

SUSTAINABILITY REPORT 2017



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A YEAR OF SUSTAINABLE GROWTH REACHING A NEW MILESTONE

AR Packaging is one of Europe's leading companies in the packaging sector offering a wide portfolio of carton-based and flexible packaging solutions. By combining these areas of expertise, we can be a true and reliable partner to our customers and stand out from the competition.



The Group serves many global key players as well as smaller regional and local companies in the food, healthcare, confectionery and tobacco segments.

The strategic platform for further growth and expansion has during 2017 proven successful with good sales growth in the strategic business segments. A new milestone was reached with sales above 600 MEUR and further improved profitability. The prior year's acquisition forms a basis for sales growth in the Asian region, while important successes for key customers supports the set strategy in Europe. The program to improve operational efficiency and further optimise our footprint continued. Major investments were made to modernise and increase printing capacity and expand plants in Poland and Indonesia at the same time as two production units in Finland and Russia were closed.

We act in a rapidly evolving global market, where efficient product development and a proactive approach to sustainability are key factors to ensure the long-term business growth and a strengthened market position. 2017 was a year with, once again, increasing focus on the environmental perspectives and circular economy. Considerations on sustainability are always part of the innovation projects and are more and more often the key driver. Food safety also continues to be a top priority and the Group holds a leading role through the extension of certifications and strong product innovation.

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I am proud to present the wide range of actions taken at both the Group level and local plant level and thereby demonstrate our strong commitment to sustainable development.

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We are a signatory of the United Nations' Global Compact and as part of that submit an annual COP (Communication on Progress) to show our efforts to embed the Ten Principles of the UN Global Compact into our strategies and operations. The Group is committed to conducting its business in an ethically, socially and environmentally responsible manner. We aim to contribute to the positive development of the communities where our products are used at the same time as we take action to reduce our operational carbon footprint. Set targets are continuously followed-up on and plant initiatives are spread throughout the Group for further implementation where applicable.

This Sustainability Report for 2017 is the eleventh report since 2007 and it is the first year where the three plants acquired in 2016 are fully included in the reporting. I am proud to present the wide range of actions taken at both the Group level and local plant level and thereby demonstrate our strong commitment to sustainable development.

Harald Schulz
CEO

SUSTAINABILITY IS AN IMPORTANT PART OF DOING BUSINESS

AR Packaging has committed to doing business with sustainability in focus in addition to financial aspects and to pursuing environmental and social objectives.

Sustainability is today an important part of the business strategy of our customers and is increasingly relevant to end-consumers.

Based on this approach, we were also in 2017 involved by our customers in topics like responsible sourcing of materials, disclosure of environmental data and our contribution to this, reducing carbon emissions of transports, development and testing of more sustainable materials and of course finding sustainable packaging solutions. We are continuously and proactively supporting our customers in reaching their sustainability targets.

We also observe that companies' considerations have and governmental guidelines are overruled, e.g. on carbon emission targets, on food safety or as seen in public plastic waste discussions where, the first companies have started to ban or significantly reduce the use of plastics.

AR Packaging upholds highly set standards and already has solutions to offer or that are being worked on - and several of them are mentioned in this report.

2017 is the first reporting year where we have included the three plants acquired in October 2016: Mediaköket in Sweden and Bekasi and Semarang in Indonesia. This brings a lot of new experiences linked to different surroundings and structures while some challenges remain. We are working to fully implement the same sustainability approach here as at all our other plants.

“

AR Packaging upholds highly set standards and already has solutions to offer or that are being worked on - and several of them are mentioned in this report.

”

This 2017 report presents AR Packaging's achievements and progress in the wide sustainability field over the past year and also shows many examples from our plants.

I hope you enjoy reading the report and I look forward to receiving feedback!

Robert Mayr
Product Safety and Sustainability Manager



AR PACKAGING IN SHORT

AR Packaging is one of Europe’s leading companies in the packaging sector, serving many blue-chip companies in the food, healthcare, confectionery and tobacco segments. The Group creates added value for customers through a broad product offering and deep knowledge of packaging.

The Group was formed in 2011 when A&R Carton, one of Europe’s leading cartonboard packaging companies, and Flextrus, a market leader in northern Europe in flexible packaging, merged. CC Pack, SP Containers and Mediaköket are also members of the Group, offering pressed trays, carton-based cups and digital printing. The head office is situated in Lund, Sweden.

AR Packaging presents stable growth and has in recent years made three major acquisitions. The acquisition of the European operations of MeadWestvaco Corporation elevated the company to a top three position in carton packaging in Europe. Mediaköket Grafiska AB in Helsingborg, Sweden, strengthened the Group’s capabilities in digital printing and services. The acquisition of PT Maju Jaya Sarana Grafika in Indonesia was an important step in AR Packaging’s strategy to expand beyond Europe in selected segments and niches.

The products and solutions offered by AR Packaging are mainly printed folding cartons and flexible packaging. The offering includes everything from proprietary machinery systems to packaging design and development.

AR PACKAGING GEOGRAPHICAL FOOTPRINT

-  Sales & Production
-  Sales & Business support
-  Business partners



DISTRIBUTION OF SALES BY DIVISION



EMPLOYEES

3200

FACTORIES

18

COUNTRIES

10

SALES (MEUR)

601

INTEGRATION OF TWO PLANTS IN INDONESIA

In December 2016 AR Packaging extended its footprint in Asia and acquired Maju Jaya Sarana Grafika (MJSJG). Maju Jaya was established in 1974 with its base in Semarang, Central Java, and in 2010 a second printing plant in Bekasi was acquired to strengthen the geographical position.

Both AR Packaging plants are located on the island of Java. Due to the environmental surrounding and the current area for the Semarang plant being planned to be a residential area, a new green field plant is being built close to Bawen.

Indonesia is the world's largest island nation and with about 260 million inhabitants the fourth most populous state in the world. With regards to sustainability topics, the legal situation in Indonesia is not comparable to the more developed Central Europe. However, social international standards are clearly implemented with councils like Human Rights Council and Child & Women Council, which protects the human rights and workers well. Regulations for the environmental impact are maintained by the government but also by local authorities based on conditions of the area. Notable is also the Ministry of Manpower in Indonesia with provincial offices regulating electricity generators, the use of underground water, hot permit works etc. and therefore an important contact for the Group.

The AR Packaging customers in Indonesia are a mixture of international brand owners and many local customers. Also, most suppliers are located locally in Indonesia. The customers have comparable demands on food safety and hygiene as in Central Europe. Therefore certifications like ISO 9001 (quality management), ISO 14001 (environmental management), FSSC 22000 (hygiene management) as well as sustainable forest management norms are also well known in Asia and up-held by the AR Packaging plants. A system of social audits will be implemented as part of the integration with the Group.

DIGITAL PRINTING ADDED TO THE GROUP'S TECHNOLOGICAL FOOTPRINT

The highly competitive consumer market make brand owners run more campaigns and product varieties. Shorter run lengths, higher flexibility and differentiating print designs are requested and therefore traditional printing technologies are challenged. The acquisition of Mediaköket in Helsingborg, Sweden, in 2016 extend the technological foot print of AR Packaging by being an expertise in digital printing and services.

Mediaköket was founded in 2000 to collect and develop digital services for the entire chain of printing. Investments in wide digital conversion enables AR Packaging to provide digitally printed flexible material in industrial scale and take an active role in the prototyping and upscaling of new developments of folding cartons.

In 2017, Mediaköket moved into new premises well suited for food and health-care packaging production. The plant is certified according to FSSC 22000 and as a subsidiary of Flextrus all social and ethical requirements are well met.



MISSION AND BUSINESS STRATEGY

With the mission of optimising the benefits of packaging in our customers' value chains, AR Packaging's business strategy is based on three elements:

- To grow in segments and applications where the Group has a competitive advantage.
- To further improve operational excellence and cost efficiency through increased specialisation, investments in key technologies, and an optimised footprint.
- To adopt a global approach in core segments and to expand beyond Europe with selected packaging solutions.

AR Packaging has shown strong development in recent years and has built a solid foundation for future advancement. The main owner since 2016, CVC, adds extensive experience and funds to fulfil an ambitious growth strategy for the Group. The acquisitions made in 2016 have been fully incorporated and further global expansion is targeted. A major investment programme and a holistic review of our footprint is ongoing.

AR Packaging aims to be a true and reliable partner to its broad customer base of large international companies as well as medium-sized regional and smaller local customers in more than 50 countries globally. The Group's main markets are in Europe with strategic growth globally in for example Indonesia. The business is divided into three divisions.

BRANDED PRODUCTS

Innovative packaging solutions for goods found in duty-free stores such as confectionery and tobacco. Being a reliable packaging supplier and having extensive geographical coverage are keys to our success.



BARRIER PACKAGING

Unique, high-performance packaging system solutions based on proprietary technologies, such as Sealio® and Cekacan®. A wide range of advanced flexible barrier materials supplied with world-class product customisation, service and lead times.



FOOD PACKAGING

Food-on-the-go packaging, in which consumer convenience is crucial and campaigns are frequent. High food safety and sustainability standards coupled with best-in-class key account management fulfil the food and consumer goods customers' needs.



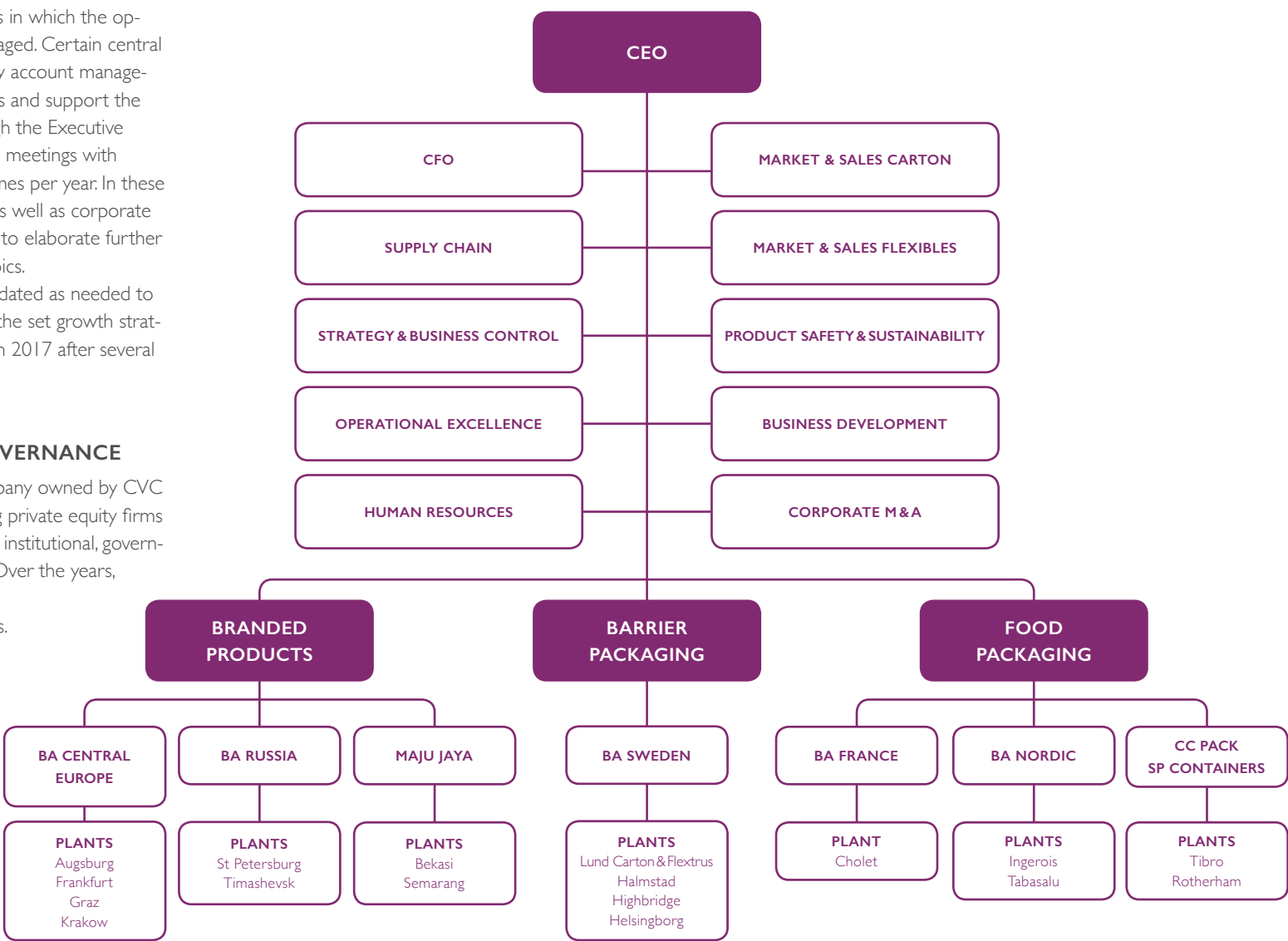
ORGANISATIONAL STRUCTURE

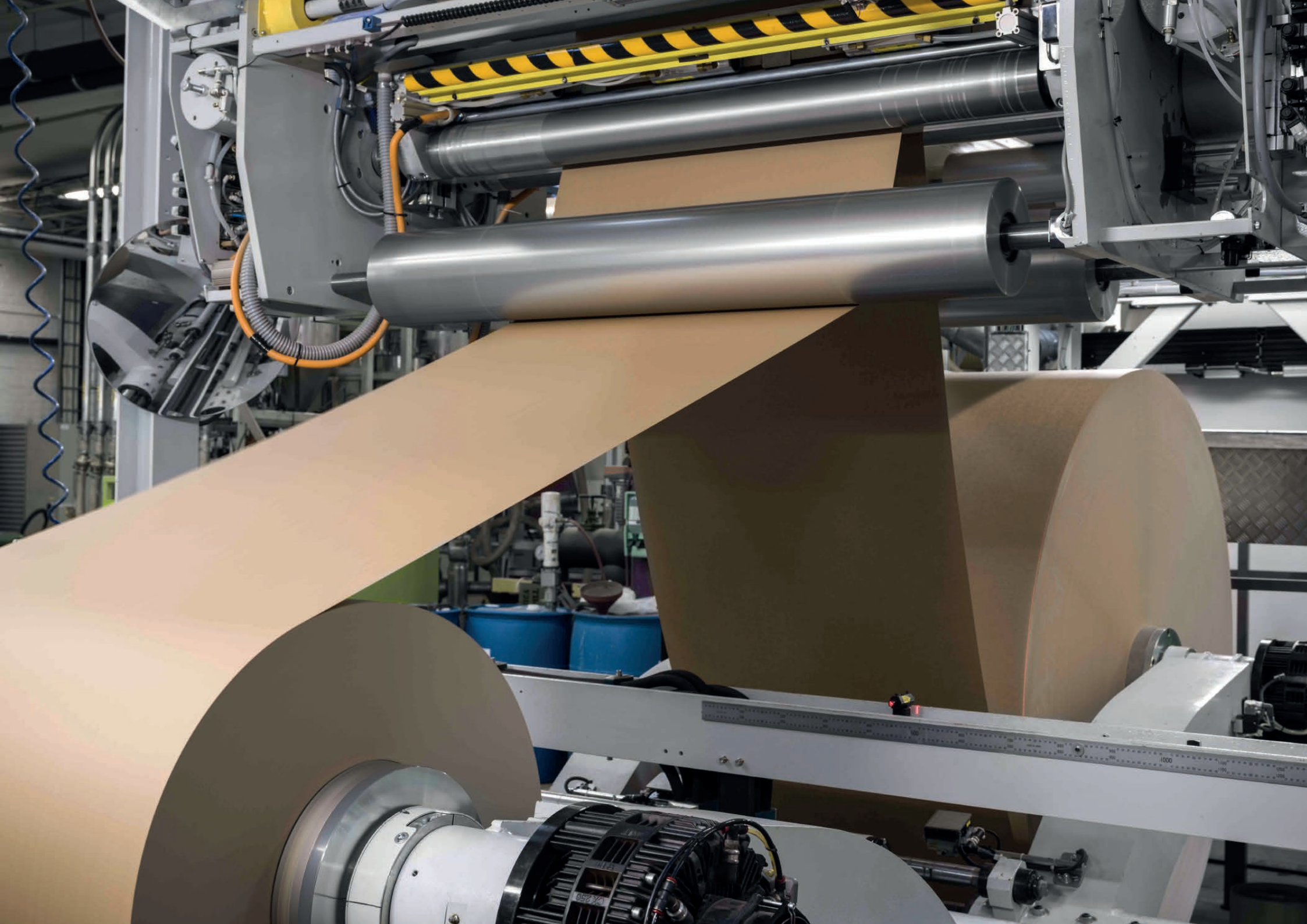
AR Packaging is organised in three divisions in which the operational and financial performance is managed. Certain central functions – such as sourcing, innovation, key account management and HR – coordinate Group activities and support the divisions. The CEO leads the Group through the Executive Management Team. Extended management meetings with operational and sales focus are held 3-4 times per year. In these meetings operational and sales managers as well as corporate support functions also participate in order to elaborate further on economic, environmental and social topics. The organisational structure is regularly updated as needed to follow market developments and execute the set growth strategy. No fundamental changes were made in 2017 after several adaptations in 2016.

OWNERS AND CORPORATE GOVERNANCE

ÅR Packaging Group AB is a Swedish company owned by CVC Capital Partners, one of the world's leading private equity firms that manages capital on behalf of over 300 institutional, governmental, and private investors world-wide. Over the years, CVC has secured commitments of more than 71 billion USD in funds from investors.

The Group's governance is controlled via the Annual General Meeting (AGM), the Board, the CEO, and the Group management of AR Packaging in accordance with the Companies Act, the Articles of Association and the directives of the Board and CEO. Representatives from Group management are included in the Board of Directors of each subsidiary.





SUSTAINABILITY STRATEGY AND REPORTING

AR Packaging has a long track record of a consistent approach towards sustainability. It is recognised as an increasing opportunity to capitalise on the cooperation with the Group's stakeholders – primarily customers and suppliers, but also other groups and organisations. The aim is to demonstrate continuous improvement in environmental, social, and economic areas as well as to proactively meet market demands and expectations.

Added value for our customers is created through unique packaging solutions while reducing the environmental footprint. The Group's long-term target is to have zero negative impact on the communities in which it operates. As a results-oriented organisation, the responsibilities are decentralised to the operational locations and their respective experts, who are monitored and sponsored by Group management.

MATERIALITY OF TOPICS

An organisation is faced with a wide range of topics on which it can report. In sustainability reporting, materiality is the principle that determines which relevant topics are sufficiently important and therefore essential to report. The emphasis in a report is expected to reflect the relative priority of importance. These include the organisation's overall mission and competitive strategy, and the concerns expressed directly by stakeholders.

AR Packaging applies this approach and has assessed a wide range of sustainability topics with importance to the organisation as well as to its stakeholders. Internal and external factors have been considered, and assessment of topics regarded as unimportant is also based on irrelevance to the organisation or topics secured and/or covered by, for example, legislation in relevant countries.



ECONOMY

1. Economic Performance
2. Market Presence
3. Indirect Economic Impact
4. Procurement Practices



ENVIRONMENT

5. Materials
6. Energy
7. Water
8. Biodiversity
9. Emissions
10. Effluents and Waste
11. Products and Services
12. Compliance
13. Transport
14. Overall
15. Supplier Environmental Assessment
16. Environmental Grievance Mechanisms



LABOUR PRACTICES AND DECENT WORK

17. Employment
18. Labour/Management Relations
19. Occupational Health and Safety
20. Training and Education
21. Diversity and Equal Opportunity
22. Equal remuneration for Women and Men
23. Supplier Assessment for Labour Practices
24. Labour Practices Grievance Mechanisms



HUMAN RIGHTS

25. Investment
26. Non-discrimination
27. Freedom of Association and Collective Bargaining
28. Child Labour
29. Forced or Compulsory Labour
30. Security Practices
31. Indigenous Rights
32. Assessment
33. Supplier Human Rights Assessment
34. Human Rights Grievance Mechanisms



SOCIETY

35. Local Communities
36. Anti-corruption
37. Public Policy
38. Anti-competitive Behaviour
39. Compliance
40. Supplier Assessment for Impacts on Society
41. Grievance Mechanisms for Impacts on Society



PRODUCT RESPONSIBILITY

42. Customer Health and Safety
43. Product and Service Labeling
44. Marketing Communications
45. Customer Privacy
46. Compliance



REPORTING SYSTEM

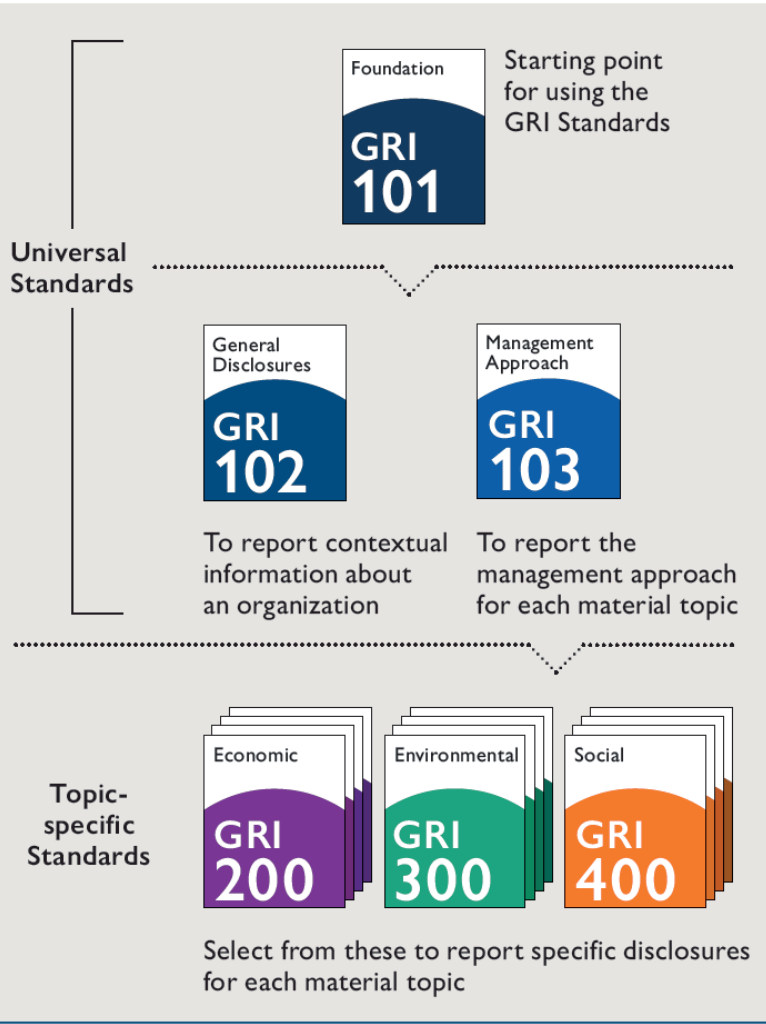
Sustainability reporting is conducted annually with a Sustainability report published on the Group's website. A common software supported the collection of data from 20 production plants in 2017. The Group has applied the GRI Standards (Global Reporting Initiative) since the beginning of its sustainability reporting in 2007 and for 2017 the new standards are applied.

GRI published its new guidelines on sustainability reporting called "GRI Standards" in 2016, with the aim to replace the GRI G4 guideline - the world's most widely used framework in this area with more than 1,000 users in more than 90 countries - by July 2018.

The principles and reporting process remain unchanged. However GRI Standards is now a framework of three general and 33 thematic standards designed to be used by organisations to report their impacts on economic topics (series 200), environmental topics (series 300) and social topics (series 400). Each topic standard is designed to be used together with GRI 103: Management Approach. The full set can be downloaded at www.globalreporting.org/standards/.

This Sustainability report has been prepared following the GRI Standards: Core option. It is also intended for COP reporting as part of the Group's membership in the UN Global Compact and also includes a short summary of yearly results for the Carbon Disclosure Project (CDP) where reporting is done on their platform.











Figure 1
Overview of the set of GRI Standards



SUSTAINABILITY TARGETS

Following the AR Packaging strategic business plan, sustainability targets have been set on a five-year basis since 2015 and focus on the activities listed below. The outcomes for 2017 shows good improvement compared to the previous year. In summary, there have been positive developments toward all of the set targets, with the only exceptions being waste and work safety in actual numbers.

	TARGET 2020 (ON THE BASIS OF 2014 PRODUCTION PER TON)	EXAMPLES REACHED IN 2015-2017	STATUS REACHED IN 2017
CARBON EMISSION	<p>Reduction for Scope 1 & 2 GHG emissions by 10% by 2020</p> <ul style="list-style-type: none"> • Increase our environmental performance at our 17 plants • Improve our reporting on environmental figures • Close cooperation with customers to support their targets and improve scoring on the Carbon Disclosure Project • Increase supplier involvement for all targets <p>Reduction for Scope 3 GHG (indirect) by 5% by 2020</p> <ul style="list-style-type: none"> • Start tracking Scope 3 GHG figures until the end of 2017 and set the basis for measurements 	<ul style="list-style-type: none"> ✓ Improved and more detailed data collection at plant level and Group level ✓ Improved CDP Scoring from 2014 	<ul style="list-style-type: none"> ➔ Scope 1: -28% compared to 2016 and -30% compared to the base year 2014 calculated per produced ton ✓ Scope 2: +31% compared to 2016 in total due to integration of two new plants in Indonesia. -14% compared to the base year 2014 when calculated per produced ton ✓ Comparable CDP scoring as for 2016 — Postponed to 2019
ENERGY	<p>Reduction of energy consumption by 10% by 2020</p> <ul style="list-style-type: none"> • Improved and enhanced data collection at our 17 plants • Increased activities at plants to reduce energy consumption 	<ul style="list-style-type: none"> ✓ Increased energy mapping at several plants ✓ ISO 50001 certification at German plants ✓ Multiplicity of measures at all plants ✓ Energy mapping at several plants refined to generate the basis for further measures 	<ul style="list-style-type: none"> ✓ A&R Carton: Total energy consumption excluding new Indonesian plants -1,7% from 2016. Calculated per produced ton -9% compared to 2016 and -9,1% compared to base year 2014. Flextrus: Total energy consumption -0,6% (-1,6% excluding new additional plant Mediaköket) compared to 2016. Calculated per produced million sqm -5,5% compared to 2016 and -5,9 % compared to base year 2014.

	TARGET 2020 (ON THE BASIS OF 2014 PRODUCTION PER TON)	EXAMPLES REACHED IN 2015-2017	STATUS REACHED IN 2017
ENERGY	Increase use of renewable energy in comparison to base year	 Four plants moved to 100% renewable energy  Decision to install photovoltaic system in Graz, Austria, end of 2017	First plants are 100% renewable energy and others increased share
WATER	Reduce water consumption by 3% <ul style="list-style-type: none"> Water management and measures to reduce water use from sustainable resources 	 Renew cooling process and washing machine in Graz, Austria, in 2017	 Water consumption in total increased in 2017 including three additional plants. Calculated per produced tons water consumption reduced by 19%. Water usage does not directly correspond to production volume since less importance in the Group's processes
WASTE	Reduce hazardous and non-hazardous waste generation by 5% <ul style="list-style-type: none"> 2018, hazardous waste: Special focus on waste from printing inks, coatings and adhesives, which covers 57% of hazardous waste 2018, non-hazardous waste: Special focus on carton board waste, which covers 78% of non-hazardous waste 		 Hazardous waste increased in 2017 by 31% compared to previous year and 44% compared to base year 2014 calculated per production ton  Non-hazardous waste increased in 2017 by 6% compared to previous year and 8% compared to base year 2014 calculated per production ton
SAFETY	Reduce injury rate by 20% (based on 2015 figures) <ul style="list-style-type: none"> Install improved health and safety reporting at the Group level until the end of 2018 Activities to increase injury awareness among employees 	 Safety days and safety promotions in several plants  Multiplicity of technical measures to support targets	 Total number of accidents increased from 59 to 72 accidents with three additional plants. Currently the target for total number is not reached, mainly driven by four plants  Seven of the 20 plants had no recorded accidents with lost work days

	TARGET 2020 (ON THE BASIS OF 2014 PRODUCTION PER TON)	EXAMPLES REACHED IN 2015-2017	STATUS REACHED IN 2017
SOCIAL	Compliance with UN Global Compact, local legislation, and industry standards <ul style="list-style-type: none"> • Member of Sedex and Social audits at all plants by 2020 • Implementation of a whistleblowing system 	<ul style="list-style-type: none"> ✓ Reviewed and updated Code of Conduct 2015 and 2016 ✓ Increased number of plants that are SEDEX members and running social audits ✓ Implementation of whistleblowing system ✓ Member of ECOVADIS on the Group level ✓ Integration of sustainability aspects in supplier audits 	<ul style="list-style-type: none"> ➔ 12 plants are involved in Sedex and the social audit system, and three more will start participation in 2018. ✓ Whistleblowing system in place and established for the second full year ✓ New process to assess main suppliers in terms of sustainability
STAKE-HOLDER ENGAGEMENT	Public and transparent reporting of sustainability figures following GRI and UN Global Compact requirements	<ul style="list-style-type: none"> ✓ Enhanced Sustainability Report since 2015 	<ul style="list-style-type: none"> ✓ Target reached ✓ The new updated GRI standards are applied in 2017

CUSTOMER SATISFACTION AND AWARDS

In successful business a close collaboration with customers and understanding their needs and requirements are absolutely crucial. AR Packaging's broad-based sales team combines Key Account management for the major customers with decentralised sales to local, smaller and medium-sized customers. It ensures a customer-oriented approach with regular presence at the customers, short response times and the provision of technical know-how with a strong platform for development of new innovative packaging solutions.

The Group has a unique offering of folding cartons, flexibles and especially combinations thereof. This adds value to customers through a wider competence base and broader product range. Besides this cross plant offer, the ability to make quick decisions, also when it comes to investments, has been well recognised with positive feedback from customers.

Motivated people at all plants support the sales organisation, and everyone follows a systematic process of improvement to ensure high levels of customer satisfaction in all fields, both now and in the future. Delivery times, raw material availability, quality and service were also a primary focus of the close cooperation with customers in 2017.

Depending on the needs of the customer, various measurement approaches are used to assess customer satisfaction. These are followed up on a regular basis in meetings with management, sales, innovation, quality management, etc. They provide confirmation of successful actions that have been taken as well as input for improvement, the latter being highly important.



AWARD WINNING INNOVATIONS 2017

In addition to successful developments together with customers, AR Packaging also received some appreciated innovation awards. During the autumn of 2017, A&R Carton was awarded not one, but six prizes for a number of packaging designs and creative functionalities. The German Design Award, Scanstar and German Packaging Award were topped with the Worldstar award for the child-proof packaging for Sileo.

WORLDSTAR AND SCANSTAR FOR THE CHILD-PROOF PACKAGING FOR SILEO

The packaging developed for Orion Pharmaceuticals and produced by A&R Carton in Finland highlights the exceptional knowledge and expertise of the company. One and a half years of development as well as numerous designs and several tests were made in order to create this fascinating and completely novel solution, namely a child-proof box made of one single material! It contains a gel to alleviate noise anxiety for dogs. The idea of one-piece packaging is clever, simple and elegant, and the functionally, usability and green values are state of the art.



GERMAN PACKAGING AWARD "PACKAGING PRESENTATION" FOR TENZ INNOVATIVE SCREWS

The Peek Box is an innovative packaging for a new high-tech screw. An excellent packaging design where the screw head serves as a knob to open the sliding fold-up packaging. It attracts the consumer to interact and open the packaging. At the same time, the folding box pack allows the screw to be rotated without needing to change position. The high-quality packaging is impressive as a giveaway with its presentation effect, stability and an additional tactile effect from the embossed company logo.



GERMAN DESIGN AWARD FOR SLOGGI MEN „MATCH“ AND MY.VON ERL STARTERPACK

Sloggi's Men "Match" packaging adds to the consumer experience by providing an easy opening and reclosable pack design. Consumers can view and examine the packed product in store, but not remove it, and then close the packaging again. The problem of having damaged, destroyed or partially empty packs in the shop has been eliminated through this new innovative pack design.

To underline the modern simplicity and the high technological quality of the My.VON ERL Starterpack, an elegant, premium-looking packaging was developed. The box contains several components in an orderly fashion, thus a smart insert was a vital part of the structural design. That's how the book style opening with an integrated extension system was born. To ensure easy opening, the slipcase is opened with a unique lid-flap that also makes a solid construction.



SOCIAL RESPONSIBILITY



HUMAN RIGHTS AND LEGAL COMPLIANCE

AR Packaging is committed to conducting its business in a legally, ethically, socially and environmentally responsible manner and in line with internationally recognised principles. This is also reflected in our long-term membership in the UN Global Compact, where an annual progress report describes the efforts to implement the ten principles of the UN Global Compact (www.unglobalcompact.org/what-is-gc/mission/principles).

CODE OF CONDUCT

The AR Packaging Code of Conduct contains the most important corporate principles and behavioural rules with statements on human rights, discrimination and social standards, which are in line with UN Global Compact requirements. General statements on labour principles are included in the Code and detailed policies and procedures have been implemented locally at the plants. The Code supports all employees in putting the values of the company into action in everyday work situations and provides guidance on how to act. It also explains what employees can expect from AR Packaging.

The Code of Conduct was last updated and implemented with training in April 2016 with no changes in 2017. Of course there was a special focus on implementing the Code of Conduct at the three new plants to establish same group-wide level of standards and values. Although a good level of legislation and guidelines are already in place in Indonesia, a special program is set for 2018 based on a risk assessment. For example, one milestone already realised by both plants is a collective labour agreement including the ethics and policies agreed, which is now being processed by the Ministry of Manpower.

Communication and training build the internal and external awareness, and the managers at the Group and plant level play a key role by clearly expressing their position and setting good examples for their personnel. Management as well as all white collar and new employees have signed the extended Code after a short training course. All other employees were informed of the Code through different channels and at meetings. New re-training at all plants – especially of critical groups such as sales, purchasing and human resources – is planned for 2018.

SUPPLIERS

Many of the Group's customers, often acting as global players, have assumed leadership roles in their markets in the implementation of social responsibility and consequently expect the same from AR Packaging and its suppliers. Of course, the suppliers are included in the implementation of set social and environmental values. To underline the importance of sustainable performance, a new due diligence process started in 2017 for the main suppliers. Currently 55 main suppliers – including the Group's top 30 suppliers in value – have been checked according to this process. More details about the process can be found in the chapter Suppliers of this report.

The main suppliers are currently operating in non-critical and well-regulated countries, and none of them were identified with a significant risk for incidents in human rights or other topics in the AR Packaging Code of Conduct. No supplier incidents were noted by the organisation in 2017. Also, there will be special focus in 2018 on the two Indonesian plants having somewhat different structures and mainly local raw material suppliers that have to be assessed against the Group values.

ANTI-COMPETITIVE BEHAVIOUR

Anti-competitive behaviour, anti-trust and monopoly practices can affect consumer choice, pricing and other factors that are essential to efficient markets. Legislation introduced in many countries seeks to control or prevent monopolies, with the underlying assumption that competition between enterprises also promotes economic efficiency and sustainable growth. AR Packaging was not involved in any court proceedings due to anti-competitive behaviour or violations of antitrust laws in 2017. The Group strictly applies the international and local legal requirements as well as business obligations for the latest merger activities and for future activities.

ANTI-CORRUPTION

AR Packaging is committed to working to combat all forms of corruption, including extortion and bribery. No such illegal activity will be tolerated either in action or as negligence by any employee, supplier or business partner. Suitable means are used to promote transparency, trading with integrity, responsible leadership, and company accountability. The Group complies with the applicable criminal law on corruption.

There were no changes in risk assessment and strategy related to corruption at the existing plants in 2017, where the Group acts in socially high-level European countries. Key customers and main raw materials suppliers have comparable high and identical demands leading to high pressure of these commitments.

However, the two new plants in Indonesia are assessed with a higher risk of corruption in comparison to European plants. Unfortunately, it is well known that corruption in Indonesia is a long-term problem with a political and cultural background, although there have been slight improvements over the last 10 years following different indexes (e.g. Transparency International). Already before AR Packaging acquired the two plants, local management invested in communication to all employees about the risks and no-tolerance approach related to corruption. Although the Group acts in the standard business sector with several global customers and less risk, the anti-corruption approach is monitored very closely in this region and is incorporated in measures linked to the Code of Conduct.

The Code of Conduct clearly states that neither AR Packaging employees nor anyone acting on behalf of the Group may solicit, give, or receive, directly or indirectly, gifts, gratuities, special allowances, or benefits that might influence the judgement of the recipient or are deemed unreasonable in the context. The whistleblowing system installed in 2015 allows all employees to

report any abnormalities anonymously.

No incidents of corruption were reported or registered in 2017 - either at the individual plants, on the Group level or via the whistleblowing system. Also no possible corruption cases in connection with suppliers were registered or reported.

ANTI-COUNTERFEITING

A separate Anti-Counterfeiting and Anti-Illicit Trade Policy is available for AR Packaging. The policy regulates how the Group manages activities related to anti-counterfeiting and anti-illicit trade as well as defining roles and responsibilities for these areas. The Group cooperates with customers in observing the potential use of its products and services for illegal purposes, and it offers solutions to secure the business on both sides.

AR Packaging regards product authenticity as a very serious matter, especially in the tobacco business, where it is more likely to be confronted with counterfeiting risks. In 2017, project work started based on new EU regulations against the illicit trade in tobacco products. Packages of tobacco products must be provided with an individual identifier (traceability) and a forgery-proof security feature to avoid counterfeiting and illicit trade. The EU commission has proposed 19 possible security features classified as overt/semi-covert/covert. The combination of different authentication features on one package should contribute to the safety of tobacco products. AR Packaging is in discussion with its tobacco customers, suppliers and associations about the feasibility of different features on packaging and also in close communication with the government. The transposition of the directive is scheduled for 20 May 2019.

WHISTLEBLOWING

To foster high business ethics and to report concerns of misconduct, AR Packaging has since 2015 introduced a whistle-

blowing procedure. All employees, including temporary workers and stakeholders, who suspect a breach of the Group's Code of Conduct shall report the matter to relevant supervisors, plant managers, or an HR representative. However, if necessary, a whistleblowing service is available for reporting suspected breaches anonymously.

In 2017 we received one whistleblowing case regarding preference for certain employee groups at a department when allocating shift schedule, vacation or even takeover of simple activities. The AR Packaging compliance team followed the case by given information, but was in the end limited as the whistleblower wanted to remain anonymous. Nevertheless, the case was taken as basis for discussion with and support to department leaders at the plant to be more sensible on this topic and to improve the communication of decisions to their employees.

The low case rate in the whistleblowing system shows that long-term well-established communication channels such as trustworthy persons or workers' councils are effective for standard cases at the plants. Nevertheless, the system will continue, with upcoming training and information sessions, to serve as an alternative and in cases where there is a need for anonymity.

SOCIAL AUDITS

The organisation and all plants are checked regularly by external business consultants and authorities and during social audits to look for any signs of violations against the Group's values, legislation or international standards. A total of 13 of 18 plants participated in social audits based on physical audits or regular self-auditing questionnaires, e.g. as member of the Sedex (Supplier Ethical Data Exchange) platform. In 2018, three further plants will join this circle, and until the end of 2020 all plants will follow this common approach.

EMPLOYEES, LABOUR PRINCIPLES AND SOCIAL ENGAGEMENT

To develop success in international markets, it is especially important to have well qualified and committed employees. In order to achieve this, AR Packaging places special emphasis on fair and secure working conditions, on training and development of the people, and on fostering a corporate culture locally and across the Group.

AR Packaging is a growing group of companies, and this is reflected in the total number of employees. With the Indonesian plants fully incorporated in 2017, the number of employees increased to 3 386 at the end of the year, which means the number of employees has doubled since 2014. For 2018 a consolidation is expected due to footprint optimisation, with closure of the production plants in Moscow and Kauttua, and from process improvement programmes at other plants. Being a manufacturing company, the percentage of men is still

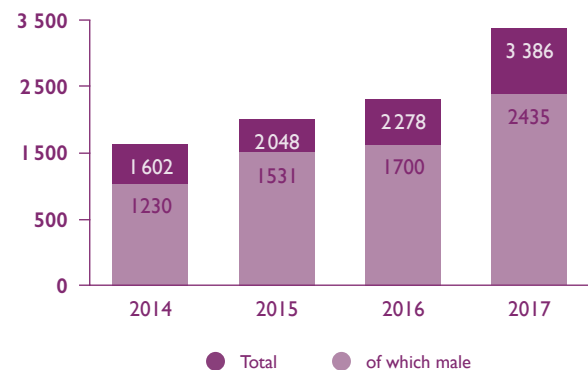
high at 72%, with a slight decrease from 2016. The Nordic plants generally have a higher percentage of female employees, but one of the Indonesian plants enters the top 6 list in 2017. Most of the 46% women in Semarang work with a complex sorting process to meet the high customer demands.

AR Packaging is in the highly valuable position to employ many persons with a long working relationship, which can indicate high satisfaction and loyalty to the company. In 2017 the entry

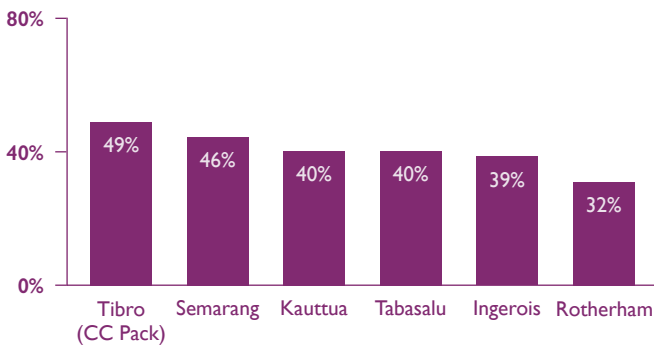
rate was 8% (10% in 2106) and the fluctuation rate was 6% (7% in 2016).

The main age range continues to be 30-50 years, but in 2017 the group of young persons under 30 years of age increased by about 5%, influenced by both Indonesian and European plants. At the same time the percentage of employees over 50 years of age decreased by 4%.

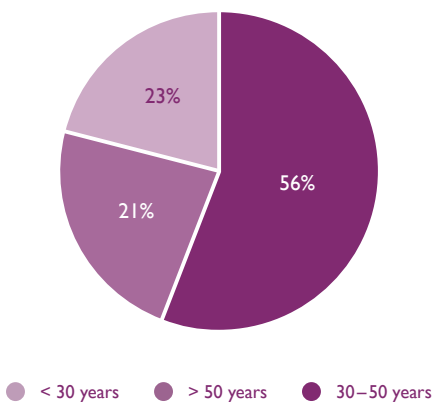
NUMBER OF EMPLOYEES



PERCENTAGE OF WOMEN – TOP 6 PLANTS 2017

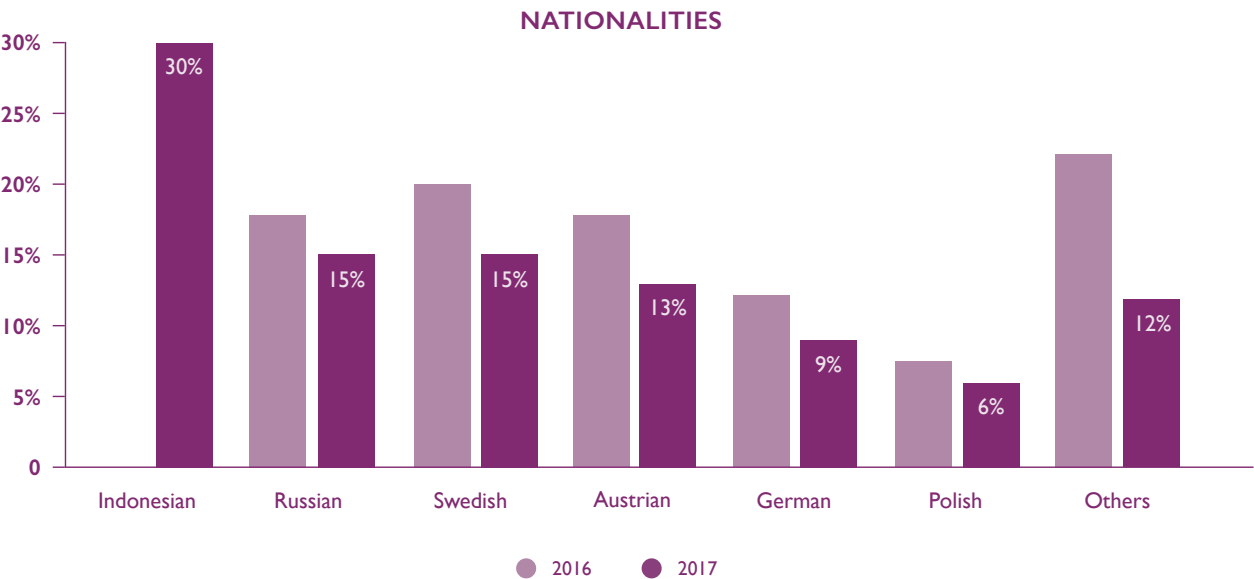


AGE DISTRIBUTION 2017



GROWING THROUGH DIVERSITY

As the Group grows its business operations in different geographical regions and locations, diversity becomes an increasingly integral aspect across the organisation. In 2017, over 25 different nationalities worked at the 20 plants across 10 countries. The two plants in Indonesia with high local labour intensity have made a strong impact on the percentage split of nationalities.



LABOUR PRINCIPLES

General statements on the labour principles are included in the AR Packaging Code of Conduct. The elimination of all forms of forced, compulsory and child labour is legislated in all countries where AR Packaging has employees.

LABOUR PRACTICES

AR Packaging is committed to providing fair compensation and working conditions for all its employees. Working hours are set according to the domestic laws in force or to industrial standards. All employees are informed of and have the right to know the basic terms and conditions of their employment. The Group condemns differences in salary and remuneration between women and men in our organisation.

To be perceived as a good employer and attract talented people and thereby secure the future workforce, it is crucial that employees are treated equally. The Flextrus plant in Lund, Sweden, made a compensation survey/salary mapping in 2017 with the purpose to detect and prevent unjustified differences in pay/compensations between men and women. No gaps in payment between women and men at equal positions were found to be unjustified. Any differences could be explained by substantial causes. In summary, the survey showed that there were no existing risks for discrimination or obstacles to equal opportunities for individuals in the organisation.

FORCED, COMPULSORY AND CHILD LABOUR

The elimination of all forms of forced, compulsory, and child labour is a key principle and objective of major human rights instruments and legislation. Child labour does not refer to youth employment. The minimum age for employment varies from country to country - ILO (International Labor Organization)

Convention 138 sets a minimum age of 15, or the age at which compulsory education ends (whichever is higher).

NON DISCRIMINATION

According to ILO instruments, discrimination can occur on the grounds of race, colour, sex, religion, political opinion, national extraction and social origin. It can also occur based on age, disability, migrant status, health status, gender, sexual orientation, genetic predisposition, and lifestyles, among others. AR Packaging has implemented clear policies to avoid discrimination, and all employees have several different opportunities to report violations at the plants as well as at the Group level using the whistleblowing system.

RIGHTS OF INDIGENOUS PEOPLE

The Code of Conduct also specifies the respect for the rights and title of individuals and local communities, including indigenous communities, to their land and natural resources. No incidents were recognised or recorded in the reporting year. In 2017 the construction of the new plant in Bawen, Indonesia, started and it complies with all local legal requirements as well as the corporate engagement in social responsibility. Awareness that Indonesia is a multicultural country means that every single action can involve other tribes, local society, religions, etc., and therefore will be considered as partners or stakeholders. The new plant will start its operations in 2018.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

AR Packaging and all plants respect the rights of employees to exercise the right of association. Employees are free to form or join unions and participate in collective bargaining. Each plant has a workers' council and regular meetings with representatives of the workers' councils at the Group level are supported by top management. This ensures that labour agreements are put into effect. In general no plant violates or could significantly threaten employees' right to freedom of association or collective bargaining. All workers' representatives can hold their representative functions in the workplace and openly communicate regarding working conditions without fear of discrimination, reprisal or harassment.

PARENTAL LEAVE

AR Packaging is aware of the importance of family life and supports several different possibilities of parental leave for both parents. A total of 57 employees, of which 18 were men, went on parental leave in 2017, and 36 employees returned to their plants and were integrated back into work. Depending on country and plant, there are of course various part-time models with differing approaches.

BENEFITS

Benefits provided to full-time employees vary between the plants in the Group. Typical benefits offered are healthcare, disability, and invalidity or life insurances. Several other benefits are in place and have been established over many years. Most plants sponsor daily food in a canteen, as well as free water and fruit during the work day.

Every plant has a company suggestion system where employees can propose good ideas to improve the production processes and work environment and thereby be rewarded. Some plants are meanwhile combining social benefits with fostering the health of employees. For example, the two plants in Lund offer

a Weightwatchers at work program and access to a personal trainer to motivate healthy nutrition and body exercise. The purpose is to become a more healthy, efficient and attractive workplace by coaching employees towards a healthier lifestyle and reducing the risk of diseases. There has been positive feedback on the first phase, and several employees have joined the program and use the personal training opportunity. In Graz, Austria, employees are offered massage treatments on the premises financially support by the company.

Widespread benefits also include free tickets for sporting events (handball, football etc.) that are provided to the employees at several plants.

APPRENTICESHIP AND EMPLOYER BRANDING

All plants offer apprenticeship training to secure their secondary growth and keep a balanced age distribution. However, because several plants are located in economically well-structured regions, a competition for apprentices has begun in these regions. This requires creativity and new ways of finding and inspiring apprentices. To be seen as an attractive employer by external people and secure succession planning is a challenge for all plants. However, the satisfaction of existing employees is just as important. To understand the needs of its staff, Flextrus Lund and Halmstad, Sweden, performed an employee survey (in autumn 2016). The results of this survey were presented and discussed at an “all employee meeting” and department meetings included the identification of actions during 2017.



SOCIAL ENGAGEMENT

In addition to financial obligations, AR Packaging plants are also socially involved in their environment. The main goal of the engagement is not to get attention, but to engage socially with long-term measures. These activities are mainly promoted by the plants themselves, often in cooperation with local organisations and authorities to keep, maintain and increase a good relationship with them. Two examples of activities in 2017 are:

GRAZ, AUSTRIA, SUPPORTED THE RED CROSS CHRISTMAS DONATIONS

At Christmas time the local Red Cross organisations start donation initiatives in schools asking for food donations in order to support local families in need of even the most basic products like noodles, rice or canned food. This year the Graz plant supported the initiative by donating 20 care packages, nicely wrapped in gift paper by the pupils, enabling some Christmas spirit and delivered directly to the families.

FLEXTRUS, LUND, SPONSORING ACTIVITIES

- A school in Africa receives financial support used locally to buy food and utilities and thereby maintain and develop schools and motivate parents to send their children to school.
- Forwarding the rest value of replaced mobile phones to the humanitarian organisation SOS Children's Villages.
- Continuous support to the local organisation Faktum that helps former drug addicts to find work and Missing people – a voluntary organisation searching for lost people.
- Annual support for a local handball club including match sponsoring where all funds go to local kids' activities and BRIS (Brisbane, a children's rights organization). In return Flextrus employees enjoy free tickets for home games.

On local level we choose to support for example Faktum and Missing people who make a contribution to society by providing a first step into the employment for former drug abusers and searches for missing people.





TRAINING

In addition to securing high competence and advanced skills of the AR Packaging employees, training is also contributing to the employee satisfaction and their personal development. The Group therefore actively invests in the continuous training of its employees and teams.

TRAINING FOR INCREASED COMPETENCE

The majority of the training is performed locally at the plants. In total, around 44.450 hours of training took place in 2017. With 2017 being the first reporting year that includes the Indonesian plants, the average number of training hours per employee decreased to 13,1 compared to 16,7 in 2016. The Indonesian plants have a high number of employees at less complicated work places thus requiring less training. When excluding the Indonesian plants the average is 15,2 for 2017. Training includes both internal and external programmes for operators as well as shift leader, managers and other employees.

Several new training initiatives took place on the local level in 2017 with the aim to upgrade employee skills. Below are two examples:

Cholet

The plant in Cholet, France, started in 2017 an external Professional degree which is recognised by the French paper industry: CQPI Shift Leader: Skills and knowledges currently required in the job position are validated for the Degree. Five shift leaders participate in the program, with 159 hours of training per leader over 14 months. At the end of the training each shift leader will present their project and report in front of a jury (spring 2018). CQP Main Operator: Same approach as for CQPI shift leader. Five main operators will participate in 95 hours of training each over a 12 month period. This degree also ends with a project

presentation in front of a jury (summer 2018)

CQP operator: This training is also a professional degree, in this case validated by a French school (Grafipolis) providing external training. The Cholet plant nominated two temporary workers who were followed and validated by tutors. Both operators passed their Degree successfully and were finally employed in December 2017.

Based on the positive experience and feedback, Cholet plans to extend these programmes to more employees in the coming years.

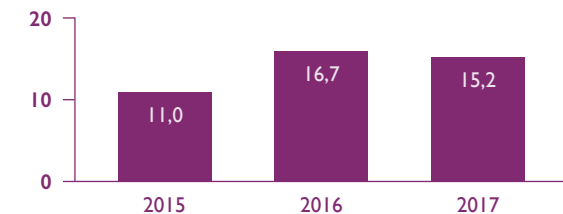
Frankfurt

The plant in Frankfurt, Germany, engaged an external consultant to support the department leaders in management skills as well as to jointly identify improvements, e.g. in organisation and communication. This approach started in summer 2017 with different team workshops and activities over several months and will be extended in 2018.

SHARING AND BENCHMARK EXPERIENCES IN INDONESIA AND RUSSIA

The approach of learning from each other is pushed from the Group level and executed actively with special personnel support from several European plants to, for example, the new plants in Indonesia. The scope differs and is exemplified by the following three cases from 2017:

HOURS OF TRAINING PER EMPLOYEE



- An offset printer from the plant in Graz, Austria, went for a long term engagement (at least one year) in Indonesia to train the local printers at offset printing machines and thereby reach improved KPI's, e.g. on setting, washing and production times. This was also a personal challenge for the Austrian printer due to different process conditions (e.g. higher humidity and temperature), different equipment and different workers' mentality.
- The Deputy Quality Manager of the Frankfurt plant supported for one month in the assessment of quality work and processes as well as to work out improvements and reach company standards together with local staff.
- Short training and consultancy on a weekly basis done, e.g. by the Safety, Health and Environment (SHE) Manager at Flextrus Lund, to support safety and environmental topics.

The support to the Indonesian plants will continue in 2018 with the aim to reach the same production and hygiene standards in both plants long-term and serve the Group's global customers locally in Asia.

When the plant in Moscow, Russia, closed, two printing machines were transferred to the plant in St. Petersburg, Russia, thereby introducing new technology to existing staff. St. Petersburg was supported by other plants in the Group, in this case with printers from Moscow and Graz.

DEVELOPMENT OF BOTH YOUNG AND WELL ESTABLISHED HIGH PERFORMERS

To identify and develop young high-performing employees, a special “Rookie” programme was initiated on the Group level in 2016 and started in 2017 with 23 persons nominated by local and group management. All Rookies participated in an online assessment of their leadership skills and potential. The results were shared with their managers and became part of personal development plans that are followed up for each Rookie.

All Rookies were invited by the CEO to the Group Management and Sales meeting in 2017, where they performed a short working session and got the opportunity to listen to different presentations and network with the full management and sales team of AR Packaging.

The support to the Rookies, also with external training, will proceed in 2018. Meanwhile seven of 23 Rookies have been appointed new positions with new challenges, also outside their home country, and thereby widening their experiences and links to AR Packaging.

A comparable approach was initiated in 2017 for experienced middle age and well performing employees – so-called “Stars”. In 2018 they will do online assessment tests followed by personal development plans, training and support.

KNOWLEDGE TRANSFER FROM WELL-EXPERIENCED EMPLOYEES

The next level of the AR Packaging training and competence programme will be to define ways to preserve the knowledge of the highly experienced employees – so called “Methusalems”. Depending on the individual case, such knowledge transfer and further support happens before retirement of the Methusalem, but could continue also afterwards.

PERFORMANCE REVIEWS

Appraisals of employees against targets with aims to contribute to both skills management and individual or group development is common for management and first-level leaders, and it is also widely spread in lower levels of the organisation. In 2017, about 50% of the whole organisation took part in such appraisals leading to individual training and overall improvement in organisational performance.



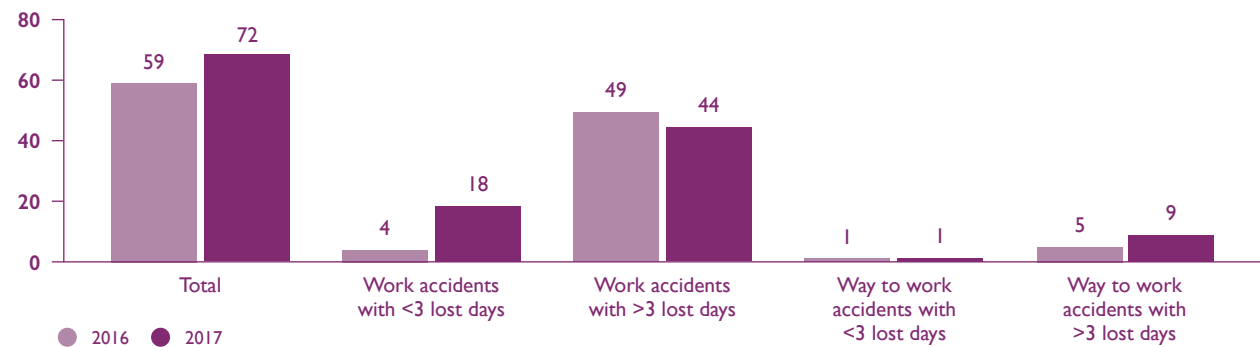
HEALTH AND OCCUPATIONAL SAFETY

Occupational health and safety at the workplace is of central value in the AR Packaging organisation and the Group is fully aware of the importance of encouraging and supporting a solid and effective safety culture at its plants.

All AR Packaging plants have over many years developed strong Health and Safety organisations lead by a local Health and Safety Manager and supported by plant management. Each plant holds regular employer-employee committee meetings for occupational safety and health covering 100% of the work and workplaces of the plants. The committees are headed by Health and Safety Managers and are composed of employees from different departments as well as management and normally also a workers' council representative. These committees discuss status and incidents and monitor actions, but also collect feedback and advise on local health and safety programmes. Minutes of the committee meetings as well as actions and programs are published to all employees in order to keep them informed, but also to increase awareness and facilitate a positive health and safety culture at the plant.

In 2017 all plants but the three plants acquired in 2016 (Semarang and Bekasi, Indonesia, and Mediaköket in Helsingborg, Sweden) followed this approach 100%. The two Indonesian plants had no health and safety committees or comparable working groups in place in 2017, but a Health and Safety Officer has since been established, and an employer-employee committee is planned as one of the next steps. The Mediaköket plant in Helsingborg, Sweden, is the smallest plant in the Group with 15 employees and a different structure compared to all other plants. Health and safety issues are currently managed effectively with a somewhat different approach and committee.

WORK/WAY TO WORK ACCIDENTS



TRACK AND REPORT INCIDENTS

All AR Packaging plants have systems in place to track and report health and safety incidents and performance covering all local processes. These systems have been further improved over the latest years, e.g. some factories use new web-based systems like the A&R Carton and Flextrus plants in Lund. The web-based system also includes reporting and tracking of near miss observations.

A total number of work-related accidents increased in 2017 by 13 accidents from 59 to 72 – including the three newly incorporated plants. These plants had a sum of six accidents and therefore only limited impact on the 2017 overall increase.

Several measures were taken by the plants during the year with the aim to reduce the number of accidents. At some plants it has proven successful while at other plants more efforts must be made to reduce the number of accidents.

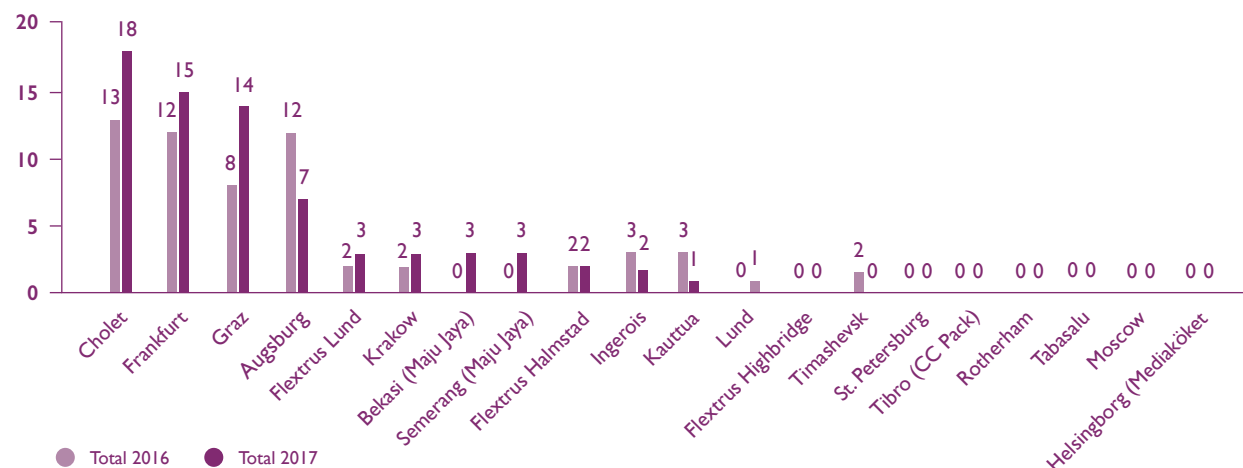
In general most of the plants had very few accidents or even performed without documented accidents in 2017. Several plants have remained stable at zero lost time injuries for many years, e.g. Flextrus Highbridge, UK, which has achieved over 1700 days since the last lost-time injury.

The increase in the total number of accidents is mainly linked to work accidents causing less than or equal to 3 days of lost time, where an increase from 4 to 18 accidents was noticed. Small injuries such as slight cuts, skin abrasions, contusions or slight bruising is the main part. Basically, these injuries are also the main risk in the printing, converting and production processes, where a lot of work is done with, e.g. cylinders, offset and converting plates and rotating parts. Often small carelessness by an employee can lead to small injuries. The plants consistently act with sensitization, increasing health and safety culture, but also technical improvements worked out together with employees and experts.

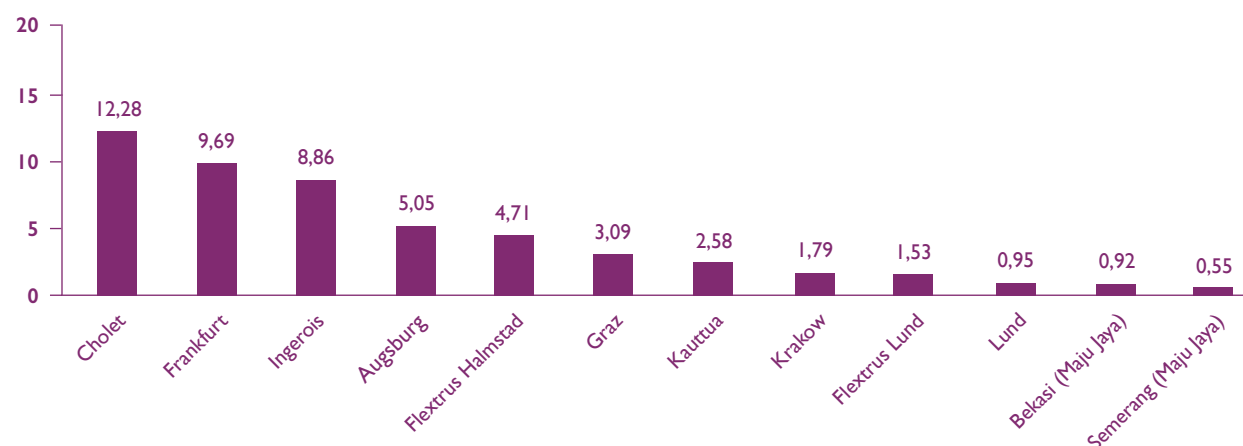
There were no accidents with fatal consequences in 2017, but unfortunately some serious injuries with bone fracture (1) and amputation of the fingertip (1) in a special case. All incidents are taken very seriously and are followed upon in the organisation and committees. However, increased focus on the attention and safety awareness of employees must take place in 2018 in order to reach the long-term goal of “zero accidents” at all plants. For 2018, quarterly reporting of work-related accidents has been planned for closer follow-up on the Group level.

Based on the total number of accidents at the “Top 4” plants in 2016 (Cholet, Frankfurt, Augsburg and Graz) only Augsburg, Germany, decreased the total number from 12 to 7 accidents in 2017. However, a slightly different picture is noticed when calculating the lost time case rate (number of accidents with lost days per 200.000 working hours), where mainly the plant in Graz, Austria, achieves better ranking since it is one of the biggest plants in the Group.

TOTAL SAFETY FIGURES PER PLANT



LOST TIME CASE RATE 2017 (PER 200.000 WORKING HOUR)



HEALTH AND SAFETY IMPROVEMENT EXAMPLES

Health and work safety is much more than improving protection on machines or wearing safety clothing. It is also to observe anticipated workflows at workplaces and to analyse where physical and adverse workloads can be reduced. In 2017 such analysis with a focus on ergonomics was made, for example, at the plant in Cholet, France, showing that often small ideas with less cost impact can make a difference.

The following examples are from Cholet:

PRE-PRESS STORAGE

The varnish plate storage in the pre-press department was improved. The new storage is more well-structured and to significantly reduces the movements of plates above shoulder height and therefore reduce the physical impact on the staff.




INK STATION

With the purchase of an automatic ink dosage station and ink mixer, the manual work and physical impact on workers were reduced significantly.



RISK ASSESSMENTS IN AUGSBURG

To build a sustainable health and work culture, workers must fully know about the hazards of their work based on risk assessments that are initiated in our plants by Safety managers. For example, the plant in Augsburg has totally reviewed their risk assessments for each department and working place. With support of the Safety managers, each department leader with their employees had to work out risk factors and do assessments before and after measures taken to reach low risk factors. The risk assessments will of course be followed up regularly.

<div>  Gefährdungsbeurteilung gemäß §§ 5 und 6 ArbSchG, §§ 3 und 7 BetrSichV und § 6 GefStoff </div>				
Gefährdungsfaktoren		Gefährdungsbeschreibung	Risiko vorher	Maßnahmen
Überbegriff	Unterbegriffe			
1. Mechanische Gefährdungen	3.1	ungeschützt bewegte Maschinenteile	mittel	Sicherheitsvorrichtungen beschädigen/abbauen, Tr Sicherheitschuhen (§4)
	3.2	Teile mit gefährlichen Oberflächen	mittel	Unterweisung der Mitarb
		Schere an den Kanten von Zwischenlagen/Zuschneiden Gefährdung beim Runterbewegen Selbstverletzung/Gefährdung anderer	mittel	Unterweisung der Mitarb Kennzeichnung der Fläche den Gehaltständern, Solen

DIRECT ACCESS

The sheeter ergonomics was improved by creating direct access around the sheeter without the use of stairs. The arduous physical work and accidents at work could be reduced.



NEW PLATFORMS

New platforms to store offset plate on trolleys were installed at the printing machines. The plates stacked on trolleys can now be moved up to the press using a hand lift, removing the use of stairs.



WORK SAFETY TRAINING

Regular training and ongoing sensitization of the staff is still a main focus at all plants to ensure that all necessary work safety training is well received and that the occupational health and safety policies and procedures are well understood by everyone. New and different ways of doing this are always welcome and as an example Cholet, France, provided work safety training in 2017 using games.

Several plants proceeded with successful full work safety days for all employees, where other topics such as Food Safety or health initiatives were also included.

Graz in Austria has installed life-size pictures at production entrances to remind the employees to wear specified clothing and fulfil safety and hygiene requirements.



SAFETY CULTURE

The near miss approach at the A&R Carton plant in Lund, Sweden, is still outstanding in the Group. To get every employee involved in the safety culture, they have installed a system where the target is to get at least one near miss report per working day. Every near miss report means an opportunity to act on unsafe conditions before anyone is hurt. Each near miss reported by an employee is registered with the responsible person and date for action. A total of 387 near miss reports were collected in 2017 and showed how consistently this approach is executed and supported by the management.

ANMÄLAN AV

☐ Tillbud (pass reservation, bärst förbehåll)

☐ Olycksfall (se avsnittet)

Namn

Datum

Vad hände - kunde ha hänt?

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Förslag till åtgärd

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Lämna till skriftlig registrering och åtgärd

SÖNDRINGSSTYRELSEN
avonova

[illegible]

RESCUE AND ASSISTANCE GROUP

To minimise the negative effects of an accident, fire or similar, the A&R Carton plant in Lund, Sweden, installed in 2017 a new group of seven employees trained in CPR, first aid and fire fighting. The group is called RAG, Rescue and Assistance Group, and covers all shifts. In case of an accident, employees always call the guard who contacts nearest RAG. In addition, the RAG people also have the responsibility to keep all first aid kits up to date and to ensure smooth fire alarm drills.



HEALTH INITIATIVES

In AR Packaging some plants such as Graz, A&R Carton Lund and the Flextrus plants focus on health initiatives and regularly organise new events and new ideas to motivate people to a proactive way of living – both at work and at home.

ONE WORK DAY IN GRAZ FULLY DEDICATED TO QUALITY OF LIFE

As part of health promotion, the local BGF team (company health promotion team) at Graz, Austria, organised an event with a focus on important factors of good quality of life and how an employer can contribute to the well-being of their staff. All employees, including temporary staff, were invited to enjoy a full-day programme covering sports & exercise, healthy nutrition and stress prevention methods during working hours. The keynote speeches and workshops were rounded off by a vital breakfast, a healthy lunch plate and several health checks. “To be a successful company, we need motivated and healthy employees - without them, we can neither compete nor satisfy our customers. Therefore, company health promotion focused on prevention and motivation to a healthier lifestyle, has a high priority for us,” says Managing Director Peter Szabó in Graz. Taking time for health today - not tomorrow or when it already might be too late - is the guiding principle of the BGF team and was the main idea behind the event in 2017.

The day was also used to present a sharpened mission statement for Graz based on the values and guiding principles. Since everyone spends a lot of time with co-workers, supervisors and managers, the way in which people treat each other also makes a significant contribution to their quality of life. Therefore the Graz management team created a mission statement making values more comprehensible and visible.

PROMOTING HEALTHIER LIVING IN LUND

On the same topic of healthy and motivated employees enabling an efficient and successful company, the A&R Carton and Flextrus plants in Lund, Sweden, offer “Weightwatchers at work program”, health tests and provide weekly access to a personal trainer at the gym located on the premises. Employees can get individual training programmes and nutritional advice towards a healthier lifestyle at the same time as the risk for diseases is reduced.

POSTURE TRAINING WHILE SEATED

In addition to taking care of employees in the production with mainly physical work, some plants also focus on work places in the offices and administration. Based on analysis, many improvements have been achieved e.g. the two plants in Lund have invested in height-adjustable working desks, special chairs or noise reducing walls in recent years. Nevertheless, people who sit most of the day by a computer with repetitive motions are at high risk for back pain and even injuries despite having ergonomic chairs. Based on this, the plant in Graz, Austria, ran a series of tests with inflatable balance cushions in 2017. For starters, twenty pieces were allocated to office employees asking them to later comment on the cushions and its effects. The initiative was carried out by the safety officer and monitored by the local occupational physician. The aim was to strengthen the back and torso musculature. As the feedback was mostly positive, the initiative will continue in 2018.



ENVIRONMENT



SUSTAINABLE INNOVATION

AR Packaging provides solutions with an optimised ecological footprint for each individual product's requirements – from high barrier laminates for infant formula to fully repulpable “on-the go” coatings. Environmental consciousness is a top priority when developing packaging and enhancing its values and overall performance.

A rapidly evolving global consumer market means that the role of packaging is changing. AR Packaging links new product development to the changes in society and consumer behaviour. A proactive approach to different needs of customers – now and in the future – is crucial in order to secure long-term business growth and an even stronger market position. By sharing expertise in selected technologies and comprehensive material know-how throughout the Group, skilled packaging experts provide a broad product portfolio, and new innovative packaging solutions are developed.

Most of the product development work at AR Packaging takes place locally in close collaboration with the customer's development and marketing departments. The Group supports the customers to realise their business objectives and sustainability targets. Products developed in this framework are typically launched very quickly.

Other projects are of a more long-term nature and include the development of complete packaging systems including both materials and special packaging machines. These types of projects are targeting specific market segments and the newly launched Sealio® and Boardio® are attracting a high level of interest.

AR Packaging is proud to share many cases where its packaging solutions contribute to a minimised use of resources when looking at the total value chain.

PAPER CUPS

Single-use drinking cups are a hot topic among consumers, environmental organisations and brand owners etc. The discussions escalated in 2017, not only due to the challenge of disposal of the cups, but above all because of the difficulties in recycling such cups. Although the classic, widespread cup model is made mainly of paper fibres, it is coated on the inside with plastics (polyethylene). The plastic coating makes the cups difficult to recycle.

AR Packaging has used its barrier expertise combined with cup manufacturing know-how to develop the first fully repulpable paper cup. This could only be achieved through close collaboration between the Group's different business segments. The development was done with highest focus on market and customer requirements such as sealing consistency, efficiency, barrier performance and repulping properties.

The new paper cups fit premium products as well as products used every day and are usable for many different applications:

- Suitable for drinks, food, frozen foods, ice cream, liquids or microwaveable snacks
- Wide range of shapes and sizes
- Numerous barrier options for dry, greasy, hot and cold food – approved for direct food contact
- Excellent graphics options such as embossing, foil blocking, matt and gloss varnishes, clear lids, and a wide number of packs and styles



The repulpable cups will be available for hot and cold beverages and other liquid products, but also as double-wall hot cups. Thanks to the wide geographical footprint of AR Packaging the cups can easily be supplied from several plants in both western and eastern Europe.

AWARD-WINNING PACKAGING

AR Packaging's driving force to continuously develop and enhance packaging values and overall performance has led to several awards in innovation and sustainability. Increasing consumer convenience and creating attractive products for optimised brand exposure while maintaining our environmental consciousness are top priorities. In 2017, AR Packaging won a number of different awards topped by the Worldstar award for childproof packaging for Sileo. Read more about this on page 16.

KITKAT SENSES

The trend to offer chocolate as small portion packed flow-wraps continues. Using an eye-catching outer cartonboard or flexible packaging supports the sales target in the supermarket. The example of Nestlé KitKat Senses proves how successful a close collaboration between the brand owner and packaging supplier can be. In a short time frame, a unique and sustainable cartonboard packaging was developed, tested and launched. Different parts of AR Packaging participated in this project, with the innovative structural designs made by A&R Carton and full printed prototypes produced by the digital printer Mediaköket.

An attractive tray opens up when the lid has been removed and the chocolates are presented in a tempting way. The pack is very convenient to serve from – nice looking on the table – and can easily be reclosed. The tray and lid are made of 100% cartonboard and no plastic outer plastic wrapping is needed.



PAPERLITE® - REDUCTION OF PLASTIC THROUGH INNOVATION

AR Packaging offers a wide range of flexible packaging produced at the Flextrus plants. Flexible packaging continues to grow due to its optimised use of resources compared to, for example, glass and plastic jars, rigid plastic trays and metal cans. The use of plastics can be questioned, but for highly sensitive food products innovative combinations of different materials in thin layers as well as the use of plastic from renewable source can reduce the environmental impact substantially.



A good example of this is the Flextrus PaperLite – a unique paper-based material that can be run in existing packaging lines. The packaging is a sustainable alternative to plastic trays because paper replaces plastic and thereby reduces the use of fossil feedstock. PaperLite can be made with up to 85% paper, and depending on local infrastructure for recycling in each country it can be fit into the paper recycling stream. Barrier properties are adapted for the specific product to be packed. Paperlite also offers excellent opportunities for differentiation thanks to its true paper look and feel as well as the excellent possibilities for printing. To further reduce the environmental

footprint, biopolymers (from renewable source) can be used to provide the barrier and sealing properties needed.

OTHER EXAMPLES OF REPLACING PLASTICS

A&R Carton in Graz, Austria, has developed several alternatives to avoid the use of plastics. Through innovative design, plastic inserts for sugar free chocolate pralines can be eliminated. Also, promotions on Jägermeister bottles can be made of cartonboard instead of using a plastic bag.

FUTECO® GALAXY

Being a fully recyclable and repulpable alternative to foiled or laminated metallised cartonboard, Futeco Galaxy provides stunning metallic looks with no use of foil, laminates or plastics. The Futeco Galaxy technology results in a reduction of carbon emissions by almost a third compared to a corresponding product produced with lamination techniques. The shiny look can be made in different colour tones and with detailed design elements in a quick and flexible way.



RAW MATERIAL USAGE

AR Packaging promotes sustainability across all aspects of its business, with a particular focus on sound procurement and conversion practices, e.g. ensuring responsible management of forests and other natural resources. The Group actively works with its customers to decrease material usage through smartly designed alternative constructions and by increasing the amount of renewable materials in the packaging.



CARTON – A RENEWABLE RESOURCE

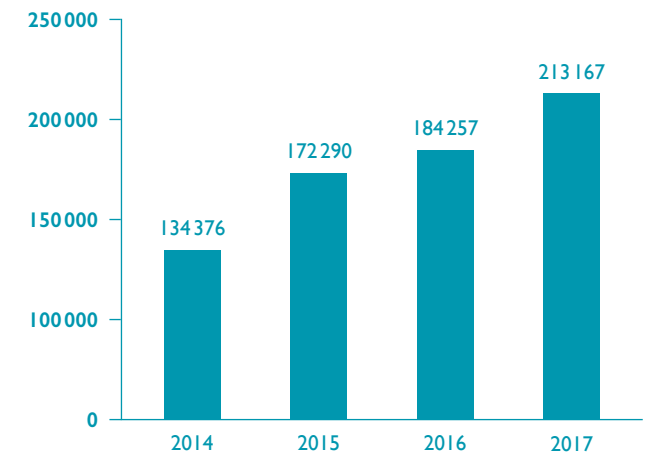
AR Packaging actively works with its customers to reduce material consumption through smartly designed alternative constructions. Especially for the main materials board and flexibles, it is a general market trend to reach positive consumption results, e.g. by smarter designs or by downgrading grammage and/or thickness of the material ("lightweight"). In addition to the use of less material and thus reduced costs, such adaptation could also have positive impacts on waste reduction and transport savings – also resulting in CO₂ reductions.

Increasing the amount of renewable materials in the packaging, e.g. the use of recycled boards, and optimising composite materials or inks and varnishes based on natural raw materials are other sustainable opportunities which AR Packaging offers its customers.

The main materials used by A&R Carton are cartonboard and paper; followed by ink and varnish with solvents depending on the printing technology used. Other materials play a subordinate role in the business.

The increased cartonboard usage in 2017 was due to higher production volumes and the extended footprint. All of the cartonboard used comes from certified and/or sustainable managed forests – mainly from the large forests in Finland and Sweden where the main board suppliers are located. This paper and board industry does not use wood from tropical rain forests (or other endangered eco-systems).

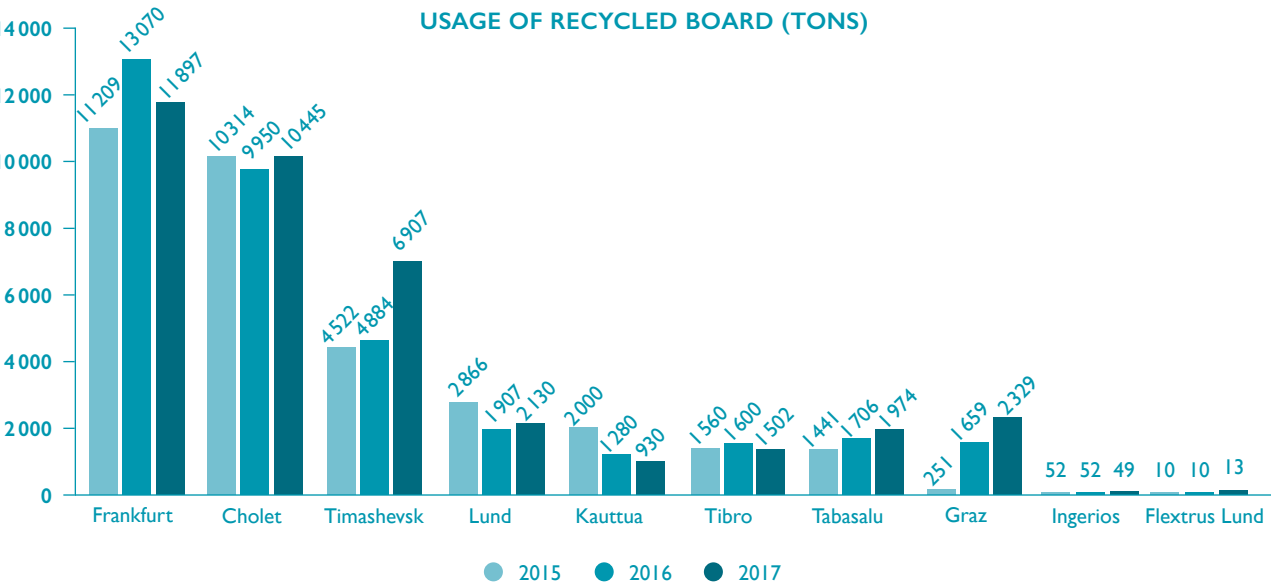
**CARTONBOARD USAGE (TONS)
EXCL. FLEXIBLE PLANTS**



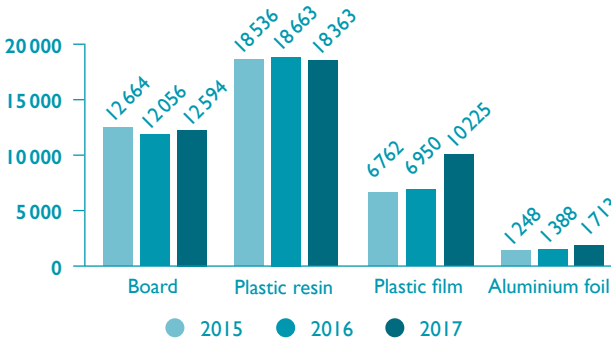
RECOVERY AND RECYCLING

When it comes to recycling, the cartonboard usage is in focus being the main material used. Recovery includes the collection of used paper and board and delivery to a reprocessing mill, where the fibres are separated. The recovered fibre is then used to make cartonboard or another paper or board product. AR Packaging uses recycled board materials as standard for most of the transport packaging (cases, intermediate layers, edge protection, etc.). For the folding cartons, the use is dependent on the needs of the customer and on the application. However, recycled cartonboard grades for food packaging is always offered to and discussed with the customers. The discussion about mineral oil in connection to recycled board means that barrier solutions are also discussed in this context. In 2017, the use of recycled board increased by 5%.

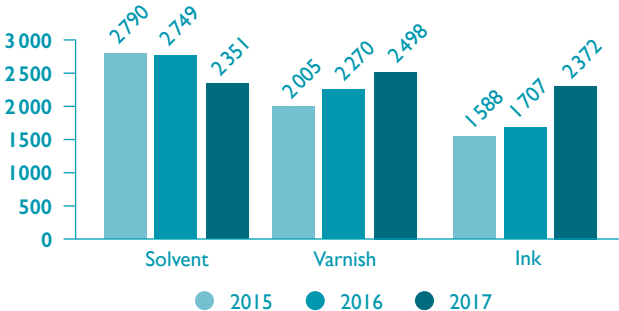
For the flexibles business the main materials used, in addition to cartonboard and paper, are plastic resin and film as well as aluminium foil. Also for flexibles, the increased material consumption was linked to higher production volumes.



MAIN MATERIALS FLEXIBLE PLANTS (TONS)



OTHER MAIN MATERIALS USAGE (TONS)



OTHER RAW MATERIALS USED

Besides cartonboard, the consumption of the other main materials increased in 2017 closely linked to the board usage. Mentionable with impact on raw material usage is the replacement of an old galvanic line at the printing forms/rotogravure cylinders department in Graz, Austria. In this project important resources are saved – especially the consumption of copper per rotogravure cylinder is reduced. During the second half of 2017, more than 650 kg of copper were saved.

Another example of using recycled materials in AR Packaging products is shown by Flextrus. The internal amorphous polyester (APET) waste is recycled in-house and externally sourced food grade recycled polyester flakes can be used in substantial quantities. Also the APET products can be made as mono material enabling household waste recycling where the infrastructure is set up for this.



SUPPLIERS

Sustainable and sound business can only be achieved if the whole supply chain works in harmony with common values and frameworks. Consequently, AR Packaging is dependent on its suppliers and their undertakings to adhere to the Group's expectations on sustainable performance.

To underline the importance of sustainable performance, a new supplier audit process for the main suppliers was started in 2017. Currently 55 main suppliers – including the top 30 suppliers in value for the Group – have been checked with this process.

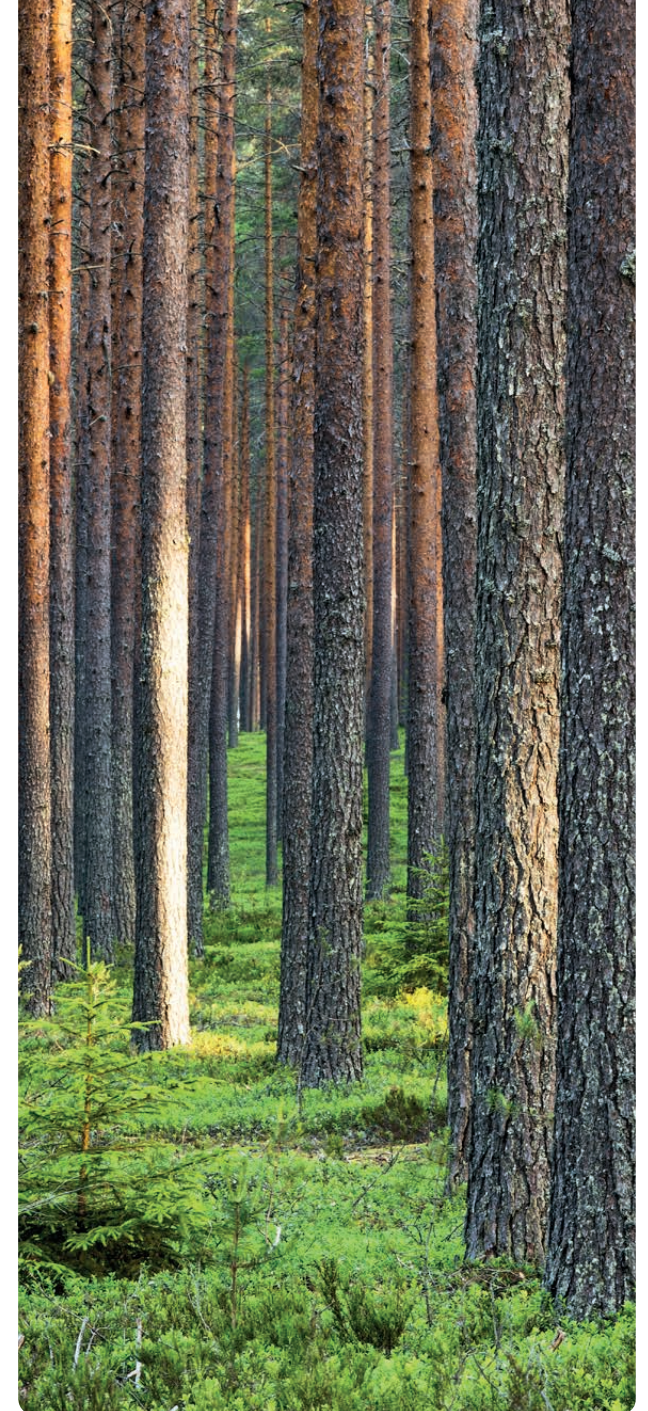
- Main check is if the supplier has a Code of Conduct or comparable guidelines in place covering the AR Packaging and international standards. If not in place, the supplier has to sign the AR Packaging Code of Conduct for suppliers, which was reviewed in 2017.
- It is also determined if suppliers have Code of Conducts for their suppliers in place and if they regularly publish a sustainability report.
- The first round showed that only 7 of 55 main suppliers have no Code of Conduct of their own in place and 23 suppliers already publish regular sustainability reporting.

Since 2017, a sustainability questionnaire has also been integrated in the Group audit approach towards the suppliers. At the end of this supplier audit process, a risk evaluation on sustainability is performed where each supplier is checked and the timing (1-3 year cycles) for the next check is decided based on the results.

In addition to the Code of Conduct, a procurement policy is in place that states that business ethics and environmental requirements should be considered at all times when working with both existing and new suppliers and also included as a part of contracts. On the local level, the purchasing organisation of each plant ensures that new suppliers are checked on their sustainability approach and environmental impacts. In case of doubts, further discussion and checks have to be started to finally approve new suppliers.

In 2017 no significant actual and potential negative environmental impact in the supply chain for AR Packaging were identified. Also, deviations in supplier audits in the mentioned sustainability parts were based on documentation only and without any critical incidents.

In general, AR Packaging holds long-term relationships with its main suppliers. One of the most important raw materials is cartonboard for the printed products. Especially the board suppliers – mainly located in the Nordics – have challenging approaches to sustainability and the reduction of their environmental impacts. In this report, Metsä is included as an example.



SUPPLIER CASE METSÄ BOARD

Metsä Board, part of the Metsä Group, is a leading European producer of premium fresh fibre paperboards, including folding boxboards, food service boards and white kraftliners. The company's lightweight paperboards are developed to provide better, safer and more sustainable solutions for consumer goods as well as for retail-ready and food service applications. Metsä Board is a forerunner in lightweight paperboards that consume less raw materials, energy and water and produce less waste in the end of the packaging value chain.

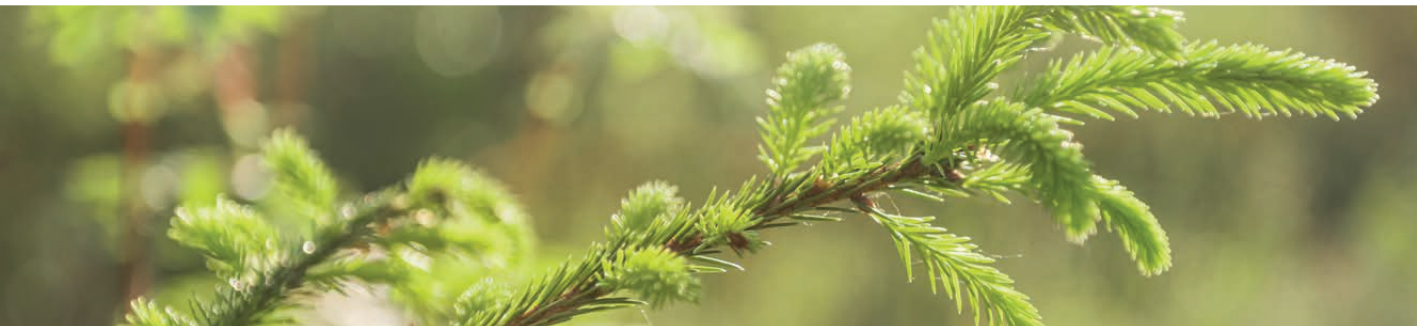
The main raw material in the paperboard is 100% traceable fresh fibre that comes from sustainable managed Northern European forests that do not need artificial watering. Future continuity of the fibre supply is guaranteed because in Finland the wood is supplied by 104.000 private forest-owners who also own Metsä Group's parent company, Metsäliitto Cooperative. In Finland the annual growth of forests has for a long time exceeded the annual fellings. All wood raw material used by Metsä Board come from third party verified, certified or controlled forests and all mills have both PEFC™ and FSC® chain-of-custody certifications. The target is to sustain the amount of certified wood at a minimum level of 80%. In 2016, 81% of the wood used by the company came from certified forests, and the rest came from controlled forests.

Fresh fibre is a naturally pure and safe raw material for food packaging. Metsä Board only uses fresh fibres in its paperboards and other raw materials that are safe and carefully selected and that comply with food safety legislation and regulations. All mills work according to ISO 22 000 or FSSC 22000 Food Safety Management Systems.

Resource efficiency is a key development area for Metsä Board and fresh fibre paperboard responds perfectly to the requirements of circular economy. Investments in efficient technology and bioenergy production have reduced the fossil CO₂ emissions. In 2009 the company set a 2020 target to reduce its fossil CO₂ emissions by 30% and achieved a reduction of 45% already four years earlier in 2016. The company strives to increase the use of bioenergy in its production. In 2016, 59% of all energy used was bio-based. With the recent investment in a new bioproduct mill in Äänekoski, Finland, the share of bioenergy will further increase. This EUR 1,2 billion bioproduct mill generates excess bioenergy and does not use any fossil fuels. It is integrated with Metsä Board's paperboard production, which has a positive effect on the company's fossil CO₂ emission reduction.

Metsä Board production sites are located in areas with abundant water resources. The company only uses surface water in its processes and follows the strict water and environmental permits set by the authorities. The mills constantly seek new ways to reduce the use of water. Since 2010 the company has reduced its water use by 14%. The target is to reach a 17% reduction by 2020. After use, the process waters are carefully cleaned before returning them into the watercourse. Almost 99 % of the water used in the process is set back in the nearby waterway.

For example, at the Äänekoski mill, the water is released back into the nearby lake where people swim, fish and where from the Finnish capital area also gets its drinking water. Metsä Board has been on the CDP Water A List since 2015 and on the CDP Climate A List in 2016 and 2017. The company also achieved Leadership status in the CDP Forest programme for three years in a row. The company also cares for social responsibility, and safety and well being at work are the company's top priority. The Gold rating for its Corporate Social Responsibility practices by EcoVadis was achieved in 2017. Overall, Metsä Board was ranked in the top 1% of suppliers assessed by EcoVadis across all categories.



WASTE

In general, the waste sections generated by AR Packaging follow recycling schemes where possible and locally available. All waste is handled locally in the countries in which the Group operates, and consequently no hazardous waste is transported, imported, exported or treated under the provisions of the Basel Convention.

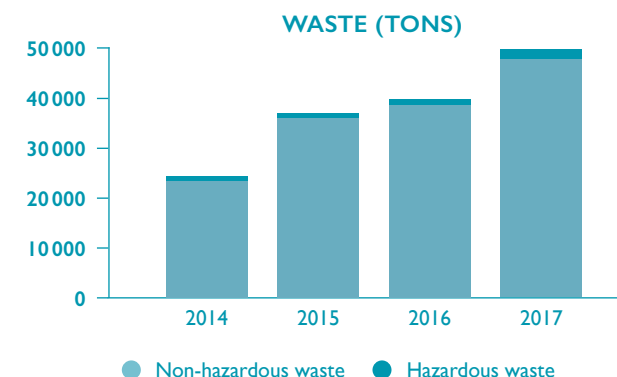
The waste from AR Packaging is predominantly generated during set-up and production as well as from transport packaging. The main waste material in the non-hazardous fraction is paper and cartonboard, which undergoes a recycling process. In the hazardous fraction, printing process waste such as ink and varnish are the main waste materials. All waste is separated into different sections and follows recycling schemes where possible and locally available. Environmental Managers and other employees responsible for waste handling at the plants ensure that legal requirements are met and that all waste is taken care of by licensed disposal companies.

However, 2017 was a disappointing year for AR Packaging when it comes to waste management. The non-hazardous waste increased in total numbers and by 6% when calculated on base figures of delivered tons of cartonboard. The hazardous waste also increased in total and by 31% calculated on base figures of delivered tons of cartonboard. The Group is currently not on track to reach the set target of 5% waste reduction by 2020 (based on 2014 figures).

The appointment of a Group operational excellence director in 2017 will increase attention and support plant initiatives on production efficiency improvements and waste reduction in 2018. Special focus will be placed on the reduction of paper and cartonboard waste, which covers 78% of non-hazardous waste, as well as on waste from printing inks, coatings and adhesives (57% of hazardous waste).

In 2017, no incidents occurred in which environmentally harmful substances such as oils, fuels and chemicals were released.

NON-HAZARDOUS WASTE	2017 (TONS)
Paper/carton board	38 015,5
Plastics/films	5 006,6
Household waste/commercial waste	2 334,5
Others	1 071,5
Wood/wooden pallets	1 048,0
Metal (gold, aluminium) and embossing foils	344,1
Metals	194,3
Ink and varnishes (non hazardous)	118,5
Construction and demolition waste	107,8
Packaging waste	18,5
Electronic devices and units	2,8
Compost	2,3
TOTAL (TONS)	48 264,4



HAZARDOUS WASTE	2017 (TONS)
Waste from use of printing inks, coatings, adhesives	950,3
Waste packaging; absorbents, wiping cloths or filter materials	306,6
Others	199,0
Waste from the photographic industry (e.g. prepress)	66,2
Solvents, solvent mixtures (also cleaning agents, roll cleaning agents, dilutors ...)	57,7
Discharged packaging and bulks (e.g. UV printing tins, packaging of dangerous goods, cleaning agent bulks, ...)	50,5
Batteries and lead accumulators	17,3
Waste oils of different kinds	14,6
Electrical and electronical equipment	9,8
TOTAL (TONS)	1 672,2

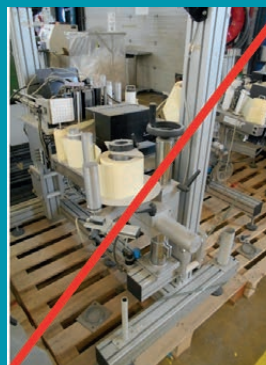
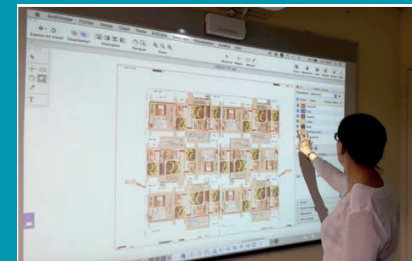
WASTE PROJECTS

Parallel with the Group focus on waste reduction, the plants also work actively with programmes to reduce waste in general. A program achieved in 2017 in Cholet, France, is a good example of investigations in different areas:

REDUCED NON-RECYCLABLE WASTE

Industrial sludge/mud waste is generated by offset machines and chemistry for CTP (prepress department) during cleaning (water; varnish, developer). Cholet never performed any chemical analyses of this sludge/mud and chose to consider it as hazardous chemical waste. However, it was recognised by the local waste service provider that the mud could be recovered and its water content be reduced in order to compost it with other muds. With the very modest investment of 280 EUR per year, a reduction of non-recyclable waste could be reached together with savings in treatment costs of 840 EUR per year.

Cholet also replaced seven label printers for the cardboard boxes in the logistic area with inkjet printers, which reduces the non-recyclable waste significantly. With an investment of 43.750 EUR, a savings 38.629 EUR per year can be achieved in the future. Moreover, processes in prepress are reviewed with a focus on printing sheets for checks every day. With replacement of the printer by a video-projector, including software making and documenting the quality checks, the use of paper and printing inks was reduced. With an investment of 4.300 EUR, a savings of 6.600 EUR per year of paper ink could be reached.



ENERGY CONSUMPTION

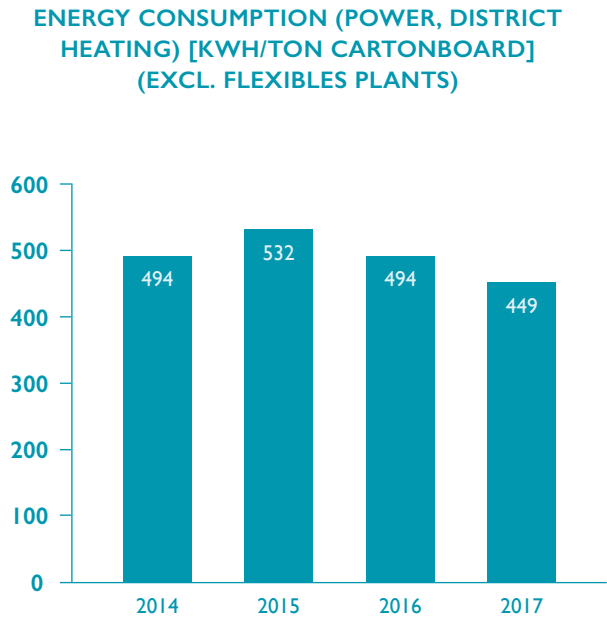
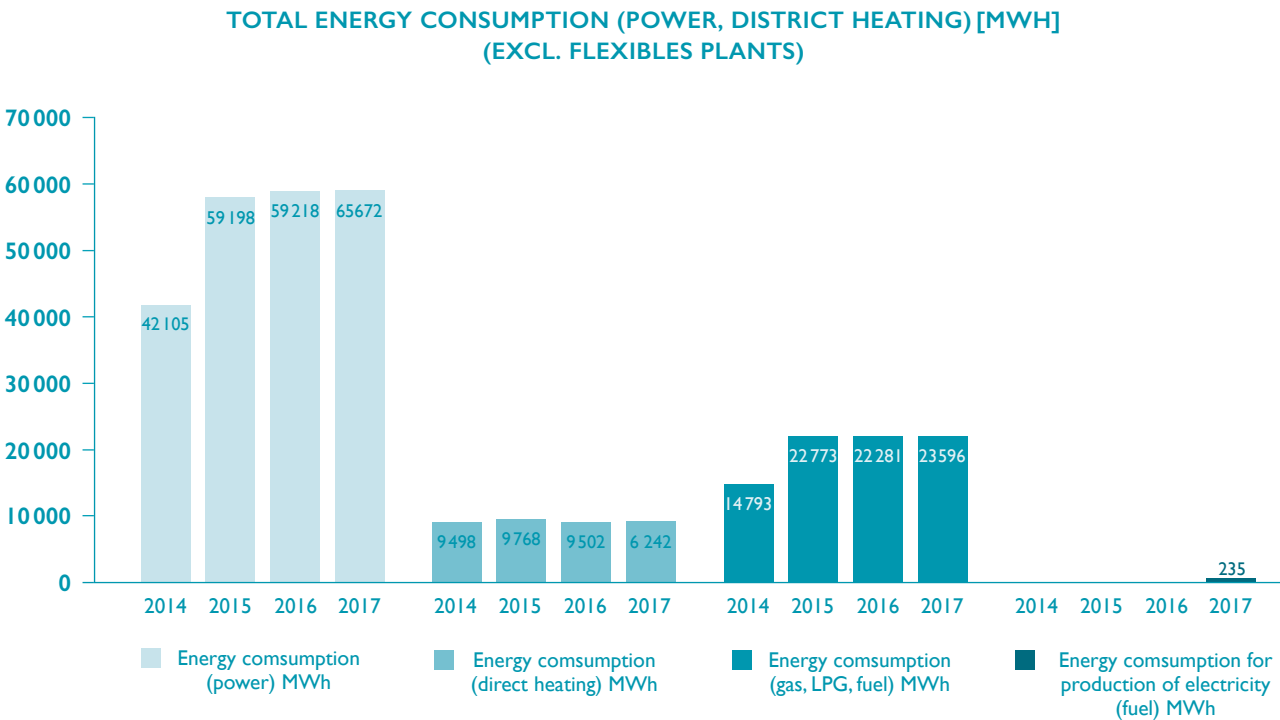
AR Packaging continuously works on projects at all plants to save energy or increase energy efficiency. Increased energy efficiency leads to positive impacts on the environment and the production costs – a win-win situation for the environment and for the economy. Furthermore, the legal requirements to invest in energy efficiency increase. Looking at the energy consumption at AR Packaging, the results are split in two sections – A&R Carton with a focus on products produced with cartonboard as the main raw material and Flextrus offering of flexible packaging materials.

Although the total energy consumption in 2017 for the A&R Carton plants increased in comparison to 2016 linked to the two new plants in Indonesia, the total energy consumption per produced ton decreased by approximately 9%.The total energy consumption excluding the Indonesian plants decreased by 1,7% in 2017.

The production of electricity with fuel is a new category in 2017 linked to unstable availability of electricity in Indonesia, and this is managed by having diesel generators at the plants producing power when the electricity is off. The successful reduction in energy consumption is a result of several projects and initiatives at plant level with closer monitor-

ing of electricity consumption, investments in new equipment and processes, and ongoing change of behaviour.

Overall the Group has since 2014 reduced its total energy consumption at the A&R Carton plants by 9,1%, which is well in progress towards its target of 10% by 2020.

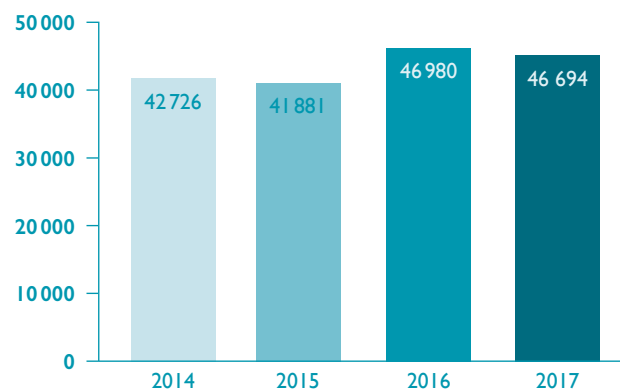


For the flexibles business at the four Flextrus plants, the reported increase in energy consumption in 2016 linked to the installation of a new printing machine in Lund, Sweden, has turned into a slight decrease by 0,6% in 2017. This was achieved in spite of including the new fourth plant (Mediaköket at Helsingborg, Sweden) for the first time. Comparing like for like, the decrease is slightly higher at 1,6%. The energy consumption per produced million SQM decreased from 2016 to 2017 by approximately 5,5%.

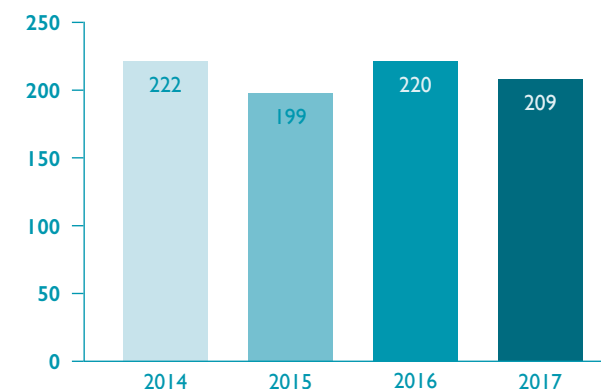
Compared to the base year 2014, the total energy consumption at all flexible plants increased by 9,3%, while the energy consumption per delivered million SQM decreased by 5,9%.

The share of renewable energy sources in AR Packaging remained more or less unchanged in 2017. The Nordic plants and Graz, Austria, continue to use electricity from 100% renewable sources (such as wind and water). All other plants have not yet completed a full conversion, but partly use renewable energies in the power mix.

**TOTAL ENERGY CONSUMPTION [MWH]
(FLEXIBLES PLANTS)**



**ENERGY CONSUMPTION [MWH/MILLION SQM]
(FLEXIBLES PLANTS)**



ACTIVITIES IN 2017 TO REDUCE ENERGY CONSUMPTION

An important way to improve energy efficiency is to replace older, inefficient equipment with new machines or technologies. Another is to invest in renewable energy as was done for the first time at AR Packaging in 2017.

PHOTOVOLTAIC SYSTEM IN GRAZ

In December 2017 the plant in Graz, Austria, installed a photovoltaic system connected to the public net with the possibility for feeding. However, it is expected that the plant will predominantly use the produced energy themselves and cover at least the power consumption of the administration offices (206.000

kWh per year). Furthermore, the load profile can be optimised to reduce peaks. There will be no impact on emissions because the plant already sources 100% renewable energy, but it will have a long-term positive cost effect. In order to increase the employees' awareness, monitoring and visualisation systems are planned for 2018.



COOLING SYSTEM IN GRAZ

Another project of energy optimisation in 2017 at Graz, Austria, is the replacement of the cooling system of the server room. A savings of approximately 18.000 kWh/year has been achieved and the old cooling system is now used as a backup providing an increase in system stability.

LED LIGHTING

The move to LED lighting is an ongoing project at all plants for some years. For example, 310 light bulbs were replaced in Graz, Austria, (especially in warehouses, offices, meeting rooms and corridors) and saved approximately 15.250 kWh. As a side effect, such measures in Austria are also worthy of promotion by the government.



NEW OFFSET AND DIE CUTTING IN CHOLET

Cholet, France, increased its power consumption in 2017 due to new investments and changed customer demands. Lower batch sizes, increased use of energy-intensive UV technology and installation of a new cooling system at the plant are only examples. On the other hand, a new offset printing machine and

a new die cutter replaced older machine types resulting in a positive impact on power consumption. In addition to these substantial machine investments, some process changes took place based on analysis and showed positive effect. For example, the compressor's piloting was improved through changing the order of priority of the compressor's activity and thereby bringing significant reductions in energy use.



REPLACED MACHINE IN FRANKFURT

The plant in Frankfurt, Germany, replaced an old and very energy intensive film-shrinking machine by a stretching machine and will save approximately 115.500 kWh of natural gas per year. Thanks to this installation, customer demands can be fulfilled fully automatically and specific requirements for high-rack system compatible pallets can be met.



In addition to this significant reduction, Frankfurt has for many years been proven to be a specialist in smaller and, as a result, more effective energy savings. These add up to approximately 40 000 EUR per year in savings.

A NEW GALVANIC LINE IN GRAZ

Since the acquisition in 2015, AR Packaging provides printing forms and rotogravure cylinders from the A&R Carton plant in Graz, Austria. In 2017 further investments were made to update the technology. As part of this project, an old galvanic line was replaced by a new, more efficient one. Thanks to its higher efficiency, important resources as well as energy can be saved.



WATER USAGE

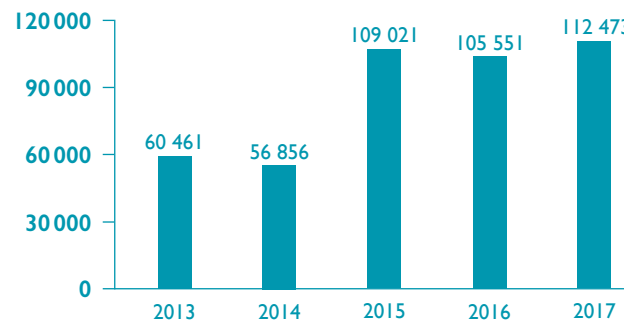
In addition to sanitary water, the AR Packaging plants use water for printing, humidification and washing in quantities depending on the plant size and production processes, buildings and machines. The total water usage increased in 2017, now including 20 plants (17 in 2016) with higher production volume (+15,7%). Calculated per production tons, water usage was reduced by 19% compared to 2015, but it needs to be noted that water usage does not directly correspond to production volume as it is less important in the Group's processes. Although water is not a main need, all plants work continuously with process optimisations for minimised use of process and sanitary water. However, huge decreases are not expected in coming years.

Nevertheless, a perfect example was implemented in 2017 at the plant in Graz, Austria: In the course of a replacement project, the distillation unit for solvent recovery and the washing machine at the rotogravure printing department were substituted. Both new machines were integrated in an internal, closed cooling circuit. This replaced the previous process where fresh water was used to cool the machines and discharged afterwards. Thanks to the integration of the new machines, a

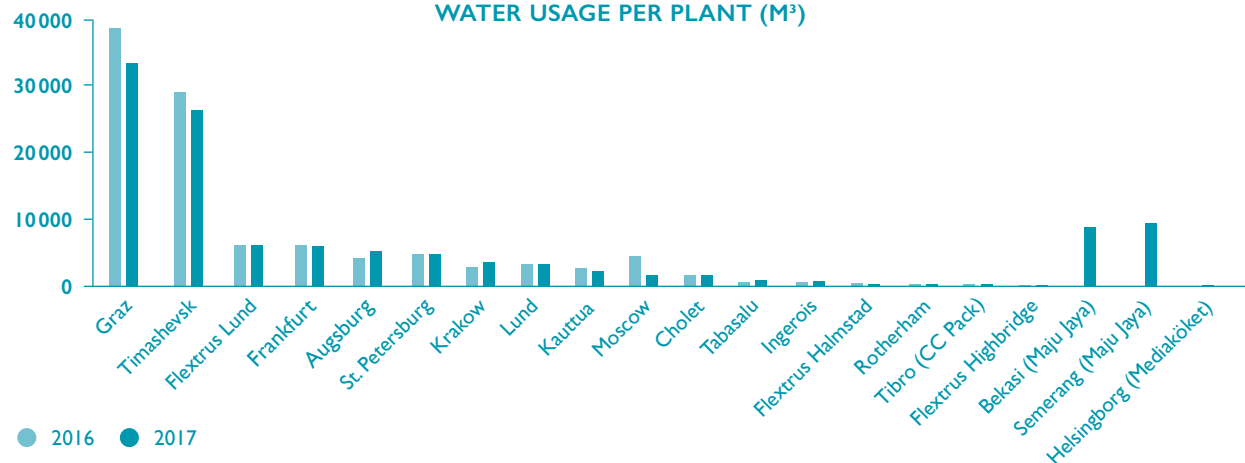
significant decrease in water usage of approximately 14.000 m³ per year was achieved.

Water springs are known through the providers who deliver most of the water needed. In Graz, Austria, a company-owned well is used due to history, while rain water is partly used in Indonesia. No water sources are significantly affected by the withdrawal by the AR Packaging organisation. Used water goes into the public sewage systems and is reprocessed in waste water treatment plants.

TOTAL WATER USAGE (M³)



WATER USAGE PER PLANT (M³)



BIODIVERSITY

Protecting biological diversity is important for ensuring the survival of plant and animal species, genetic diversity, and natural ecosystems. In addition, natural ecosystems provide clean water and air and contribute to food security and human health.

AR Packaging had 20 plants located in ten different countries in Europe and Indonesia in 2017. Impacts on biodiversity as well as avoiding mismanagement is observed and secured by local environmental managers in addition to following local legislation.

Two plants are located at or adjacent to protected areas:

- The plant in Frankfurt, Germany (offset production) is located in an official flood protection zone next to a brook. Additional requirements from authorities were fully implemented in 2015, and no changes were made in 2017.
- The plant in Augsburg, Germany (rotogravure production) will be adjacent to a drinking water protection area. Licensing requirements and orders will be respected and controlled by authorities.

The other 18 plants operated in 2017 are not located in protected areas, adjacent to protected areas or in areas of high biodiversity value without protection status. In general, none of the products or any activities at the plants have an impact on biodiversity in protected or unprotected areas with high biodiversity value. Therefore, no species of the IUCN Red List of Threatened Species or on national or regional conservation lists are identified in habitats near the plants or affected in anyway by AR Packaging operations.

EMISSIONS AND REDUCTION OF CARBON FOOTPRINT

The aim to reduce emissions is closely linked to the reduction of energy consumption and consequently an increased energy efficiency leading to improvements for both the environment and economy. Furthermore, in terms of introducing an emission trading system or a tax on carbon dioxide, which is being discussed in the European Union, emissions shall be reduced and kept as low as possible.

THE CARTONBOARD LIFECYCLE

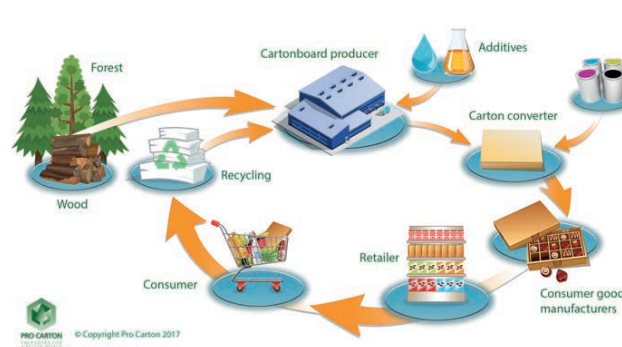
AR Packaging carries an extensive product portfolio with carton-based and flexible products where folding carton is the largest part. A main advantage of all our carton-based products is the closed carbon cycle when it comes to the cartonboard. As an industry based on the renewable resource of the forest, cartonboard has a unique advantage as a packaging material. It can be claimed that the raw material derived from sustainably managed forests captures and stores carbon, that cartons in use continue to store carbon, and that recycling cartons keeps the carbon locked up and prevents it from returning to the atmosphere: the Cartonboard Life Cycle.

Pro Carton (the European Association of Carton and Cartonboard manufacturers) has published many explanations on sustainability of carton-based folding boxes as well as background to the carbon cycle, which can be found at www.procarton.com/sustainability.

CDP ENGAGEMENT

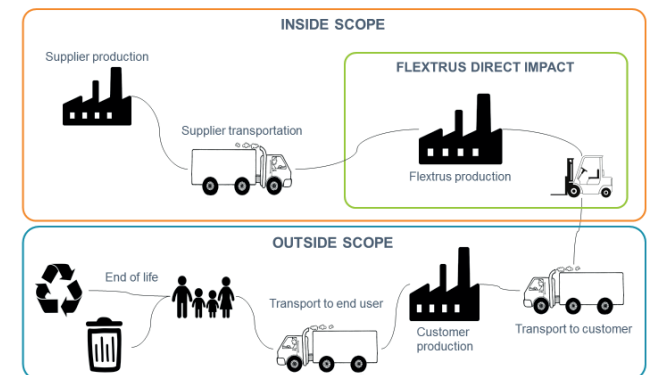
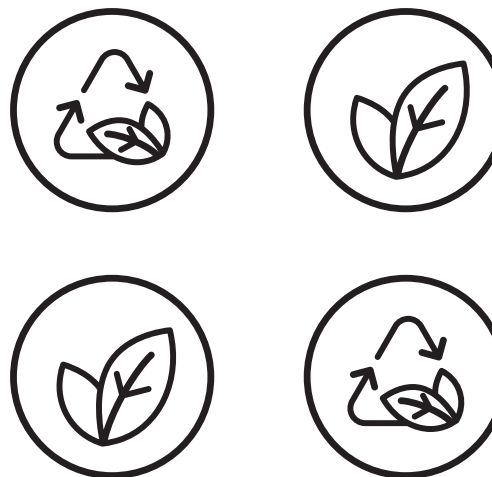
Several of the Group's larger customers are engaged in the reduction of carbon emissions and also disclose their performance on platforms such as Carbon Disclosure Project (CDP) or in company specific regular sustainability reports. Looking at the supply chain, they request comparable ways of reporting and ongoing actions to reduce the CO₂ footprint from their suppliers. In some cases AR Packaging is also directly involved in concrete customer projects, e.g. on reduction of emissions from transport which started with one customer at the end of 2017.

Cartonboard Life Cycle



LIFE CYCLE THINKING

It is also important to start from the beginning by introducing a life cycle thinking in the discussion with customers. At Flextrus several initiatives are already implemented e.g. green electricity from renewable sources, no waste going to landfill, inhouse recycling of APET material side trim, use of recycled bottle grade incorporated in materials and many more. Customers are guided on material choices, including bio-polymer alternatives and, where possible, with minimized material usage and optimised product shelf life.



SCOPE I: DIRECT GREEN HOUSE GAS (GHG) EMISSIONS

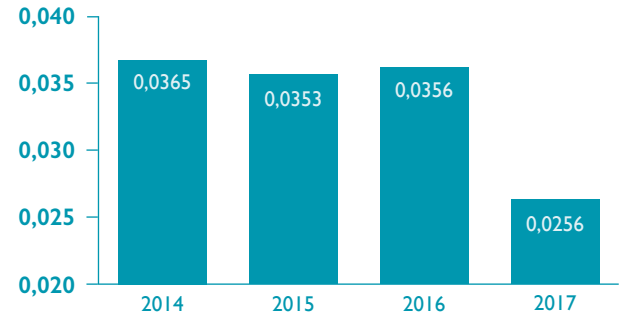
Direct GHG emissions can come from the following sources owned or controlled by an organisation: generation of electricity, heating, cooling and steam (resulting from combustion of fuels in stationary sources), transportation of employees and business trips (with company-owned vehicles) and fugitive emissions (HFC emissions from refrigeration and air conditioning equipment).

The direct emissions from AR Packaging's processes originate in plants with production of flexible packaging and/or where rotogravure and flexographic printing is used because installed incinerators burn the exhaust.

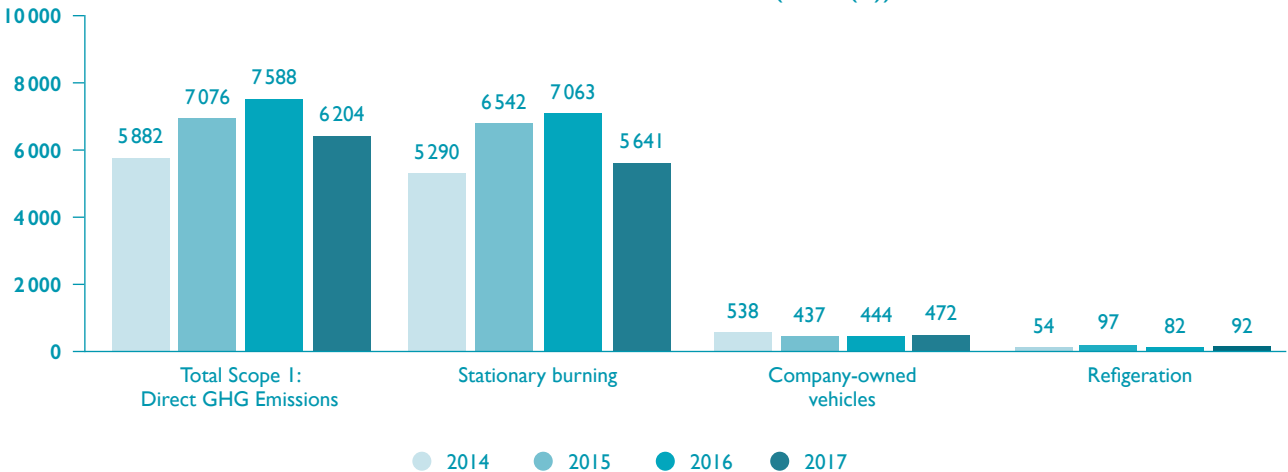
In total, direct scope I emissions decreased from 2016 to 2017. The main reason is the decline in stationary burning (20%) due to the switch from natural gas to biogas by the two plants located in Lund, Sweden (Flextrus and A&R Carton) during 2017. More information on this project is found on page 49.

The absolute direct scope I emissions increased by 5,5% compared to the base year 2014, while comparing the comparative direct emissions (taking high production volume into account) decreased by 30%.

SCOPE I: TOTAL DIRECT GHG EMISSIONS (CO2E(T)) PER COMPARATIVE FIGURE



SCOPE I: DIRECT GHG EMISSIONS (CO2E(T))

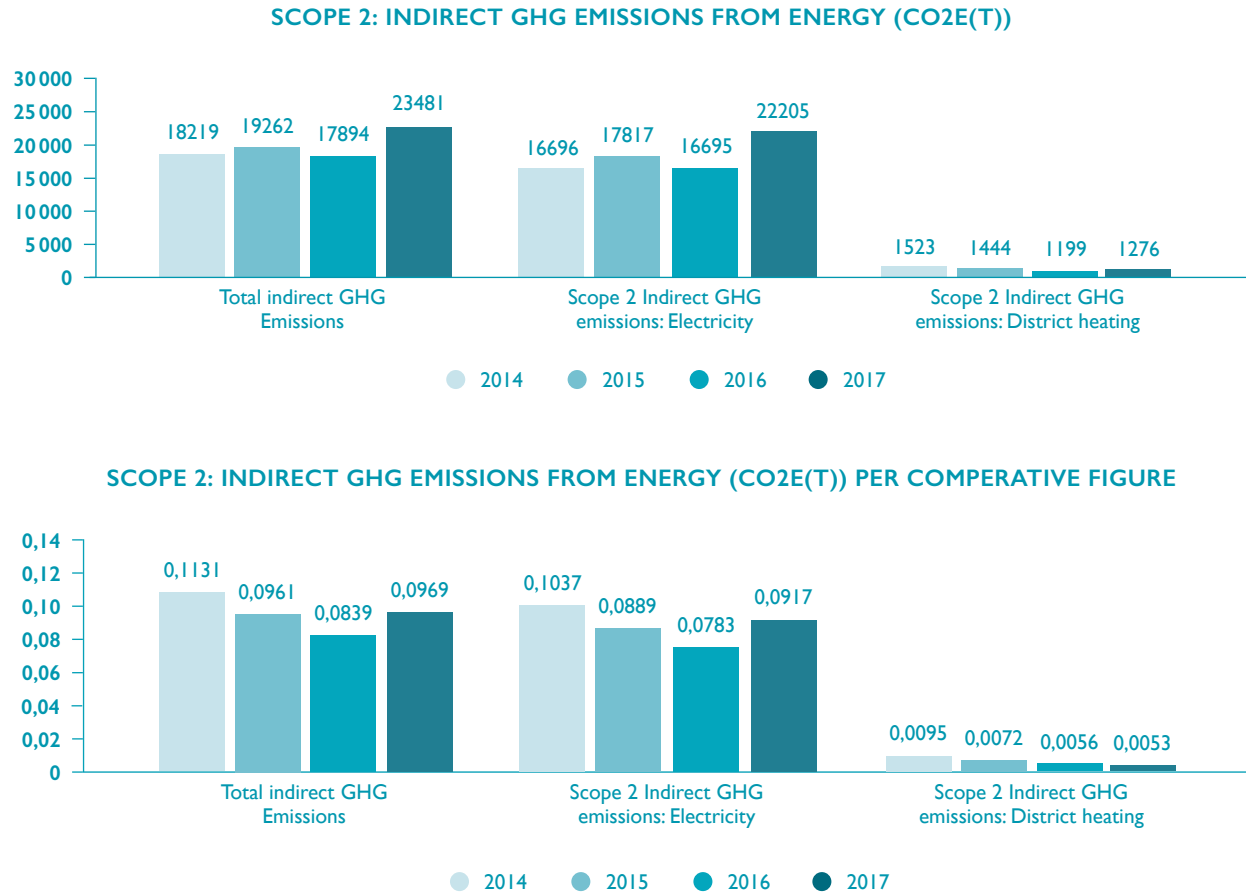


SCOPE 2: INDIRECT GHG EMISSIONS FROM ELECTRICITY AND DISTRICT HEATING

Scope 2 accounts for GHG emissions from the generation of purchased electricity, including heating, cooling, and steam, consumed by an organisation.

There was an increase in total scope 2 emissions from 2016 to 2017 by approx. 31%, while the comparative scope 2 emissions increased by approximately 16%. This is mainly related

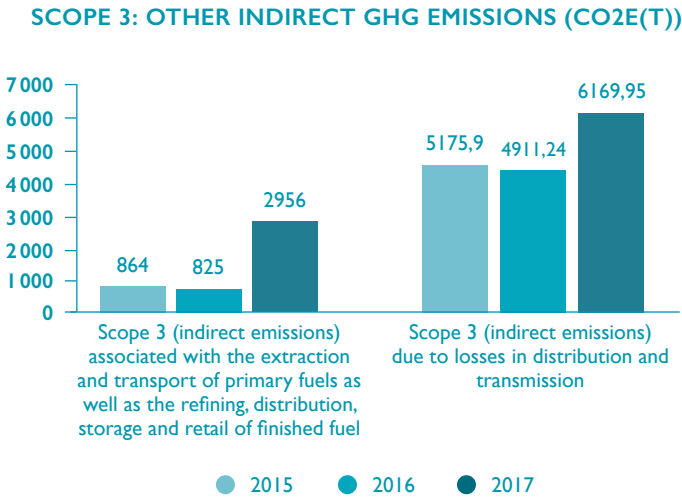
to the integration of the two new Indonesian plants and the fact that Indonesia has much higher emission factors compared to European countries, as rated yearly by IEA (International Energy Agency). This impact could not be compensated for by the various emission reduction projects at other plants in 2017. Compared to the base year 2014, the absolute indirect scope 2 emissions has increased by 29% but the comparative figure shows a reduction of 14%.



SCOPE 3: OTHER INDIRECT GHG EMISSIONS

Scope 3 includes other indirect GHG emissions that are a consequence of an organisation’s activities, but occur from sources not owned or controlled by the organisation (e.g. fuels in employee vehicles not owned by the company).

- Scope 3 emissions is an optional reporting category and is only partly reported here but with the aim to start more intensive reporting in the coming years. Included in this report are the indirect (Scope 3) emissions:
- associated with the extraction and transport of primary fuels as well as the refining, distribution, storage and retail of finished fuel.
 - due to losses in distribution and transmission.



Figures in this version have been adapted also in line with changed official factors.

ACTIVITIES TO REDUCE THE CARBON FOOTPRINT

As mentioned, the reduction of emissions is closely linked to the reduction of energy consumption. Therefore, the activities to reduce energy consumption presented in this report are as relevant for carbon footprint reduction. However, one further project is worth mentioning, and that is the switch from natural gas to

biogas at the Flextrus and A&R Carton plants in Lund, Sweden.

SWITCH TO BIOGAS

By switching from natural gas to biogas in the fourth quarter of 2017, the plants reduced their CO₂ emissions. Although biogas

is not completely free from CO₂, the conversion factor is much lower. The full-year impact of the switch will be seen in 2018. The reduction in 2017 was 674 tons of CO₂, and the expected saving for 2018 is 1.300 tons. Due to tax legislation (biogas is 100% tax free) the switch to biogas was basically cost neutral.

BIOGAS CONTRIBUTES TO A CIRCULAR ECONOMY

By replacing the natural gas by biogas, the fossil based natural gas may remain underground and the biogas burned is included in the carbon cycle.

The total CO₂ emissions from biogas is 54-81 grams/kWh dependant on feedstock. This takes into account combustion, production and distribution. For comparison, natural gas has an emission factor of 207 grams/kWh.

Through the production and use of biogas, the resources of society are used efficiently. Waste from sewers, forest, industry and food residues and manure are taken care of and become valuable products as renewable energy and fertilizers. The remaining residues that arise in biogas production can be returned to agriculture as organic manure and thereby reduces the need for mineral fertilizer and the withdrawal of the finite resource of phosphorus. Bio based fertilizer improves soil quality, reduce the leakage of nitrogen from agriculture and is important for meeting the demand of products produced in organic agriculture. By using biogas, AR Packaging contributes to a sustainable circular economy.



"BETTER BIOMASS"

The biogas is purchased from the gas company AXPO Sweden and is certified "Better Biomass". Biogas is produced from organic waste products, which are degraded by bacteria in an anaerobic (oxygen-free) environment. The anaerobic decomposition process is a natural process that often occurs in nature. In a biogas plant, this process is optimised for a highly efficient decomposition of materials. Almost all forms of organic material can be used to produce biogas and manure, energy crops, sanitary sewage and organic industrial waste are the most common raw materials.



CDP REPORTING PROJECT

Together with some of our big customers like Philip Morris International, Nestlé or Imperial Tobacco Group, AR Packaging reviews the climate change impacts in its supply chain through the internationally recognized CDP disclosure process. CDP, formerly the Carbon Disclosure Project, is an international nongovernmental organization that collects and discloses environmental information related to companies and cities. Acting as a representative for institutional investors across the globe, CDP encourages major companies worldwide to disclose information regarding climate change, greenhouse gas emissions, water management, and other environmental concerns and also evaluates such companies. CDP has built the most comprehensive collection of self-reported environmental data in the world.

Over 6.300 companies responded to CDP's annual climate change questionnaire in 2017 and see the benefits of responding by identifying cost savings from increased efficiency.

AR Packaging started 2014 with its first participation (for reporting year 2013) and 2018 will be the fifth time. The CDP questions are updated every year and relate to issues such as: how you identify risks associated with climate change; what your emissions are; details on your emissions management strategy such as targets; and actions to reduce emissions.

For 2017 (reporting year 2016) 17 AR Packaging plants answered the CDP questionnaire through the collection software 360°report. All data were summarized at the Group level and entered as AR Packaging into the CDP online response system (ORS). This process must be done every year by the end of July for the previous reporting year.

The input is checked and assessed by the CDP organisation and in November the scores are published to the companies. For AR Packaging, these are also visible for the customers that have requested the Group to participate.

STABLE RESULTS IN 2017

Overall results in 2017 remain on the level Awareness. Several activities and improvements were started and implemented at our plants in recent years and will continue. Focus is still on improvements of Scope 1 and Scope 2 emissions, but to reach level of Management Scope 3 activities are needed for the Group.



SCORING METHODOLOGY BY CDP

CDP classifies scoring performance with the following ranking:



CDP 2017 CLIMATE SCORE

The performance scores are expressed as bands (A, A-, B, B-, C, C-, D, D-), with A being the highest level. AR Packaging reached the following results on Climate Score:

COMPANY NAME	PERFORMANCE BAND
AR Packaging	C
CDP supply chain average	D

After significant improvement from D level to C in 2016, the status "Awareness" (level C) is confirmed for 2017 meaning the Group has "Knowledge of impacts on, and of, climate change issues". This result is above the average (level D) of all the CDP-responding companies.

CDP 2017 CLIMATE SCORE CATEGORIES

The performance band is comprised of the below categories to show strengths and weaknesses.

CATEGORY NAME	CATEGORY SCORE	CDP SUPPLY CHAIN AVERAGE CATEGORY BAND
Governance and strategy	C	C-
Risk and opportunity management	C	D
Emissions management	C	D

The reached category scores are unchanged to previous year.

CDP 2017 WATER SCORE

The final letter grade is awarded based on the score obtained in the highest achieved level. AR Packaging reached following results on Water Score:

COMPANY NAME	PERFORMANCE BAND
AR Packaging	C
CDP supply chain average	D

CDP's water program is based on the fact that a stable supply of good quality fresh water can no longer be guaranteed in many regions. The reached score demonstrates AR Packaging's level of environmental stewardship and its actions and approaches in managing water. Although the plants are located in regions with no limitation to water and water quality, AR Packaging is motivated to disclose, protect sources and reduce water use.

In 2017 comparable results to previous years were reached, level C, status "Awareness", which confirms that the Group has "Knowledge of impacts on, and of, water issues". Due to the limited importance of water in the processes, the Group expects to remain on this level in coming years.

CDP 2017 WATER SCORE CATEGORIES

The performance band is comprised of the below categories to show strengths and weaknesses.

CATEGORY NAME	PERFORMANCE CATEGORY BAND	CDP SUPPLY CHAIN AVERAGE CATEGORY BAND
Context	C	C
Risk assessment	C	D
Governance and strategy	C	D
Direct risks and response	C	D
Indirect risks and response	D	D

CDP 2017 SUPPLIER ENGAGEMENT RATING

For the second year, CDP evaluated organisations, including AR Packaging, on the ability to engage with suppliers on climate change.

The supplier engagement rating is expressed in bands (A, A-, B, B-, C, C-, D, D-), with A being the highest level possible and benchmarked against over 3,300 other companies that responded to CDP's 2017 supply chain information request.

COMPANY NAME	SUPPLIER ENGAGEMENT RATING
AR Packaging	D
CDP supply chain average	C-

On request of one customer, AR Packaging has started to participate also in the CDP Supplier Engagement rating but currently only for this customer. In the first year, only Level D could be reached. Therefore the Group aims to improve the possibility to break down results on climate in connection with customer volumes in the following years.



FOOD SAFETY AND HYGIENE MANAGEMENT

Food packaging, food safety and hygiene management are key areas and priorities for AR Packaging. Intensive efforts are allocated to working with the customers in all business segments to meet increasing demands and further improve the protection of food against external and unwanted substances and ensure its optimal shelf life.

FOOD SAFETY AND HYGIENE MANAGEMENT IN CONTINUOUS DEVELOPMENT

To manage product safety, integrity, legality and quality as well as the operational controls, the plants have integrated management systems installed. These cover standard demands such as quality management systems, hazard analysis and critical control points (HACCP) based on food safety programmes, good manufacturing processes and constant internal and external auditing of these systems.

AR Packaging stands for high standards on food safety and hygiene management in order to fulfil and exceed given legal requirements and the demands and expectations of customers and consumers. A total of 16 of 18 plants have regularly audited hygiene management systems:

- Nine plants are certified on BRC Global standards with the overall aim to provide protection for the customers and end consumers. All plants received high (A) and highest (AA) scores, which demonstrates the positive development of these plants.
- Five plants are certified to the comparable FSSC 22000 Food Safety Certification System, of which the Flextrus plant in Lund, Sweden, holds both this and the BRC certification due to special customer requirements. The digital printing and service plant Mediaköket in Helsingborg, Sweden, accomplished FSSC 22000 certification in spring 2018.
- Both certifications, BRC and FSSC 22000, are fully recognised by the Global Food Safety Initiative (GFSI)

- Three plants are certified on ISO 22000 Food Safety management and work in identifying and controlling food safety hazards.

Additionally, AR Packaging has started the next step on the certification level where six plants have notified themselves for unannounced BRC or FSSC 22000 audits. Applying this approach means the site must be audit-ready all the time. Moreover, more employees have to be deeply involved in the management systems because experts might not be available on the day of an unannounced audit. Two plants (Frankfurt, Germany, and Tibro, Sweden) have already passed this new challenge successfully with AA+ and A+ grading.

GOOD MANUFACTURING PRACTICE (GMP)

All AR Packaging plants follow the Good Manufacturing Process (GMP) as well as benchmarking and improving industry standards in their processes. The plants in Cholet, Augsburg, Frankfurt, Lund and Graz are additionally honoured with GMP Seal of ECMA (European Carton Maker Association) which is renewed annually by the ECMA organisation. For 2018 further plants of AR Packaging will follow this Seal to prove good manufacturing practices.

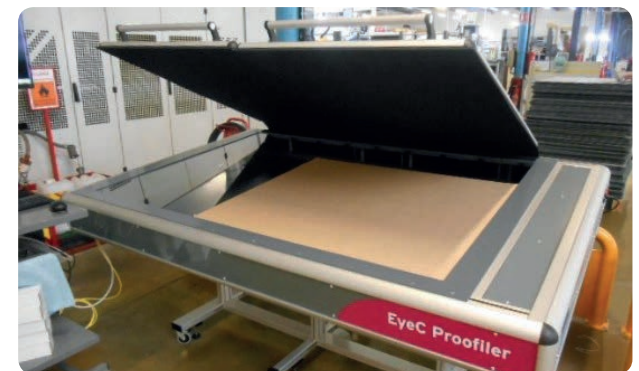


UPGRADING OF CHOLET AND LUND

Due to changes in customer structure and ongoing increases in customer requirements, the plant in Cholet, France needed to further improve its already good food safety and hygiene level to an outstanding level. This process started in 2016 and con-

tinued in 2017 with the aim to reach the same level as already established at the A&R Carton Lund, Sweden, where products for baby nutrition and the fast food sector have been manufactured for many years

Both plants will be the future benchmark for the other plants with comparable customer requirements. Baby nutrition has high demands on food safety and hygiene pushed by some historical industry incidents. To avoid printing errors that could lead to misunderstanding of e.g. ingredients, automatic print sheet scanners on the offset production line have been installed in both Lund and Cholet – each is an investment in the five digit range. The scanner in Lund was the first of its size to be installed in the world, and it compares the customer file with the printing file as well as the printing sheet with the printing file searching for small deviations in, e.g. ingredients lists..



While Lund works on further development of their already high standards, Cholet had many more changes to implement. Hygiene locks were upgraded with turnstiles, leaded washing and disinfection processes in toilets and production areas. Risk areas regarding foreign bodies such as die cutting machines and die cutting tool preparation areas were strictly separated and several small tools and new processes were installed to reach high levels of hygiene and prevent foreign bodies in the baby food production area.



Hygiene regulations require all doors and windows to be kept closed also during summer time to avoid insects, etc. To minimise the negative impact of this on working climate, an investment of 260 kEUR was made in a cooling system that was installed in 2017.



Several years ago, Cholet installed a special anti-mixing process for separating different designs printed on the same sheet. This eliminates the unacceptably high risk for mixing if made manually. Semi-automatic systems for packaging and camera control systems for checking special marks and designs ensure the purity of the packed products.



Because both the Lund and Cholet plant are dedicated to top performance concerning food safety and hygiene, continuous work is conducted to further improve food safety in the production facility. This also covers small improvements that are highly appreciated by customers and auditors. Two examples:

- Change to detectable pens with no fragile parts in production. Only one type of pen is allowed in the production area at both plants.
- At the plant in Lund all entrepreneurs have to wear clean A&R Carton clothes irrespective of how long they need to be in production. All visitors, including company personnel, staying in production longer than 2 hours must change to clean A&R Carton clothes. Moreover all operators must change safety shoes when going outdoors.

Driven by customer demands Lund performed an Evaluation of Food Defense of the whole production process in 2017.



A complete review of the production process has been carried out to evaluate the production process with respect to food defense. Where an improvement has been identified, corresponding actions have been carried out – e.g. one of these actions has been to update the Group supplier audit template to include food defense and food fraud for regular supplier audits.

CENTER OF EXCELLENCE FOR CUPS IN ST. PETERSBURG



The plant in St. Petersburg has during latest two years moved to a different role in AR Packaging, with a complete change of machine equipment and new customers. Besides taking over the production for a big global tobacco customer with newly transferred printing machines from the closed Moscow plant, the Center of Excellence for cold, hot and double wall hot cup production for the Russian market has been implemented. A new flexo printing line, punching machine and cup forming machines and tools were bought, and high hygiene standards were developed after reviewing all existing and newly implemented processes and methods. Additionally, the plant passed the FSSC 22000, social accountability and different customer audits in 2017. In 2018 a total re-organisation of the warehousing will finalise this comprehensive project.

INTERNALLY AND EXTERNALLY PROVEN FOOD SAFETY

All AR Packaging plants strictly comply with the inspection of not only incoming raw materials, but also of material handling during and after production. Moreover, organoleptic tests and analysis are performed when required for both unprinted and printed products. In addition to analyses performed at our internal local laboratories, AR Packaging had a multitude of external analyses performed in 2017 by accredited external laboratories to ensure legal compliance of delivered products. No migration of unwanted substances into food was detected or exceeded set legal limits.

Also in 2017, local authorities undertook a large number of food packaging inspections and analyses in several segments. AR Packaging and its customers were only partially included in inspections and publications, and none of our plants were involved in any official complaints related to food safety. Neither did the products show any negative impact on consumer health and safety. Consequently, no fines for non-compliance according to laws or regulations related to our products were registered.

ON TOP OF REGULATIONS

AR Packaging now operates with 18 plants located in 10 different countries and works with its customers on food safety for products that are distributed in several countries – including outside of Europe. This provides great knowledge pool of local legal developments and requirements that can be shared quickly within the whole Group.

AR Packaging is actively represented by the Product Safety Manager in Quality committees of the European Carton Makers Association (ECMA), where developments on food safety regulations are observed, discussed and commented on if needed. Further-



more, local experts at the plants are members of several other local associations, and regular participation at conferences supplements the continuous knowledge updates.

DISCUSSIONS ABOUT FOOD SAFETY REGULATION

The main focus in 2017 on product safety was once again Europe with ongoing discussions on a number of different regulatory food safety initiatives expected to come into force in 2018 and/or 2019:

- For mineral oils some more countries such as Switzerland (Swiss ordinance) enacted stricter regulations against the use of recycled substrates for food contact applications or, as in France (ANSES) and Belgium (FAVV/AFSCA), came up with scientific opinions published by the food safety authorities. However, the German Federal Ministry of Food and Agriculture (BMEL) remains the main driver: Four draft regulations for recycled paper and paperboard food articles were developed and published from 2011 to 2017. The latest draft concept from March 2017 sees a functional barrier against migrating aromatic hydrocarbons (MOAH) combined with a defined "non-migration limit" of max. 0.5 mg / kg transition MOAH (C16 to C35) on food. Also for this 4th draft of the German mineral oil regulation, the packaging industry has huge concerns because several legal uncertainties in terms of implementation exist. Nevertheless, the German ministry will proceed to approve this regulation and bring it into force, without having a final timing. AR Packaging is monitoring the development closely because global customers are expected to take on such a German regulation. The Group already offers a wide range of barrier solutions to customers.
- A lot of discussions in associations were linked to the fact that the EU Commission has started on a food contact

legislation and printed Food Contact Materials (pFCM). The focus will be on printing inks and printed food contact materials and will therefore directly affect the sector the Group operates in. On the other hand, such regulations affect the drafted German Ink Regulation which now may put on hold.

- Focus was also on several specific substances being discussed during 2017 such as titanium dioxide, fluorine connections and NIAS (non-intentionally added substances).



RISK MANAGEMENT

AR Packaging is exposed to a number of business-related risks that are continuously monitored by the Group. Compliance and sustainability-related risks are listed below with examples of preventive measures. Strategic, operational and financial risks are not a part of this sustainability report.

COMPLIANCE RISKS	DESCRIPTION	PREVENTIVE MEASURES
CORRUPTION	Risk that the Group, its affiliated entities or their respective officers, directors, employees and agents may act in a manner deemed to be in violation of anti-corruption or trade sanction laws.	Implementation of a regularly reviewed Code of Conduct as well as Counterfeiting and Anti-illicit trade policy (last update 2016). A training programme for employees was initiated – and re-training is planned for 2017/2018. A whistleblowing scheme is available since 2016, which is again communicated to employees in training in 2017/2018. New plants in Indonesia (Bekasi / Semarang) and Sweden (Mediaköket) have been involved in this process since 2017. Due to higher risks assessed for Indonesia, a closer training approach is decided (twice a year from 2019 for critical groups) as well as a special focus on observation.
COMPLIANCE WITH INTERNAL RULES	Risk that the Group, its affiliated entities or their respective officers, directors, employees and agents may not comply with the Group's Code of Conduct or other critical policies and procedures.	All important policies and procedures were reviewed in 2016 and implemented according to a defined plan. Re-training of employees is regularly performed. A whistleblowing scheme is available since 2016 and well communicated to all employees.
FOOD SAFETY	<p>Risk of product/food safety claims against the Group caused by transfer of substances from our food packaging product and/or used raw materials, with possible impact on human health, unacceptable change of food properties or deterioration of the organoleptic characteristics.</p> <p>Risk of damaged reputation and thereby a negative business impact through public discussion and/or the media in connection to the food.</p>	<p>Clear responsibilities at all plants on food safety approval and strict compliance with legislation. Only evaluated raw materials with declarations of conformity, which meet our food safety approach, are used. Only low migration and mineral oil-free printing inks and varnishes are used for all food packaging. The installed process often exceeds GMP (Good Manufacturing Processes standard) and customer requirements.</p> <p>Risk management on food safety starts in product development in open discussion with our customers, and it is then confirmed by continuous external analysis. Active participation in local and European associations to stay updated on new regulations and discussions. Hygiene management systems are implemented at most plants.</p>

COMPLIANCE RISKS	DESCRIPTION	PREVENTIVE MEASURES	
SUPPLIERS	Risk that suppliers do not have internal business practices to ensure awareness of and compliance with our Code of Conduct. Possible publicity that could have a negative impact on the Group's reputation and on the business with our customers.	Long-term relationship with the main suppliers, who mainly operate in the European region with existing laws covering international standards. Regular check on available Code of Conducts at 55 main suppliers, including top 30 suppliers to AR Packaging, started in 2017. This is rounded off by implementation of a sustainability questionnaire in a Group audit approach and a Procurement Policy reviewed in 2016. At the end of the process, a sustainability assessment of these suppliers is performed. There is a special situation in Indonesia with mainly local suppliers where the same approach will be used in 2018/2019 to reach same level of confidence.	
ENVIRONMENTAL RISKS	DESCRIPTION	PREVENTIVE MEASURES	
COMPLIANCE WITH ENVIRONMENTAL LAWS AND RULES	Risk that the Group and its plants breach environmental laws and/or local rules or fail approvals for buildings and assets.	Policies and procedures are implemented and monitored by appointed environmental managers at all plants. Continuous further training of the Environmental managers and regular reviews by local authorities. A total of 8 of 18 plants are ISO 14001 certified. However, other certifications like BRC, FSSC 22000, ISO 22000 and Social audits also require compliance with laws and guidelines.	
ENVIRONMENTAL ACCIDENTS WITH IMPACT ON SURROUNDINGS	Risk that accidents caused by the Group, its plants and/or manufacturing processes have an impact on the human environment and surroundings, with consequences such as damaged reputation due to the impact of authorities and media.	Clear procedures and responsibilities in case of environmental accidents are implemented at the plants, including open and transparent external communication. Environmental managers and plant managers jointly monitor and continuously develop protection systems and procedures. The common approach is for all plants to follow local legal requirements and international standards.	
WATER RISKS	DESCRIPTION	PREVENTIVE MEASURES	OPPORTUNITIES
USE OF WATER FROM LIMITED OR ENDANGERED RESOURCES	Risk that water from limited, endangered or protected resources is used by our plants.	The plants are all located in secure environmental surroundings with access to sufficient sustainable water. Withdrawal of water follows local laws and regulations and is continuously monitored by authorities.	
WATER SHORTAGE DUE TO ENVIRONMENTAL OR CLIMATE CHANGES	Water is required in our supply chain (e.g. cartonboard and paper manufacturing processes) as well as in our processes. Risk that water shortage could impact our business, supply chain or manufacturing processes at our plants.	The suppliers are mainly located in Europe with secure environmental surroundings and with access to sufficient sustainable water. Also in Indonesia water is an available sustainable resource and no shortage is expected. The process water used internally has a secondary role. Water consumption is tracked, and projects to reduce water usage run continuously at the plants.	Development of the Group's business and our environmental reputation by demonstrating the limited use of water resources.

CLIMATE CHANGE RISKS	DESCRIPTION	PREVENTIVE MEASURES	OPPORTUNITIES
STRICTER ENVIRONMENTAL REGULATIONS AND/OR INTERNATIONAL AGREEMENTS	Risk that stricter environmental regulations and/or new international standards will have a noticeable impact on our business, industry, the manufacturing processes or the surroundings of our plants.	<p>The plants are mainly located in European countries with stable and predictable legal developments. This normally allows time to react to potential new obligations.</p> <p>For Indonesia environmental regulations are currently not as strict as in Europe. In case of changes, we have the experience to increase standards to the European level.</p>	<p>Development of the Group's business and environmental reputation thanks to the following:</p> <ul style="list-style-type: none"> • Sales of mainly sustainable, recyclable products. • Cartonboard sourced from sustainable managed forests is the main raw material. • Our manufacturing processes have less environmental impact, and our footprint is continuously being reduced. • We closely observe discussions on PE-coated cups and develop innovations with less plastic or improved recycling possibilities • Develop the Indonesian plants to European standard as an opportunity for global customers.
CARBON AND/OR ENERGY TAXES	Risk that increased carbon and/or energy taxes could have an impact on our prices in general and in competition with manufacturers in other countries. This includes higher prices due to changes in energy form, e.g. from nuclear to wind power.	Tracking of carbon and energy usage aiming for reduction. Ongoing projects at all plants to reduce dependency on limited resources, e.g. the complete move to "green energy" at our Nordic plants. Increased prices of resources are regularly discussed with customers.	Development of the Group's business and environmental reputation together with existing and new customers by reduction of environmental footprint and communicating this to our customers.
CHANGE IN AVERAGE TEMPERATURE	Risk that further increase of the average temperature will have a noticeable impact on our business, manufacturing processes or plant surroundings.	The plants are mainly located in Europe with secure and stable environmental surroundings. Newly acquired plants outside of Europe will be included in risk assessments. Countries and locations where the Group operates are currently not affected by risk of climate phenomena (floods, storms, etc.) or possible increase in temperature. The status is continuously observed by the plants and includes the two Indonesian plants.	Development of the business by offering long-term stable environmental surroundings.

CERTIFICATIONS AND SUSTAINABILITY MEMBERSHIPS

Continuous assessments and reporting to external experts and organisations increase transparency and give the Group important feedback to improve its processes and sustainability activities in line with our strategy.



CDP DISCLOSURE PROCESS

Since 2014, AR Packaging has participated in the CDP and aims to disclose its annual greenhouse gas emissions and water usage. Together with the customers, we support the prevention of dangerous climate change and the protection of our natural resources is supported. More information: www.cdp.net



CERTIFIED GRAPHICAL PRODUCTION

Mediaköket, a member of AR Packaging since 2016, got excellent results in the certification process of Certified Graphical Production (CGP ISO 12647-2) in 2016.



SOCIAL ACCOUNTABILITY

As of May 2018, 15 of 18 plants run through regular Social accountability surveys with a minimum approach of external self-assessments but for the majority with external audits by independent companies – following the successful SMETA-4-Pillar and/or SWA approach. Our two Indonesian plants in Bekasi and Semarang recently joined the SEDEX platform and will follow the Group approach.



RESPONSIBLE FOREST MANAGEMENT

The first AR Packaging plants were certified according to FSC® (Forest Stewardship Council®) and PEFC™ (Programme for the Endorsement of Forest Certification) in 2010. Today 15 of the 18 plants (as of May 2018) can offer customers the use of this standard for their products. More information: www.pefc.org/www.ic.fsc.org/en



ENVIRONMENTAL MANAGEMENT

At the end of May 2018, 8 of 18 plants were certified under the new ISO 14001:2015 version to help us reduce our negative impacts on the environment and to comply with applicable laws, regulations and other environmentally oriented requirements. In 2019 the Indonesian plant in Bawen plans to go for ISO 9001:2015 certification.



QUALITY MANAGEMENT

15 of 18 plants operate with a certified quality management system to ensure that they meet the needs of our customers. The majority has implemented integrated management systems (IMS) to cover all certifications in one documentation system. In 2017 the Group successfully proceeded the migration of plants to the new ISO 9001:2015 version, which will be finalised in 2018.



ENERGY MANAGEMENT

The plants in Augsburg and Frankfurt, Germany, hold certification according to ISO 50001 with detailed energy management systems and energy potentials installed. This certification is focused on Germany only because it is linked to the energy tax return.



UN GLOBAL COMPACT

The United Nations Global Compact is the world's largest corporate sustainability initiative with participation of 9,678 companies from 161 countries. Corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption – based on the Ten Principles of the UN Global Compact. A&R Carton has since 2008 been a signatory and in 2014 it was extended to include the whole AR Packaging. Yearly progress on developments is reported to the UN. More information: www.unglobalcompact.org



HYGIENE AND FOOD SAFETY

In May 2018, 9 of 18 plants were certified and had migrated to the new tightened version BRC Pack5. BRC Pack5 follows the high requirements of hygiene to fulfil and exceed the needs of our customers, but also to meet statutory and regulatory requirements related to our products. Based on special customer requirements, six plants will move to the unannounced audit approach, meaning that a BRC auditor could come any day to a plant. Two plants have so far successfully passed this new approach in 2017 and the others will follow 2018/2019.



HYGIENE AND FOOD SAFETY

The 22000 standard is largely comparable to BRC Pack 5 and has a wide acceptance in the food supply chain and is requested by some of the largest customers. Five of 18 plants are now certified to this standard (as of May 2018) with the Mediaköket plant being the last entry in 2017. For 2018 the second plant in Indonesia (Semarang) plans to go for FSSC 22000 certification. One plant (Flextrus Lund) also continues to hold the BRC certification due to customer requirements. Three further plants are certified on ISO 22000 – a pre-stage of FSSC 22000.



SUSTAINABILITY RATING

EcoVadis was launched in 2007 to address the needs of procurement executives who were looking for reliable sustainability indicators for their suppliers. Until 2016, only the plants in Cholet, France, and Flextrus Lund, Sweden, were part of EcoVadis' platform. At the end of 2016, it was decided to participate at the Group level due to crossplant customers.

CERTIFICATIONS PER PLANT

	Frankfurt	Augsburg	Graz	Krakow	Timashevsk	St Petersburg	A&R Carton Lund	Tabasalu	Ingerois	Cholet	Maju Jaya Bekasi	Maju Jaya Semarang	Flextrus Lund	Flextrus Halmstad	Flextrus Highbridge	Media-köket	CC Pack	SP Containers
ISO 9001	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
ISO 14001	✓		✓	✓			✓					Planned for 2019	✓	✓	✓			
ISO 50001	✓	✓																
FSC®/ PEFC™	✓ (Multisite)	✓ (Multisite)	✓ (Multisite)	✓ (Multisite)	✓ (Multisite)	✓ (Multisite)	✓	✓	✓	✓ (Multisite 2018)	✓ (FSC®)	✓ (FSC®)	✓ (FSC®)				✓	✓ (FSC®)
SOCIAL ACCOUNTABILITY	✓	✓	✓		✓	✓	✓			✓	Planned for 2018	✓					✓	
SEDEX	✓		✓		✓		✓	✓		✓	Planned for 2018	✓	✓	✓	✓			✓
BRC	✓	✓	EN15593		✓					✓			✓	✓	✓		✓	✓
FSC 22000			ISO 22000	ISO 22000		✓	✓	ISO 22000			FSC 20000+ ISO 22000	Planned for 2019	✓			✓		

STATUS MAY 2018

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GRI STANDARDS	DESCRIPTION	PAGE	UN GLOBAL COMPACT
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I02-20	Executive-level responsibility for economic, environmental and social topics	7, 18	
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I02-24	Nominating and selecting the highest governance body	-	
I02-25	Conflicts of interest	-	
I02-26	Role of highest governance body in setting purpose, values and strategy	-	
I02-27	Collective knowledge of highest governance body	-	
I02-28	Evaluating the highest governance body's performance	-	

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TABLE 2:

GRI STANDARDS	DESCRIPTION	PAGE	UN GLOBAL COMPACT
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I02-31	Review of economic, environmental and social topics	-	
I02-32	Highest governance body's role in sustainability reporting	-	
I02-33	Communicating critical concerns	-	
I02-34	Nature and total number of critical concerns	18	
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I02-36	Process for determining remuneration	-	
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I02-39	Percentage increase in annual total compensation ratio	-	
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I02-41	Collective bargaining agreements	21	
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I02-44	Key topics and concerns raised	9	
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GRI STANDARDS	DESCRIPTION	PAGE	UN GLOBAL COMPACT
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I02-51	Date of most recent report	66	
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GRI 202: Market Presence 2016			
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GRI 203: Indirect Economic Impacts 2016			
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TABLE 3:

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SUSTAINABILITY REPORTING HISTORY

AR Packaging has since 2007 published annual Sustainability reports – first as A&R Carton and since 2013 as AR Packaging. Due to organisational changes in 2012, a shorter Sustainability policy document was published that year.

All Sustainability reports published since 2010 are available for download at www.ar-packaging.com.



2007



2008



2009



2010



2011



2012



2013



2014



2015



2016



2017

INFORMATION AND CONTACTS

THE SUSTAINABILITY REPORT 2017

This sustainability report summarises the key environmental and social developments at AR Packaging for the calendar year 2017. It is published digitally as a pdf document on the Group's websites and is also the basis for the annual progress report as obliged by the Group's membership in the UN Global Compact. A condensed version of the sustainability reporting for 2017 is included in the financial report as regulated in the 2014 EU Directive on the disclosure of non-financial and diversity information (2014/95/EU).

COMMUNICATION CHANNELS

The substantial track record of AR Packaging sustainability reports is available to download from the website www.ar-packaging.com, where you are most welcome to read more about corporate social responsibility at AR Packaging. Sustainability achievement are also shared through LinkedIn.

www.ar-packaging.com

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AR Packaging is a family of strong companies. With vast experience and unique competencies in each respective field of packaging we offer synergies to customers looking for a long-term partner delivering cutting-edge solutions.

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