



ARPACKAGING

Sustainability report 2019

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About AR Packaging

AR Packaging is one of Europe's leading companies in the packaging sector, serving many blue-chip companies in the food, healthcare, beauty, 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. The head office is situated in Lund, Sweden.

AR Packaging presents stable growth and has in recent years made a number of major acquisitions. In 2019, the Group acquired Nampak Carton Nigeria and K+D as well as the agreement to acquire rlc packaging group (including shareholding in the stock listed BSC Drukarnia Opakowan). This strategic move put AR Packaging in a leading position also on the European beauty & healthcare market and enables deliveries to its customers from three continents.

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

| | | |
|--------------|-------------|---|
| Sales (MEUR) | Plants | Countries |
| 920 | 28 | 13 |
| Divisions | Employees |  |
| 5 | 5500 | |

The power of combined skills

AR Packaging has a fully integrated organisation consisting of specialised plants, each of which brings vast experience and unique competencies in their respective field of packaging. Working together as one Group means we can offer customers synergies with a broad offering of cutting-edge packaging solutions.

Creating the next big thing for nearly a century

The origins of today's AR Packaging date to 1929, when Erik Akerlund and Ruben Rausing founded a business on the revolutionary idea of reshaping European retailing with pre-packed goods. Their drive for change has shaped the company ever since, leading to such well-known developments as the very first "Tetra Pak" for milk. It's the same innovative spirit that continues to drive every element of what we do today.

We develop solutions for a better tomorrow

2019 was an eventful year for AR Packaging. Being a pioneer in the consolidation of our industry, we maintained the initiative and made several acquisitions that strengthen our position in the market.

Following the acquisitions, we have 28 factories in Europe, Asia and Africa which provide increased opportunities to serve our customers. This is in line with our strategy to be close to the customers, building on local presence and global reach. We have a broad customer base of large international companies as well as medium-sized regional and local customers in more than 50 countries globally.

AR Packaging is one of the leading companies in the packaging sector offering a wide portfolio of carton-based and flexible packaging solutions. Our vision is to create success through packaging. Today, as the Corona pandemic challenges humanity, we are repeatedly reminded that packaging has a mission that is critical to society and needed to protect drugs and medical equipment – thus helping to save lives – and to ensure shelf life of sensitive foods during prolonged transit and storage.

The demand for high quality packaging solutions is growing and with cartonboard being a fibre-based, renewable and recyclable material with great environmental benefits, we see opportunities to grow. Given the EU directive on the transition to a circular economy and the values of increasingly conscious consumers, AR Packaging is well positioned to develop new innovative packaging solutions in partnership with our customers.

Innovation has been part of our DNA since AR Packaging was started in 1929. By challenging ourselves and driving

continuous improvements, we reduce both our own and our customers' carbon footprint. Some changes are minor, such as adjustments in a machine or process that saves resources, while others are larger such as new smart packaging. In this report you can see examples of both – changes that have reduced our environmental impact.

Our concept of success is not just about what is good for the Group, but also what we can do for customers, employees, our industry and the world. This is the foundation of our work on sustainability. We develop solutions for a better tomorrow. Our business is conducted in a responsible manner. Being a signatory of the United Nations' Global Compact means we submit an annual COP (Communication on Progress) to show our efforts to embed the Ten Principles of the UN Global Compact into our business.

After several years of expansion of our Group, with many acquisitions and subsequent integration of the businesses, there is a need to take the next step in our sustainability work. With this report, we now introduce our updated sustainability targets that encompass our social, environmental and financial ambitions until 2025. These targets will not only be key to driving our continued work but will also lay at the centre when updating our sustainability strategy as a foundation for the future. The report you see in front of you represents one step on the road.

Harald Schulz
CEO

"By challenging ourselves and driving continuous improvements, we reduce both our own and our customers' carbon footprint."



Embracing change through sustainability

We at AR Packaging now find ourselves at the end of a five-year period concerning our sustainability targets. In 2015, we set our focus on raising awareness within the company for sustainability and how we organise our operations relating to carbon emissions, use of energy, food safety, and social standards.

While we recognise that there is still work to be done in several areas, I am proud to say that there have been important achievements to date. I would like to express my gratitude and appreciation for all the hard and diligent work performed everyday by our many talented colleagues throughout our organisation.

Strengthened by these successes, we now look to the coming five years and have chosen targets that we believe answer to the challenges ahead. The targets can be found throughout the main sections of this report.

Commercially, we as a company need to recognise what is happening in the wider public arena. We need to stay abreast of the changes that may ultimately affect our customers, communities and the wider environment. Changes which will have a significant effect on the direction of our product development, our work within innovation and how we organise ourselves as a company.

Throughout the past year, the climate debate gained significant momentum and it became clear that companies of all sizes and industries still need to accelerate their transition to a more circular model. At AR Packaging, we welcome this development as it reaffirms our commitment to sustainability through constant product innovation.

The focus on products, their recyclability and the avoidance of plastics are still of high public interest, which has been fuelled even further by the implementation of the Single-Use Plastics Directive. As a consequence, we are now seeing a demand shift where our customers are increasingly looking for new, innovative packaging solutions.

“We constantly need to develop and adapt our operations and the way we conduct sustainable, ethical and economically sound business.”

To meet this shift, we see great business potential for our sustainably sourced carton-based products, which provide a valuable contribution to our customers’ sustainability journey. We also see a continued relevance for the many benefits from our flexible packaging range, where especially topics such as product safety and minimised food waste remain high on the agenda. Our flexible packaging products provide in this context a valuable solution coupled with our continuous work to innovate more products with sustainably sourced, renewable raw materials that are designed for recycling.



We constantly need to develop and adapt our operations and the way we conduct sustainable, ethical and economically sound business. Much has been done to this end already, but as always, there is room for improvement. Headquartered in Europe, we have the advantage of clear regulations on social and environmental issues that help guide and improve how we function. As a global organisation, we have the opportunity and responsibility to assist in transferring these standards to other countries and help the communities in which we operate to grow sustainably.

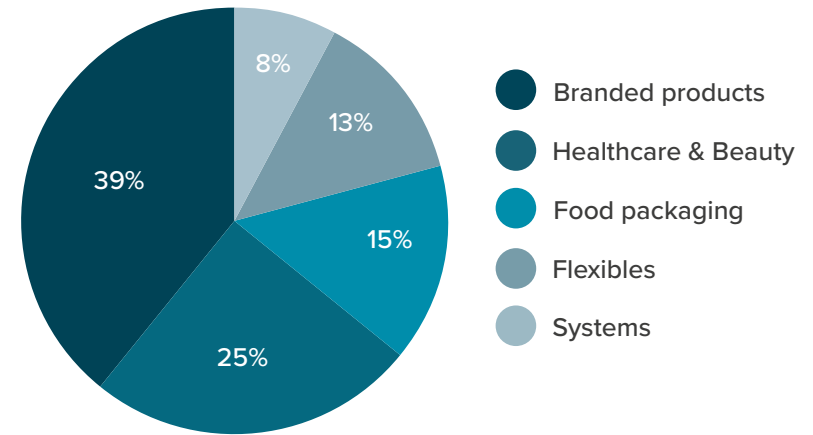
By introducing our new sustainability targets, the results presented in this report will provide a base line for the coming years. In this year’s sustainability report, we therefore focus on our most crucial sustainability topics and provide insights and examples on how they are managed by our organisation.

I hope you will find our report interesting!

Robert Mayr
Product Safety and Sustainability Director

Our market presence

Our business is structured into five divisions and eight business segments where AR Packaging has particularly strong competitive advantages. They are all characterised by high demands on all criteria for good packaging: to protect the content, to promote it and to assist the consumer in using the product.



Branded products

The Branded Products division offers packaging solutions for branded consumer goods, with a focus on creating solutions that leave an impact on the end-customer. Many of the products packed in our carton-based solutions are found in the duty-free stores. The division consists of two business segments corresponding to its primary end-markets: **Tobacco** and **Confectionery**.



Food packaging

The Food Packaging division develops sustainable solutions to meet the highest safety demands while also keeping food fresh and protected from changes in temperature and humidity. The division consists of two business segments: **Food Service**, which serves the on-the-go market, and **Food & Consumer Goods**, which supplies packaging for a variety of store-bought items.



Systems

The Systems division provides high-performance, **tailored barrier composite cans** which offer ideal solutions for products that need both effective protection and value-adding presentation for consumers. Proprietary, gas-tight solutions based on cartonboard include Boardio®, Seelio® and Cekacan® systems. The offering covers all material components, complete machinery systems designed in-house as well as a full service and after-sales portfolio.



Flexibles

The Flexibles division provides packaging solutions that offer **barrier protection, brand expression and consumer convenience to specific customer needs**. The range consists of lidding films, thermoformable base webs and materials for sachets, pouches and more. The advanced multilayer materials are used for different consumer food products and are also ideal for meeting the strict demands in the healthcare industry.



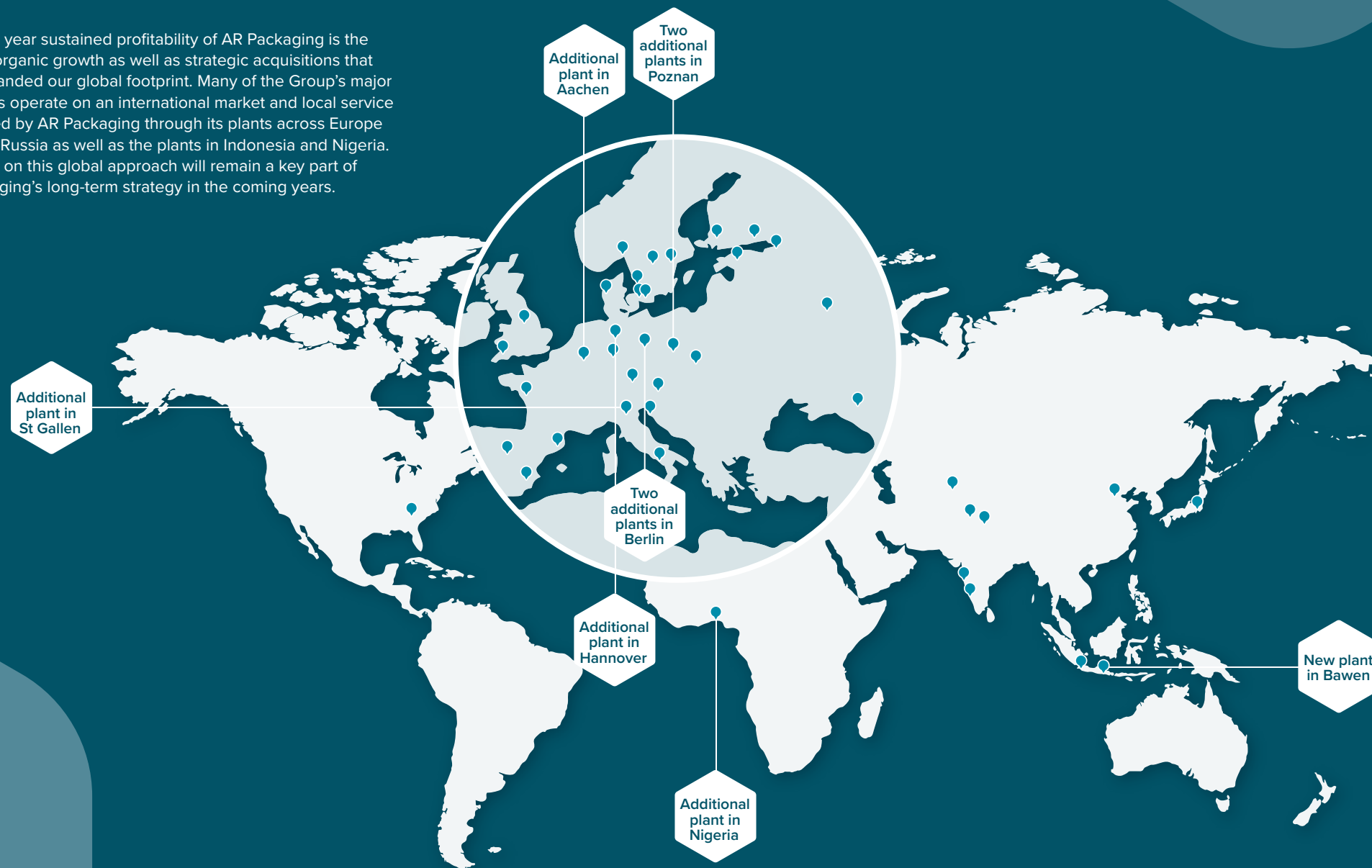
Healthcare & beauty packaging

The Healthcare & Beauty division offers innovative premium packaging solutions to the beauty, pharma, food and confectionery industry. The division consists of the two business segments: **Beauty**, which provides exclusive packaging conveying the attributes of well-being and attractiveness, and **Pharmaceuticals**, which supplies high-quality packaging where safety is a key aspect of the highly regulated industry.



Our global reach

A year on year sustained profitability of AR Packaging is the result of organic growth as well as strategic acquisitions that have expanded our global footprint. Many of the Group's major customers operate on an international market and local service is provided by AR Packaging through its plants across Europe including Russia as well as the plants in Indonesia and Nigeria. Emphasis on this global approach will remain a key part of AR Packaging's long-term strategy in the coming years.



Vision, values and business strategy

Since the foundation of the AR Packaging the Group has been on an eventful and successful journey of transformation. We have made extensive operational changes and optimised our product offering, allowing us to focus on the development of sustainable and innovative new solutions that are once again reshaping the packaging business. At the same time, we have expanded our global presence through strategic acquisitions in Europe, Africa and Asia and strengthened our position in selected segments. This dual strategy is enabling us to better support our customers in all new ways.

The ever ongoing harmonisation of our Group continues and in 2019 the company wide vision and core values were updated, based on our current position and to mirror the ambitions we have set for the coming years.

Our vision

We create success through packaging

We have the goal of always generating the best possible result for our customers, for our company and for our employees. By working closely with our customers and understanding their needs we ensure their continued success – no matter the challenge. And creating success for our customers makes our business better.

Our values

We are one harmonised group with core values that define our common culture and guide us in everything we do:

- We bring knowledge and improvement
- We are open and innovative
- We act with a sense of urgency
- We strive towards a more sustainable tomorrow

A clear business strategy for sustainable growth

A long-term, forward-looking approach is at the core of how AR Packaging works. Since 2012, we have followed a business strategy based on three key objectives:

- Strong growth in applications where we have a competitive advantage, with focus on selected business segments
- A global approach in core segments with continued expansion beyond Europe
- Improved operational performance and cost efficiency, with increasing plant specialisation as well as optimisation of our product offering and production



An eventful 2019

AR Packaging had an eventful 2019 with many product launches meeting the fundamental market shifts and major acquisitions of very high strategic importance for the Group's future development.

2019-02-08

Four prizes won at The German Design Awards for packaging for Domino's Chicken Box, Schnitzel Joker Curry Wurst Pommes Kombibox, Tenz – PEEKBOX and Nalle Oat Flakes.



2019-02-27

Launch of market's first pressed board tray concept for MAP (modified atmosphere packaging) as a replacement for plastic trays.

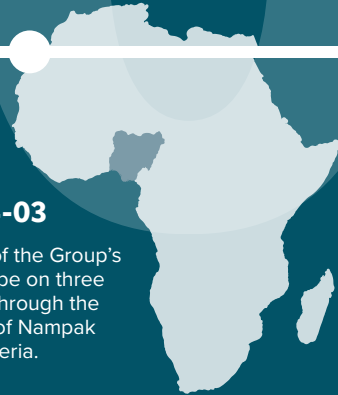


2019-03-13

Market introduction of the small size high fibre content composite can system Boardio®.

2019-04-03

Expansion of the Group's footprint to be on three continents through the acquisition of Nampak Cartons Nigeria.



2019-06-04

Expansion of the Group's cold foil capabilities for premium packaging through investment at the Frankfurt plant.



2019-08-08

Santa Maria tortillas were launched in a new paper-based barrier packaging which reduced plastics used and lowered the CO2 footprint.



2019-09-23

Two Pro Carton ECMA gold awards won for user-friendly and sustainable carton-based packaging solutions for Steadysense – 2-in-1 Flexi shipping and Mawu.



2019-10-24

Market introduction of fibre-based cutlery in cooperation with Bionatic to meet the changed market needs due to the Single-Use-Plastic directive.



2019-11-13

Consolidation the European healthcare and beauty packaging market through the acquisition of K+D, Switzerland, and the agreement to acquire rlc packaging (including shares in BSC Drukarnia Opakowan). The acquisitions elevated AR Packaging to a leading market position also in the healthcare, pharma and beauty segment.



The role of packaging is becoming increasingly important

In order to gain competitive edge, AR Packaging stays current on the predominant trends in the packaging industry. These trends are bringing new challenges and emerging opportunities that contribute to AR Packaging's strategy going forward. The global packaging market is set to expand by almost 3% annually, reaching over \$1.2 trillion by 2028.¹ At the same time, there is a strong demand for sustainable packaging driven by consumers and legalisation. With AR packaging's leading technological and innovative position, this offers great opportunities and potential for innovation.

Growing consumer awareness

Expectations regarding sustainability are rising and purchasing decisions have to an increasing degree become more value driven. Consumers are now more engaged and want to know about a company's goals for sustainability, where product packaging is one important factor. According to a report by Nielsen, 66% of consumers are willing to pay more for a product from a sustainable brand.² A study conducted by Pro Carton also shows that 90% of consumers want brands to have on-pack labelling to demonstrate environmentally-friendly packaging.³ Brand sustainability and recycled packaging is shifting from "nice to have" to a natural expectation for consumers and, as a response, companies are increasingly prioritising packaging materials and designs that show their commitment to the environment.

Legislation paving the way

The EU has set its target on making Europe a world leader in circular economy and the EU Green Deal is an important step in that direction. The deal is an ambitious project, as it

aims to cut greenhouse gas emissions to net-zero by 2050, and requires all plastic packaging to be recyclable by 2030.⁴ In addition to this, the European Single-Use Plastics Directive (SUP) forbids single-use plastic items by mid-2021. These developments pose clear challenges to the packaging industry, but at the same time have the potential to create new markets, stimulate technological advances and provide important business opportunities.

More food is consumed on the go

Due to busy lifestyles and more people on the move, consumers are trending toward convenient on-the-go food options. The overall food service packaging market is expected to grow to USD 84.33 billion by 2022 and the market for flexible packaging is expected to grow at the highest rate.⁵ Here packaging plays a crucial role as demand for flexible and rigid packs that are able to maintain product safety with regards to hygiene, quality, and freshness has risen. Moreover, on-the-go consumption creates demand for added pack functionality, such as easy-open, ease of

portability and portioned food which naturally raises clear sustainability challenges as it may induce the need for more packaging. This reaffirms the need for packaging development that considers waste minimisation and the use of environmentally sound materials.

Reducing global food waste

Food waste is one of the greatest sustainability issues of our time. Roughly one third of all produced food is not eaten and the packaging industry could have a key role to play in reducing this amount. Innovative packaging that may extend shelf life, better protect food contents and optimise access can contribute to minimising food waste. This, together with technological advances, present new business opportunities especially for flexible packaging that provides easy opening, dispensing and easy reclosure. The global food waste challenge is also helped with adjusted pack sizes to ensure all content can be consumed and not wasted.

Other current trends

In addition to the aforementioned trends, the increasing consumer focus on health and well-being as well as individualisation of products, and consequently packaging, are important aspects to consider for the packaging industry. The Coronavirus outbreak has demonstrated the crucial role of the packaging industry to deliver reliable, safe and secure packaging during uncertain times. The pandemic has had significant consequences for the packaging industry with raised demands for packaging for groceries and healthcare products. The pandemic has also accelerated the already strong online shopping trend. The volume of products shipped globally is rising and packages are now travelling farther through longer, more complex cross-border logistical networks.

¹Smithers, 'The Future of Packaging: Long Term Strategic Forecast to 2028'

²Nielsen, 'Nielsen Global Corporate Sustainability Report'

³Pro Carton, 'European Consumer Packaging Study'

⁴European Commission.

⁵Market and markets, 'Food service packaging market - Global forecast to 2022'

Sustainability at AR Packaging

Our business, as well as our approach to sustainability, is guided by our vision – To create success through packaging. In the context of sustainability, success means fulfilling the needs of today without jeopardising the welfare of future generations, which requires both an innovative and curious mindset. At AR Packaging, our values are the foundation of everything we do, and these values drive us to constantly explore new ideas, to find new solutions and to collaborate in new ways.

Success for our customers, our industry, and the world

Our vision of success is central to how we as a company address sustainability and has a direct bearing on how we relate to our customers, our industry and to the surrounding world. We want to be the preferred partner for sustainable packaging solutions, recognised for our expertise and leadership in innovation.

Creating success for our customers is about making their business better. With our unique pool of experiences and competences, we strive to consistently optimise existing solutions and processes. This is aided by the active partnerships we maintain with our customers and relevant NGOs, through which we learn and share information that ultimately enables us to proactively support our customers in their challenge to meet current and future needs in a sustainable way.

We use our innovative spirit to lead and take ownership of the development within our industry. In doing so, we aim to drive and shape the industry for another century. With our business model to develop solutions for a better tomorrow, we have a holistic view and consider all aspects of sustainability, whether it is the final packaging product or our impact as a company. We have set a standard for ourselves to always have the wellbeing of people, the environment and tomorrow's world in mind.

A focus on our most significant topics

Materiality is the principle that determines which topics are most important and therefore essential to report. We at AR Packaging apply this approach and have assessed a wide range of sustainability topics with importance to the organisation as well as to our stakeholders. The topics that are considered most important have gained central attention in our sustainability agenda and reporting. They have also



been a central starting point when updating our sustainability strategy for the coming years.

In this year's report, we introduce our new targets for 2025. The targets address our most significant sustainability topics and our ambitions for the future, where 2019 will be used as base line for the coming work. The topics and our targets are presented below and are discussed in more detail together with other central aspects – such as social, environmental and product-related compliance – over the following pages.

Our sustainability targets for 2025



Sustainable governance (p. 13)

Most significant topics

- Environmental, social and legal compliance
- Supplier relations

Product related targets 2025

- All AR Packaging carton-based products will be fully recyclable in established recycling streams.
- AR Packaging Systems will work to increase recycling rates by collaborating with our customers and pushing for improved recycling infrastructure and regulatory reform.



Sustainable work-life (p. 16)

Most significant topics

- Employment
- Training & education
- Occupational health & safety

Targets for 2025

- Lost time frequency rate (LTIFR) due to work related injuries at 1.2 (base year 2019: LTIFR=7).
- Safety audits (PSR Audits) at all plants with score above 80 points (base year 2019 with 50% above 70 points).
- The ratio of women in the extended executive team will be increased by 40% (base year 2019).



Sustainable innovation (p. 20)

Most significant topics

- Product development
- Customer health & safety

Targets for 2025

- AR Packaging aims to provide 100% recyclable packaging and significantly increase the ratio of renewable packaging where it does not have a detrimental effect on consumer safety, product quality, or food waste.
- AR Packaging aims to play a leading role in advising and supporting our customers in their move to more sustainable packaging solutions.

Product related targets 2025

- AR Packaging Carton will actively have developed new, fully recyclable fibre-based barrier products to replace plastic laminates in Food- and Food Service packaging.
- All AR Packaging Systems' products will be designed for recycling in established recycling streams.
- AR Packaging Flexibles will offer recyclable alternatives for each commercial segment we serve.



Sustainable operations (p. 25)

Most significant topics

- Use of raw materials
- Energy consumption
- Emissions management

Targets for 2025

- Energy consumption will be reduced by 10% (compared to base year 2019).
- Scope 1 & 2 GHG emissions will be reduced by 10% (compared to base year 2019).
- Start and extent to disclosure of Scope 3 GHG emission figures.

Product related targets 2025

- AR Packaging Systems products will increasingly use renewable raw materials (in addition to cartonboard) so that 25% of plastics will be biobased.
- AR Packaging Flexibles will increase the ratio of renewable raw materials to 60%.
- AR Packaging Flexibles will have the capability to supply packaging to food customers with 100% recycled PET (rPET) content.

Sustainable governance

Success through ethically responsible business

AR Packaging is one of Europe's leading companies in the packaging sector, with a vision to create success for our customers by optimising the benefits of packaging in their value chain. The foundation of our business rests on the ability to build and maintain mutually beneficial long-term relationships with our customers.

We aim to guard this foundation by a commitment to conducting our business in a legally, ethically, socially and environmentally responsible manner. Our Code of Conduct sits at the centre for the sustainable governance of our organisation and guides our actions and ensures that we follow our core values in our everyday work.



AR Packaging targets within sustainable governance

Most significant topics

Environmental, social and legal compliance
Supplier relations

Targets for 2025

All AR Packaging carton-based products will be fully recyclable in established recycling streams.

AR Packaging Systems will work to increase recycling rates by collaborating with our customers and pushing for improved recycling infrastructure and regulatory reform.

Scope and content of the Code of Conduct

The AR Packaging Code of Conduct addresses ethical behaviour in our work environment, business practices and relationships with our stakeholders. It explains to our employees, customers, suppliers, investors, key business partners and the communities in which we operate what they can and should expect from AR Packaging. The Code contains the most important corporate principles and behavioural rules with statements on human rights, discrimination and social standards.

Main areas of the Code of Conduct

- CEO statement
- Business ethics & integrity
- Social responsibilities
- Environmental responsibilities
- Monitoring & reporting

The Code is reviewed regularly and approved by the Board of Directors. The latest update took place during autumn 2019, when adjustments were made based on the new company vision and values.

To secure full understanding of our company values and their proper application at the local level, the Code has been translated into local languages and is included into the training of employees at all our plants. We also expect our business partners, suppliers, consultants and independent contractors to establish and maintain appropriate management systems that align with our principles.

As a signatory of the UN Global Compact, we adhere to its Ten Principles defining fundamental responsibilities for businesses and have accordingly incorporated them into our Code of Conduct.



United Nations Global Compact

Conducting ethical business with integrity

Following sound and ethical business practices is fundamental to the trust we enjoy among our many stakeholders. AR Packaging complies with the applicable laws, standards and legal provisions of the communities in which we operate, and we pay attention to the continuous development of international regulations.

Whistleblowing

The AR Packaging whistleblowing procedure is an important tool fostering high business ethics and awareness against misconduct. All employees, including temporary workers, who suspect a breach of the Group's Code of Conduct shall report the matter to relevant supervisors, plant managers, or an HR representative. In addition to this, the whistleblowing service serves as a useful alternative where anonymity might be necessary.

During 2019, the low whistleblowing rate continued. This demonstrates that long-term well-established communication channels such as trustworthy persons or workers' councils are effective for standard case reporting at the plants.

Corruption

Corruption and anti-competitive behaviours have severe detrimental effects not only on customer trust but ultimately also the conditions for economic efficiency and long-term sustainable growth.

AR Packaging is committed to combating all forms of corruption, including extortion and bribery. No such illegal activity will be tolerated. Suitable means are used to promote transparency, trading with integrity, responsible leadership, and company accountability are set forth in our [Code of Conduct](#).

No incidents of corruption were reported or registered in 2019, either at the individual plants, at Group level or via our whistleblowing system. No corruption cases in connection with suppliers were registered or reported.

There were no changes in the Group risk assessment and strategy related to corruption at the existing plants in Europe during 2019. Plants located in Indonesia and African countries are, however, in comparison still assessed as being susceptible to a higher risk of corruption due mainly to the general situation in those countries. Risks pertaining to AR Packaging's Indonesian and African plants are, nevertheless, considered low and we continuously monitor our operations closely.

Anti-competitive behaviour

Legislation introduced in many countries seeks to prevent monopolistic activities and AR Packaging was not involved in any court proceedings due to anti-competitive behaviour or violations of antitrust laws in 2019. The Group strictly applies the international and local legal requirements as well as business obligations for the latest merger activities and for future activities.

AR Packaging regards product authenticity as a very serious matter. This especially involves the tobacco packaging business, which is a focus business segment for the Group and where counterfeiting risks are more likely to be confronted. Therefore, close cooperation with customers and suppliers was intensified during 2019 to provide solutions fulfilling the new EU directive, which requests improved traceability and forgery-proof security features to avoid counterfeiting and illicit trade.

Fair and ethical social standards

AR Packaging is committed to ensuring a fair, equal and safe working environment to our employees as well as to those working at our suppliers. Our Code of Conduct therefore stipulates clearly that we comply with applicable legal requirements relating to human rights and that we identify, prevent and address actual or potential infringements throughout our operations.

To be perceived as a responsible employer and to attract talented people, it is crucial that employees are treated fairly and equally. All employees have the right to know the basic terms and conditions of their employment and are provided fair compensation and working conditions with working hours set according to domestic laws or industrial standards.

Moreover, AR Packaging and all plants respect the rights of employees to exercise the right of association, where all employees are free to form and join trade unions and participate in collective bargaining. Clear policies are implemented throughout our organisation to avoid any form of discrimination and harassment. The Group condemns differences in salary or remuneration and all forms of unequal treatment based on grounds such as race, colour, sex, religion, political opinion, national extraction and social origin. To learn more, please read our [Code of Conduct](#).

Sustainable supply chain management

We recognise that as a key supplier to many global companies, who have themselves assumed leadership roles in the implementation of social responsibility in their markets, we are expected to address the sustainability of our supply chain. We have initiated a due diligence process for our main suppliers. Currently, over 50 of our main suppliers – including the Group's top 30 suppliers in value – have been checked according to this process. During 2019, none of our main suppliers were identified with a significant risk for incidents



concerning the topics covered by our Code of Conduct, nor were any supplier incidents noted.

Compliance with external social audits continues to be an important requirement from customers and is a key factor in the long-term relationships we enjoy with them. Our organisation and plants are checked regularly by external business consultants and authorities for any signs of violations against the Group's values, legislation or international standards.

12 plants are members of the SEDEX (Supplier Ethical Data Exchange) platform, where social and ethical information and self-assessments are disclosed and readily available to customers. Sedex also offers regular social audits, where seven of the mentioned 12 plants have been audited successfully in 2017/2018. Three plants are performing other external audit approaches (SWA). Since 2019, a new initiative was taken by one of our tobacco customers to apply a comparable approach to SEDEX. According to this approach, three of our plants will be under regular social requirement observations from 2020.

Food safety regulations – Protecting consumers and customers

A key concern among our customers is ultimately to protect their precious brands from negative influences, which may be raised by NGO's as well as by critical consumers themselves. This includes, among many other factors, the material used for packaging.

The basis for confronting this is naturally to comply with relevant regulations and industry guidelines, recommendations and other sector regulations which have become standard in our industry.

In Europe, the industry is still waiting on clear legal regulations for important material categories such as paper and board, ink and varnishes or glue. In the meantime, other regulations are being used and several countries are



coming up with own national regulations, e.g. draft mineral oil regulation in Germany.

An initiative at the Council of Europe is now being discussed, gathering 47 European countries, with the target to publish a Technical Guideline for Food Contact Materials in the next 2 years. While the guidelines are not legally binding, they may sometimes be taken on by brand owners in their food safety requirements.

The current situation has also led stakeholders in the supply chain to set their own standards. An often-discussed example from 2019 was the "Food contact guidelines for the compliance of paper & board materials and articles" published by the paper and board associations CEPI and CITPA. The publication indicates what customers could expect from paper and board suppliers and provides general guidance regarding the food safety measures to be respected by converters.

Sustainable work-life

A safe and supportive workplace culture

Success through packaging can only be achieved if we have the best people working for us. As an employer, it is our responsibility to ensure a workplace culture where our employees feel safe, are motivated and have adequate support to apply their skills and knowledge every day for the benefit of AR Packaging. Creating a self-sustaining workplace culture consists, however, of many different factors, which cannot be achieved overnight and the process is therefore an ongoing journey.

Contributing to both employee satisfaction and personal fulfilment, continuous learning and development are critical to our culture and the long-term viability of AR Packaging. But in addition to securing a competent and skilled work force, training is also a central part of our ability to ensure a safe work environment, as safety is ultimately the result of the diligence and awareness of individuals.

AR Packaging targets within sustainable work-life

Most significant topics

- Employment
- Training & education
- Occupational health & safety

Targets for 2025

Lost time frequency rate (LTIFR) due to work related injuries at 1.2 (base year 2019: LTIFR=7).

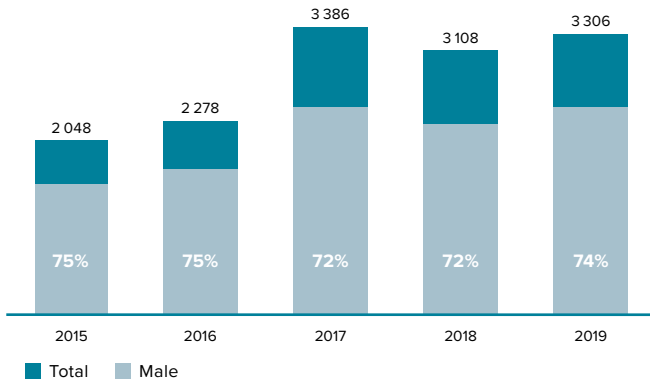
Safety audits (PSR Audits) at all plants with score above 80 points (base year 2019 with 50% above 70 points).

The ratio of women in the extended executive team will be increased by 40% (base year 2019).

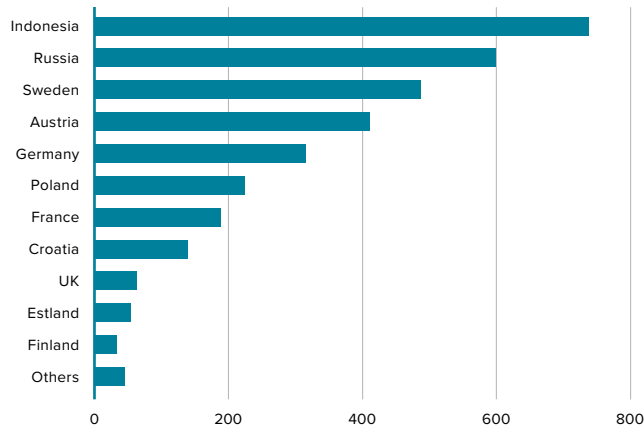
An expanding international group

AR Packaging's growth strategy, with the continual integration of new acquisitions, is naturally reflected in the growth of employee numbers. Still, the attention on operational efficiency and group synergies has tended to offset this over time. As the Group grows, diversity increasingly becomes an integral aspect of our organisation. By the end of 2019, over 3,300 employees worked at our 18 plants across 12 countries.

NUMBER OF EMPLOYEES



EMPLOYEES PER COUNTRY 2019



A spirit of continuous learning

The Group and plants invest actively in the training of our employees at all levels with the aim to continuously improve their skills and knowledge. During 2019, around 40,600 hours were spent on various types of training, including both internal and external programmes.

English is used as the primary business language to unite our broad and diverse organisation, and language training courses are offered to all employees below management level at several plants.

While most training is performed locally at our various plants, a Group-wide focus is placed on our younger, junior employees. For instance, a new documented training approach was implemented at our Cholet plant, France, concerning new recruitments, covering the first 12-18 months of employment. At the same time, we emphasise the development of our experienced personnel, providing them with the technical know-how to meet new requirements and the opportunities for career advancement. Several different leadership training programmes take place at the local level, often including tools for efficient communication.

During 2019, our successful Talent Management Program that was implemented in 2018 continued. The programme includes all white- and blue-collar employees with personnel responsibilities as well as other employees assessed as talents. During the programme, participants are provided with individualised training agreed with its manager.

Competence developmental across the Group

The sharing of experiences and knowledge in the Group is a key element of our growth strategy and a source of strength for our entire organisation. As many of our customers with global operations expect the same technical, procedural and social standards at all our locations, these standards naturally become core facets of Group-wide training and support.

The implementation of a new ERP system continues on a factory-by-factory basis and is accompanied by a comprehensive training programme for all employees.

Several initiatives for improved efficiency have also been taken at the local level. Two examples are our Frankfurt plant, Germany, where the 5S initiative has been accompanied by the implementation of a Kaizen programme, and our Krakow plant, Poland, where a Lean programme for the customer service department has been initiated.



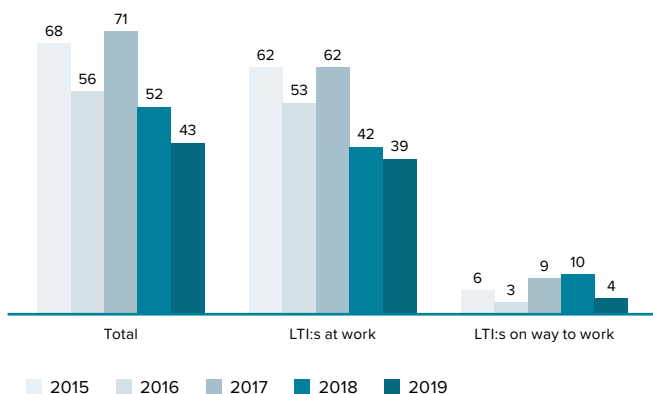
A strong safety culture throughout the Group

An awareness exists throughout the Group for the importance of encouraging and supporting a solid and effective safety culture at all plants. This is in turn based on skilled and competent employees, and the Group therefore prioritises training on the possible dangers in the workplace and the importance of individual responsibility.

At all plants, regular standard training sessions are performed in health & safety, food safety, and hygiene. Training on our Code of Conduct is also carried out at regular intervals in order to maintain the high standards we have established over many years.

The total number of work-related accidents – including way to work – decreased substantially during 2019, continuing the trend seen over previous years. Several improvements in terms of LTI frequency were noted at many of our plants, including Augsburg, Frankfurt, Graz, Halmstad, and Lund. Some of our smaller plants, however, face a challenge regarding this specific KPI, as their comparatively lower number of employees results in that an accident will have a high impact on the data. The generally positive results during 2019 are considered a direct consequence of the new

WORK / WAY TO WORK LTI:S



approach implemented throughout the Group, whereby health & safety came under the focus of the HR Group Director. This step was intended to increase the attention on work safety and to raise awareness among all employees. Work safety incident reporting procedures have been updated and aligned, including return talks, where causes and measures are discussed with an employee returning from an accident. In addition to this, targets regarding LTI frequency for the coming 5 years are now implemented at Group level.

The new approach also introduced annual Plant Safety Reviews (PSR) performed by the HR Group Director. This involves the assessment, scoring and benchmarking of every plant, resulting in an action plan. The key elements of the PSR are machinery safety, storage of chemicals, work equipment, noise reduction activities, ergonomics, emergency routes, safety training systems and more.

Health & safety at the local level

All AR Packaging plants have over the recent years made great efforts to develop strong health & safety organisations, which are led by local Health & Safety Managers and are supported by plant management.

A new approach to health & safety training was introduced at our plant in Highbridge, UK, during 2019. Over 100 eLearning courses in health & safety and HR compliance with a focus on creativity, quality and simplicity were provided by an external partner. Parallel to this, a practical fire marshal training was also introduced with the aim to provide employees with a greater understanding for the threat posed by fire.

On the same theme, our plant in Frankfurt, Germany, recently invested 30 kEUR in the construction of a fire brigade path surrounding the facility, improving access in the case of emergency.



Case study QHSE Cholet, France

AR Packaging's plant in Cholet, France, is one example of a plant that has made some exceptional work and improvements in their health and safety organisation over the past year.

Despite intense efforts regarding work safety, the plant remained over the previous years one of the top five plants with the highest Lost Time Accident (LTA) rates in our Group. Based on this frustrating performance, management at Cholet decided to make major changes in 2019. With external support, an agenda was set up targeting the plant's safety, resulting in an ongoing restructuring of the whole safety organisation coupled with efforts to instil an improved safety mindset among employees.

In November 2019, a three day introduction training course with approximately ten participants was performed, where background and targets of the planned adaptations and changes were discussed. The question of how to achieve a mindset change was also considered, which resulted in a decision to implement a culture of safety by increased team engagement.

A safety adviser for every department was established, who would be responsible for introducing injury analysis, risk assessments and risk analysis. Over four meetings per department with about 30 people, including managers, safety advisers and operators, employees were informed about the process, their safety awareness was strengthened and an action plan was developed.

The action plan included among other things the following:

- Updated way of analysing LTA: Recorded as non-conformance in ERP system by the manager.
- Updated analysis process of LTA: Organised by the QHSE department and carried out where the accident occurred with the victim, victim's manager, unions, and the safety adviser of the department present.
- Review and update of existing work safety risk analysis by visiting each department, a re-assessment of risks and development of an action plan for further improvements.
- Training of managers to interview each employee after an LTA or work-related disease.
- Ongoing integration of box plan barriers in some departments and warehouse.

The results of the new action plan are expected to be visible already during 2020.

To further aid the safety process at Cholet, 20 people from AR Packaging visited a Smurfit Kappa plant, one of the Group's suppliers. The plant has a very low number on LTA's and the visit included a highly interesting presentation about Smurfit Kappa's safety culture as well as a tour with the focus on safety.



Some examples of the safety actions, which were transferred to Cholet include:

- Changing the colour of the pedestrian walkway in the production facilities to blue in order to improve visibility.
- Exchanging low safety shoes to high safety shoes, using the same supplier as Smurfit Kappa.

The Cholet plant has also initiated cooperation with another supplier, CEE Shissler, with the intention to benchmark and to cooperate and exchange experiences regarding the work on various safety topics.

Sustainable innovation

Sustainability is at the forefront of innovation at AR Packaging

Innovation at AR Packaging is not only about solving today's problems but also very much about shaping the future, identifying issues the customers have yet to discover and turning them into new opportunities. AR Packaging's aim is to proactively solve tomorrow's challenges, with value-adding solutions that meet consumers' demands for sustainability, luxury, healthy living and convenience.

This means thinking beyond the packaging itself and driving innovations that are well-ground in a sense of responsibility for the environment. Drawing on the wide range of capabilities and market-leading know-how, we collaborate closely with our customers to develop new solutions to meet their requirements with an optimised ecological and social footprint.

The trends within packaging are changing, but the aim of innovative packaging remains the same – to help our customers address their challenges. The increased demand on recyclability and circular economy was again the main trend during 2019, resulting in market demands that are pushing the industry to develop entirely new concepts.

These developments have important ramifications when meeting the requirements within food packaging and reaffirms the importance of sustainable product innovation that addresses recyclability, good manufacturing practice, sound operational controls, hygiene, and food safety regulations.

AR Packaging targets within sustainable innovation

Most significant topics

Product development
Customer health & safety

Targets for 2025

AR Packaging aims to provide 100% recyclable packaging and significantly increase the ratio of renewable packaging where it does not have a detrimental effect on consumer safety, product quality, or food waste.

AR Packaging aims to play a leading role in advising and supporting our customers in their move to more sustainable packaging solutions.

AR Packaging Carton will actively have developed new, fully recyclable fibre-based barrier products to replace plastic laminates in Food- and Food Service packaging.

All AR Packaging Systems' products will be designed for recycling in established recycling streams.

AR Packaging Flexibles will offer recyclable alternatives for each commercial segment we serve.



The challenges of recyclability

Recyclability is an obvious and crucial part of a circular economy. The main share of the packaging solutions we offer are made of cartonboard, which in itself is both readily recyclable in most cases and a highly valued material source.

Packaging solutions consisting of a mix of materials can, however, be more challenging from a recyclability perspective. Due to the very limited harmonisation of recycling regulations both between and even within countries, the definition of what is considered recyclable varies to a large degree. Additionally, the infrastructure and industrial capabilities for recycling as well as the actual market for recycled materials may also vary significantly. For example, packaging composed by paper with a thin plastic barrier – crucial for the protection of highly sensitive products – may in some countries be recycled in the paper stream, while in others there is no infrastructure for recycling it at all.

This lack of harmonisation results in brand owners setting different priorities on sustainable packaging solutions depending on which market they operate in. Consequently, this causes the development of new packaging materials to become exceedingly complex and, importantly, creates confusion among consumers on how to recycle packages. After all, the more complicated to understand, the less likely it is that a package will be recycled.

This presents both significant challenges but also important opportunities for innovation. For us at AR Packaging, one key goal within Flexibles has been to develop packaging solutions consisting of only one type of plastic, which ultimately optimises the possibilities for recycling. Moreover, we are currently working towards investing in machinery that will allow for a larger proportion of recycled plastics to be used in products.

We also take an active role in advising our customers when selecting packaging solutions. As a member of various industry organisations and NGOs, we seek to actively contribute to the development of harmonised industrially viable solutions and regulations that promote a circular society.

Our environmental responsibility

At AR Packaging we recognise that environmental responsibility is a precondition for the survival and prosperity of all living beings. Consequently, this means that our innovation efforts result in products designed and produced with environmental consideration and that our operations are carried out with as little negative impact as possible.

Our organisation promotes sustainability across all aspects of the business, fulfils the requirements and standards for environmental protection and acts in an environmentally conscious way in all locations in which we operate. We are part of the Carbon Disclosure Project (CDP), working with stakeholders to disclose and reduce greenhouse gas emissions and minimise the environmental impact from our activities, products and services.

We also work actively together with customers to minimise material usage. Our work within innovation becomes a key factor in this context, where we at all times explore ways of smartly designed alternative constructions and strive to increase the amount of renewable materials in the packaging. The main material used in our production is fibre-based cartonboard and paper made from natural renewable wood. Wood used in the company's products is primarily from sustainably managed European forests and no wood originates from rainforests or other endangered eco-systems.

Sustainable innovations at AR Packaging

An important part of creating success through packaging is the ability to provide safe and sustainable products. Our work within innovation is therefore grounded in finding more environmentally optimised solutions that adhere to good manufacturing practice, sound operational controls, and hygiene. In following with this approach, we have consistently been at the forefront of an evolving market, where our work has contributed to an effective use of resources. Below are some examples of innovative solutions resulting from this process.

Paper packaging for soft tortillas

Santa Maria tortillas were launched in a new paper-based barrier packaging. The change to paper and optimised sustainable raw materials lowered the carbon footprint by 35%* compared to the former packaging and reduced the plastic consumption by 150 tons per year.



Market introduction of small size carton can

The need for sustainable smaller containers are met with new sizes of the composite can Boardio® which has an optimised fibre content of 90%. The consumer convenient can replace full plastic containers for nutritional supplements, snacks, chewing gums, powders etc. without compromising product safety and protection.

Expansion of the Group's cold foil capabilities

The investment in state-of-the-art cold foil capabilities at the Frankfurt plant answers to the demand of brilliant, repulpable premium packaging. Great finishing effects are made reality in an efficient manner with minimised use of resources.



Fibre-based cutlery

AR Packaging launched fibre-based cutlery in cooperation with Bionatic with the aim to meet the changed market needs due to the Single-Use-Plastic directive and enable replacement of plastic-based cutlery.



Two Pro Carton ECMA gold awards

The 100% carton-based packaging solutions for Steadysense provides outstanding consumer convenience with easy opening and product access as well as reclosure while being easily erected in a fast and uncomplicated packaging process.

The need to keep certain standard sizes and the urge to still be different, was the driving force behind the Mawu packaging. It is a folding carton box with eye-catching design and excellent convenience, unfolding to a tray when opened. And then easily reclosed again. All by using minimal resources and packed in an efficient process.

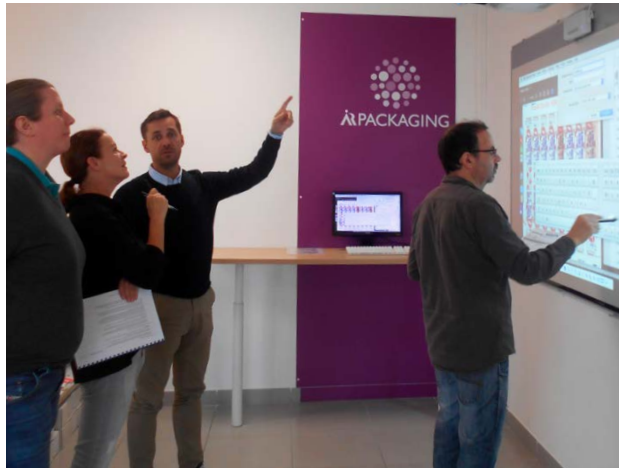


* Comparison done by IVL Svenska Miljöinstitutet (Swedish Environmental Institute)

Certified management systems

During 2019, a number of packaging standards were benchmarked against the Global Food Safety Initiative (GFSI) Guidance Document. This included the Good Manufacturing Practices associated with packaging materials intended for food use. The GFSI programs are designed to build a due diligence defence throughout the supply chain that is not limited to just the food safety of the food manufacturing process.

As a step to benchmark our food safety and hygiene management systems, we started during 2019 to regularly perform internal audits by experts from our other plants. The first to pilot this approach was the plant in Cholet, France.



With a focus on hygiene, the plant was audited according to the British Retail Consortium (BRC) standard by experts from our plant in Graz, Austria. The approach has so far proven to be highly successful, providing benefits to both parties and is planned to be extended to further plants during the coming years.

Example from our plants:

The GFSI program standards include, among others, British Retail Consortium (BRC) and FSSC22000, which are both common at the AR Packaging plants producing food packaging.

- 13 plants are regularly certified on one of both standards, where some plants are already following the unannounced audit approach showing that they are “audit ready” every day.
- 3 further plants are certified in following ISO 22000, which is at least a pre-level to the GFSI standards.
- 2 plants are planning to implement one of the mentioned GFSI standards during 2020/2021 and to increase their level on Food safety and Hygiene Management.

Upholding the highest hygiene standards

AR Packaging upholds the highest standards on food safety and hygiene management in order to fulfil and exceed existing legal requirements and the demands and expectations of our customers and consumers. As our plants focus on certain segments and customers, the standards on food safety and hygiene differ from plant to plant. The highest demands are currently placed on the plants specialised in direct food contact packaging for baby food products (Cholet in France and Lund in Sweden), followed closely by all plants which produce general food packaging for direct or secondary food contact. Specific additional requirements exist for pharmaceutical packaging produced at some of the plants.

Product safety at our plants starts with hygiene in terms of order and cleanliness of the whole plant area, which is achieved by clear requirements for our staff, 5S and maintenance programs. Requirements on wearing hygiene clothes and hair nets as well as handwashing before entering production areas have been standard practices since years at our plants.

Example from our plants:

Lund Flexibles, Sweden

Hygiene locks are installed as a standard at all our certified plants. Several plants choose to an increasing degree to develop this technique further when entering production areas.

In June 2019, a new routine was implemented at our flexible packaging plant in Lund, Sweden. Every week, the hands of a randomly picked employee are tested to measure microbiological activity. The aim is to raise awareness for hygiene rules and to visualise the difference thorough handwashing can achieve. It has proven successful as a positive trend in terms of personnel hygiene values is seen compared to before starting the routine.

Good Manufacturing Practice (GMP)

Producers are required to take proactive steps to ensure product safety by following a quality and process approach to manufacturing, whereby any contaminations and errors are minimised or eliminated. Good manufacturing practice (GMP) is a key principle on the road to safe food packaging and is partly regulated by both national, e.g. EU 2023/2006, and several industry standards. In short, GMP regulations concern record keeping, personnel qualifications, sanitation, cleanliness, equipment verification, process validation, and complaint handling.

All AR Packaging plants follow the GMP approach. Nine of our plants are honoured with the GMP Seal of ECMA (European Carton Maker Association), which is renewed annually by the ECMA organisation.

Most GMP requirements allow producers to decide individually how to best implement the necessary controls based on the particular business. This provides a level of flexibility, but requires producers to ongoingly question and audit their own processes as methods may change or new processes are implemented.

Example from our plants:

Graz, Austria

In 2019, our plant in Graz, Austria, started to produce packaging for coffee capsules in rotogravure printing technology. The product was previously produced with offset technology and was assessed as direct contact packaging by the customer due to the later filtration process on the consumer side.

Upon starting production, the plant initiated an extensive risk assessment process with the intention to implement Good Manufacturing Procedures in the rotogravure process for this direct contact product in order to avoid the risk of cross contamination from products outside food packaging.

These procedures, which have been implemented at several other AR Packaging plants, include the following:

- Collecting application data and specifications of all packaging components
- Reviewing and checking supplier confirmations
- Performing a risk assessment including a worst-case calculation
- Performing external migration testing and internal analysis (sensory and GC)
- GMP implementation of needed processes

The results were presented, discussed and approved by the customer, who perceived the measures taken as very positive.



Sustainable operations

Sustainability across all aspects of our business

As a supplier to customers who themselves are championing sustainability in their respective industries, we are fully aware of the role and impact we have in their value chains. In addition to aiding our customers in reaching their goals, we at AR Packaging have a responsibility as well as the ambition to contribute to a more sustainable world. Together with our customers and partners, we work diligently to overcome the many challenges that can affect long-term durable progress.

AR Packaging promotes sustainability across all aspects of our business, with a particular focus on responsible procurement and environmentally sound production practices. This certainly involves the way we approach energy consumption and the carbon footprint from our own operations, where we have set clear targets for the coming five years. But it most particularly concerns the way we actively work with our customers to decrease material usage and waste throughout the whole value chain by designing innovative solutions and by increasing the amount of renewable materials in our products.

AR Packaging targets within sustainable operations

Most significant topics

- Materials
- Energy
- Emissions

Targets for 2025

Energy consumption will be reduced by 10% (compared to base year 2019).

Scope 1 & 2 GHG emissions will be reduced by 10% (compared to base year 2019).

Start and extent to disclosure of Scope 3 GHG emission figures.

AR Packaging Systems products will increasingly use renewable raw materials (in addition to cartonboard) so that 25% of plastics will be biobased.

AR Packaging Flexibles will increase the ratio of renewable raw materials to 60%.

AR Packaging Flexibles will have the capability to supply packaging to food customers with 100% recycled PET (rPET) content.

Responsible procurement

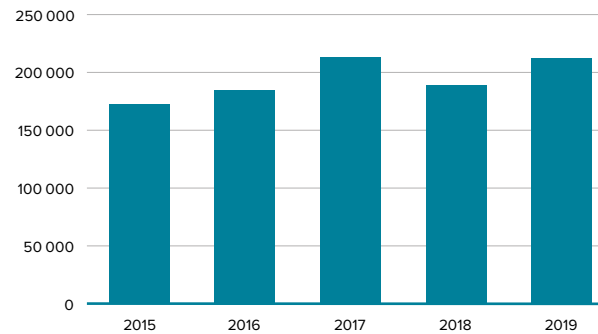
The main material used by AR Packaging – cartonboard – comes mainly from certified sustainable sources and is subsequently considered a renewable and recyclable material. The development on other main materials, however, such as inks, varnishes, glue and flexible materials remain at an early phase of industrial scale when it comes to renewability.



Source: Pro Carton 2018

AR Packaging puts much effort into developing packaging solutions which meet the needs for a circular economy. In addition to the high focus on innovation we also play a leading role in advising and supporting our customers in their move to more sustainable packaging solutions.

CARTONBOARD CONSUMPTION AT CARTON PLANTS (TONS)

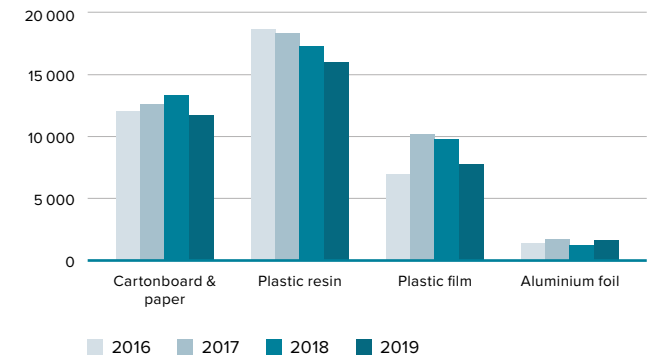


As such, our progress and efforts concerning responsible procurement is to a certain degree dependent on other technological advances throughout the entire value chain that may improve the renewability and recyclability of critical materials.

The usage of cartonboard increased by 12.5% during 2019. Most material came from certified sustainably managed forests, which continues to be a customer requirement. At the same time, the use of recycled cartonboard increased slightly from 21.6% in 2018 to 22.1% in 2019 of total cartonboard used, while further increases in this area are dependent on customer decisions. Recycled cartonboard is generally not used without a functional barrier for food packaging.

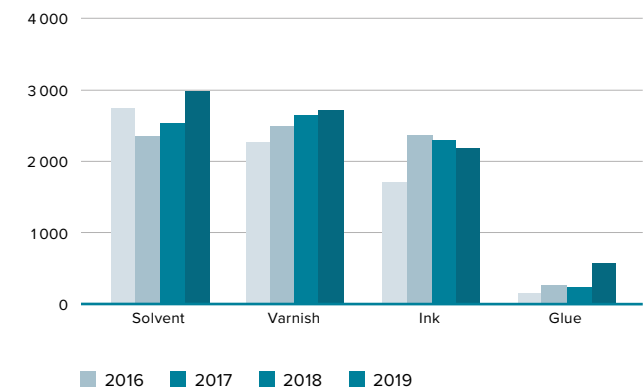
In regards to our flexibles business, the main materials used – in addition to cartonboard and paper – are plastic resin, films and aluminium foil. During 2019, we saw a general decrease in the usage of these materials. This can largely be explained by a changed product mix and increased efforts to provide reduced material grammage and thickness, i.e. lightweight packages, resulting in less material being used during production.

MAIN MATERIAL CONSUMPTION AT FLEXIBLES PLANTS (TONS)



In terms of other main materials – such as solvent, varnish, ink and glue – usage generally increased due mainly to more detailed reporting at our plants. This detailed information will prove valuable as we have set 2019 as our base line for the targets over the coming five years.

OTHER MAIN MATERIAL CONSUMPTION (TONS)



Energy consumption

A process is underway at AR Packaging, whereby we are continually improving the way data on energy consumption and emissions are collected across the Group. The aim is generally to refine the analytical basis on which decisions are made in order to ensure that correct actions may be taken.

A positive result from this process was that solvent burning in our rotogravure and flexibles operations, which was found to have a significant impact on both our energy and emissions figures, is now included in future reporting. In order to improve the comparability of our data reporting, this has also led to that data from previous years have now been re-calculated, thus enabling us to more accurately track the development over the last three years. Data from 2017 therefore represent the first time that solvent burning is included.

In general, AR Packaging will not reach the set target of a 10% reduction in energy consumption by 2020, based on 2014 figures. Clear reductions in energy consumption were reached as a result of many successful projects

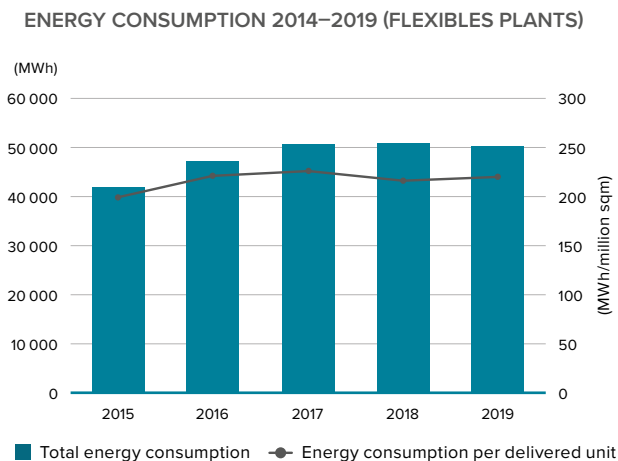
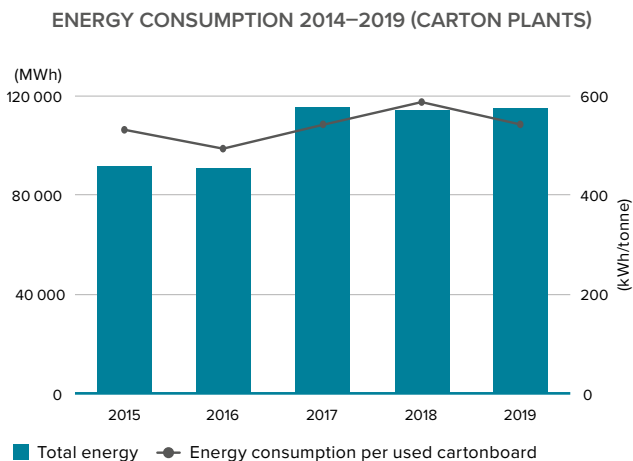
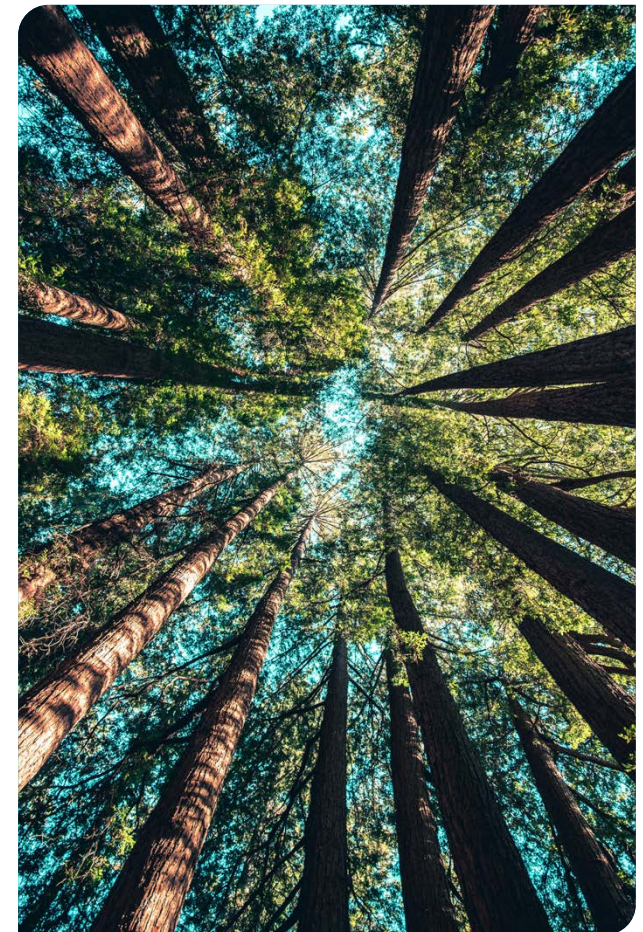
and initiatives at plant level, such as closer monitoring, investments in new processes and changed behaviours. These are, nonetheless, offset by changes in volume mix and customer demands on more advanced print designs and finishing.

The comparative energy consumption for the carton plants in the Group has risen by 9.8% compared to the base year of 2014. This is far from the previous 2020 target of a decrease by 10%, however, with the recent acquisitions the Group structure has changed significantly since that time and reporting has developed.

Total energy consumption¹ for the 15 carton plants in the Group increased between 2018 and 2019 by 0.6%, which was driven mainly by the acquisition of the plant in Croatia. Nevertheless, energy consumption per ton of used or purchased cartonboard decreased by about 7.8%, while both district heating and cooling and on-site stationary burning decreased by 9.8% and 4.3% respectively.

For our flexibles business, total energy consumption in 2019 is comparable to 2018 levels. Energy consumption per delivered square meter was, on the other hand,

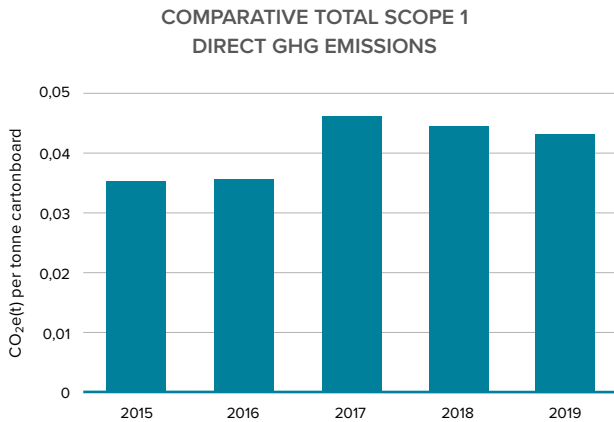
3.0% higher than in 2018, which is explained by variations in the thickness of materials as ordered by our customers. This, together with changing sizes of order batches are contributing factors. Comparative energy consumption shows a slow increase by 0.3% compared to 2014, which undershoots the 2020 target of a decrease by 10%. This should, again, be viewed in light of the significant Group changes over recent years.



¹ Total energy consumption is the sum of electricity consumption, district heating and district cooling and stationary burning (on-site combustion of natural gas, biogas, solvents, diesel, LPG, etc.)

Emissions

Reducing emissions is closely linked to the reduction of energy consumption. Consequently, increased energy efficiency has several important benefits for both the environment and the economy. As shown above, several initiatives have and are being taken within the Group along with a drive to use more green energy sources in general. Because of this, we are already seeing the results in terms of lowered carbon emissions.



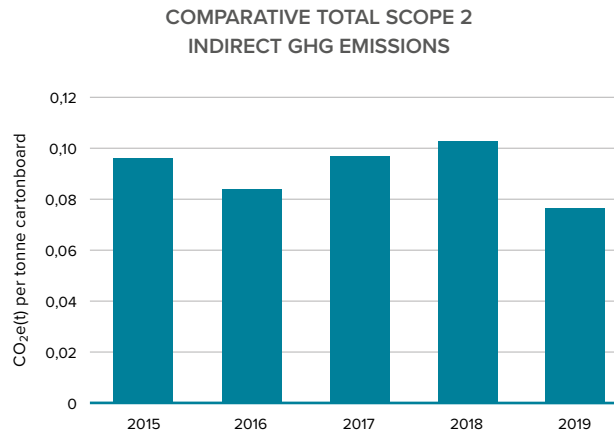
In Europe, where green energy is widely available, we either use 100% renewable or a mix of energy sources. At our Asiatic, African and Russian locations, renewable sources are, on the other hand, still less available, but we aim nevertheless to increase the portion of renewable energy sources throughout the Group.

When considering our carbon footprint, our wide use of fibre-based packaging has an important impact. All paper and board products have two unique and positive attributes: (1) they are based on a renewable raw material, and (2) given that they come from forests that bind CO₂, they store carbon, which means that the recycling of paper and board products delays CO₂ from returning to the atmosphere.

Scope 1 includes all Greenhouse Gas (GHG) emissions generated directly by the organisation¹.

The direct emissions from AR Packaging's operations originate mainly from plants with flexible packaging production as well as rotogravure and flexographic printing due to incineration of exhausts. During 2019, there was an increase of total Scope 1 emissions by 4.1% compared to 2018. This was partly caused by the availability of more accurate data thanks to the integration of a new sustainability reporting system. Still, the total Scope 1 emissions per comparative figure decreased by 2.8% during the year.

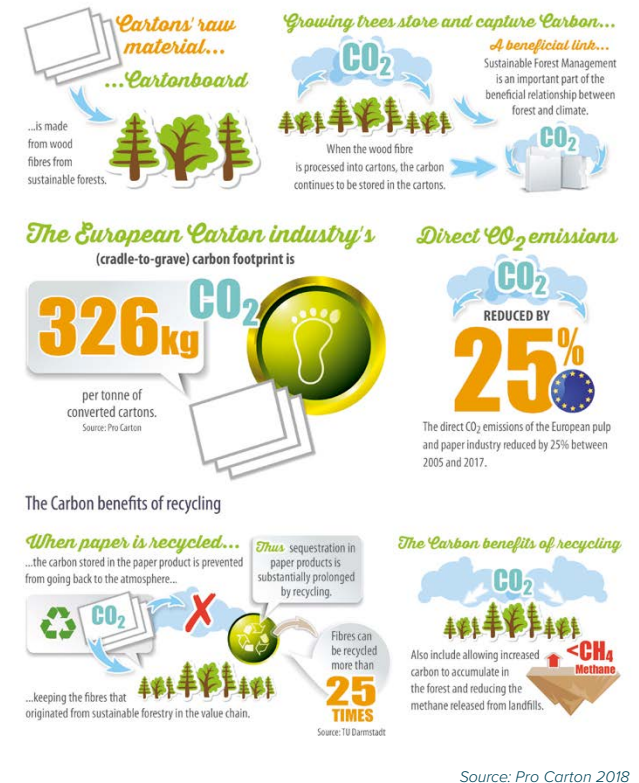
Scope 2 accounts for GHG emissions from the generation of purchased electricity, including heating, cooling and steam consumed by the organisation. During 2019, we saw a considerable decrease in absolute Scope 2 emissions by 20.6%. This was mainly linked to the new more specific sustainability reporting system introduced during the year and the fact that the electricity mix has generally become more renewable, for instance in



Germany where the portion of coal energy has been significantly reduced.

Scope 3 includes other indirect GHG emissions that occur as a consequence of our activities but from sources not owned or controlled by the organisation. Currently, we do not report on Scope 3 emissions, but this is part of our new 2025 targets.

The Carton Industry's Position on Carbon Footprint - fossil and biogenic carbon



¹ GHG emissions included the generation of electricity, heating, cooling and steam, transportation of employees and business trips and fugitive emissions (HFC emissions from refrigeration and air conditioning equipment).

Energy saving activities during 2019

New machines or technologies

An important way to improve energy efficiency is to replace older, inefficient equipment with new machines or technologies.

- **Istra, Croatia**, installed a new software to regulate heating with hot steam which resulted in remarkably less consumption.
- **Frankfurt, Germany**, replaced an older refrigerating dryer enabling an energy reduction of 2.7 kWh per year with a decrease of 1,2 tons CO₂.
- **Cholet, France**, replaced an old compressor, which reduced the electrical consumption by 35%. The new compressor is equipped with an exchanger, where water is preheated before going into boiler that then heats the plant. This replaces the need for about 180 MW of natural gas, which represents a saving of 17% of the annual consumption (6.5K€ saving).

Optimised work processes

Another way to improve energy efficiency and gain energy savings is to optimise and adapt work processes.

- **Frankfurt, Germany**, optimised their energy usage through improving how their employees operate the recently installed new printing machine. In addition to this, they now exploit used UV energy and have optimised drying units per print/varnish unit. The entire project has resulted in a reduction of 57.6 kWh per year with a decrease of 25,0 tons CO₂ and a total annual saving of more than 9K€.
- **Frankfurt, Germany**, invested in the adaption and process optimisation of board waste suction and used fans involved in die cutting, enabling a reduction of 22.8 kWh per year with a decrease of 9.9 tons CO₂.

Energy efficient lighting

The move to LED lighting has been an ongoing project at all plants. Several plants have even extended their analysis and have applied a wider view:

- **Istra, Croatia**, extended the introduction of LED lighting to also involve the outdoor environment surrounding the building, including parking spaces and access roads to the factory.
- **Cholet, France**, installed automatic lighting in all social rooms and locker rooms as a further measure to save electricity.

Ongoing energy projects in Sweden

The flexibles plant in Lund, Sweden, has always been very active in improving their energy efficiency. The plant launched three different main projects in 2019, where the results will become fully visible during 2020.

- A new cleaning unit of process air running on biogas was installed in spring 2019 and activated in July 2019. A reduction of 3,000,000 kWh per year is expected, which will correspond to an annual saving of approximately 250 tons CO₂. This investment was carried out in collaboration with the Swedish Energy Authority (Energimyndigheten).
- A heat pump “water to water” was installed in December 2019 and has been in operation since January 2020.
- Liquid Petroleum Gas was replaced by biogas and renewable electricity in four production lines. A reduction of 500,000 kWh per year is expected with a decrease of 20 tons CO₂.



Case study Bawen, Indonesia

As an important step to implement AR Packaging's expansion strategy outside of Europe, the company acquired the Indonesian plant PT Maju Jaya Sarana Grafika (MJSG) in January 2016.

The former Maju Jaya is one of the leading Indonesian packaging companies with a majority of the customer base in the tobacco, healthcare and food segments. The company's two production sites have been located in Bekasi, close to Jakarta, and Semarang, Central Java, where the latter had to be relocated due to change in infrastructure.

In 2017, AR Packaging therefore started construction on a new plant in Bawen, Central Java, a region which is still a green area for industry and therefore attractive to many companies seeking to relocate from West Java.

The Bawen plant has been fully operational since December 2019 and has set the standard for specialty offset and roto-gravure packaging throughout the region. This has been an important factor for AR Packaging becoming the partner of choice for many of the leading players in the industry. The aim is to expand the Indonesian business to also serve food service, healthcare and beauty customers.



Sustainability initiatives in Bawen

Already during the planning phase of the new greenfield plant, environmental aspects such as energy and emissions were considered. As an example, the whole facility has been designed so that over 40% of the plant is open spaced. This allows a sufficient air flow throughout the buildings, enabling the air condition to be centrally installed with several advantages. Another advantage of the highly modern plant is the maximised use of natural lighting and the installation of LED lamps. All lamps in the production area are turned off during daytime and work-shift breaks, which results in important energy savings.



To maintain the environment surrounding the plant in Bawen, AR Packaging collaborated with Djarum Foundation to plant trees in several areas on the factory premises. The foundation is a non-profit organisation of one of the company's largest local customers and aims to preserve the sustainability of Indonesia's natural resources.



Quality, food safety and hygiene management

As quality, food safety and hygiene management are key priorities for AR Packaging, the management at Bawen strives to meet European Group standards in their plants in Indonesia. Apart from having implemented ISO 90001 and achieved certification for using materials from sustainably managed sources, Bawen has set a target for 2020/2021 regarding standards such as FSSC 22000 (hygiene management) and ISO 14001 (environmental management).



Hands are sanitized before entering the production area.

Health and safety procedures

Health and work safety naturally play a central role at the Bawen plant. The goal was to establish a culture of safety and to build employee engagement from the ground up when starting operations. Therefore, several training programs in health and work safety were carried out during 2019. Many activities are also in preparation concerning ISO 45001 (formerly OHSAS 18001) which will be audited during 2020. Upon completion, Bawen will be the second plant in AR Packaging, besides Krakow, Poland, following this certification.

Labour practises

All employees at the Bawen plant are Indonesian and mainly from the dominant Javanese ethnic groups. Indonesia has established a Human Rights Council as well as a Child & Women Council for the protection of human rights as well as worker rights. Since 2018/2019, the Bawen plant has a workers' council and a collective labor agreement implemented. The AR Packaging Code of Conduct is implemented throughout the organisation and its provisions and included in regular training. Following Group standards also includes external social audits which are planned for 2020.

Information and contacts

This sustainability report summarises the key environmental and social developments at AR Packaging for the calendar year 2019. It is published digitally as a pdf document on the Group's website 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 2019 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 achievements are also shared through LinkedIn.



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