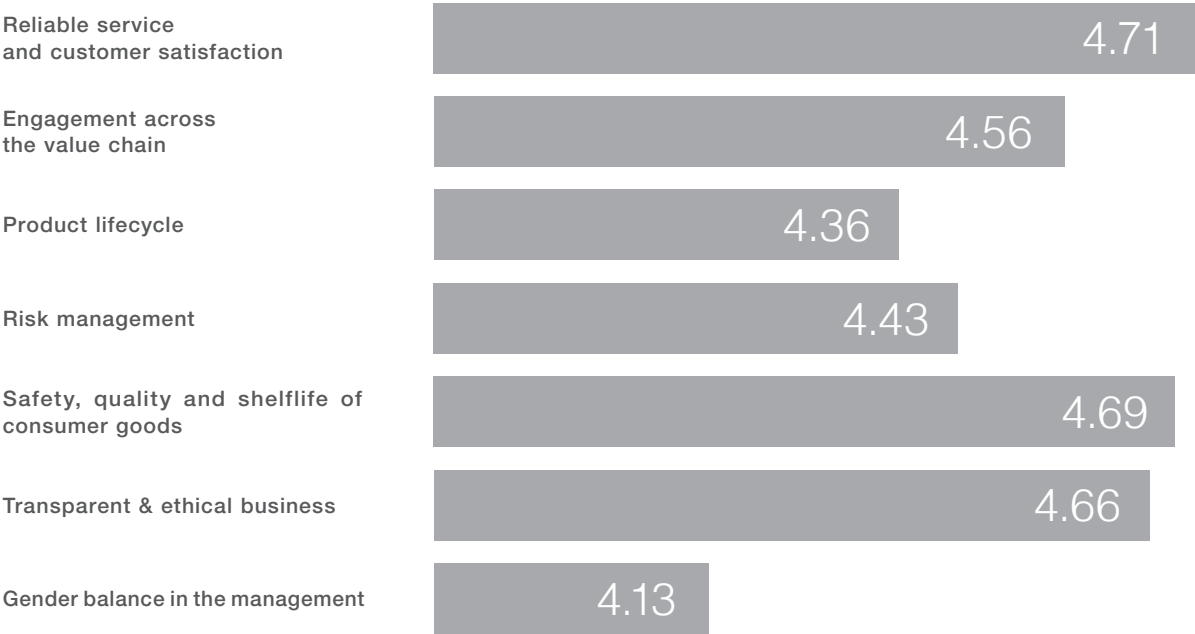
Material topics in the areas of governance market impacts

Stakeholders evaluate this set of material topics as the most sensitive related to the Aluflexpack impacts, and the majority of estimations remained on the same, high level as in the previous reporting period. The impact estimated as the most important remain to be reliable service (4.71; 4.74 in 2020), safety and quality of products (4.69; 4.74 in 2020). Taking into account the core business of Aluflexpack, these estimations are not surprising. The same can be stated for engagement in the

value chain and risk management, which held the same positions as in the last year, estimated at 4.56 and 4.43 respectively. Three topics, however, marked some changes in comparison to the previous period, although not that significant – the importance of product lifecycle was evaluated at 4.36, a slight decrease from 4.58 in 2020, while the topic of transparent and ethical business slightly increased in importance, from 4.45 in 2020 to 4.66. Finally, gender balance in management, although rated as the least important topic, grew in importance from 3.96 in 2020 to 4.13 in 2021.

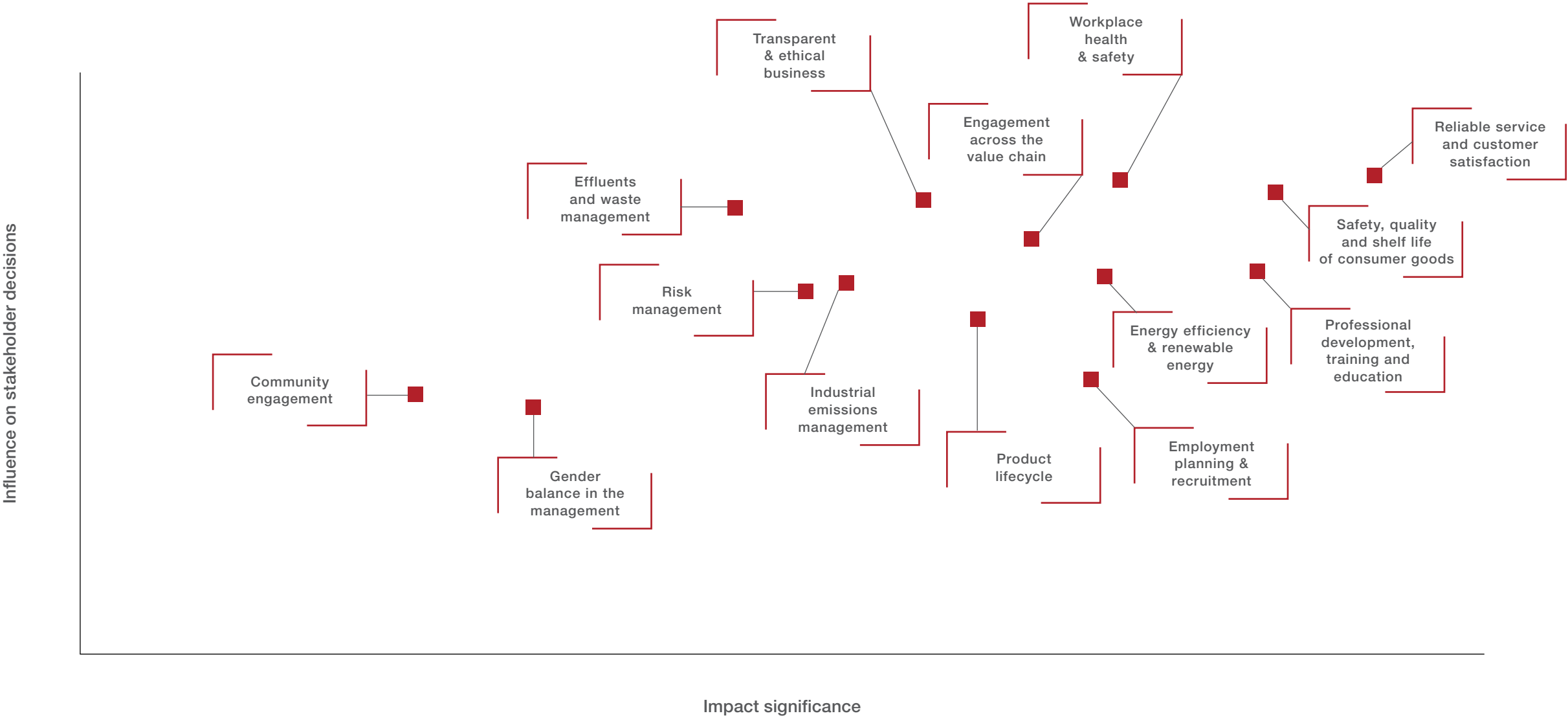


Governance market impacts





Materiality matrix





# 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, Aluflexpack recognised the risks in several risk categories: operational, market, external and strategic, financial, IT and other risks.

## Market risks

There are several aspects of the packaging industry that may significantly influence its market and operational capabilities. Primarily the demand to apply the highest standards of product safety, the ability to ensure a reliable supply chain, ensure adequate supplies of raw materials, compliance with standards and by applying all that the ability to ensure continuous customer satisfaction. Mitigation actions by which we manage risks in this category are close monitoring and careful management of the supply chain, selecting high-quality strong and reliable suppliers, applying the highest production quality standards, performing adequate quality checks and ensuring stable product quality for customers.

Additionally, the newly certified ASI CoC complements ASI Performance Standard by providing all Aluflexpack stakeholders with independent assurance on responsible production and sourcing of aluminium. The achievement of these certifications highlights that Aluflexpack sources reliable aluminium in its production sites in Drniš and Einsiedeln. In the selection of supplies, the company continuously develops alternative suppliers together with the technology department to keep flexibility and stay competitive in the market; monitors the strategic development of suppliers closely; secures mid- to longer-term contracts with key suppliers for key products, which are not easy to be obtained elsewhere, and deepens value chain.

Aluminium is the largest material that our group sources (above 50%). Roughly 30% of the total material base are different chemicals such as solvents, inks etc. and a smaller part are plastic and paper. Risks pertaining to raw material prices and pricing recognition risks are managed 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 the economic environment, legislative, regulatory, and political risks as well as risks related to acquisitions. Aluflexpack manages them by setting goals to apply relevant standards and enforcing the highest protective measures as well as closely monitoring and analysing markets.

Regulatory changes in the EU market are a topic of growing importance. Aluflexpack closely follows and abides by the European Commission's sustainability, environmental and product development framework. We identify critical product and material combinations

(e.g., mono-material packaging) and develop close communication with EU Industry Associations and customers to deliver a positive impact.

## Environmental risks

Management of environmental risks is partially connected to the management approach to sustainability, and partially to innovations and advancement of the technological part of the process. Major environmental risks may depend on external occurrences, such as natural disasters like fire, floods or earthquakes 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 hazardous chemicals into the 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

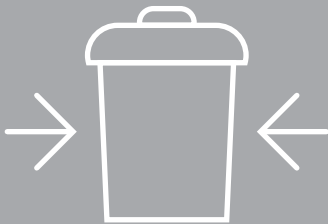
Each large company has two significant aspects of social impacts – internal or impacts on own employees and external – impacts on communities in which we operate. Since we operate in diverse markets, social and labour trends may differ. Operating in large and diverse territories may also result in various 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.

## Governance risks

Risks pertaining to governance, such as violating stock market regulations, market abuse and reputation risks are mitigated by ensuring high internal governance standards, organizing ad-hoc committees, and educating employees on critical topics. Harmonising policies on the level of the entire group and high quality internal and external audits will help mitigate governance risks as well. In 2021, we amended our Code of Conduct and prepared Sustainable Supply Policy to improve our management of risks and impact in the entire value chain.

Longer shelf life of the products packed in aluminium packaging ensures less food waste!





# Report profile

This Sustainability Report is published annually and covers the activities of Aluflexpack Group in 2021. 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 z.o.o. and Aluflexpack GmbH. This report was developed in accordance with Global Reporting Initiative Standards (GRI): core option and has not been subject of external assurance.

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@aluflexpack.com](mailto:info@aluflexpack.com).

102-45, 102-48, 102-19, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56





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### GRI 101: Foundation 2016

### GRI 102: General Disclosures 2016

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