



APACKAGING

# Sustainability report 2020

# Content

About AR Packaging . . . . .	03
CEO statement . . . . .	04
Comments by the sustainability director . . . . .	05
Our market presence. . . . .	06
Our global reach . . . . .	07
Vision, values and strategy . . . . .	08
An eventful 2020 . . . . .	09
Staying ahead is crucial to our business . . . . .	10

Sustainability at AR Packaging . . . . .	12
Our sustainability targets for 2025 . . . . .	13
Sustainable governance . . . . .	14
Sustainable work-life . . . . .	18
Sustainable innovation. . . . .	22
Sustainable operations . . . . .	26
Information and contacts . . . . .	32

# 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 and innovative product offering and deep packaging expertise.

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 the latest years made several strategic acquisitions. In 2020, we completed the acquisition of rlc packaging group (including BSC Drukarnia Opakowan) and added the pharmaceutical packaging expert Kroha to the family. AR Packaging holds leading positions in our selected strategic segments and as one harmonised company we serve multination customers from three continents.

The products and solutions we offer cover a wide range of packaging categories, such as folding cartons, flexible barrier materials, trays, cups, leaflets and proprietary machinery systems as well as packaging design and development.

Sales (MEUR)	Plants	Countries
>900	30	13

Divisions

4

Employees

5000



## 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.

# Towards the forefront of sustainable packaging

2020 was a very special and challenging year for AR Packaging due to the pandemic that still affects our lives and the communities in which we operate.

We have been successful in protecting our people, our organisation and our business against Covid-19 in 2020. Doing so, we have been reminded of the importance of sustainability in every aspect of what we do. In any modern society, packaging has a critical mission to protect and ensure long shelf life of foods and sensitive goods during transport and storage.

Our vision – to create success through packaging – drives us to relentlessly strive towards being at the forefront when it comes to smart and sustainable solutions to our customers' needs.

Even though Covid-19 has had a negative impact on some of our markets – especially food solutions for restaurants, on-the-go, confectionery and beauty products – the demand for sustainable solutions has accelerated. In fact, there are almost no customer meetings where the topic is not front and centre on the agenda. Subsequently, sustainability is a natural part of our offerings, and we are involved in a large number of sustainability projects with our customers.

Cartonboard is a fibre-based, renewable and recyclable material with great environmental benefits and AR Packaging is firmly committed to being an innovative leader in packaging. We have a long tradition of developing new smarter solutions. In a culture of continuous improvements, we do both smaller adjustments to save resources and greater

changes to introduce entirely new environmentally optimised packaging solutions.

Our ability to offer the innovative solutions desired by our customers is contingent on that we are running our operations in a sustainably sound and efficient manner. While the global pandemic meant that several projects had to be put on hold, we were still able to continue many sustainability projects aimed at improving our own operations. This involved not least integrating our new plants into the organisation.

During 2020, we continued to acquire companies with a sustainable and fibre-based product offering and a strategic fit to our existing business. After several intense years of both acquired and organic growth, we are now entering into a new phase where focus will be on optimisation and integration, which will further secure a consistently high level of quality. Sustainability will always be at the core of that effort.

As a signatory to the United Nations Global Compact, AR Packaging submits each year a Communication on Progress report (COP). This sustainability report constitutes our COP and on the following pages you will be able to read how we are working to create success through sustainable packaging solutions.

**Harald Schulz**  
CEO

**"During 2020, we continued to acquire companies with a sustainable and fibre-based product offering and a strategic fit to our existing business."**



# Promoting sustainability through our operations, value chain and markets

Going into 2020, we set sail to our new five-year sustainability targets and have worked diligently during the year to start implementing them across our businesses. As a company within the packaging industry, we play an important role in our customers' sustainability efforts and the choices we make have a direct bearing on our role as a trusted partner.

Over the recent year, we have again seen a raised interest for our sustainability work. To an increasing degree, sustainability now characterises our customer relationships and our customers are in turn asking for concrete targets and progress on issues such as recyclability, plastic replacement, use of renewable materials and reductions in product carbon footprint.

At AR Packaging, we welcome this increased level of transparency. The attention to more sustainable products spurs our work to develop new solutions that live up to customer expectations and may aid in the pursuit of their own goals.

Since its introduction in 2019, the EU Single-Use Plastic Directive (SUPD) has had a significant impact on our customers' business and have already been widely adopted into national legislation. Moreover, we are also seeing more small and large brand owners now setting up their own ambitious sustainability targets, such as goals of climate neutrality and circularity.

These developments present our industry with significant challenges and require that we align our own operations with our customers' targets. In view of this, we have found

great benefits from adapting our organisation as a step to stay abreast of changes in both the market and the legal landscape.

During 2020, we divided our sustainability function into two components, focusing our customer-oriented sustainability work concerning innovation, product development, sales and marketing to one area and our internal work concerning operations, administration and reporting activities to another.

With this change, we clarify both to ourselves and to our customers how we are addressing the many facets of sustainability, while also achieving a more efficient use of our resources. By moving innovation and our involvement with various industry associations to the same area, we expect to find important collaborations and may also use the forums available to us to drive much needed change.

Through our various projects, we have accumulated vast amounts of knowledge and experience over the years on how packaging solutions may assist in the transition to more sustainable business. Using this knowledge benefits not only our innovation work but also enables us to better support our customers in their decisions and communication on packaging.



Working with our new five-year targets during the year, a key focus has been to firstly build awareness and engagement among our key people. As we integrated six new plants into our organisation during 2020, a much effort was therefore placed on harmonisation with our strategy. Including the people in our organisation is central and ensures that we will be able to produce the results and reports our customers are demanding. As a consequence, much work on the targets still remains, but with this as a starting point, we feel prepared for the journey ahead.

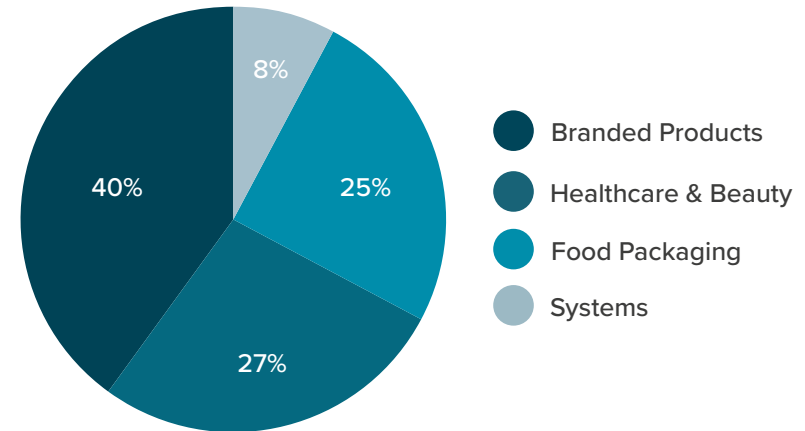
Our supply chain is a prerequisite for our progress and during the year we began work on extending our greenhouse gas emissions reporting to Scope 3. This accounts for the emissions throughout our entire supply chain and including this in our reporting will most likely involve great efforts and collaborations with our suppliers. Nevertheless, we view this as an important step to understand the complete impact of our production, which will be instrumental when reducing the carbon footprint of our operations, our products, and, by extension, our customers.

Looking ahead, we will continue to take important steps towards our five-year targets leading up to 2025. This involves pushing for continuous sustainability improvements within our organisation in general and among our plants in particular, which will further propel our improvements on the various platforms valued by our customers. Finally, we stay committed to contributing to our customers' sustainability efforts by maintaining close contacts where we share our experiences and knowledge.

**Robert Mayr**  
Product Safety and Sustainability Director

# Our market presence

Our business is structured into four divisions and seven 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 with finishing effects 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**.



## Healthcare & Beauty

The Healthcare & Beauty division offers innovative premium packaging solutions – carton-based, flexible materials and leaflets - to the beauty, pharmaceutical and medtech industry. The division consists of the two business segments: **Beauty**, which provides exclusive packaging conveying the attributes of well-being and attractiveness, and **Healthcare**, which supplies high-quality packaging where safety is a key aspect of the highly regulated industry.



## Food Packaging

The Food Packaging division develops sustainable solutions - folding cartons as well as barrier lidding films, thermoformable base webs and pouch materials - which meet the highest safety demands while keeping food fresh, protected and easy to consume. 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

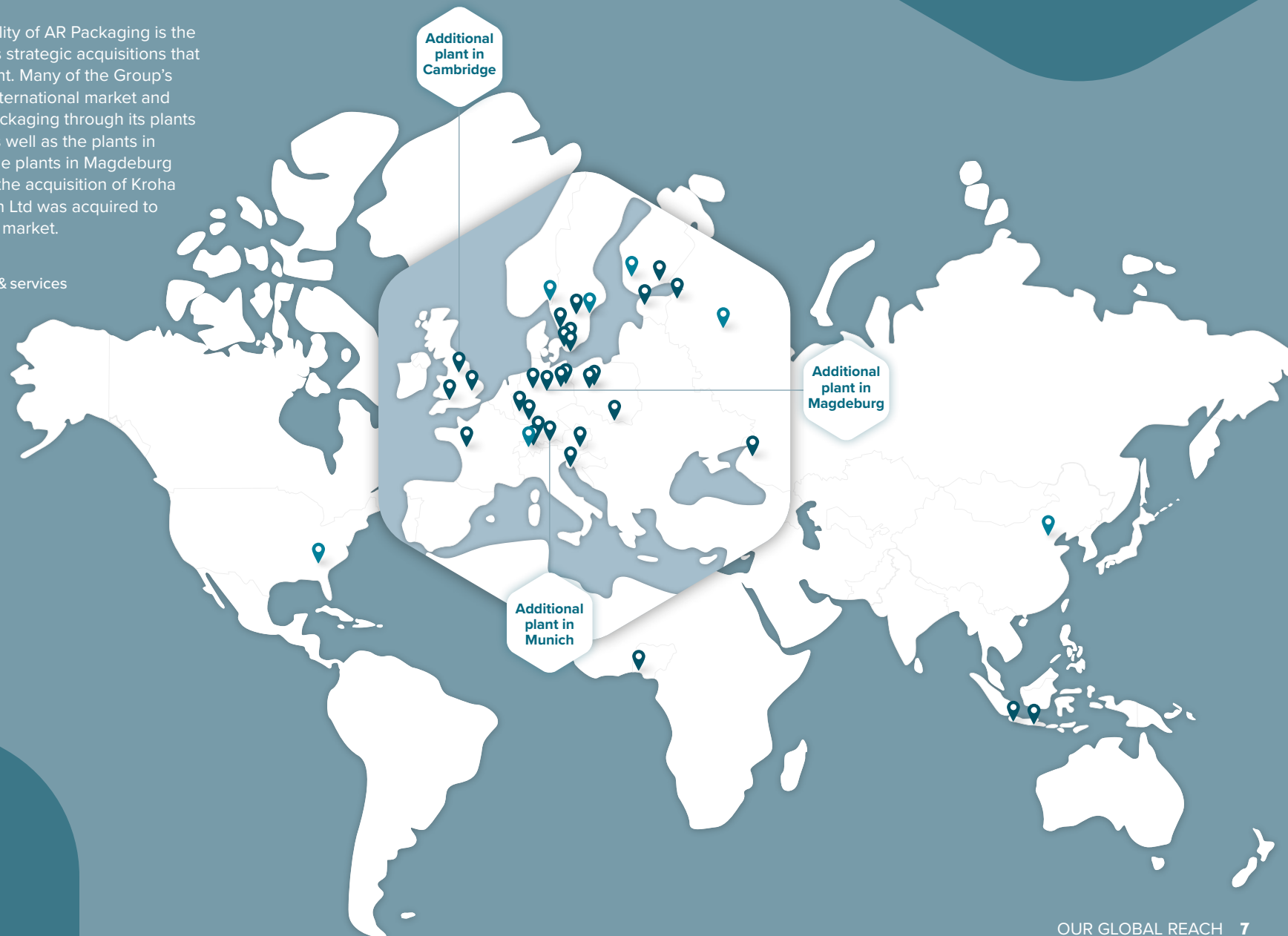
The Systems division provides **tailored carton-based barrier cans** which are ideal for products that need both effective protection and value-adding presentation for consumers. The proprietary, high-performing and gas-tight solutions include Boardio®, Sealio® and Cekacan® systems. The offering covers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



# 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. In 2020, the plants in Magdeburg and Munich were added through the acquisition of Kroha GmbH and in January 2021 Firstan Ltd was acquired to widen our local offering to the UK market.

 Sales & production  Sales & services



# Vision, values and business strategy

Since the foundation of 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 to cover three continents and strengthened our leading 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 continued in 2020 and the company unified all group companies under one new name and brand identity – AR Packaging. The company wide vision and core values guide us in our continued evolution.

## 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 2020

AR Packaging had an eventful 2020 with many product launches meeting the fundamental market shifts and major acquisitions of very high strategic importance for the Group's future development.



**2020-02-27**

AR Packaging sets strict internal precautionary instructions, as one of the first packaging providers, to minimise COVID-19 outbreaks. These were further updated during the year.

**2020-03-09**

AR Packaging joins with PulPac Technology Pool as a step towards becoming the first to offer commercially viable plastic free trays and cutlery made of dry molded fibres.



**2020-07-07**

Introduction of Safeboard®, a plastic-free barrier cartonboard solution helping Bel Group to eliminate plastics.

**2020-10-30**

Acquisition of German-based Kroha GmbH, a specialist in folding carton packaging for pharmaceuticals.



**2020-11-04**

Market introduction of more than ten fibre-based tray concepts for chilled and frozen foods as sustainable options to replace plastics.



#1

**2020-01-24**

AR Packaging completes strategic acquisition of rlc packaging group and Nampak Cartons Nigeria and elevates to a leading market position in the healthcare, pharma and beauty segment.

**2020-06-23**

Unification of all group companies; ÅR Packaging, Å&R Carton, Flextrus, CC Pack, SP Containers, Maju Jaya and ÅR Packaging Digital, under one new name and brand identity – AR Packaging.



ARPACKAGING



**2020-09-21**

AR Packaging wins the German Packaging Award 2020 in the sustainability category for its packaging solution for complex medical-technical application.

**2020-Oct/Nov**

AR Packaging participates in several well-known events and exhibitions, which moved to new digital platforms due to the pandemics.



# Staying ahead is crucial to our business

As a supplier to many customers in the retail sector, we need to be constantly aware of the surrounding world. The shifts and turns in both consumer attitudes and legal developments impacting our customers have a direct bearing on the demands placed on our organisation and solutions. At AR Packaging, we are well-positioned to meet these challenges and grow, both as a business and as a valued partner to our customers.



## Growing sustainability awareness among consumers

Interest in sustainability is growing and consumers are now more than ever looking for products and brands that align with their values. Consumers are becoming more aware of the impact that packaging is causing the environment, particularly concerning single-use and non-recyclable packaging.

In one European study, 48% of consumers stated that they would consider avoiding retailers if they were not actively trying to reduce their use of non-recyclable packaging. It also showed that the majority of consumers (73%) prefer their online orders to be delivered in fitted packaging rather than packaging too big for the size of the actual product. Thus, there is an increasing level of pressure on retailers to expand their use of proportionate and environmentally optimised packaging.

<sup>1</sup>Two sides, European Packaging Preferences

<sup>2</sup>eMarketer, Global E-commerce Update 2021

<sup>3</sup>Smithers, The Future of E-commerce Packaging

## Legislation accelerating the shift to a circular economy

Stayin in step with new legislation is one of the key driving forces in the packaging industry. As the European “Green Deal” sets out ambitious goals concerning net-zero emissions and climate neutrality, it will likely have important repercussions on how businesses should be run in the future. Moreover, the European Single-Use Plastics Directive (SUPD) forbids single-use plastics items and calls for a shift towards more, less available, sustainable alternatives, which will also likely have considerable impact on our customers’ businesses.

Finally, the Packaging and Packaging Waste Directive (PPWD) aims to prevent the production of packaging waste altogether by implementing material-specific targets and taxes, nudging producers towards recycling instead of disposal. In sum, these directives are creating new business opportunities for those able to offer alternative, greener packaging formats and develop new barrier technologies.

## Increase in e-commerce in retail sales

Consumers are increasingly buying more goods online and the transition from retail to e-commerce accelerated significantly due to the Covid-19 pandemic. While the total worldwide retail sales declined by 3%, retail e-commerce sales increased by 27.6% during 2020 to a total of \$4.280 trillion.

The increase in e-commerce creates an elevated demand for packaging solutions that can safely ship goods through evermore complex distribution channels. As a result, the global market for e-commerce packaging is currently being estimated at \$49.2 billion with a growth rate of 15% for a projected value of \$98.2 billion by 2025. Still, this change also carries important challenges, as packaging needs to be adapted to be able to meet the new requirements that arise, for instance, in connection with private deliveries. When the packaging forms the interface between the company and the consumer, the requirements for design, print and identity become more important.

## Food delivery

The convenience trend is boosting the popularity of takeaway food and on-the-go food options. As many were required to stay at home due to the pandemic, online grocery and restaurant delivery services skyrocketed.<sup>4</sup> Millennials stand out as the main consumer group in this area, as they spend the highest share of their budgets on prepared food compared to other generations.

As a consequence, the global online food delivery packaging market is expected to grow annually by 10% between 2021 and 2026.<sup>5</sup> Still, with the increase in food deliveries, a demand for rigid and flexible packaging that may sustain the journey to consumers through various means of transportation is created.

Meanwhile, zero waste strategies are also becoming more frequent in the food industry. Many restaurants are offering own return systems for take-away packaging, such as food boxes and coffee mugs that can be handed in for cleaning and reuse. Grocery stores and supermarkets have also found new concepts, where customers buy unpacked bulk food by either bringing their own containers or buying them from the shop.<sup>6</sup>

## Global food waste and food safety

While SDG 12.3 states that global food waste per capita needs to decrease by 50% at both retail and consumer levels, roughly one-third of all produced food is not eaten today.

Packaging plays an important role in reducing food waste, as well-designed packages may reduce the risk of contamination, ensure traceability, extend shelf life and enable efficient and safe transportation and storage. In addition to this, with the development of

“active packaging”, intelligent indicators showing freshness and temperature may help the consumer to assess product safety beyond the printed expiry date, thus extending the life of food products and reducing food waste.<sup>7</sup>

## Zero waste dining movement

At the same time as packaging is being optimised and becoming increasingly circular, zero waste strategies are also underway to avoid packaging altogether. In the restaurant industry, some companies implement reusable packaging in their business model with a return system

for take-away packaging. Start-ups present solutions for takeaway where consumer pay a rental fee and return at all participating shops. Food boxes and coffee mugs can be handed in where they were previously purchased and then washed and reused.

<sup>4</sup>Brigg, Food Deliver: Industry Trends for 2021 and beyond /

<sup>5</sup>Online Food Delivery Packaging Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2020-2025

<sup>6</sup>Ellen Macarthur Foundation, Reuse Rethinking Packaging

<sup>7</sup>Smithers, 30 trends to define future of packaging across the 2020s



# 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 several industry associations, where we share information and promote development that ultimately enable us to change not only our industry but the whole supply chain. It also strengthens our ability to proactively support our customers in their challenges 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.

## Our strategy for sustainability

Materiality is the principle that determines which topics are most important in our sustainability work. We at AR Packaging 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 form the basis for our way of reporting our work.



Over the following pages, we present our approach to governance and how our Code of Conduct forms a central pillar to our corporate sustainability culture. Following this, we present our role as a responsible employer and how continuous learning benefits not only our employees but also our capacity to grow and stay competitive. At the foundation of our ability to meet and exceed our customers' expectation is our innovation work, which also is the motor propelling our sustainability efforts. Finally, we present how we work internally to reduce the environmental footprint in our operations.

# Our sustainability targets for 2025

In 2020 we set sail to our new five-year sustainability targets and the progress on implementing these is indicated in colour:

● Completed/On track ● On-going/Initiated ● Soon to be initiated



## Sustainable governance (p. 14)

### Most significant topics

- Environmental, social and legal compliance
- Supplier relations
- Customer health & safety

### Product related targets 2025

- AR Packaging Systems will work to increase recycling rates by collaborating with our customers and pushing for improved recycling infrastructure and regulatory reform. (p. 16)



## Sustainable work-life (p. 18)

### 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). (p. 20)
- Safety audits (PSR Audits) at all plants with score above 80 points (base year 2019 with 50 % above 70 points). (p. 21)
- The ratio of women in the extended executive team will be increased by 40 % (base year 2019). (p. 19)



## Sustainable innovation (p. 22)

### 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. (p. 23)
- AR Packaging aims to play a leading role in advising and supporting our customers in their move to more sustainable packaging solutions. (p. 16, 23)

### Product related targets 2025

- All AR Packaging carton-based products will be fully recyclable in established recycling streams (p. 23).
- AR Packaging Carton will actively have developed new, fully recyclable fibre-based barrier products to replace plastic laminates in Food- and Food Service packaging. (p. 24)
- All AR Packaging Systems' products will be designed for recycling in established recycling streams. (p. 23)
- AR Packaging Flexibles will offer recyclable alternatives for each commercial segment we serve. (p. 23, 24)



## Sustainable operations (p. 26)

### Most significant topics

- Materials
- Energy
- Emissions

### Targets for 2025

- Energy consumption will be reduced by 10% (compared to base year 2019). (p. 28)
- Scope 1 & 2 GHG emissions will be reduced by 10% (compared to base year 2019). (p. 29, 30)
- Start and extent to disclosure of Scope 3 GHG emission figures. (p. 30)

### 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. (p. 27)
- AR Packaging Flexibles will increase the ratio of renewable raw materials to 60%. (p. 27)
- AR Packaging Flexibles will have the capability to supply packaging to food customers with 100% recycled PET (rPET) content. (p. 27)

# 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.

### Most significant topics addressed in this section:

- Environmental, social and legal compliance
- Supplier relations
- Customer health & safety



## Scope and content of the Code of Conduct

The AR Packaging Code of Conduct addresses the most important corporate principles and ethical behaviour in our working environment, business practices and relationships with our external stakeholders. It helps all employees to translate the values of our company into everyday work situations and provides guidance on how to act. Consequently, it not only explains to our employees, but also to our customers, suppliers, investors, key business partners and the communities in which we operate what they can and should expect from AR Packaging.

### Main areas of the Code of Conduct

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

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 complemented by local policies and instructions. All employees are regularly educated in the Code, including ways to report incidents through normal organisational routes or anonymously through our whistleblowing service. The Code is reviewed regularly and approved by the Board of Directors.

## Conducting ethical business with integrity

Following sound and ethical business practices is fundamental to the trust we enjoy among our many stakeholders. We are a member of the UN Global Compact since 2007 and its Ten Principles are accordingly incorporated into the Code. A progress report describing



## United Nations Global Compact

our efforts to implement these principles is submitted annually. The Code also includes statements on human rights, discrimination, social standards and labour principles, all of which are in line with the UN Global Compact requirements and show our stance against all forms of forced, compulsory, and child labour.

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. 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.

In 2020, 21 of our plants performed external assessments on social and legal requirements in different forms. These included platforms and audits by SEDEX (Supplier Ethical Data Exchange) or Achilles, as well as through customer audit approaches like Supplier Workplace Accountability (SWA) and Workplace Conditions Assessment (WCA). To date, 19 plants are members of the SEDEX platform, where social and ethical information and self-assessments are disclosed and readily available to customers.

## Whistleblowing

The AR Packaging whistleblowing procedure was established in 2015 and is an important tool fostering high business ethics and awareness against misconduct. All employees, including temporary workers, who suspect a breach of the Code are obliged to report the matter

to relevant supervisors, plant managers, or an HR representative. The whistleblowing service serves as an important tool for transparency and provides a useful alternative when anonymity might be preferred by the reporting party.

The low whistleblowing rate continued as two cases were reported during 2020. Both cases were investigated with the support from an external agency and for one case actions were taken to resolve the issue while the other case was still being processed at the end of the year.

## Anti-corruption

Corruption and anti-competitive behaviours have severe detrimental effects not only on customer trust but ultimately also on 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 either in action or as negligence by any employee, supplier or business partner. We comply with applicable criminal law on corruption and suitable means are set forth in the Code to promote transparency, trading with integrity, responsible leadership, and company accountability.

No incidents of corruption were registered in 2020, either at the individual plants, at Group level, via our whistleblowing system or in connection with suppliers.

There were no changes in the Group risk assessment and strategy related to corruption at the existing plants in Europe during 2020. 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. AR Packaging strictly applies the international and local legal requirements as well as business obligations for the latest merger activities and for future activities.

We regard 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. We have in the recent year continued our close collaborations with customers and suppliers. The aim has been 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. The Code 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.

As a responsible employer it is crucial that our 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 available through our website*.

## 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.



The Code of Conduct for Suppliers follows the main areas in our Code of Conduct. During 2020, the Supplier Code was updated and our main suppliers are expected to reaffirm their commitment during 2021 or provide their own corresponding version.

## Involvement with industry associations and customers

We play an active role in several associations, where we serve either as member of the board or steering group. By working with other industry actors, we are provided a platform from which we may advice decision-makers and use our collective knowledge to inform on policy changes.

4evergreen, of which we are a founding member, is an industry alliance spanning the whole supply chain with the aim to raise the overall recycling rate of fibre-based packaging to 90% by 2030. Through this alliance, we are working to enhance the contribution of fibre-based packaging in a circular economy. Together with other organisations, we evaluate and rate different packaging types and explore new solutions at an industrial level that have better circular performance concerning the whole recycling stream.

Apart from this, we are also working with CEFLEX (the Circular Economy for Flexible Packaging – an initiative and collaboration of companies representing the entire value chain of flexible packaging), EPPA (the European Paper Packaging Alliance), Pro S-Pack (the association of raw material producers, manufacturers and distributors of service packaging in Germany), FFI (the association of folding carton manufacturers in Germany), and ECMA (The European Carton Makers Association).

We actively collaborate with customers to find new solutions to their commercial needs and sustainability challenges. At present, major focus goes into the Boardio® package and its higher cartonboard content. Together with our customers and stakeholders in the collection and recycling infrastructure, we are making sure the Boardio® package can fit into established paper recycling streams and that it is either verified or certified for this to ensure that adequate recycling takes place in practice. Presently, Boardio® has been verified as recyclable by the European Extr:Act and French Citeo. On the North American market, Boardio® formats for specific customers have been approved for the How2Recycle 'Widely Recycled' label, which means that at least 60% of Americans can recycle it at curbside recycling or drop-off recycling.



## **Certified management systems**

### **– Protecting consumers and customers**

Having long-term certified management systems in place remains a key customer requirement. As a basis for their management systems, all plants use the ISO 9001 certification standard on Quality management, on which further management systems are also built.

Consumer safety is a non-negotiable requirement and we comply with the highest customer demands and legal requirements of European and other countries. We also adhere to the growing demands from global food customers requiring that suppliers comply with certain continental or national requirements, independent of where the product is sold.

All plants producing food packaging operate according to the highest standards on food safety and hygiene management to fulfil and exceed existing legal requirements and the demands and expectations of our customers and consumers. GFSI certified systems, such as the BRC (British Retail Consortium) or FSSC 22000, are installed and regularly audited across the group. During 2020/2021, two more plants (Graz, Austria and Bawen, Indonesia) were audited for the first time according to FSSC 22000 and additional plants are scheduled during 2021 for implementing the standard.

Product safety at all 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 at our food plants as well as handwashing before entering production areas have been standard practices for many years at our plants.

Specific additional requirements, such as the ISO 13485 standard, exist primarily for pharmaceutical packaging produced at some of the plants.

As customer requests for unannounced third-party audits are growing, this means that we maintain an 'audit readiness every day', which requires good implementation of standards at all our plants. However, the 2019 approach to carry out internal audits at all our plants had to be stopped due to the Covid-19 pandemic. Still, our high production standards could be maintained through the sharing of findings on audits via our plant network and support from our group organisation.

The implementation of further sustainability-related certifications is a focus area for several of our plants. About half of our plants are certified according to environmental management system standard (ISO 14001) and an additional seven plants operate based on energy management systems standards (ISO 50001). Both systems require continuous improvements on process and legal conformity and the reduction of environmental footprint.

Given the demand from customers on using cartonboard based on sustainably managed forests, such certifications are implemented at almost all (23) of our 25 reporting plants.

## **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.



# 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 and at AR Packaging we support the internal growth and development of our employees. 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.

### Most significant topics addressed in this section:

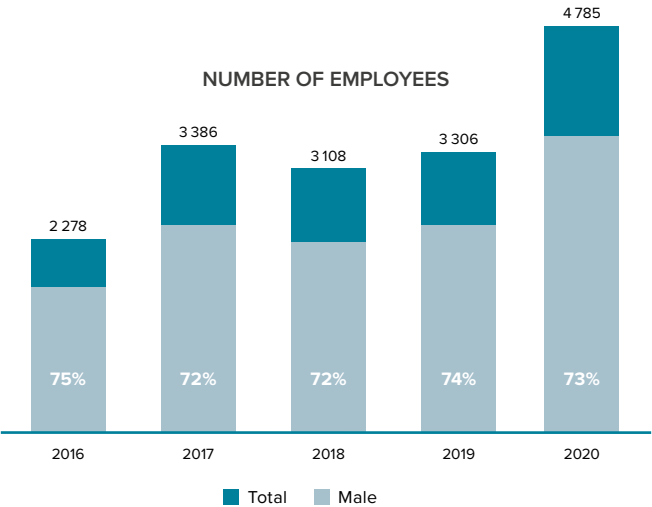
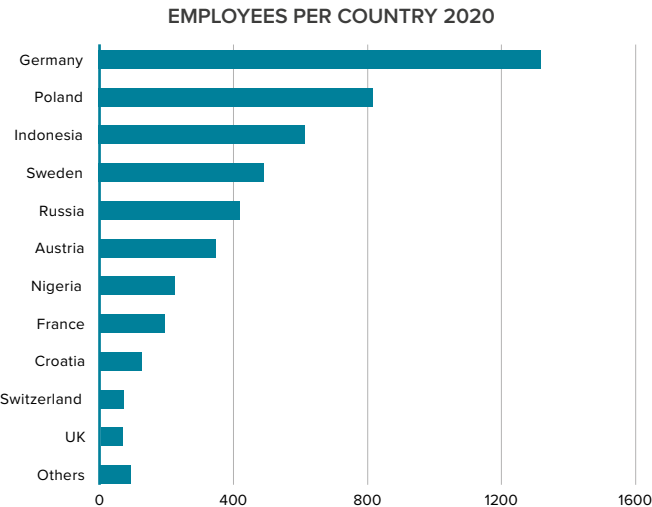
- Employment
- Training & education
- Occupational health & safety



The growth strategy of AR Packaging builds on integrating new acquisitions over time and during 2020 six new plants were added to the organisation. At the end of the year, 4 785 people worked at our 24 reporting plants spanning across 13 countries.

As we grow our business operations in different geographical regions, diversity increasingly becomes an integral aspect of our organisation. The majority of our employees are in the age span 30 - 50 years (52%), with almost equal numbers of people above and below.

While our aim is to reach a more equal gender balance, we are a performance driven organisation focusing exclusively on merit as basis for recruitment and advancement. Today, a quarter of our employees are female, which is mainly due to structural factors in our industry. Nevertheless, the landscape is changing, and we are seeing more women applying to managerial positions. During 2020, the proportion of women in our extended executive team grew with 24% compared to the previous year, which is a positive trend that follows the line of our target for 2025.



## Training and development through Talent Management

Over the recent year, the Talent Management programme introduced in 2019 has been fully operational. The programme covers both mandatory and job-related training and is meant to assist in our internal recruitment processes and integration of new employees, whereby they are given the means necessary to advance.



## Growing our business by growing our people - Interview with Matej Baran, Group HR Director

At AR Packaging, we understand that growing our people is the best strategy for growing our business. Since 2019, we are running the Talent Management programme with the focus to nurture our global talents and provide them with the right tools for growth. This approach has two important benefits; it helps us build a diverse and capable workforce and bolsters our capacity to meet the long-term growth aspirations of the Group. It also satisfies our need to secure and preserve existing technical know-how – a crucial asset that we must continuously build and maintain.

Through the programme we identify all employees based on their individual experience and potential for advancement. Based on this, we then pinpoint the specific tools needed for their continued development and carry out the appropriate training that will ensure swift promotion as soon as the opportunity arises. As a result, personal as well as professional growth becomes an active and ongoing partnership between all employees and their managers.

To promote a culture of continuous learning and development across such a diverse group has led us to choose a standardised approach. This has the advantage of reducing complexity for all stakeholders, which enables an efficient implementation throughout the entire group and during the integration of new plants.

## Training during the pandemic

The Group and plants invest actively in the training of our employees with the aim to continuously improve their skills and knowledge. Due to the pandemic, all external training activities had to be put on hold during the year. This also had an impact on internal training activities, given the pandemic measures implemented at our plants. As a consequence, training per employee diminished in 2020 to 5,4 hours, with a total of 24 100 hours of training taking place.

We were, however, able to increase the number of online courses, allowing for certain training to continue while physical meetings and travelling were not possible. Such trainings focused specifically on safety, fire protection, hygiene, health and certain mandatory job-specific training. As this has proven to be an efficient and largely successful method, we are now looking to roll out a similar layout group-wide as a permanent part of internal training.

The sharing of 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 global customers expect the same technical, procedural and social standards at all our locations, these standards naturally become core facets of Group-wide training and support.

With the integration of new plants, much focus has been given to knowledge-sharing and support in order to involve them into our organisation. The process includes the implementation of policies and best practices and requires that all employees go through our Talent Management programme. Although such activities are normally conducted through visits, major parts were successfully carried out through digital meetings during the year.

## Training our next generation

A Group-wide focus is placed on our younger, junior employees. With the successes from the new training approach implemented at Cholet, this was used in 2020 for the development of a new group-wide on-boarding system.

During their first six months, progress on all necessary training is followed up each new employee by local management and HR. The results are included into the Talent Management programme, ensuring that our new employees receive the support they need as they grow with us.

Many of our plants are following an apprenticeship model, whereby school youths are involved and taught on site as part of their education. The model is a good way to involve and groom talents at an early stage into our ways of working and through on-the-job teaching we also ensure that important skills are kept within the company.

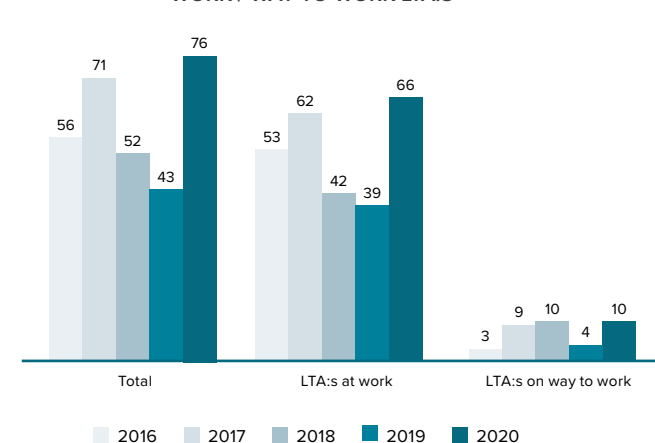
## Safety is our priority

Safety is and remains the top focus from the executive management down to the local plant level. We value and encourage the solid and effective safety culture we have built over the years at our plants and are mindful of the fact that it rests on our skilled and competent employees, who feel responsible for their own and their colleagues' safety every day.

There was a higher number of accidents taking place at our plants during the year. Accidents incurring long-time absence from work (LTA) increased to 76 and the lost-time accident frequency rate (LTAFR) grew correspondingly to 8 per million working hours. This unfortunately undershoots our target of 1,2 LTAFR, which is partly explained by the additional plants included in the reporting for 2020. The process of integrating them into our existing routines and procedures have been on-going during the year.

The pandemic also meant a higher absence from work as employees succumbing to the COVID-19 virus were duly quarantined in their homes. This resulted in that our remaining employees became overworked and thereby more susceptible to accidents. To ameliorate this, we have adjusted the work-life balance of our employees, ensuring that they receive proper rest and breaks from their work.

WORK / WAY TO WORK LTA:S



We were early in the development of the pandemic to take precautionary steps at all plants, both to limit the effects on the business but most importantly to safeguard employee health. All our plants managers have been continually kept updated on the situation and instructed to identify and carry out actions where necessary.



## Our approach to health and safety

After health and safety was placed under the purview of Group HR during 2019, a more structured approach has been introduced into the organisation over the last year. This has brought an increased focus at the local level and more regular communication with group management, resulting in a faster response time to incidents.

In the event of an accident, a full report needs to be submitted within 24 hours from the event. The report includes an analysis of the incident and an action plan for future prevention drawn up by the local plant manager, which is then sent directly to our Group HR Director and CEO for review. The work safety incident reporting procedures also include return talks, where causes and measures are discussed with an employee returning from an accident.

Our efforts to improve in this area continue relentlessly with special focus on plant level. To mention a few examples, at Frankfurt, new fall-through and guardrails were installed for skylight roofs, the firefighter area was renewed, and fire escape and rescue plans were updated. At our Graz plant, internal traffic routes have been improved through a camera system, which has improved risk areas and benefited the training of forklift drivers. Finally, at Aachen a job bicycle campaign was rolled out, where bicycles are offered to employees at discounted prices in order to encourage daily physical activity.

Going forward, our continued approach to safety includes updating our incident reporting, standardising our procedures concerning LTAs, as well as a stronger focus on safety awareness at the plants and through regular management communication. The lack of travelling meant that we were not able to carry out our planned Plant Safety Reviews (PSR) during 2020. Still, with the introduction of the new routine for incident reporting, we have been able to stay updated on improvements and renewed efforts concerning PSR will be made during 2021.

## Case study – Cholet, France

Our plant in Cholet, France, continues their efforts to improve their health and safety organisation and the major changes implemented during 2019 have had results. After having had one of the highest LTA rates in our Group, Cholet has managed to reach an all-time low with a reduction of 28% and a decrease in severity rate of 59% compared to the previous year. Not settling with these results, management at Cholet have introduced new efforts aimed at further strengthening safety at the plant.

At the beginning of 2020, management introduced a new project called 'Your safety, My priority' to change mindsets among employees. With a group of 16 people managing the project and the QHSE manager as leader, the following five main actions were defined:

- Modification of pedestrian aisles throughout the plant
- Communication, involving safety training for all employees, safety screens at each entrance, and the implementation of a near miss note
- Bonuses linked to improvements within safety
- Return interviews with LTA victims and supervisor and plant manager
- Parking cars in the reverse side

Also during 2020, trainings in safety and hygiene were combined and developed into a safety week for all employees. Together with an association working with training in both hygiene and safety, employees received two hours' of training.

In addition to this, management introduced a new routine, whereby injuries are reported through a web platform accessed by both the plant manager and QHSE manager. As both are now informed about an injury as soon as it occurs, it ensures swifter responses, improvements and easier tracking of incidents.



NOM: \_\_\_\_\_

LIEU: \_\_\_\_\_ DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

HEURE: \_\_\_\_h \_\_\_\_

**QU'AVEZ-VOUS VU ?**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**QU'AVEZ-VOUS FAIT IMMÉDIATEMENT ?**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**QUE PROPOSEZ-VOUS ?**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



# Sustainable innovation

## Innovation for a more sustainable world

At AR Packaging, we are proud to lead the market with innovative solutions that continually redefine the possibilities of cartonboard and flexible packaging. Our customers are always at the centre of our efforts, and we are working closely with them to better understand their present challenges.

Still, our work with innovation stems not only from the need to solve today's packaging challenges, but also from a responsibility for driving the future development of our industry forward. Moving towards a more sustainable world requires thinking beyond the packaging itself and finding solutions that are grounded in a sense of responsibility for the environment.

To do so, we continuously draw upon the wide range of capabilities and market-leading know-how that exists within our group to proactively find value-adding solutions that meet our customers' demands for sustainability, as well as healthy living, convenience, and luxury.

### Most significant topics addressed in this section:

- Product development
- Customer health & safety



## Adaptation through innovation

As our customers are setting their own ambitious time-bound goals for circularity and recyclability, we need to adapt our work accordingly to stay relevant as a valued supplier. Moreover, new legislation is being put forward that seeks to reduce or even ban certain types of package solutions outright.

Given these developments, the need to innovate has never been more important. In order to live up to new market demands and changes in the legal landscape, innovation becomes a question of adaptation, where we must improve the sustainability of existing solutions or create more features to already sustainable packages.

On the one hand, while the functionality of flexible packages makes them crucial to preserving and protecting food and delicate goods, their recyclability remains a challenge. On the other, fibre-based packages have clear benefits to circularity, but their functionality is limited in comparison to flexibles. Consequently, as a company offering both types of solutions, a key focus in our innovation efforts is to improve the recyclability of high functioning packages and increasing the functionality of highly recyclable packages.

## A pool of innovative resources

The innovative resources at AR Packaging are found throughout the entire group. Each plant represents not only a production unit, but also a centre of excellence with unique skills in a particular area. At group level, our role is therefore to facilitate, organise and deploy the skills and technologies required to meet the packaging demands placed on us at any given time.

As this means that each plant specialises in a particular field and use their accrued skills in conjunction with other plants, important synergies are created resulting in key

competitive advantages for the group. The transfer of know-how between plants also usually involves training our employees in the required skills, which subsequently brings great opportunities for personal and professional development.



## Remaining challenges of recyclability

The harmonisation of recycling regulations between and even within countries continues to be limited, which means the definition of what is considered recyclable still varies to a large degree. This presents an immediate problem to producers, which is amplified by the variations in recycling infrastructure, industrial capabilities, and market conditions for recycled materials. Meanwhile, brand owners are setting different priorities on sustainable packaging solutions depending on which market they operate in. As a consequence, the development of new packaging materials continues to be exceedingly complex, while great confusion remains among consumers on how to recycle packages.

Recyclability has a prominent place in our innovation efforts. We design for circularity and are approaching it in two main ways. Firstly, we aim to ensure that packaging entering into the recycling stream can be recycled to the highest degree possible. Secondly, if our products should for some reason not enter the recycling stream, they are designed so as to have minimal harmful impact on the environment.

An example of this is the Boardio® package, which is verified to be recyclable in the paper stream in several countries. The package is based on high fibre-content of up to 90%

and intense developmental efforts are being deployed to further increase the fibre content and minimise – even remove – other material content without sacrificing product safety, quality and process efficiencies.

In addition to this, we also work to increase the portion of renewable materials in our product offerings to the farthest extent possible and where it does not have a detrimental effect on consumer safety, product quality or food waste.

## Collaborating for sustainability

In trying to lead the development of our industry, we take an active role in various industry associations with the goal of both sharing and building knowledge that may ultimately create better, more sustainable solutions for our customers. Through these associations, we are also given a better vantage point from which to monitor and advise policy-makers on new packaging standards, ensuring that decisions are based on the latest, most accurate fact-based knowledge available.

We are working closely with recyclers and operators of recycling systems, supporting them to optimise their processes and improve the efficiency of recycling. We use the results to adapt our products or replace them with recyclable versions and are using third party accreditors to validate the recyclability of new packaging solutions.

We are also deeply involved in collaborations with our customers and have seen a change in our role from technical solutions provider to advisor. With our engagements with industry associations and our own research and expertise, we are able to offer insight into the current legal landscape and technical developments, which may assist our customers on their sustainability journey.

# 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 practices, sound operational controls, and hygiene. Applying this approach, we have consistently been at the forefront of an evolving market, where our work has contributed to an effective use of resources.

We have set a target of offering recyclable alternatives for each commercial segment we serve, and we are well on the way of reaching this. At present, fully recyclable packaging options are more suitable for certain types of products, whereas others remain a challenge. Our innovation efforts are directed towards finding solutions for all types of products and below are some examples resulting from this process.



## Dry Molded Fibre packaging

AR Packaging aims to be first on the market with commercially viable plastic-free trays and cutlery for the food, on-the-go and food service sectors. The group looks to contribute to innovative process developments of fully fibre-based solutions without compromising on consumer convenience and product safety. In the pursuit of this, AR Packaging has joined the PulPac Technology Pool and get thereby unique access to optimised processes for putting fully fibre-based and renewable single-use products on the market.

## Safeboard® – Reducing environmental impact

After two years of research and close customer collaboration, AR Packaging has developed Safeboard®, a plastic free cartonboard packaging solution without PE, suitable for the food industry. The development is a result of our quest to minimise the use of plastics and still provide optimal product protection and performance. Therefore, it goes well in hand with our set target for AR Packaging Carton, to develop new, fully recyclable fibre-based barrier products to replace plastic laminates in Food and Food Service packaging. Among its many features, Safeboard® can replace plastic coated cartonboard, thereby enabling repulpable and compostable packaging, while offering possibilities for tailored barriers to moisture, grease and aromas. Given this, Safeboard® represents an ideal solution for the food industry being applicable for fresh, chilled and frozen food as well as for the food service industry.



## German Packaging Award 2020 – Sustainability category

AR Packaging received the German Packaging Award 2020 in the sustainability category for constructing a complex medical-technical application for the diagnosis of blood parameter use.

The solution can reduce the use of plastics and ensure simplified disposal. While conventional solutions use plastic containers to operate diagnostic devices, AR Packaging's cartonboard packaging divides the box into segments, supporting and mechanically stabilising the pouches for reagents and waste liquids. The use of cartonboard also makes it easier and more sustainable to dispose of the hazardous medical waste.



## Fibre-based tray solutions for fresh food and vegetables

AR Packaging released more than ten fibre-based tray concepts for chilled and frozen foods as an alternative to full plastic trays. The concept maximises the use of renewable fibre content, which minimises the need for plastics while ensuring both food safety over the expected shelf life and minimal food waste. Designed to run on existing packaging lines at the food producers, the concepts also ensure a fast transition to more sustainable packaging without the need for major investments.



## Home delivery boxes

To meet the increasing needs of packaging tailored for take-away and home delivery, AR Packaging develops customer specific packaging to meet unique requirements for product protection, branding or distribution.

Our snack boxes are only one example tailored for these segments. AR Packaging has additional solutions in the pipeline to be launched in response to the growing demands for packaging solutions adapted for safe distribution directly from the kitchen to the front door of consumers.



## Printallic® – Sustainable metallic effects

Sophisticated brands – from consumer to luxury – choose metallic designs to create the desired visual eye-catcher that highlight their individual image. The new Printallic® collection is the outcome of our broad technological competences, manufacturing skills and team spirit in our expert production sites. With sustainability in mind, we put a strong focus on metallic effects that are created without plastics and have collected recyclable alternatives to the metallic effect that is most commonly applied.



## Recyclable flexible barrier laminates

Flexible barrier materials intended for chilled meats or hard cheese are normally made of thin layers of different plastics to ensure product protection, mechanical strength, printability, and consumer convenience. Yet, the mix of plastic types have resulted in difficulties for the proper recycling of materials. To resolve this, new advanced plastic grades are being explored to meet the same property requirements, but based on only one type of plastics, thereby enabling a higher level of recyclability.

The targeted plastic types, PET or PE, make up about 95% of content given that certain special polymers are still needed to maintain an adequate product protection. We offer these mono barrier materials as options to customers interested in taking the next step in package recycling, which corresponds with our target for AR Packaging's flexibles business to offer recyclable alternatives for each commercial segment we serve. While this solution is well suited for products in chilled foods and healthcare, recyclable high barrier materials for dry mixes still remain an issue, which we are working to resolve



## PureTray™ – Plastic-free pressed board trays

In cooperation with our cartonboard suppliers, we have been able to develop a plastic-free carton tray – PureTray™. As it may replace fully plastic containers and plastic-lined carton trays, it also follows our target set for AR Packaging's carton business. The grease- and moisture resistant, repulpable material is specifically designed for tray applications with a special food contact side to meet both customer and product requirements. Development is still on-going, with plans to introduce full commercial use during 2021.

# Sustainable operations

## Promoting sustainability throughout our operations

AR Packaging promotes sustainability across all aspects of our operations, 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.

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. We therefore work actively 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.

### Most significant topics addressed in this section:

- Materials
- Energy
- Emissions



## Towards a circular economy

At AR Packaging, we are putting significant efforts into developing packaging solutions that meet the needs for a circular economy. The main material we use is cartonboard, which comes mainly from certified sustainable sources and is consequently considered a renewable and recyclable material.

For our other materials, such as inks, varnishes, glue and plastics, our progress and efforts for circularity are to a certain degree dependent on other material-technological advances throughout the entire value chain that may improve the renewability and recyclability of critical materials.



## Cartonboard consumption

The consumption of cartonboard at our carton plants increased in 2020 by 55%, primarily due to the integration of recently acquired plants that are now included in our reporting for the first time. Excluding these additional plants, our increase in cartonboard material was 3% during the year. The use of recycled cartonboard increased significantly to 27% of total cartonboard used, which was mainly a result of our additional reporting plants in Germany and Poland. Further increases in this area are, however, dependent on customer decisions, where the use of recycled cartonboard for food packaging generally requires a functional barrier.

The work is on-going to fulfil our target for 2025 to increase the use of renewable raw materials in addition to cartonboard. The target for the Systems division is that 25% of the plastics used will be biobased. At present, no biobased plastics are being used and solutions based on this material are not proactively being offered. Still, given interest from our customers, we stand ready to supply such packaging if requested.

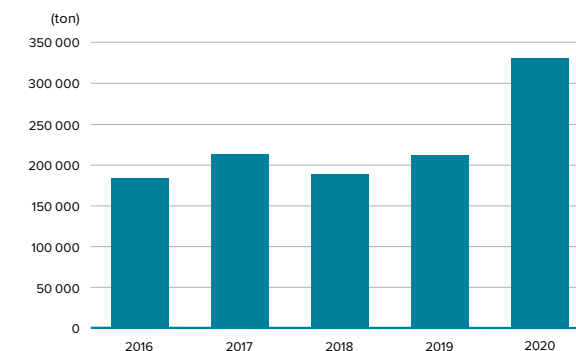
## Main material consumption

The main materials used by our flexibles plants are, in addition to cartonboard and paper, plastic resin, films and aluminium foil. During 2020, the consumption of these materials stayed at a comparable level to the previous year. Also the ratio of renewable raw materials stayed at a similar level (31%), while the target is to increase this to 60% by 2025.

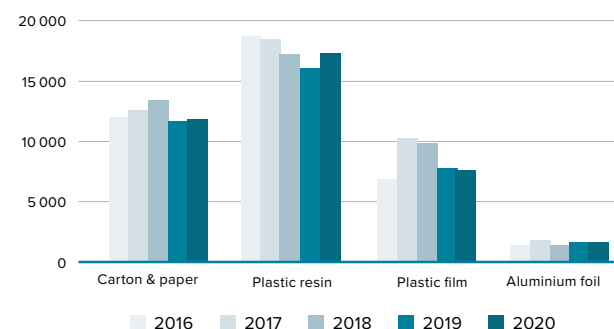
Meanwhile, at our flexibles plant in Lund, Sweden, investments are being made in equipment that will enable the production of PET material based on 100% recycled contents. The upscaling of the present production is on-going with the aim to be completed during 2021.

The consumption of ink and varnish – main materials used for decorating packaging solutions – increased by 4% in 2020, which is linked to the additional plants now included in our reporting. Glue consumption decreased slightly, which relates to changes in the product mix and customer demands.

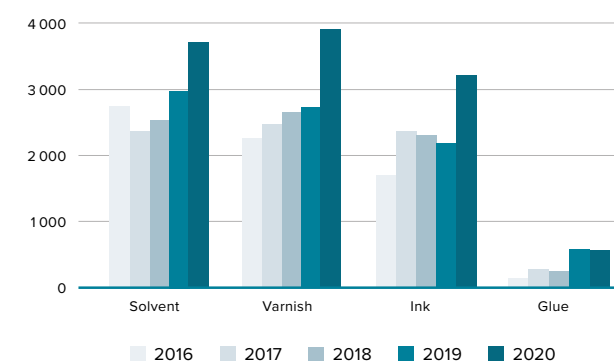
CARTONBOARD CONSUMPTION AT CARTON PLANTS (TONS)



MAIN MATERIAL CONSUMPTION AT FLEXIBLES PLANTS (TONS)



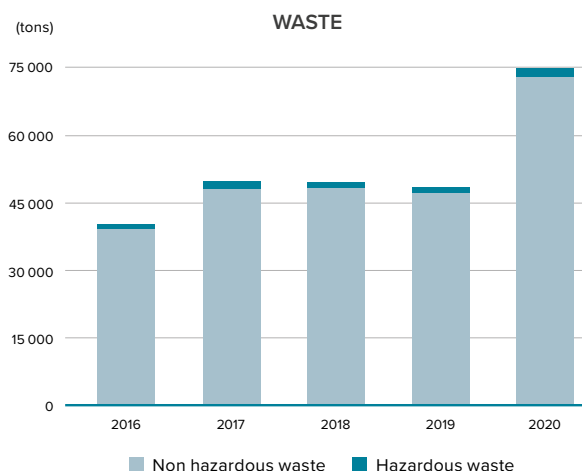
OTHER MAIN MATERIAL CONSUMPTION (TONS)



## Waste

The treatment and handling of waste is another important aspect of circular economy, and we seek to minimise our waste to the farthest extent possible. A group-wide operational excellence function supports plant initiatives for production efficiency improvements. However, overall waste reduction remains a challenge due in part to customer demands for more advanced printing and finishing effects. Nonetheless, we continue to put special focus on the reduction of paper and cartonboard waste, as well as waste from plastic films and resin, which are the predominant materials used.

Our plants primarily generate waste during set-up, production and through the use of transport packaging. Our non-hazardous waste consists mainly of cartonboard and paper, which go into well-established recycling streams, while printing process waste such as ink and varnish are considered hazardous waste. All such waste is separated into different fractions, and we use appropriate recycling schemes where possible and locally available.



Our total waste in absolute terms increased significantly during 2020 by 54%, which is explained by the additional plants now included in our reporting. The increase was, however, mainly non-hazardous cartonboard and paper waste. On a comparative basis, the increase of total waste was in fact 3%, as calculated by tonnes of waste per tonnes of delivered material, where our hazardous decreased by 5%.

## Energy consumption

The reporting of energy consumption has developed over the years as result from both an improved reporting tool and increased competence throughout our organisation. Data for 2017 and 2018 have now been updated in order to enable more accurate comparison.

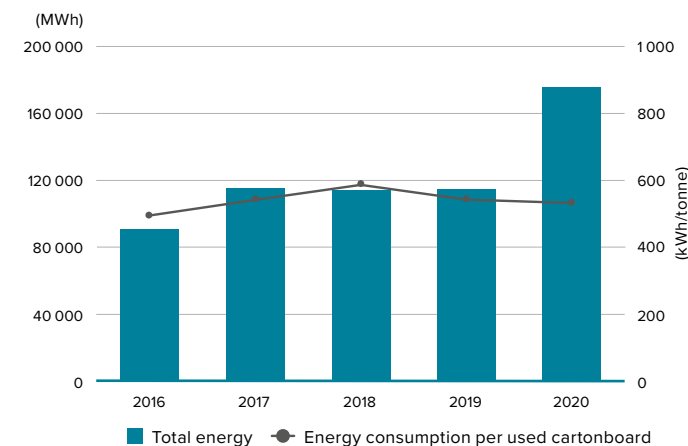
The total relative energy consumption per tonne used material of the entire AR Packaging Group decreased by 12%, which is in line with our set targets for 2025.

Still, total energy consumption in absolute numbers increased in 2020 by 32% compared to 2019, which is again mainly explained by the additional plants now included in our reporting.

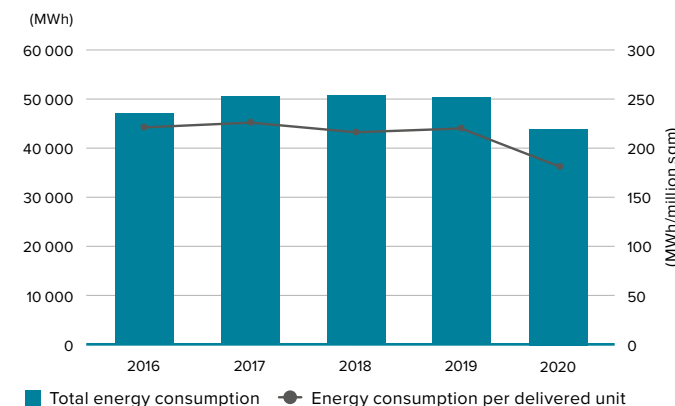
For our carton plants, the energy consumption per tonne of used cartonboard decreased by approximately 2% in 2020, while our flexibles plants achieved a substantial reduction of 15% compared to 2019 in absolute numbers and 19% calculated per delivered square metre of material.

The positive development in regard to energy consumption may be attributed to the collaboration with our energy supplier, optimisation of the infrastructure at our premises or replacement of old or inefficient equipment. Overall, the reduction in energy consumption is the result of many successful projects and initiatives at the plant level, with closer monitoring, investments in new processes and changing behaviour.

### ENERGY CONSUMPTION AT CARTON PLANTS



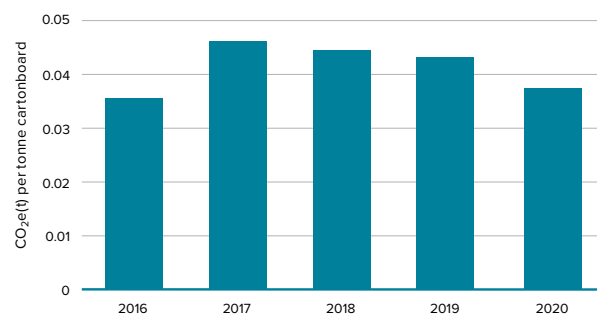
### ENERGY CONSUMPTION AT FLEXIBLES' PLANTS



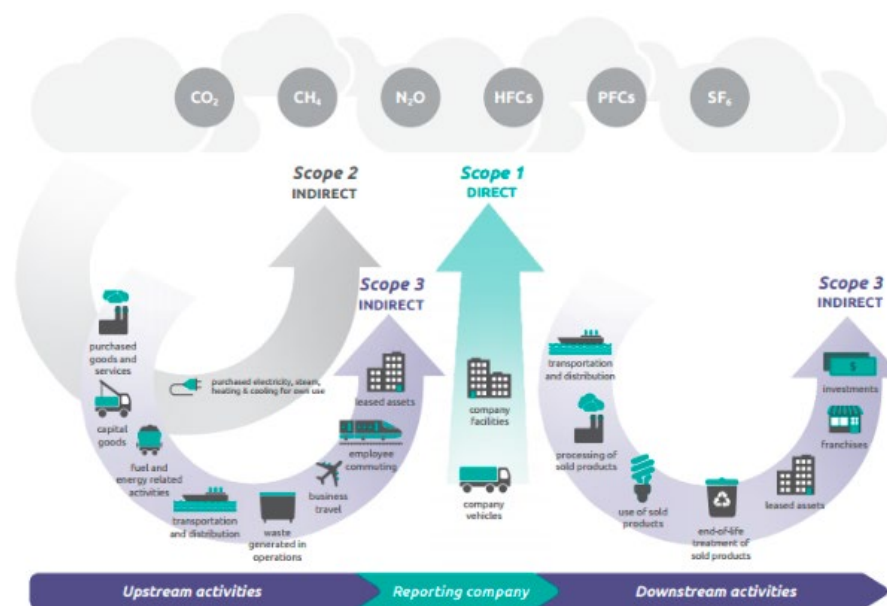
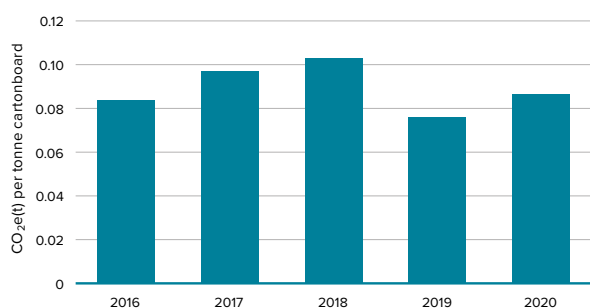
## Emissions and reduction of carbon footprint

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 CO<sub>2</sub>, they store carbon, which means that the recycling of paper and board products delays CO<sub>2</sub> from returning to the atmosphere. The reduction in the carbon footprint of our company is closely linked to the decreased energy consumption and subsequent reductions in emissions, as well as the choice of energy sources. In general, all measures and activities involving less energy consumption and a move to “green energy” lead to a direct or indirect reduction of greenhouse gas (GHG) emissions.

COMPARATIVE TOTAL SCOPE 1 DIRECT GHG EMISSIONS



COMPARATIVE TOTAL SCOPE 2 INDIRECT GHG EMISSIONS



Source: <https://ghgprotocol.org/>

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 generally less available, but we aim nevertheless to increase the portion of renewable energy sources throughout the Group.

**Scope 1** includes all GHG emissions generated directly by the organisation, e.g. generation of electricity, heating, cooling and steam resulting from the combustion of fuels in stationary sources, transportation of employees and business trips with company-owned vehicles and fugitive emissions (HFC emissions from refrigeration and air conditioning equipment).

The direct emissions from our operations originate mainly from plants with flexible packaging production as well as rotogravure and flexographic printing due to incineration of exhausts. During 2020, there was an increase in total Scope 1 emissions by 31% compared to 2019. Since this is mainly a

result of the integration of additional plants, the comparative Scope 1 emissions for 2020 decreased by 13%.

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

Electricity consumption represents 97% of total Scope 2 emissions and during 2020 there was an increase in this kind of emissions by 71% from the group. Whereas the emission factors for electricity of our existing plants remained stable, the new plants included in this year's reporting show higher emission factors. This is strongly connected to the energy source or mix used in the countries where these plants are located. In comparison to 2019 reporting, our additional plants in Poland and Nigeria, being heavily dependent on fossil energy sources, have a significantly negative influence on our Scope 2 emissions. With this in mind, the comparative Scope 2 emissions for the group increased by a lower value, 14%, compared to 2019.

## Working towards our targets

During 2020, we increased our comparative GHG emissions concerning Scope 1 and Scope 2 by 4% compared to 2019, which is far from our set target for 2025. In response to this, special focus will be given to plants in countries with a high share of fossil energy sources and measures will be taken to address this going forward.

**Scope 3** includes other indirect GHG emissions that are a consequence of an organisation's activities, but that occur from sources not owned or controlled by the organisation. While Scope 3 emissions are not yet reported by our organisation, it is part of our targets for 2025 and we plan to implement Scope 3 reporting during 2021. Currently, a working group has been put together to define appropriate reporting categories and basics that are to be followed by all our plants.

## Commitment to the CDP

CDP is an international non-profit organisation that runs the global environmental disclosure system enabling companies, cities, states and regions to measure and manage their environmental impact. We have participated in CDP since 2014, i.e. reporting year 2013, and review our climate change and water security in our supply chain together with some of our main customers, such as Philip Morris International, Nestlé, Imperial Tobacco Group, McDonalds and L'Oréal.

### Our results for 2020, i.e. reporting year 2019, are consistent with prior years:

- Climate change section for 2020 remains at the 2019 level of C, where our plan is to improve through several actions, such as by implementing Scope 3 emissions reporting.
- Water security is less relevant for our activities and rated at a B-level.
- Forests remains at a C-level on timber. Further investigation is needed to identify areas for improvement.

We face customer expectations to improve our rating and consequently we have set a target of B-level for 2023 for the climate change section.



# Energy saving activities during 2020

Less energy consumption has direct impact on reductions in greenhouse gas emissions. Many projects are run on plant level to achieve energy savings and below are a few examples realised in 2020.

## Move of production in Lund, Sweden

During 2020, our Systems plant in Lund moved to a different location within the same industrial park. This is expected to have several positive effects on our environmental footprint:

- A smaller production area requiring less energy
- New LED lights in the production hall, incoming goods area, and offices
- Switch from HFC to district cooling for both production and air conditioning
- Improved recycling possibilities through collaboration with the neighbouring Flexibles plant
- Improved possibilities for separating waste from base cutter and a lowering of the amount of waste for incineration
- New sky windows reducing heat transfer
- Reuse of heat in ventilated air
- Sluice for incoming goods to prevent heat loss

## Replacement of equipment

At a number of our plants, the replacement of old or inefficient equipment has led to significant reductions in both energy consumption and emissions.

- **Aachen, Germany**, modernised their ventilation system in the production area, by structural adjustment, optimisation of air ducts, replacement of volume flow controllers, and cleaning. Moreover, the old heating system was renewed.
- **Frankfurt, Germany** – Improvements made to raise the level of the plant. Measures included the instalment of a new wastepaper system with heat recovery and renewal of the outdated waste disposal system. Also, larger disposal containers are now being used resulting in a reduction in the overall number of truck transports.
- **Graz, Austria** – Replacement of the main air compressor supplying production resulting in increased reliability and energy efficiency.
- **Berlin, Germany** – Replacement of a shrink tunnel in the pharma area.

## Case study: Reduced energy consumption at Lund Flexibles

A new energy survey of the production plant at Lund Flexibles identified a number of key opportunities for energy saving and emissions reductions. With the support from the Swedish Energy Authority, an investment was made that was able to halve the energy consumption at the plant.

During the course of production at our Lund Flexibles plant, exhaust gases need to be treated. The equipment required for this has had an efficiency rate well above the required levels, but a newly performed energy survey of the plant showed that key opportunities existed to reduce the energy necessary for the process.

During 2020, a new exhaust gas cleaner was installed, which ensured the correct treatment of gases at a much lower fuel consumption than before. In fact, the installation resulted in a reduction in the plant's annual energy consumption from 7 000 MWh to 3 600 MWh. Moreover, thanks to the collaboration with our energy supplier, the excess heat generated during the treatment of exhaust gases is now used to heat the premises.

As the improvement was in line with the national target on reducing fuel and energy consumption, the project received the financial support from the Swedish Energy Authority.



# 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 2020 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](http://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.



## Sustainability management

Robert Mayr  
Product Safety and Sustainability Director  
Email: [robert.mayr@ar-packaging.com](mailto:robert.mayr@ar-packaging.com)

## Corporate communication

Ingrid Lidbäck  
Group Marketing & Communication Director  
Email: [ingrid.lidback@ar-packaging.com](mailto:ingrid.lidback@ar-packaging.com)

**[www.ar-packaging.com](http://www.ar-packaging.com)**