



Communication on Progress

United Nations Global Compact





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ARKA Merchants Limited
70, Sir John Rogerson's Quay,
Dublin 2





Statement of Continued Support

Dear Ladies and Gentlemen,

With our first communication on Progress (COP), we reaffirm our commitment to the UN Global Compact's core values in the areas of human rights, labor, environment and anti-corruption, which we initially made with the signing of the UN Global Compact in 2018. We will further intensify our efforts to conform to those principles and are committed to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of our company.

We support public accountability and transparency, and therefore commit to annually reporting according to the UN Global Compact COP Policy. This includes:

- A statement signed by the chief executive expressing continued support for the UN Global Compact and renewing the ongoing commitment to the initiative and its principles.
- A description of practical actions (i.e., disclosure of any relevant policies, procedures and activities) that the company has taken (or plans to undertake) to implement the UN Global Compact principles in each of the four issue areas (human rights, labor, environment, anti-corruption).
- A measurement of outcomes (i.e., the degree to which targets/performance indicators were met, or other qualitative or quantitative measurements of results).

Even though, we only recently joined the UN Global Compact as Arka Merchants Limited, we are a member of a larger group of companies called Segezha Group (<https://segezha-group.com/en>). For the Segezha Group a regular Sustainability Report has been prepared in 2018 covering the years of 2016 and 2017 (https://segezha-group.com/assets_new/our_eng.pdf), thus the next Sustainability Report covering the years 2018 and 2019 is expected in 2020.

We invite all business partners and other interested parties to join and support us in realizing this vision and get in contact with us in case of any questions or suggestions.

Rinat Stark
Director, Arka Merchants Ltd.



General Information

ARKA MERCHANTS LTD (hereafter ARKA) consolidates the European paper packaging production facilities of Segezha Group under the brand of Segezha Packaging. This includes production and sale of the industrial paper sacks for a wide range of industries, such as cement, building, food, agriculture and chemical.

Industrial paper sacks meet the highest performance standards while at the same time represent a sustainable and natural fiber-based packaging solution. Company's extensive product portfolio ranges from simple open-mouth and pasted valve sacks to pinch bottom and tube film sacks familiar in food industry including baby food applications.

All types of paper sacks are designed for efficient filling and are protected from dust, moisture and other environmental factors during transportation and storage.

ARKA is comprised by the following production sites:

- Segezha Packaging B.V. (The Netherlands)
- Segezha Packaging A/S (Denmark)
- Segezha Packaging s.r.o. (Czech Republic)
- Segezha Packaging S.R.L. (Romania)
- Segezha Packaging S.P.A. (Italy)
- Segezha Packaging Germany GmbH (Germany)
- Segezha Ambalaj Sanayi Ve Ticaret Anonim Sirketi (Turkey)



Human Rights

Principle 1: We support and respect the protection of internationally proclaimed human rights
Principle 2: We make sure that we are not complicit in human rights abuses

ARKA is aware of its social responsibilities towards our employees and the environment and we declare full support and commitment for the United Nations Universal Declaration of Human Rights. We therefore have implemented a Labor and Human Rights Policy that applies to ARKA and all locations across Europe and Turkey. The policy is compliant with international laws and conventions on human rights and comprises the rights of private property, privacy, civil and political rights, association and collective bargaining, safe and healthy working conditions, social and cultural rights as well as the prevention of harassment, violence and derogatory treatment.

With our Labor and Human Rights Policy, we have articulated a general commitment to create a safe and healthy working environment for all our employees. We support our employees to constantly develop their skills and we raise awareness for labor and human rights issues and risks amongst our workforce and suppliers.

We do not tolerate any form of discrimination or any form of violence at the workplace. This includes assault, intimidation, bullying and harassment.

It is our goal to record zero breaches of fundamental human rights and we also aim to train 100% of our employees on human rights issues by the end of 2020. In 2018 42,4% of our employees were trained on human rights issues.

With our Supplier Code of Conduct we extend our commitment to human rights to our suppliers and we expect our suppliers to respect fundamental human rights and treat their employees fairly and with respect. At ARKA we strive to evaluate and improve our internal processes on a regular basis. We will assess our suppliers to make sure that our suppliers are compliant with our Labor and Human Rights Policy and our commitment to human rights by asking respective suppliers to provide relevant information and conducting audits and reviews of sub-suppliers they use upon our request.

It is also our goal to increase participation of people with disabilities in the workplace. In 2018 4 of our 8 facilities were accessible to disabled people. In the reporting year, out of 653 ARKA employees, 24 were disabled.



To make sure that any human rights violation will not go unnoticed, we have implemented a whistle-blowing mechanism to encourage all employees to notify ARKA about any incidents or breaches. Information can be yielded anonymously online at any time under hotline@segezha-group.com without retaliation in case of report of breach.

The Labor and Human Rights Policy is reviewed and updated annually by the ARKA management board.



Labor Principles

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation

Working at ARKA

ARKA is committed to create safe and healthy working conditions for all our employees and to comply with national as well as international laws and regulations on labor rights and to demand the same from our suppliers. To ensure this, we have outlined clear rules and guidelines on fairness, transparency in our group-wide Labor and Human Rights Policy.

We commit to provide a healthy work-life-balance to our employees. By this we mean that a normal working week should not be longer than 40 hours or 60 hours including overtime. In addition, working from home is – where possible – made available to our employees.

We pay salaries and wages in accordance with local standards and apart from regulatory guidance, the level of remuneration is solely based on skills and experience and not on gender, skin color, language, age, wealth, nationality, religion, ethnical or social group, caste, economic situation, physical or mental disabilities, pregnancy, union membership, political opinion, marital status and personal relationships. Furthermore, our employees are being compensated for overtime in a fair and transparent manner in accordance with ILO guidelines.

All our employees have the right to receive an annual performance review and professional development. Our goal is to provide training and further education to 100% of our employees.

We also strive to grant all our employees the right of assembly and collective bargaining. As of now 88.5% of our employees are covered by collective agreements und 78.4% are represented by worker councils. We aim to increase the share of employees with employee representation gradually to 100%.



We do not tolerate any form of child or forced labor. According to the ISO 26000, child labor is defined as a form of exploitation which damages a child's physical, social, mental, psychological and spiritual development, depriving it of childhood and dignity. Forced labor, according to the ISO 26000, means that work or service is exacted under the threat of any penalty or not conducted voluntarily. It is our goal to record zero cases of child labor and zero cases of forced labor.

Health and Safety

Due to the use of heavy machinery in our day-to-day business, occupational health and safety plays a crucial role for ARKA. This is reflected in our Labor and Human Rights Policy, which is concerned with protecting our employees' health and safety in everything we do. To underline our commitment, we set ourselves a zero-incident goal.

To reach this goal, we follow a strict health and safety management system which is being implemented through various standard operating procedures at all our sites. As part of this, health and safety risk assessments and regular health and safety trainings are conducted at all production sites. In the reporting year, 89,7% of all employees were trained on health and safety aspects. Furthermore, we provided 100% of our employees working with machinery with personal protective equipment (PPE).



Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies

Due to the nature of our operations, energy and greenhouse gas emissions, water consumption, waste, materials and chemicals as well as product end-of-life were identified as particularly relevant topics to our organization. We have implemented an Environmental and Sustainable Purchasing Policy to address the protection of the environment. It is our ambition to constantly reduce energy consumption as well as associated greenhouse gas (GHG) emissions, to minimize waste and material input and to avoid environmental impacts generated from the end-of-life of our products. We also take social and environmental aspects into consideration when producing products and services and adhere to all environmental laws and demand the same from our suppliers. We are in the process of implementing an environmental risk assessment across all our production plants. In 2018 we have completed an environmental risk assessment for 4 of our 8 company locations.

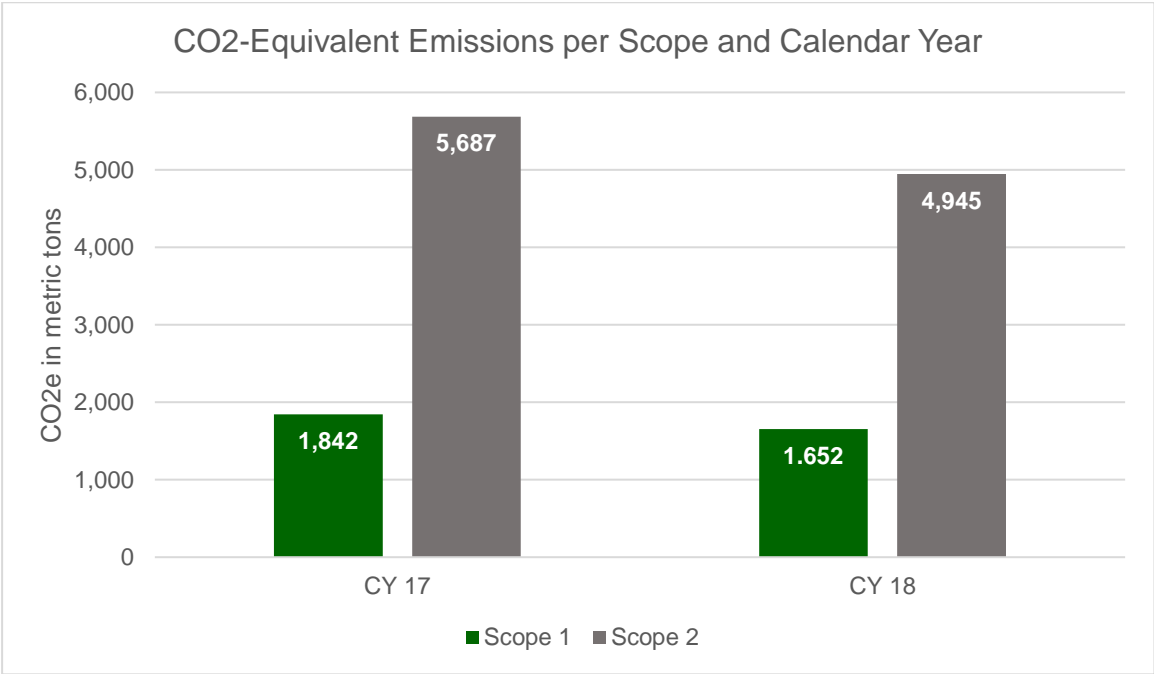
GHG-Emissions

We want to combat climate change and minimize our impact on the greenhouse gas effect. To be able to quantify, benchmark and derive measures internally, we conduct a Company Carbon Footprint (Scope 1 and 2) on a yearly basis. For calendar year 2017 our CCF amounted to a total of 7.529¹ metric tons CO₂e. For the calendar year 2018 our CCF decreased to 6.597 metric tons CO₂e. We were able to reduce our Scope 1 emissions from 1.842 metric tons CO₂e to 1.652 metric tons CO₂e, mainly due to a partial shift to electric vehicles at our production site in Turkey. With a reduction of 742 metric tons CO₂e (5.687 to 4.945) in CY 2018, our Scope 2 emissions decreased relatively strong. This is based on a slight decrease of energy consumption across all our production locations and an especially strong decrease at our main production location in Germany.

¹ The figures for 2017 have been corrected due to incorrect quantity units for the LPG consumption. Thus, the figures increased from 7.506 to 7.529 tons CO₂e.



Figure 1: CO2-Equivalent Emissions per Scope and Calendar Year (CY)



We implemented measures on different levels to reduce our overall energy consumption and greenhouse gas emissions. By using energy-efficient technology and lighting systems we aim to reduce our energy consumption by 5% by 2020. We simultaneously strive to reduce our CCF by 5% compared to 2017 as a reference base year. To achieve this, we will focus on the use of energy-efficient technology as well as the expansion of our fuel-efficient/electric/hybrid fleet.

Waste and Water

We commit to constantly reduce our waste by sorting, recycling and efficiently using materials and waste products, as our products contribute to an increased amount of waste disposed of by our end-customer. We therefore aim to design our products with recyclability as a critical factor in mind. In 2018 we were able to provide information on recyclability for 58,1% of our products. We have set a goal to reduce our waste generation by 5% by 2020. As a packaging processor, our water use is restricted to small amounts used in the office or for cleaning equipment. Nevertheless, we also want to reduce our water consumption by 5% by using water-saving devices in sanitary areas by 2020.



Procurement

To make sure that our environmental and social standards and commitments are upheld, not just within our locations but also for our upstream activities, we take social and environmental factors into account when choosing our suppliers. We therefore urge all suppliers to sign our Supplier Code of Conduct by 2020. Since we are operating in the forestry and paper sector, timber and timber products are of particular interest when taking environmental and social aspects into consideration. We ensure that all employees associated with timber purchasing are aware of our Environmental and Sustainable Purchasing Policy and that they receive appropriate education and training to allow its full implementation. In case of non-compliance by employees with environmental laws and regulations monetary fines may apply. In 2018 we had no cases of non-compliance regarding environmental laws and regulations.

We want to base our commercial activities on well-managed forests. We are committed to sourcing timber from legal sources and we will require suppliers to demonstrate that they operate in accordance with relevant local regulations and laws. We condemn any form of illegal logging practices and keep ourselves informed and updated on international processes and changes in legislation. We will not trade in timber species prohibited under Appendix 1 of the CITES legislation and will obtain the appropriate documents for trade in all other CITES listed timber species. We also recognize the importance of timber certification schemes and support international efforts to improve sustainable forest management. Independent certification of forests and the process chain is the most useful tool for providing assurances that the timber originated from legal sources and well-managed forests. That is why we only accept or use labels or certificates that include environmental or sustainable claims if they are supported by publicly available standards drawn up in a fully participatory, transparent and objective manner and are backed by independent inspections. Since 2008 ARKA is audited and found to meet the requirements for the FSC® chain of custody certification. Moreover, our production plant in Italy is a valid FSC certificate holder. Further FSC certification for our locations in Denmark, Germany and the Netherlands is planned for December 2019.



Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

ARKA renounces all forms of corruption, bribery and extortion. We believe in transparency and are convinced that open communication, collaboration and fairness are essential for business success. These values are reflected in our group-wide Code of Ethics (CoE) which outlines our views on corruption, bribery, donations, hospitality, fair competition, and transparency. The document is reviewed and assessed by company on a regular basis.

The CoE is available in all corporate languages and at all company sites. It is also available to the public at the official web site of the company. The contents of the CoE are communicated to all employees, who are to sign their acknowledgment with the document, when they are hired to work. To ensure that employees facing compliance risks have a proper understanding of the CoE and implement it as required, training sessions, workshops and training materials are provided.

The 2018 Corruption Perception Index by Transparency International shows that among the countries in which ARKA operates, some have a low risk of corruption (Germany, the Netherlands, Denmark and Ireland), some have a medium risk of corruption (Czech Republic, Romania, Turkey and Italy).

In case employees have any doubts with regards to ethicality or legitimacy of their actions as well as actions, inaction or offers of other staff members, counter parties and other individuals and entities, which liaise with ARKA, they can report these (including anonymous messages) through the ARKA whistle-blowing mechanism (hotline@segezha-group.com).

In 2018 no substantial incidents were reported to the whistle-blowing mechanism, both within the company and the supply chain. We aim to keep up this performance in the coming years.

Further information:

Corruption Perception Index 2018
<https://www.transparency.org/cpi2018>



Key Performance Indicators

We identified the most important indicators for each of the four topics. These will be reported on a yearly basis to the public.

Human Rights

- 0 incidents related to discrimination
- 42,4% of employees trained on human rights issues (child & forced labor, discrimination)
- 0 employees below 15 years
- 4 of 8 company facilities accessible to disabled people
- 24 disabled employees out of 653 employees total

Labor Practices

- 88.5% of employees covered by collective agreements
- 78.4% of employees represented by workers' council

Health and Safety

- 100% of employees provided with personal protective equipment
- 89,7% of employees trained on H&S issues
- 8 of 8 company facilities are covered by H&S procedures

Environment

- CO2 emissions declined from 7.529 tons in 2017 to 6.597 tons in 2018
- 58,1% of products with information on recyclability
- 4 of 8 company facilities conducted environmental risk assessments
- 0 incidents of monetary fines for non-compliance with environmental laws and regulation

Anti-Corruption

- 0 incidents related to corruption

Impressum

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