

# ARKA Merchants Sustainability Report 2022

Disclaimer: The information contained herein is applicable and actual in respect of 2022 only.

As of 22 February 2023 ARKA Merchants Limited and its direct/indirect subsidiaries have not been a part of Segezha Group. The deal was structured through the purchase of 100% shares of ARKA Merchants Limited by Advanced Industries Group Sarl.

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# Statement from the CEO

Dear Stakeholders,

We are pleased to announce our first sustainability report! We have now launched our first GRI report for ARKA Merchants. ARKA Merchants is the holding company of Segezha Packaging legal entities, and a member of UNGC since September 2018. We strive to commit to good practices in Human Rights, Labor, Environment and Anti-Corruption as well as to support UN Global Compact and its ten principles towards sustainable future. ARKA Merchants tracks and constantly decrease its emissions during the last three years as a direct result of increasing the share of green electricity in the energy mix and the use of more energy efficient equipment. Moreover, in 2022, ARKA Merchants was awarded the gold level by the results of EcoVadis Rating agency assessment with a score higher than or equal to the score of 98 percent of all companies rated by EcoVadis.

In 2022 we faced many challenges, starting from global energy crisis to raw materials shortage and severe market decline. The energy costs sharply skyrocketed, therefore we had to find new solutions to decrease our energy consumption as well as to find new energy sources or to change energy suppliers for some production sites. Due to EU sanctions and FSC statement, all timber products from Russia and Belarus were restricted to be traded, at the same time, all FSC certificates in listed countries were suspended. The market faced the raw materials supply chain disruption and, due to the reasons mentioned above, market dropped by more than -3%, which is significant for our industry. Usually growing Cement, Building Materials, Milk Powder and Chemicals segments started to decline in the second half of 2022.

For the upcoming year we look toward to improve business efficiency, use of raw materials, meanwhile decreasing our CO2 emissions, and to maintain our progress transparent to our stakeholders. As a member company of several Environmental, Social responsibility and corporate Governance (ESG) voluntary initiatives, ARKA Merchants pays close attention to the achievement of the sustainable development goals.



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Rinat Stark, Segezha Packaging CEO

# About ARKA

# About Us

ARKA Merchants makes paper packaging at production facilities in the EU and Turkey.

With its main office in Ireland and representative office in Austria, ARKA Merchants has 7 production sites in Germany, Denmark, the Netherlands, Italy, Czech Republic, Turkey and Romania, with a capacity of 769 million bags per year.

The company has a large number of customers comprising major global producers of cement, chemicals, construction materials, dairy products and other foodstuffs.

ARKA Merchants produces paper sacks in a variety of designs intended for a broad range of uses and also consults customers on what could be the best packaging solutions for their products. Our company focuses heavily on the research and development of new technologies. The research centers we have in Germany, Denmark and in the Netherlands work for the entire Group and share their results with other companies of the Group operating out of Italy, Turkey, Czech Republic and Romania.

Our production sites:

- Segezha Packaging B.V. (Hoorn, the Netherlands)
- Segezha Packaging A/S (Aalborg, Denmark)
- Segezha Packaging GmbH (Achern, Germany)
- Segezha Packaging S.P.A. (Varese, Italy)
- Segezha Packaging s.r.o. (Úvalno, Czech Republic)
- Segezha Ambalaj Sanayi Ve Ticaret Anonim Sirketi (Izmir, Turkey)
- Segezha Packaging S.R.L. (Ploiești, Romania)

# Our Story

ARKA Merchants has been a part of Segezha Group since 2014 and is a leading global producer of paper packaging. The company traces its rich history back 130 years, to when the first production site began operating in the Netherlands.

In 2017, ARKA Merchants experts developed a new type of packaging solution, the so-called smart sack with an embedded RFID chip.

September 2018 saw ARKA Merchants' production facilities for paper packaging in Europe and Turkey join the UN Global Compact, thereby confirming their adherence to the principles of human rights, labor relations, environmental protection and anti-corruption activities.

In 2022, ARKA Merchants was awarded the Gold Level by the EcoVadis international platform that ranks companies on corporate, social and environmental responsibility.

# Governance

## CEO signs off on:

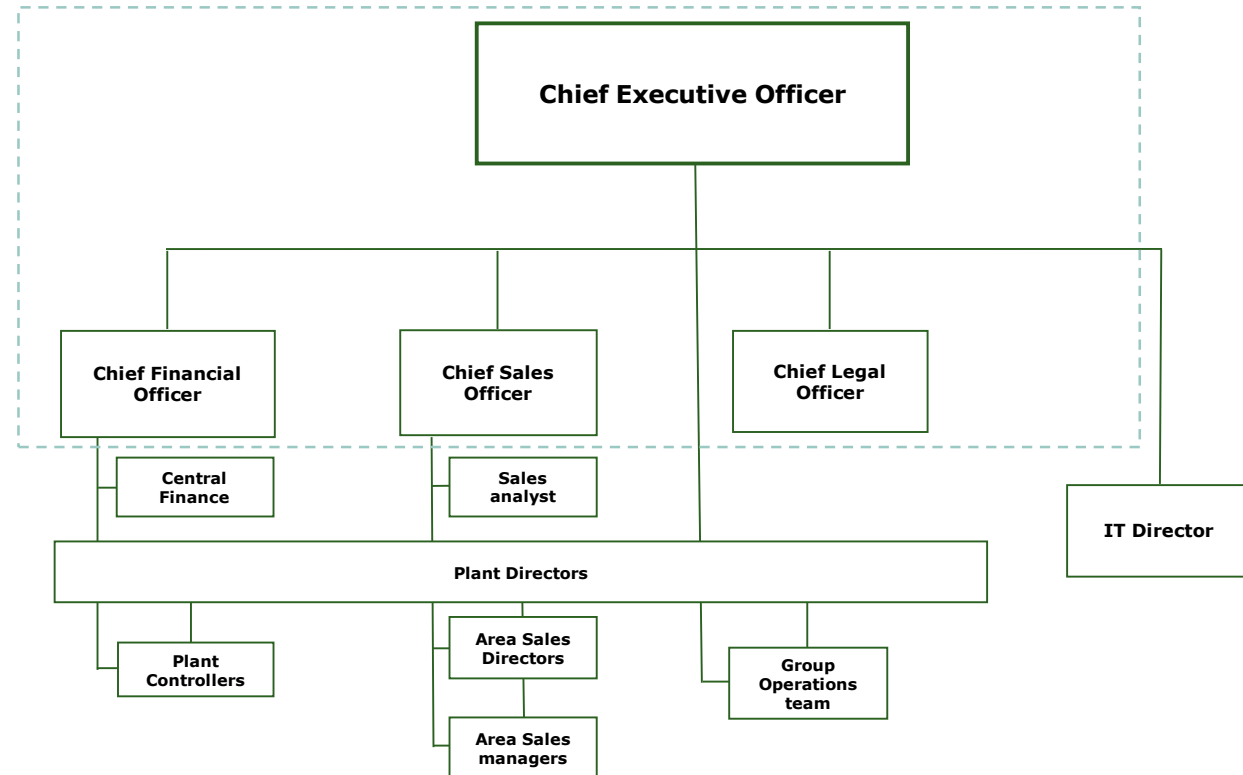
- Sustainability strategy
- Sustainability goals
- Policies

## C-level Officers decide on:

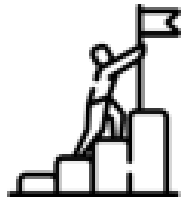
- Sustainability strategy
- Sustainability goals
- Policies

## Plant Directors implement:

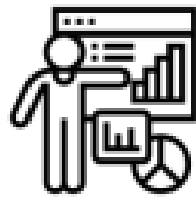
- Policies
- Sustainability measures
- Report on sustainability KPIs



# Our Values



Development



Progressiveness



Responsibility



Caring for  
ecosystems  
for future  
generations



Caring for people –  
employees,  
partners and clients

Guided by the precautionary principle, ARKA Merchants strive to avoid harm to the environment and conserve natural resources. The company conducts regular environmental risks assessments and implements measures aiming to prevent and reduce the negative impact on the ecosystem and possible risks.



# Certifications and Recognition



	Quality & product safety			Food safety		Responsibly managed forests
	ISO 9001	Hazardous materials	BRCGS	FSSC 22000	ISO 22000	FSC
Segezha Packaging A/S (Aalborg, Denmark)	x	x		x		x
Segezha Packaging B.V. (Hoorn, the Netherlands)	x	x	x			x
Segezha Packaging GmbH (Achern, Germany)	x	x	x			x
Segezha Packaging S.P.A. (Varese, Italy)	x					x
Segezha Packaging s.r.o. (Úvalno, Czech Republic)	x					
Segezha Packaging S.R.L. (Ploiești, Romania)	x				x	x
Segezha Ambalaj Sanayi Ve Ticaret Anonim Sirketi (Izmir, Turkey)	x				x	

# External Initiatives and Memberships

## **Sustainability:**

- UN Global Compact
- Avetta
- Ecovadis
- FSC

## **Paper sacks producers' organizations:**

- EUROSAC
- Capi EUROKRAFT
- GIPSAC
- GemPSI



# ARKA in numbers

	31/12/2022	31/12/2021	31/12/2020
Revenue	280.533.398	400.175.372	343.581.583
Cost of sales	(235.395.173)	(355.146.509)	(303.047.229)
<b>Gross profit</b>	<b>45.138.225</b>	<b>45.028.863</b>	<b>40.534.354</b>
Selling and administrative expenses	(26.880.780)	(32.865.653)	(31.129.424)
Other operating income	(4.827.210)	(4.337.278)	(3.862.381)
<b>Operating profit</b>	<b>13.430.235</b>	<b>7.825.932</b>	<b>5.542.549</b>
Interest income	23.183	991.242	76.466
Interest expense	(3.846.551)	(3.602.723)	(3.810.651)
Foreign exchange differences	(5.735.592)	(6.287.434)	(3.482.258)
Other expenses	-	-	-
<b>(Loss)/profit before income tax</b>	<b>3.871.275</b>	<b>(1.072.983)</b>	<b>(1.673.894)</b>
Income tax expense	(103.239)	(631.707)	(256.537)
<b>Net (loss)/profit for the reporting period</b>	<b>3.768.036</b>	<b>(1.704.690)</b>	<b>(1.930.431)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement of defined benefit obligation	1.204.609	856.797	(266.845)
Other reserves movements	(96.811)	(80.435)	247.894
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations	2.788.453	2.906.872	4.392.736
Other comprehensive income, net of income tax	3.896.251	3.683.234	4.373.785
<b>Total comprehensive (loss)/income for the reporting period</b>	<b>7.664.287</b>	<b>1.978.544</b>	<b>2.443.354</b>
<b>Net (loss)/profit attributable to:</b>			
Participants of Group of Companies "Segezha" LLC	3.768.036	(1.704.690)	(1.930.431)
Non-controlling interests	(31.824)	9.993	41.678
	<b>3.736.212</b>	<b>(1.694.697)</b>	<b>(1.888.753)</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Participants of Group of Companies "Segezha" LLC	7.664.287	1.978.544	2.443.354
Non-controlling interests			
	<b>7.664.287</b>	<b>1.978.544</b>	<b>2.443.354</b>

## Entities included in the consolidated financial statement:

### Production sites:

- Segezha Packaging B.V. (Hoorn, the Netherlands)
- Segezha Packaging A/S (Aalborg, Denmark)
- Segezha Packaging GmbH (Achern, Germany)
- Segezha Packaging S.P.A. (Varese, Italy)
- Segezha Packaging s.r.o. (Úvalno, Czech Republic)
- Segezha Ambalaj Sanayi Ve Ticaret Anonim Sirketi (Izmir, Turkey)

### Offices and other non-production companies:

- Segezha Packaging France S.A.S. (Clamart, France)
- Segezha Packaging Germany GmbH (Achern, Germany)
- Segezha Packaging AB (Stockholm, Sweden)
- Segezha Packaging Oy (Pori, Finland)
- Arka Merchants Limited (Dublin, Ireland)

\*The reporting currency is Euro

# ARKA in numbers

	31/12/2022	31/12/2021	31/12/2020
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	56.388.747	58.552.619	44.083.886
Goodwill	2	2	2
Prepayments for non-current assets, net	461	459	461
Other non-current assets	18.928	44.085	32.240
<b>Total non-current assets</b>	<b>56.408.138</b>	<b>58.597.165</b>	<b>44.116.589</b>
<b>CURRENT ASSETS:</b>			
Inventories, net	41.790.204	40.804.979	31.188.067
Trade and other receivables, net	28.431.647	38.345.032	27.271.345
Taxes receivable and other current assets	6.174.308	1.320.562	937.999
Cash and cash equivalents	9.689.720	6.366.834	10.392.319
<b>Total current assets</b>	<b>86.085.879</b>	<b>86.837.407</b>	<b>69.789.730</b>
<b>TOTAL ASSETS</b>	<b>142.494.017</b>	<b>145.434.572</b>	<b>113.906.319</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Charter capital	63.300.000	63.300.000	63.300.000
Additional paid-in capital	-	-	-
Retained earnings	(114.514.808)	-118.999.202	-117.387.785
Accumulated other comprehensive income	49.246.418	46.005.259	42.304.425
Equity attributable to participants of the Group	(1.968.390)	-9.693.943	-11.783.360
Non-controlling interests	(576.205)	-672.281	-708.571
<b>Total equity</b>	<b>(2.544.595)</b>	<b>-10.366.224</b>	<b>-12.491.931</b>
<b>NON-CURRENT LIABILITIES:</b>			
Loans and borrowings	10.017.635	17.739.902	10.594.660
Pension obligations	5.118.253	6.746.561	8.262.082
Deferred tax liabilities	886.491	966.296	778.271
<b>Total non-current liabilities</b>	<b>16.022.379</b>	<b>25.452.759</b>	<b>19.961.135</b>
<b>CURRENT LIABILITIES:</b>			
Loans and borrowings	58.445.011	59.846.027	57.450.451
Trade and other payables	69.353.180	69.318.091	48.621.469
Provisions	197.273	130.056	7.251
Advances received, other liabilities and taxes payable	1.020.770	1.053.861	684.066
<b>Total current liabilities</b>	<b>129.016.234</b>	<b>130.348.035</b>	<b>106.437.116</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>142.494.018</b>	<b>145.434.572</b>	<b>113.906.320</b>

## Entities included in the consolidated financial statement:

### Production sites:

- Segezha Packaging B.V. (Hoorn, the Netherlands)
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- Arka Merchants Limited (Dublin, Ireland)

\*The reporting currency is Euro

# Environment

# Our Management Approach



We established our Environmental and Purchasing Policy as guiding principles in 2018. This policy includes our general goals and quantitative targets with respect to environmental protection.

As part of our overall environmental management strategy, we have implemented:

1. Environmental awareness training program for 59% of our employees;
2. Environmental risk assessment for 71% of our sites;
3. Environmental audits for our plants for 14% of our sites;
4. Implementation of environmental management standard on 14% of our sites.

Our respective management measures are listed in the following chapters.

# Energy and Emissions

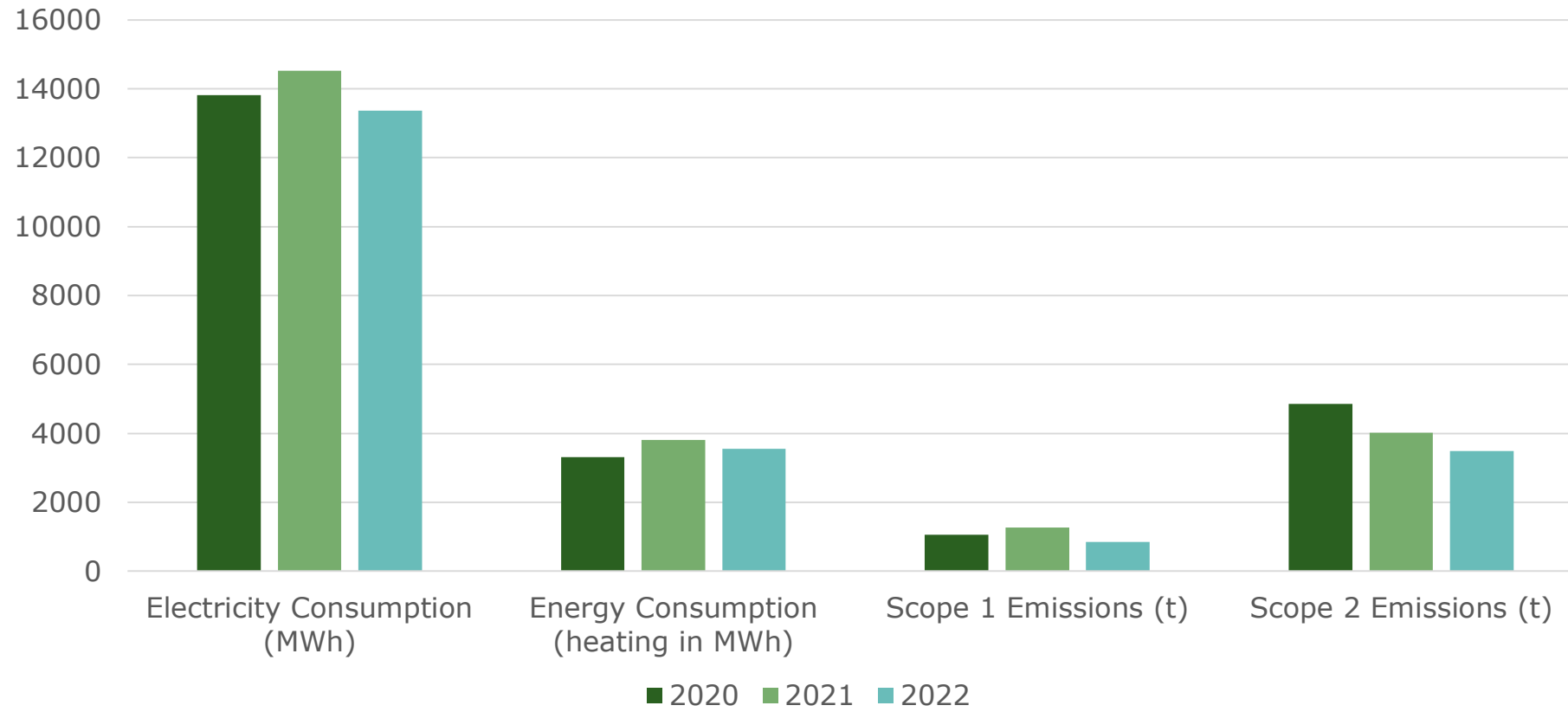
As a paper packaging manufacturer, machines and vehicles are used as part of the business process. This consumes a substantial amount of energy and therefore produces greenhouse gas emissions. To stay on top of our energy consumption and carbon impact, we conduct an annual carbon footprint assessment. In order to minimise our energy consumption and greenhouse gas emissions, we have implemented the following measures:

1. Awareness Training for employees on energy and emissions reduction;
2. Purchase of renewable energy at our plants in Denmark, the Netherlands, Romania, Italy and Germany;
3. Use of energy efficient technology or equipment. Our sites are equipped with LED lights, energy-efficient IT equipment and electric/hybrid forklifts;
4. For our German, Italian, Dutch and Danish sites, we have implemented an energy efficiency concept. █



# Energy and Emissions

## Energy Consumption and GHG Emissions





# Materials and Waste

Due to the nature of our production process, generating waste is inevitable. Our main waste streams include paper, timber, plastics, glues, inks and solvents. To reduce the total amount of waste, we have implemented the following measures:

1. Awareness Training for employees on how to reduce waste;
2. We have optimized our production process to use our raw materials as efficiently as possible;
3. We sort and separate our waste according to the individual waste streams;
4. We recycle waste through external recycling companies where possible;
5. Most of our paper waste is sold to external recycling companies;
6. Adherence to the local laws and regulations on waste sorting, recycling and utilisation;
7. 81 tons of water treatment system, glue and ink, goes to the energetic usage;
8. All plants are using water-based inks.

We do not have any explosive, flammable or other REACH classified hazardous materials. To improve our environmental performance, set sustainable goals and reduce our impact to the nature, we will classify paper, timber and plastics as non-hazardous waste and glues, inks and solvents – as hazardous waste according to applicable local legislation.

# Materials and Waste

## Waste

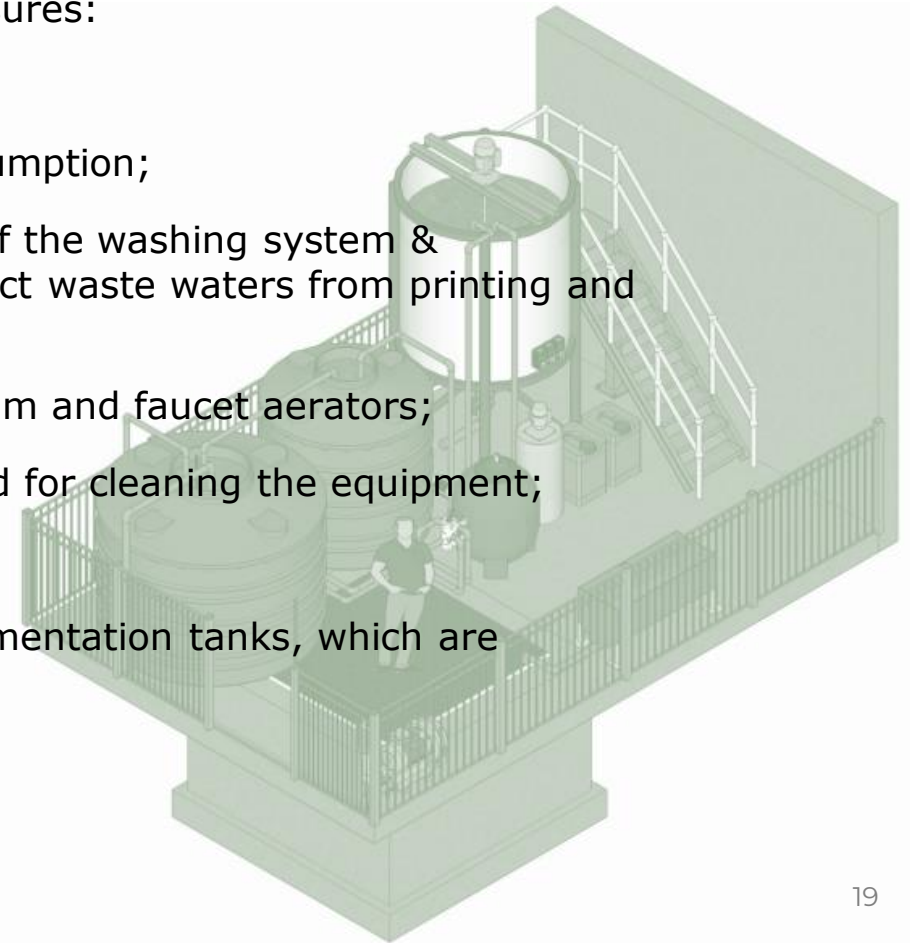


\*Prior to 2022 we have not collect data on hazardous waste or recovered waste, therefore figures only available from 2022.

# Water

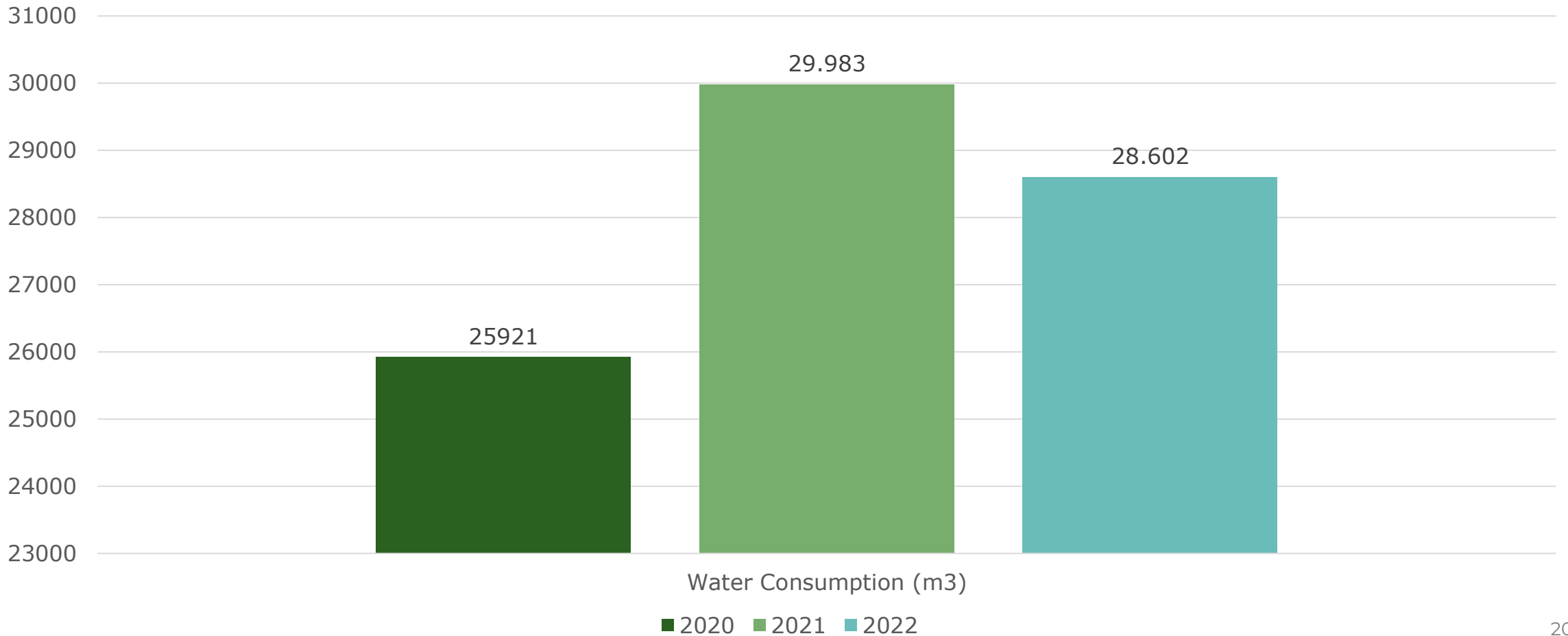
As a packaging processor, we consume water in the office/plant kitchens or bathrooms facilities or for cleaning the equipment at our sites. To reduce our water consumption and to minimise our impact on the water quality of our wastewater, we have implemented the following measures:

1. Awareness training for our employees on reduction of water consumption;
2. Water treatment units are installed at all our plants. Installation of the washing system & wastewater collecting tanks – double jacketed catch tanks to collect waste waters from printing and other processing areas in Italy;
3. Use of water saving equipment such as automatic start-stop system and faucet aerators;
4. Use of 'technological washing' to reduce the amount of water need for cleaning the equipment;
5. Regular maintenance checks to avoid water leaks;
6. Polluting substances are discharged together with water into sedimentation tanks, which are exported by an external company to a sewage treatment plant;
7. Regular water quality audits.



# Water

## Water Consumption



# Labor and Human Rights

# Our Management Approach



We established our Labor and Human Rights Policy as guiding principles in 2018. This policy includes our general goals and quantitative targets with respect to providing a safe and happy work environment for our employees.

As part of our overall labor and human rights management strategy we have implemented:

1. Awareness training programs on health & safety and diversity & discrimination for 100% of our employees;
2. Code of Ethics on key norms, rules, requirements and principles aimed to shape common ethical standards of the business;
3. Whistle-blowing procedure accessible for all employees by the hot-line on the corporate website.

Our respective management measures are listed in the following chapters.

# Working at ARKA

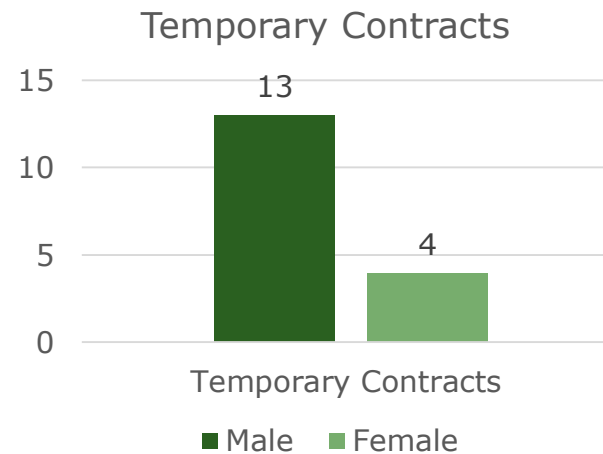
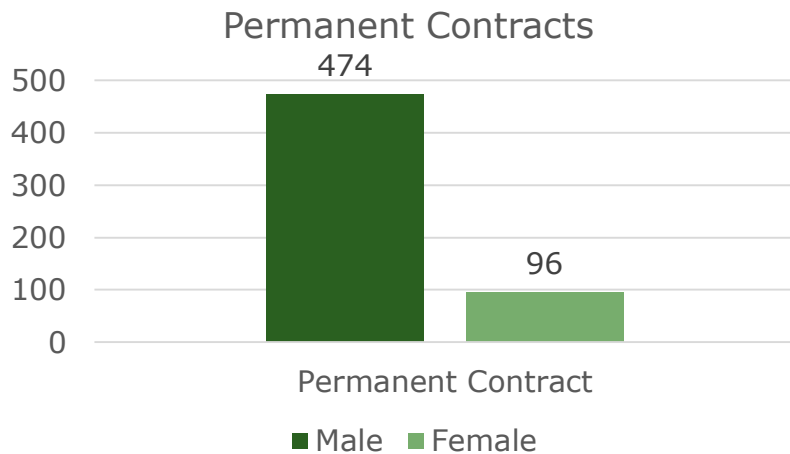
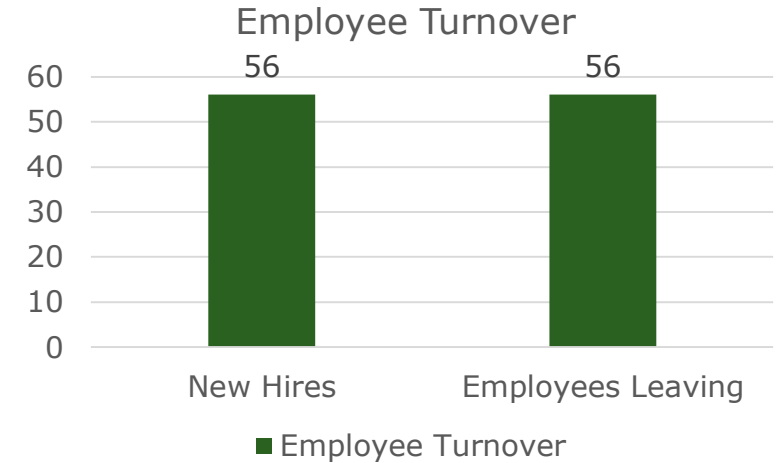
We commit to adhere to the regulations set out by the International Labour Organisation (ILO) and to provide a healthy work-life-balance to our employees. This includes:

1. Our employees are compensated for extra or atypical working hours;
2. Our employees are paid higher than or equal to the individual local minimum wages to ensure everyone is paid a living wage;
3. Our employees are entitled to flexible work arrangements such as remote work and flexi-time;
4. We have conducted an employee satisfaction survey;
5. Bonus scheme related to company performance available to employees;
6. Employees are represented in works council;
7. We have collective agreement on employees' health & safety, working conditions, training and career management, discrimination in place;
8. Employee benefits include: life insurance; health care; disability and invalidity coverage; parental leave; retirement provision; meal tickets; work equipment, transport allowance and are the same for all employees whether permanent/temporary or full-time/part-time.

# Working at ARKA



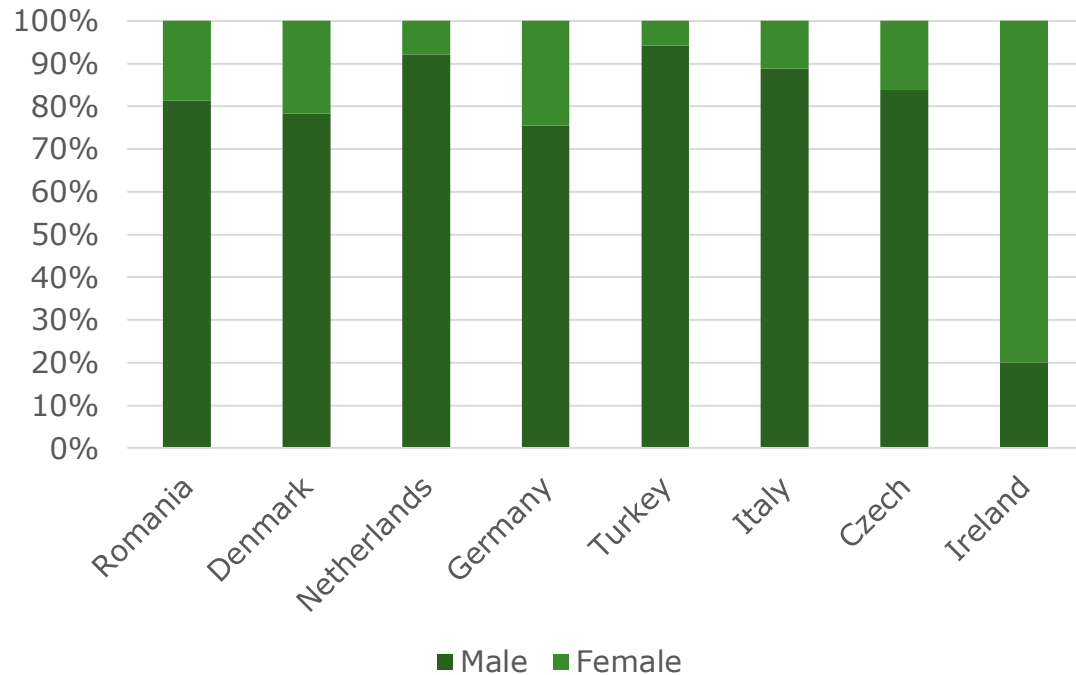
84%  
Satisfaction Rate



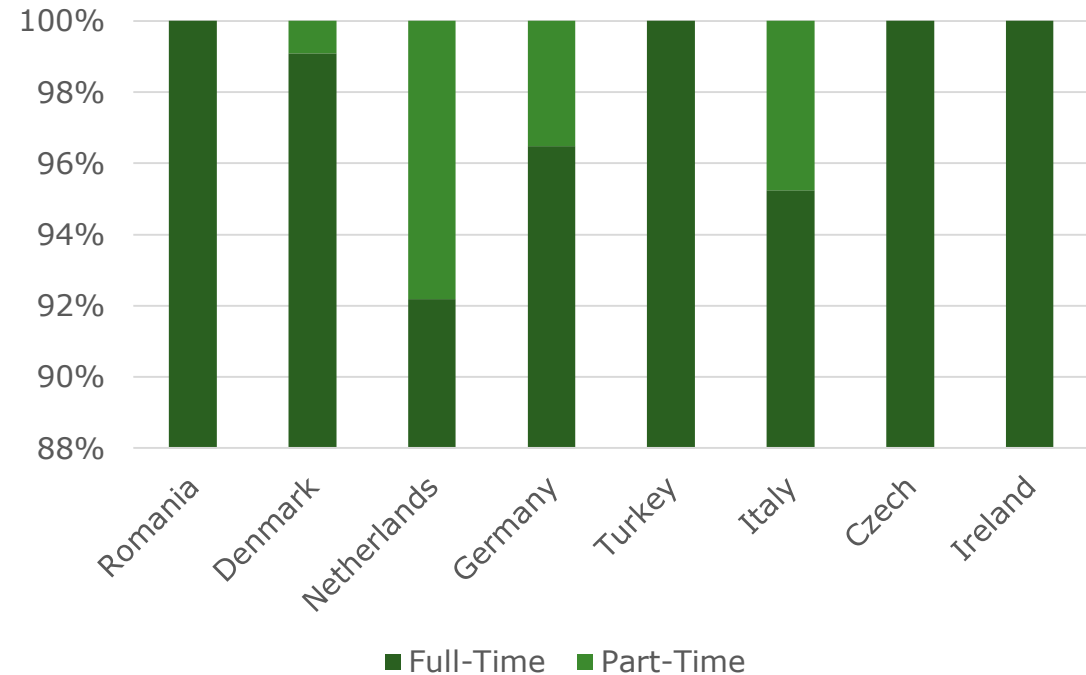


# Working at ARKA

Male vs Female Employees per Region

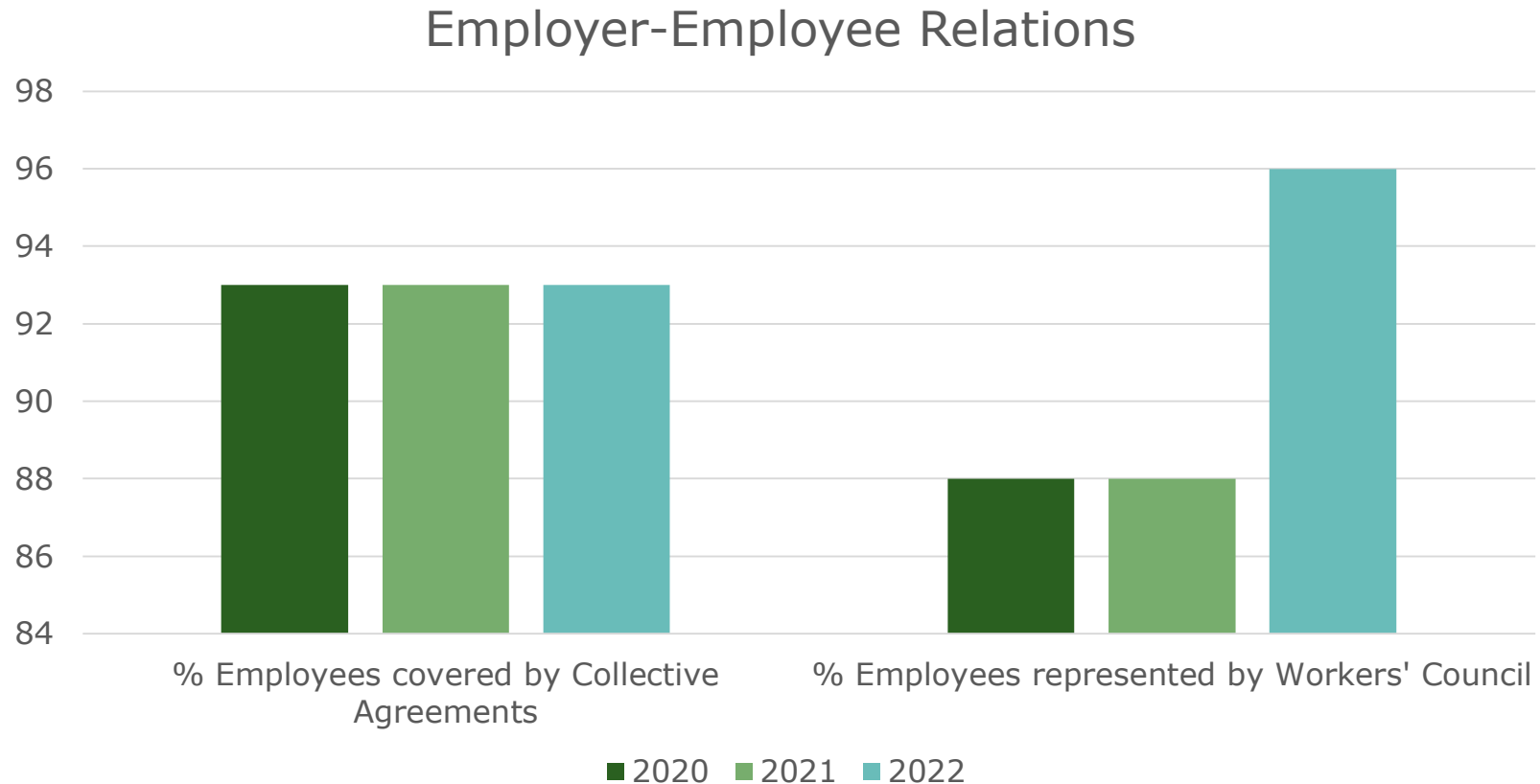


Full-Time vs. Part-Time Employees per Region



Other than 3 employees hired by an employment agency in the Netherlands and 8 outsourced cleaning contractors in Turkey, there are no irregular working hours employees at other sites.

# Working at ARKA



An increase in 2022 is based on the new legislation in Romania (adopted in LAW nr. 367 from 19 December 2022): all employees, even if they are not registered in the Union, pay a contribution and are defined as a part of the Union, starting from December 2022.

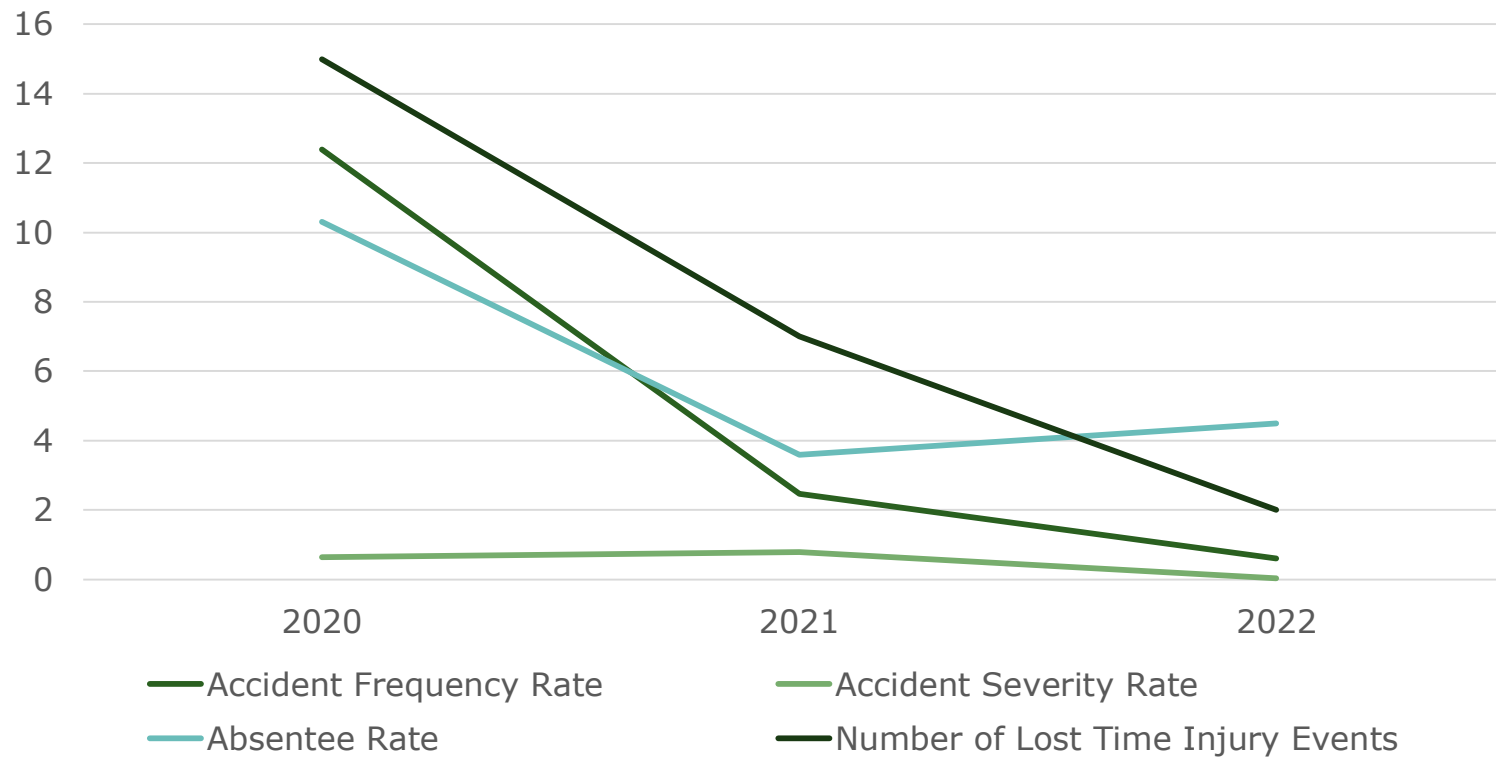
# Health and Safety

During the production process, machines, vehicles and other equipment are being used which potentially poses health and safety risks to our employees. To ensure a healthy and safe work environment we have therefore implemented:

1. Health and safety risk assessment;
2. We provide protective equipment to all relevant employees;
3. We have specific procedures for handling of chemicals or substances and equipment in place;
4. Our Health and Safety procedures are translated in major languages spoken by employees;
5. Joint labor management health and safety committee in operation;
6. Noise level analysis, overview of stress and noise prevention, sound proofing of ceiling;
7. Training of all relevant employees on health and safety risks and good working practices (e.g. First aid training incl. CPR Rescue notification training, Area Familiarisation, Emergency Evacuation, Emergency Stop Locations, Forklift Training, Fire Extinguisher Handling & Location, First Aid & CPR);
8. Regular inspection or audit to ensure safety of equipment.

# Health and Safety

## Injuries and Accidents



# Training and Career Management

ARKA believes employee engagement and satisfaction will increase once employees get the opportunity to grow in our company. We have therefore implemented several measures to attract, retain and promote a skilled workforce:

1. Our recruitment process is communicated clearly and formally to all candidates;
2. Our employees receive regular performance feedback;
3. Setting of individual development and career plan for all employees;
4. ARKA's production site in Germany is an official apprentice training company and regularly employs young talents;
5. Provision of skills development training to all employees (e.g. print machine, internal sales, internal controller, internal auditor etc).



# Training and Career Management

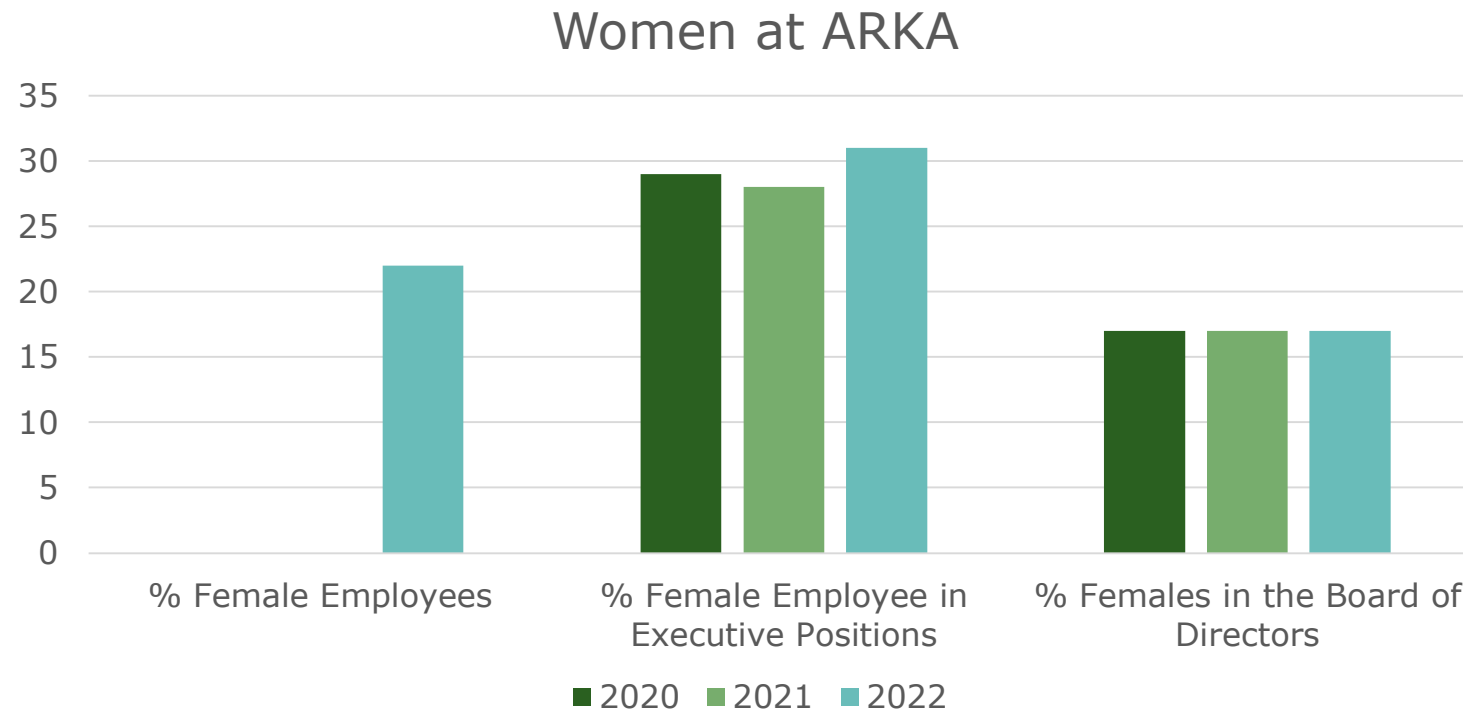


# Diversity and Inclusion

We do not tolerate discrimination and never make any management decisions based on employees' particular characteristics such as their sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

1. We are an equal opportunity employer and condemn discrimination throughout the entire HR process including recruiting, hiring, promotion, termination and laying-off;
2. Awareness training on diversity, discrimination and/or harassment issues (part of sustainability training) for all employees;
3. Whistleblower procedure on discrimination and harassment issues;
4. Inclusion of employees with disabilities (lifting aid; health care for employee with disability, barrier-free lavatories and other according to the needs of particular employee);
5. Equal pay to male and female employees.

# Diversity and Inclusion



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Discrimination Incidents

\*Prior to 2022 we have not collect data on & of female employees, therefore it is available only starting from 2022.



# Human Rights

We strive to create a work environment which is compliant with international laws and conventions on human rights. This comprises a right of private property, privacy, civil and political rights, right of association and collective bargaining, safety, social and cultural rights as well as the prevention of harassment, violence, and derogatory treatment.

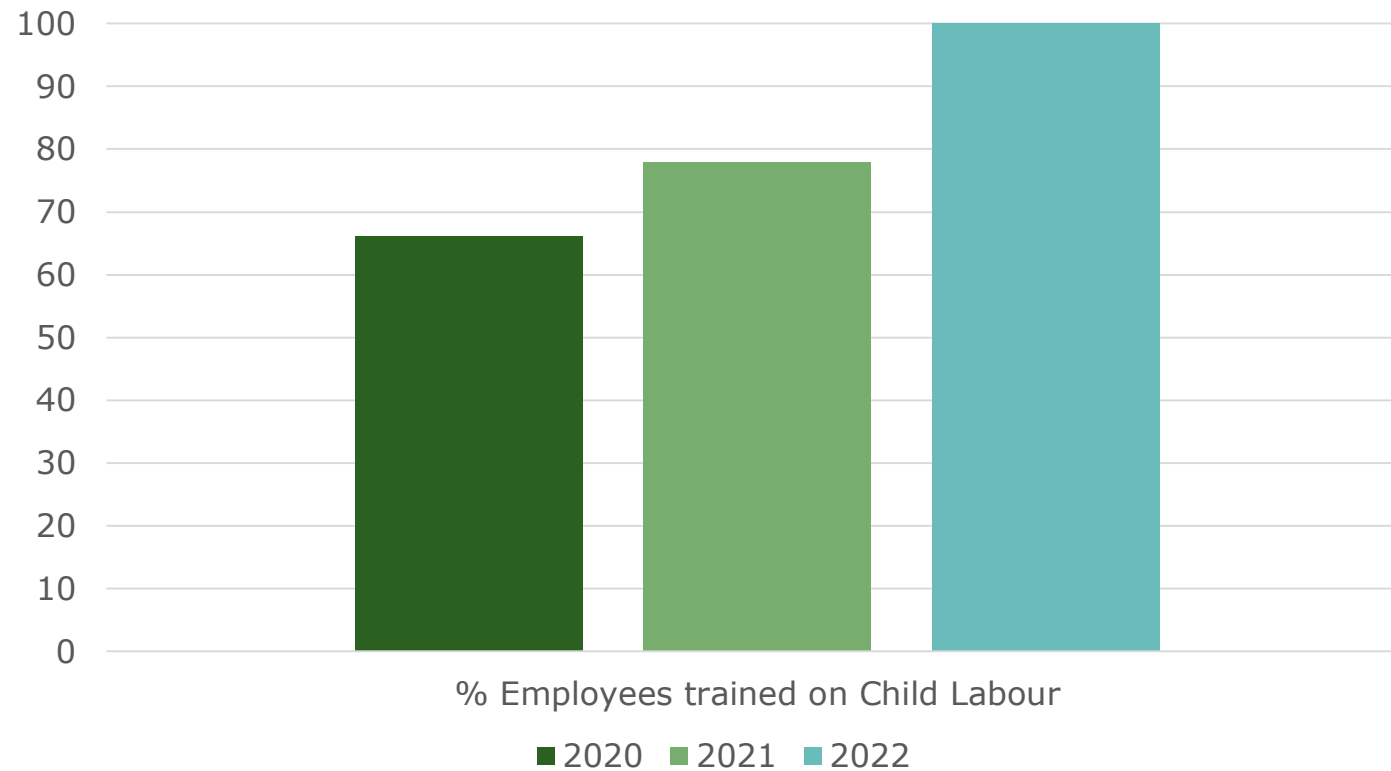
Our measures include:

1. Risk assessments performed to identify operations exposed to potential child and/or forced labor;
2. Awareness training on child labor, slavery and/or human trafficking (part of sustainability training) for all employees;
3. External audits and whistleblower procedure on child and/or forced labor;
4. Salaries are paid through 3<sup>rd</sup> party payroll companies;
5. No employees under 18 years old.



# Human Rights

### Human Rights Training



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Child Labor Incidents

# **Business Ethics**

# Our Management Approach

We established our Code of Ethics available in all languages of the countries where our companies are located. This Code includes our general goals and quantitative targets with respect to providing guidelines for how to conduct our business in a fair and ethical manner, protecting our stakeholders' privacy.

Our business ethics management measures include:

1. Awareness training programs;
2. Risk assessments;
3. Due diligence process;
4. Audits of control procedures;
5. Whistleblower mechanism;
6. Management system certification.

Our respective management measures are listed in the following chapters.



# Anti-Corruption

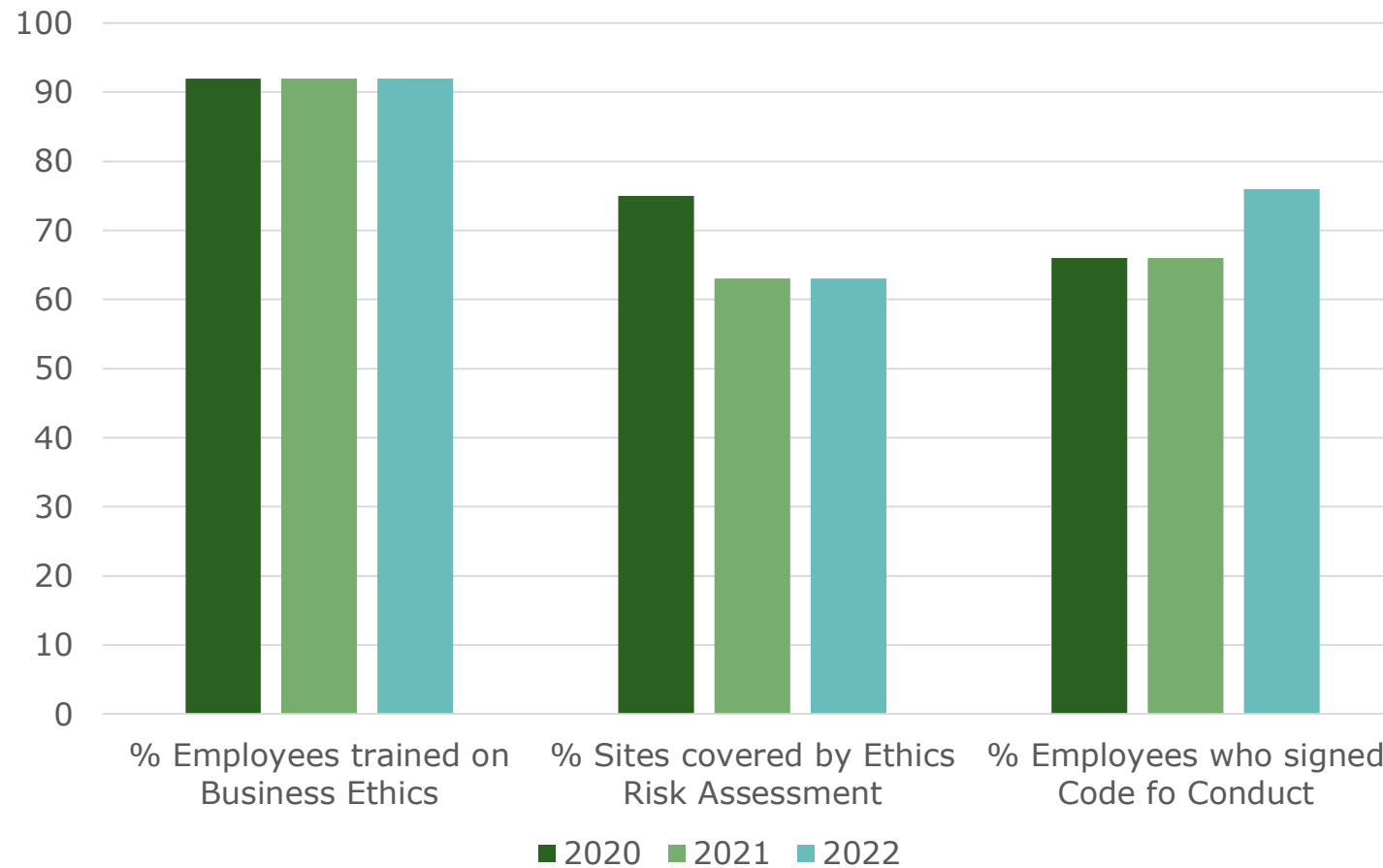
At ARKA we strictly adhere to the principle of a zero tolerance principle towards corruption in respect of all our stakeholders. To prevent corruption we have therefore implemented:



1. Awareness training on corruption and bribery (Code of Ethics training and part of sustainability training) for all employees;
2. Due diligence questionnaires for third parties;
3. Whistleblower procedure for stakeholders to report corruption and bribery;
4. Corruption risk assessments performed;
5. Audits done to prevent corruption and bribery;
6. Anti-bribery and anti-corruption contractual clauses;
7. Specific approval procedure for gifts in place.

# Anti-Corruption

Business Ethics at ARKA



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Corruption Incidents

# Information Security

We have implemented IT security specific policies such as: Baseline Information Security Policy, Password Policy, Internet Acceptable Use Policy, Email Acceptable Use Policy. To ensure the policies are adhered to, ARKA provides the following prevention measures:

1. Awareness training on IT security issues to all employees;
2. Whistleblower procedure for stakeholders to report information security concerns;
3. Information security risk assessments performed;
4. Penetration testing to determine possible information security breaches;
5. Incident response procedure (IRP) to manage breaches of privacy related information;
6. Preparation for BCP & DRP measures by identification of vulnerable processes/systems, creation of relevant policy/action documents and establishing key contacts locally and centrally;
7. Measures to protect third party data from unauthorized access or disclosure.

# Information Security

Data Security at ARKA



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Data Security Breaches

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IT Security Incidents reported through Whistleblower Mechanism



# Procurement

# Our Management Approach

As guiding principles for our sustainable procurement practices, we introduced our Environmental and Purchasing Policy ARKA in 2018, Memorandum on Procurement in 2020 and our Responsible Sourcing Policy in 2020.



Our supplier base was spread out across Europe, Russia, Asia and Turkey, and it includes the following categories:

- Paper = 87% of the total procurement budget;
- PE film/plastics = 9% of the total procurement budget;
- Glue starch = 2% of the total procurement budget;
- Ink = 2% of the total procurement budget.

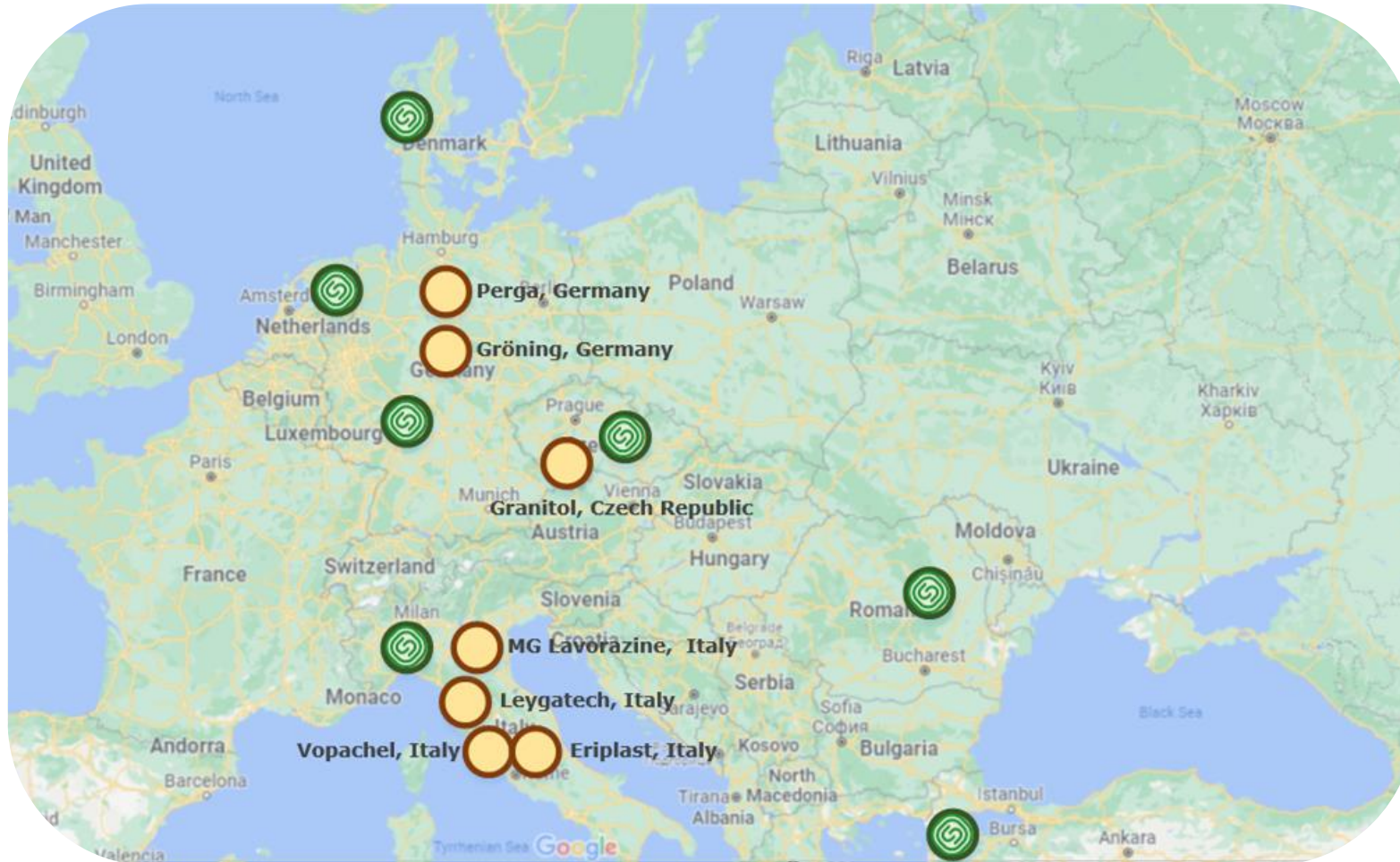
ARKA stopped procuring paper from Russian suppliers starting July 10, 2022. For our European plants we are now using suppliers from Sweden, Bosnia and Herzegovina, China, Turkey and other international suppliers in strict compliance with the applicable regulations.

# Paper suppliers



1. SPPM/ Russia
2. Sokol PPM/ Russia
3. Billerud/ Sweden
4. Mondi/ Austria
5. SwedPaper/ Sweden
6. Nordic Paper/ Sweden
7. Cartiera del Chiese/ Italy
8. Natron Hayat/ Bosnia and Herzegovina
9. Oyka/ Turkey
10. Horizon/ Estonia
11. Qingshan/ China
12. Yueyang/ China
13. Huatai/ China
14. LENK Paper/ Germany
15. Smurfit Kappa/ Spain
16. Alier/ Spain

# Plastics/ HDPE film suppliers

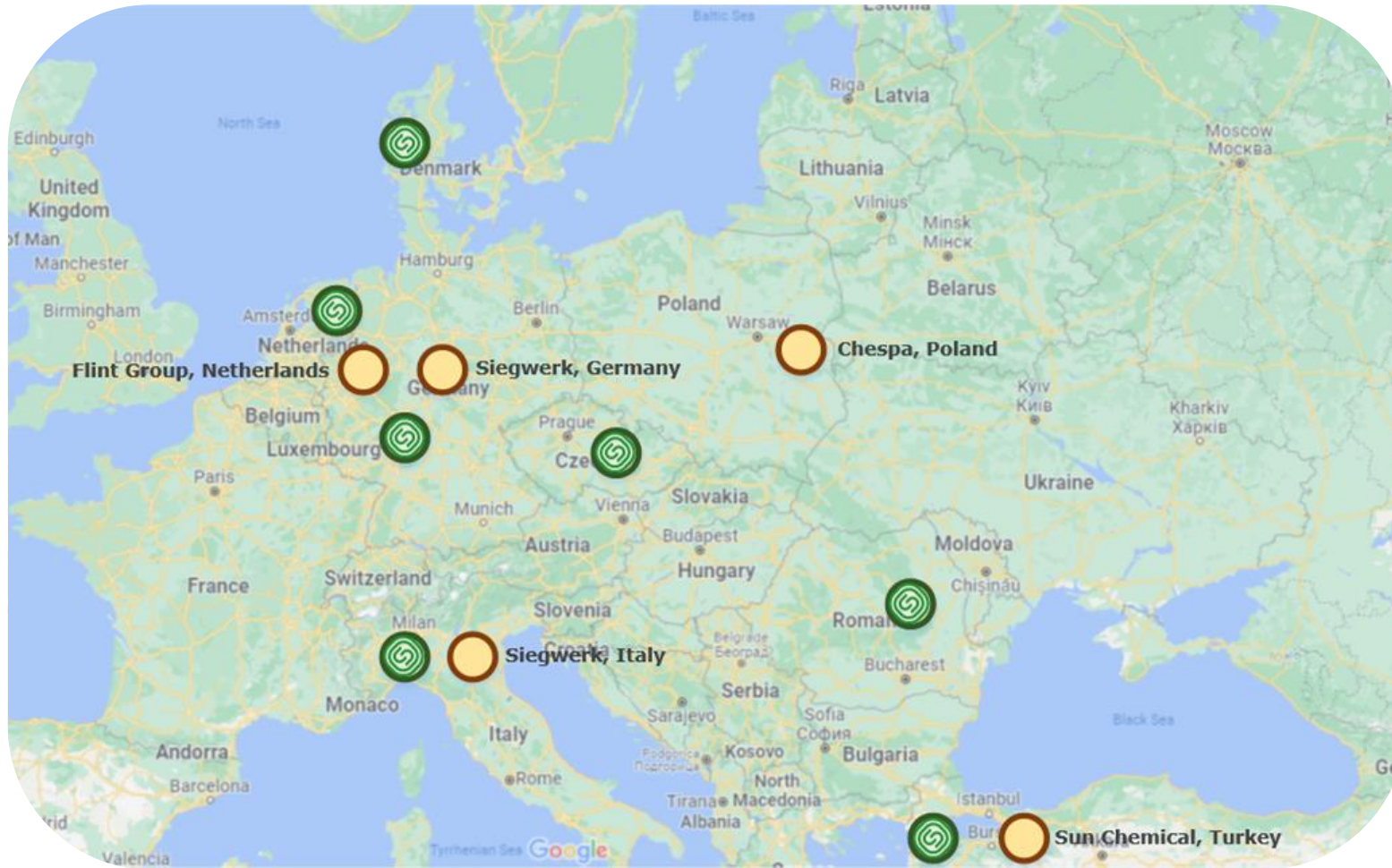


SP plants

Suppliers

1. W. Gröning GmbH & Co. KG/ Germany
2. Perga GmbH/ Germany
3. MG Lavorazine Plastiche S.p.A./ Italy
4. Vopachel/ Italy
5. Granitol/ Czech
6. Leygatech/ Italy
7. Eriplast/ Italy

# Ink suppliers

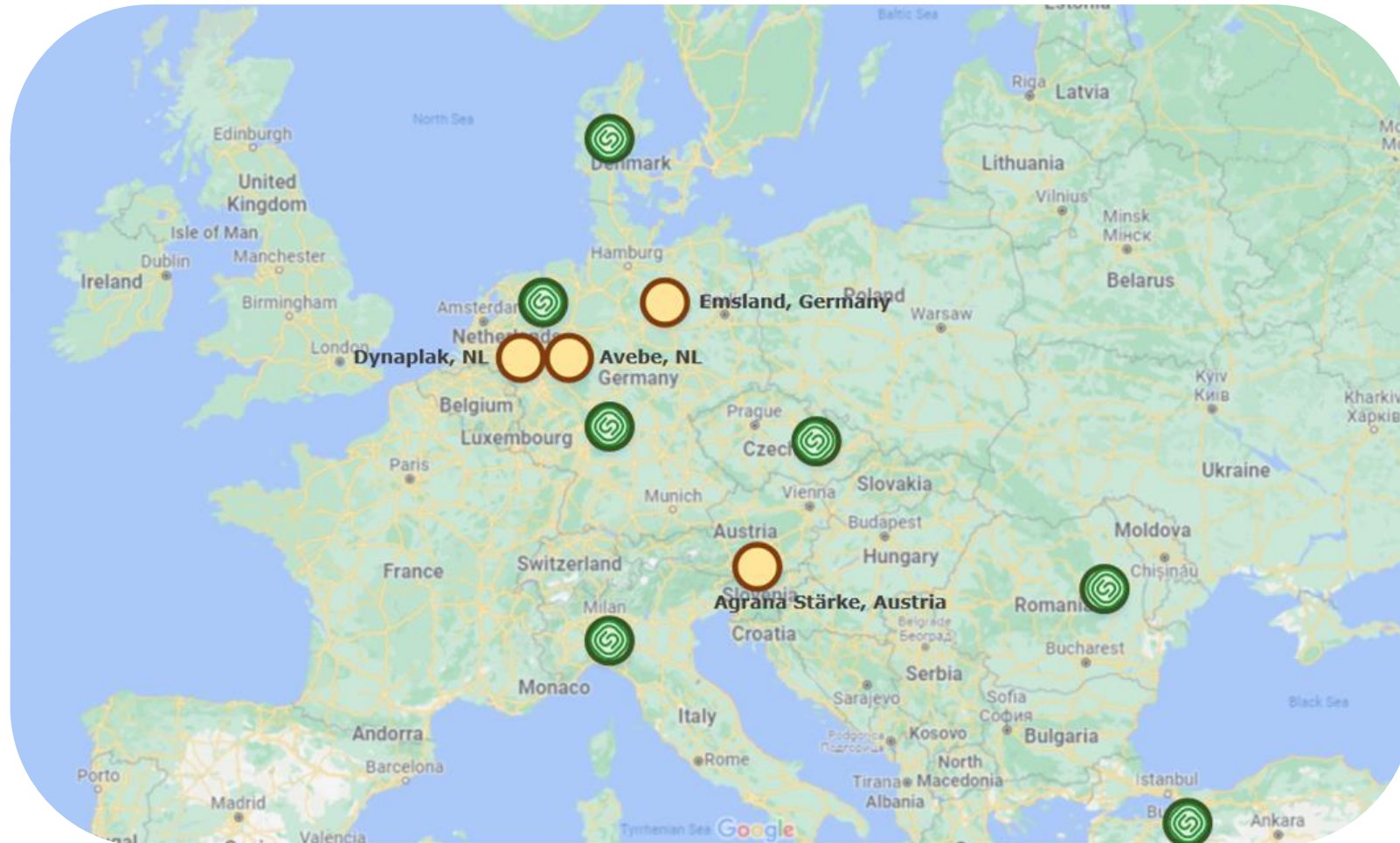


1. Flint Group/ Netherlands
2. Siegwerk/ Germany
3. Siegwerk/ Italy
4. Chespa/ Poland
5. Sun Chemical/ Turkey

SP plants

Suppliers

# Glue starch suppliers



○ SP plants

○ Suppliers

1. Agrana Stärke GmbH/ Austria
2. Avebe/ Netherlands
3. Dynaplak/ Netherlands
4. Emsland/ Germany

# Sustainable Procurement Practices

To ensure that our own social and environmental standards are upheld throughout our supply chain, ARKA has created a sustainable procurement strategy. This includes measures such as:

1. Supplier Code of Conduct in place which is for signing by new suppliers;
2. Integration of social or environmental clauses into supplier contracts e.g. requirement for FSC certification and other environmental and food safety criteria, clauses on anti-corruption & privacy;
3. Supplier CSR risk analysis and due diligence to prevent purchasing paper from illegal wood sources;
4. Supplier assessment (e.g. questionnaire) on environmental or social practices;
5. Training of buyers on social and environmental issues within the supply chain (part of sustainability training);
6. Regular on-site audits of suppliers on environmental or social issues;
7. ARKA has obtained Forest Stewardship Council (FSC) Chain of Custody for 5 out of 7 plants;
8. All paper delivered to European production sites is EUTR compliant.

# Sustainable Procurement Practices

## Our Supplier Sustainability Program



8

Suppliers trained on Sustainability

20

Suppliers covered by CSR Risk Analysis



# **Product Responsibility**

# Our Management Approach

We produce industrial paper sacks, which meet the highest performance standards while at the same time represent a sustainable and natural-fiber based packaging solution for a wide range of industries. Our extensive product portfolio ranges from simple open-mouth and pasted valve sacks to pinch bottom and tube film sacks familiar in food industry including baby food applications. Moreover, our expertise also covers production of the refuse sacks.

Our product responsibility management measures include:

1. Awareness training programs;
2. Establishment of high-care areas;
3. Management system certification;
4. Specific certifications for Food safety and Hazardous materials, where they are being produced.

Our respective management measures are listed in the following chapters.

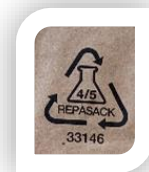
# Product Design and Labelling

## 1. Our Policy: Environmental and Purchasing Policy ARKA

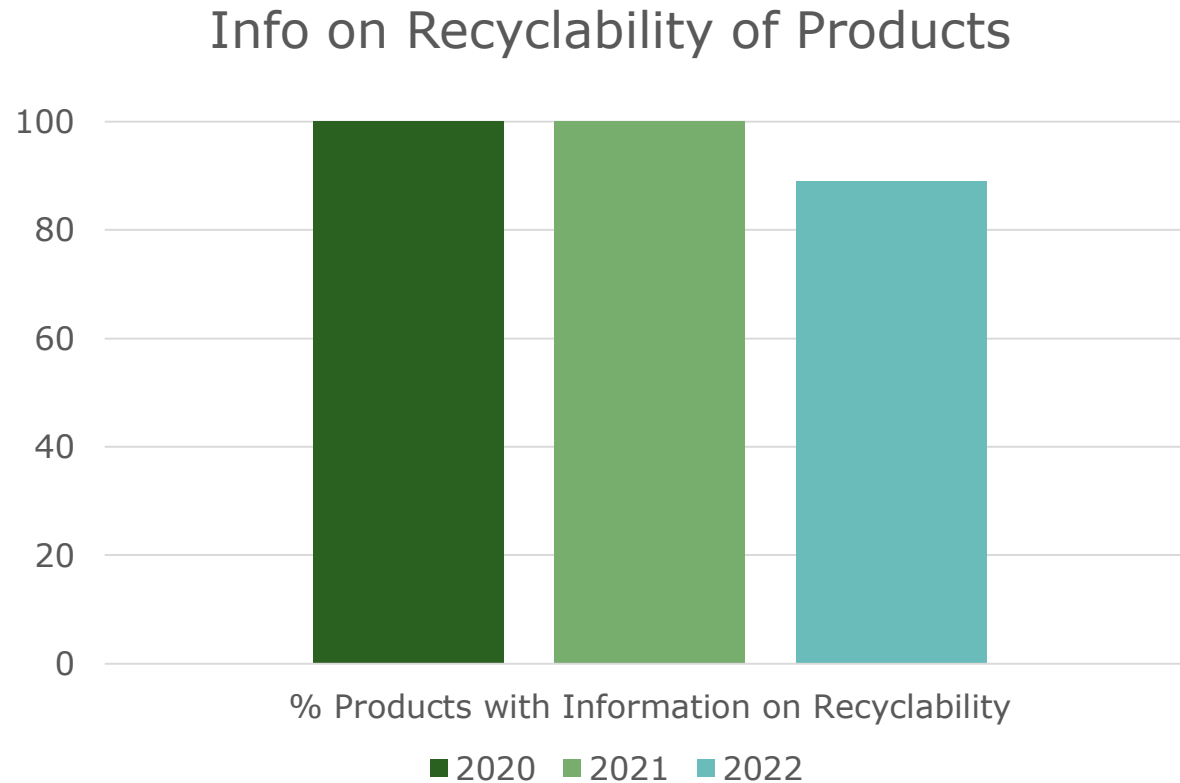
In Europe, the paper recycling rate is 71.5%. 59 million tons of paper are recycled each year. However, cellulose fibre from a paper product can be recycled up to six times before it is turned into bioenergy or being composted at the end of its life cycle. ARKA uses special recyclability signs on produced paper sacks. The aim is to have 25% of recyclable products by 2030.

### 1. Our Measures:

1. Our packaging is designed for easy dismantling/recyclability e.g. Brochure depicting recyclability of paper packaging, info sheets;
2. Printed materials such as marketing brochure are designed for easy recyclability;
3. Training or formal information materials for customers on recyclability (Mails to our customers containing a brochure on recycling);
4. Research on bio-barriers to reduce the use of plastic;
5. Water-based ink for better recyclability.



# Product Design and Labelling



0

Marketing & Labelling Incidents

\*Due to changes in regulation in Germany and Italy, % of products with information on recyclability has decreased as some regulators updated their requirements.

# Customer Health and Safety



We produce packaging for milk powder, food and chemicals, therefore customer health and safety are very important to us.

Our Measures:

1. ISO22000, FSSC22000, BRCGS and other certificates where relevant;
2. Metal detection during production;
3. High-care areas in production plants;
4. Very strict hygiene rules in high-care area;
5. Dedicated laboratory equipment for micro-biology tests;
6. Customer audits.

# Customer Health and Safety

0

Non-compliance with  
Voluntary Codes

0

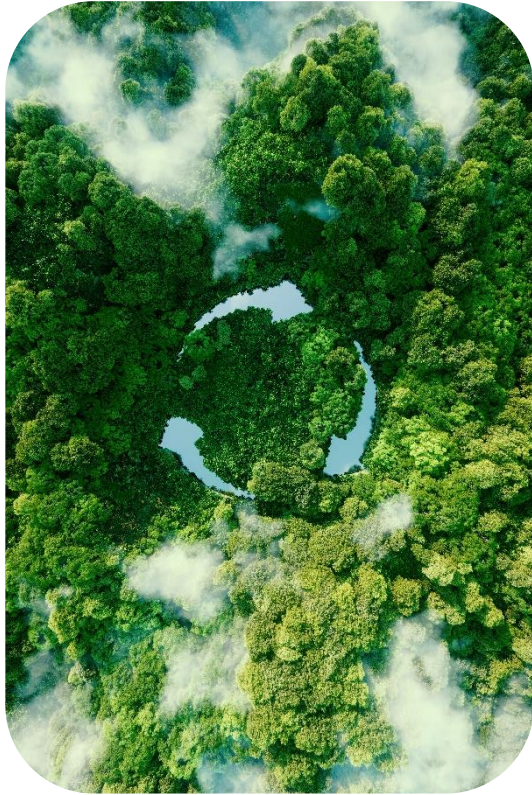
Warnings

0

Fines

# About This Report

# Reporting Practice



This is our first Sustainability report and we have reported in accordance with the GRI Standards for the year 1.January 2022 to 31.December 2022. It is our goal to report on an annual basis thereafter.

The report covers our seven production sites in the EU and Turkey and offices in accordance with the scope of our corporate carbon footprint. Unless stated otherwise, the data provided in the report is for the financial year ending 31.12.2022.

This report on our sustainability performance was created in good faith and to the best of our knowledge. We used our internal verification and review process to ensure data accuracy and reliability. At this stage, we have not obtained external assurance for this report but are planning to do so in the future.



# Reporting Principles

Reporting Principle	How we address it
Stakeholder Inclusiveness	We regularly consult with our stakeholders through various channels – see pages 58-60
Sustainability Context	We report on our goals, measures and performance with respect to environment, labor and human rights, business ethics, procurement and product responsibility
Materiality	We have conducted a materiality assessment, see pages 61-64
Completeness	In this report we address all material topics within the organisational boundaries
Accuracy	Our data is accurate and checked internally by our internal controls
Balance	We tried to describe all positive as well as negative impacts our organisation has on the material topics
Clarity	Performance KPIs were chosen to ensure clarity
Comparability	Performance KPIs were chosen to ensure comparability across years and organisations
Reliability	All statements can be verified upon the request, if needed, as evidence was gathered for EcoVadis assessment
Timeliness	We report on an annual basis

# Our Stakeholders

<b>Our Stakeholders</b>	<b>How often we are in touch</b>
Customers	Annual basis or on demand
Shareholders & Investors	Annual basis or on demand
Employees	Annual basis or on demand
Suppliers	Audits on an annual basis & specific enquiries upon a request
Industry leaders organisations, packaging producers associations	Monthly basis
Sustainability Frameworks/Institutions	Annual basis

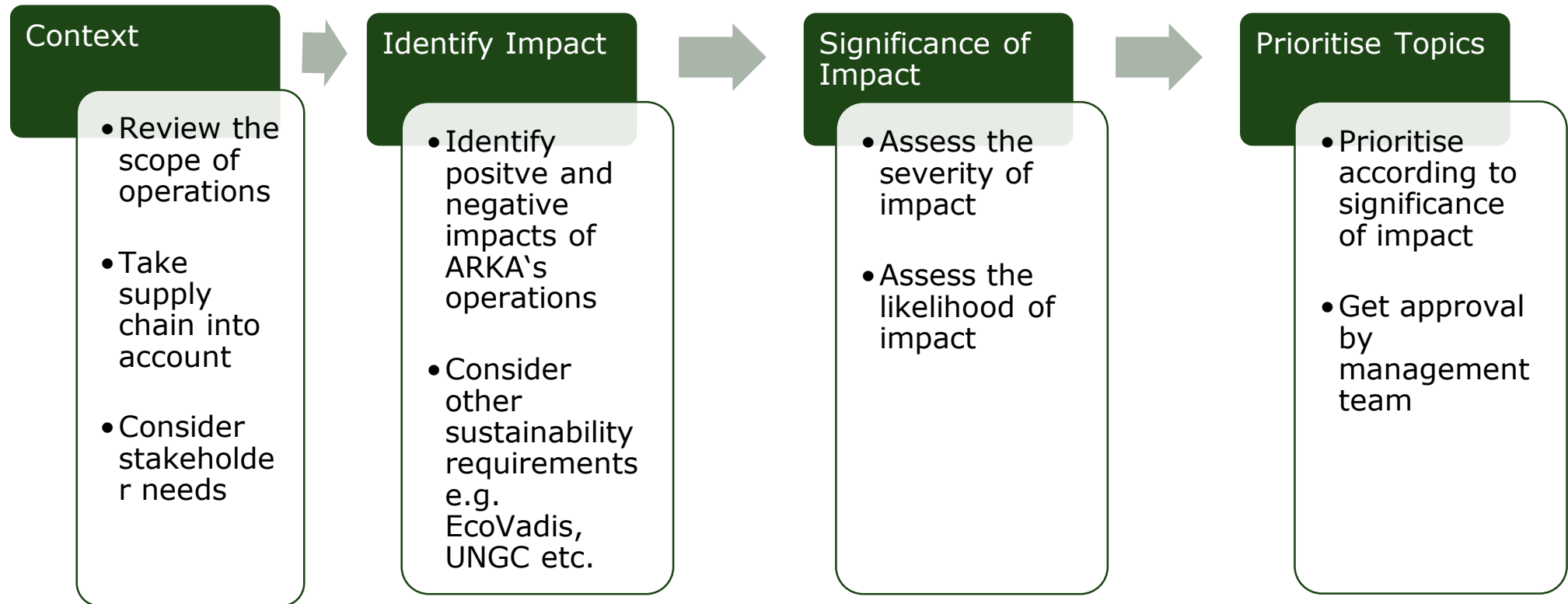
# Our Stakeholders – how we engage

Stakeholders	Key Topics and Interests	Engagement Channels	Activities
<b>Customers</b>	Product and service quality	Key Account Managers	Marketing brochures sent out
	Product safety	Calls, emails	Easy access to product & service information
	Product reliability	Customer Satisfaction Surveys	Address customer feedback
	Requirements	Contracts	Competitive pricing
	Correctness of information	Company webpage, brochures	Product labels (recyclability)
	Confidentiality	Social media	Certified management systems
	Delivery time		Competitive delivery terms
	Sustainability		Participation in EcoVadis, Avetta & UNGC
	Corporate image		
<b>Shareholders and Investors</b>	Life cycle Assesment		
	Financial performance	Investor meetings	Profit generation
	Risk Management	Board meetings	Improve ROI
	CSR Topics	Launch events	Robust risk management
<b>Employees</b>			Regular supplier base audits to ensure CSR compliance
	Workplace health and safety	Work council, H&S committee	Work / Life balance improvements
	Training and career development	Company meetings	Company meetings
	Employment stability	Employee satisfaction surveys	Career development
	Competitive pay and benefits	Speak up channel	Investment in people development
	Work-life balance	Newsletters	Health & Safety training
	Labor relations	Training	Diversity promotion
	Corporate reputation	Performance reviews	Gender equality promotion
Workplace inclusion and diversity	Intranet/SharePoint		
	Social events		

# Our Stakeholders – how we engage

Stakeholders	Key Topics and Interests	Engagement Channels	Activities
<b>Suppliers</b>	Corporate reputation	Speak up channel	Supplier Code of Conduct
	Respectful business partnerships	Requests for proposal	Clear contracts and Pos
	Shared Growth	Purchase agreements	Supplier CSR risk analysis
	Labor and Human Rights protection	Regular meetings	CSR questionnaires and onsite audits to ensure compliance to requirements
	Environmental protection	Emails, phone calls	Supplier training on CSR issues
	Joined R&D projects	Workshops	FSC & EUTR regulation
		Contracts Supplier Code of Conduct	
<b>Industry leaders organisations, packaging producers associations</b>	Continuous development of good practices	Regular meetings	Regular meetings
	Innovations to reduce the negative impact on the environment	Regular reports	Reporting on different topics
	Sharing the experience and stats	Special events	Participation in Congresses, exhibitions, CWG meetings and other
	Communication tool	Communication Workgroup	
	Representative function	Social media & other online sources Press-releases, articles	
<b>Sustainability Frameworks/Institutions</b>	Compliance with UNGC Principles and FSC requirements	Communication on Progress Report, FSC certification	UNGC COP report and FSC certification
	Establishment of sustainability management system	EcoVadis rating	Annual EcoVadis assessment

# Materiality Analysis



We conducted our first materiality assessment in 2023 to identify our most significant economic, environmental and social impacts. Representatives of the ARKA management team came together to discuss the internal and external reporting requirements. The meeting was facilitated by Kemi Limited, a sustainability consulting firm. Identified topics for the report were then reviewed by the CEO.

## About This Report

# Materiality Analysis

Material Topic	Impact and Boundary	Management Approach
Environment		
Materials	Our products contain wood-based materials as well as glue.	Ensuring our suppliers do responsible forest management. Glues should be non-toxic.
Energy	Electricity used in our offices and plants.	Green/renewable energy initiatives. Implementation of energy efficiency measures.
Water	Water used in our plants.	We have water treatment plants to ensure high water quality. We also recycle and reuse water and do water accounting as well as stress tests.
Biodiversity	Sites are near aquaducts.	We conducted a research on potential risks due to the location of our plants in Romania, Turkey, Czech Republic and Denmark. Plant Directors are aware of the current status and act according to applicable norms and regulations.
GHG Emissions	GHG emissions are primary from electricity and fuel consumption.	We measure our carbon footprint and based on this, reduce emissions from our operations. Use of renewable energy. Use of electric forklifts.
Waste	Waste created from our offices and plants.	Active recycling programs in place for paper, carton and solvents.
Business Ethics		
Corruption	Corruption and bribery can cause brand damage and negative legal consequences.	Whistleblower procedure for stakeholders to report corruption and bribery. Corruption risk assessments performed. Audits of control procedures to prevent corruption. Awareness training performed to prevent corruption. Anti-corruption due diligence program on third parties in place. Specific approval procedure for sensitive transactions (e.g. gifts, travel).
Compliance	Local and global environmental and social regulations that apply to our operations.	Ensure compliance to applicable regulations and laws through robust policies and audits.
Responsible Information Management	Can lead to brand damage and legal actions.	Whistleblower procedure for stakeholders to report information security concerns. Incident response procedure (IRP) to manage breaches of privacy related information. Information security risk assessments performed. Measures to protect third party data from unauthorized access or disclosure.

# Materiality Analysis

Material Topic	Impact and Boundary	Management Approach
People		
Working Conditions	Our employees are our biggest asset and their happiness at work is vital to us when trying to retain and attract talent.	Employee satisfaction survey. Bonus scheme related to company performance. Flexible organization of work available to employees (e.g. remote work, flexitime).
Freedom of Association and Collective Bargaining	It is important to us that our employees feel heard and understood and can rely on standardised working conditions set out in collective agreements.	Collective agreement on diversity, discrimination and/or harassment. Collective agreement on training & career management. Collective agreement on working conditions. Collective agreement on employees' health & safety. Employee representatives or employee representative body (e.g. works council).
Human Rights (Child, Forced and Compulsory Labor)	Potential risk in our supply chain.	Grievance mechanism on child labor, forced labor and/or human trafficking issues Impact assessments identifying potential child labor, forced labor and/or human trafficking. Awareness training. Audit.
Career Management	Highly skilled employees are important asset to our company. Increase employee awareness and knowledge.	Regular assessment (at least once a year) of individual performance. Provision of skills development training. Transparent recruitment process communicated clearly and formally to all candidates.
Occupational Health and Safety	Potential work place risk.	Training of relevant employees on health & safety risks and best working practices. Joint labor management health & safety committee in operation. Employee health & safety detailed risk assessment. Internal audits on health & safety issues. Provision of protective equipment to all respective employees. Emergency preparedness plan to all employees (e.g. fire drills).
Diversity and equal opportunity	Global company serving global markets we understand the value of diversity within our employees.	Actions to promote the inclusion of minority/vulnerable groups in the workplace. Grievance mechanism on discrimination and/or harassment issues. Actions to promote the inclusion of employees with disabilities. Awareness training.

## About This Report

# Materiality Analysis

Material Topic	Impact and Boundary	Management Approach
<b>Procurement</b>		
Supplier Social Assessment	Economic, environmental and social impacts in our supply chain.	<p>Supplier sustainability Code of Conduct in place.</p> <p>On-site audits of suppliers on environmental or social issues.</p> <p>Regular supplier assessment (e.g. questionnaire) on environmental or social practices.</p> <p>Training of procurement managers on social and environmental issues within the supply chain.</p> <p>Integration of social or environmental clauses into supplier contracts.</p> <p>Sustainability risk analysis (i.e. prior to supplier assessments or audits).</p>
Supplier Environmental Assessment	Economic, environmental and social impacts in our supply chain.	<p>Supplier sustainability Code of Conduct in place.</p> <p>On-site audits of suppliers on environmental or social issues.</p> <p>Regular supplier assessment (e.g. questionnaire) on environmental or social practices.</p> <p>Training of procurement managers on social and environmental issues within the supply chain.</p> <p>Integration of social or environmental clauses into supplier contracts.</p> <p>Sustainability risk analysis (i.e. prior to supplier assessments or audits).</p>
<b>Product Responsibility</b>		
Product Design and Labeling	We take responsibility for our products at the end of their life-cycle.	<p>Printed materials designed for easy recyclability.</p> <p>Training or formal information materials for customers on recyclability.</p> <p>Packaging designed for easy dismantling and easy recyclability.</p> <p>Participation in specific initiatives and organisations.</p>
Customer Health and Safety	Potential risk to our end consumers of our products.	<p>Comply with product safety regulations, and have robust control processes in place to minimize the impact of potential situation.</p> <p>Specific certifications for Food packaging and Hazards.</p> <p>All raw materials sources are known and transparent, compliant with applicable regulations and norms.</p>





# The Sustainable Development Goals

Material Topic	SDG Goals	UNGC Principle	Our Performance in 2022
Materials & Waste	SDG 12	Principle 7	Total weight of waste in t = 4.667 Total weight of hazardous waste in t = 95 Total weight of recovered waste in t = 4.047 Total weight of pollutants emitted to water in t = 2 Recycling program in place = 100% of sites % of recycled input material used = 4% (in 2 sites) Material use efficiency program in place = 100% Paper input = 84.369 t Plastic input = 5.080 t Glue input = 1.446 t Ink input = 667 t
Energy & GHG Emissions	SDG 7 and 13	Principle 7	% of sites with LED lamps = 91,375% Electricity consumption = 13.373.101,86 kWh Energy consumption (heating) = 3.547.159,38 kWh Energy intensity (kWh/sack produced) = 0,02631643 Total renewable energy consumption (kWh) = 5.417.544 Scope 1 CO2 emissions in t = 844,97 Scope 2 CO2 emissions in t = 3.479,75 % of electric/hybrid fleet (forklifts & corporate cars) = 43% % of green IT used = 67%
Water	SDG 6	Principle 7	Water consumption (m3) = 28.602 Water treatment/recycling program in place = 100% Water saving equipment used = 71%



# The Sustainable Development Goals

Material Topic	SDG Goals	UNGC Principle	Our Performance in 2022
Working Conditions	SDG 8	Principle 1	% of employees eligible for company pension = 0% % of employees eligible for health care, childcare allowance = 100% Satisfaction survey: employee satisfaction rate = 84% % of employees entitled to paid annual vacation = 100%
Freedom of Association and Collective Bargaining	SDG 8	Principle 3	% of employees covered by collective agreements = 93% % of employees represented by workers' council = 96%
Human Rights (Child, Forced Labor)	SDG 8	Principle 4 and 5	% of employees trained on child & forced labor = 100% Number of employees below 18 years = 0 Number of identified child labor incidents = 0 Number of identified forced labor incidents = 0
Career Management	SDG 4		% of employees who received annual performance review = 53% % of employees with training plan = 64% % of employees who received skill development training = 50% Average number of training hours per employee per year = 26
Occupational Health and Safety	SDG 3		H&S committee in place = 100% % of employees provided with PPE in production = 100% Stress risk procedures in place = 71% Noise risk procedures in place = 100% H&S audit done = 100% H&S risk assessment done = 100% % of employees trained on H&S issues = 100% Number of lost time injury events = 2 Accident frequency rate = 0,615385714 Accident severity rate = 0,02085714 Absentee rate = 4,491428571 H&S certification obtained = 28,57%



# The Sustainable Development Goals

Material Topic	SDG Goals	UNGC Principle	Our Performance in 2022
Supplier Social & Environmental Assessment	SDG 8, 12 and 17	Principle 1,2, 4,5, 8	% of contracts with sustainability clauses = 8% % of suppliers who signed supplier code of conduct = 62,5% % of suppliers who were audited = 44% % of suppliers who were selected taking social criteria into account = 100% % of suppliers who were selected taking environmental criteria into account = 100% % of suppliers who are certified = 100% % of buyers who were trained on sustainability topics = 100% Total number of major suppliers covered by a CSR risk analysis = 20 Total number of assessed suppliers who have gone through capacity building on sustainable procurement = 8 Percentage of suppliers with diversity status ownership/from minority background n/a Total Spend on suppliers, proportion in %: paper = 87%, PE film/plastics = 9%, glue = 2%, inks = 2%



# The Sustainable Development Goals

Material Topic	SDG Goals	UNGC Principle	Our Performance in 2022
Diversity and Equal Opportunity	SDG 5 and 10	Principle 6	% of disabled employees = 3,2% % of disabled employees in executive positions = 0% % of female employees = 22% % of women in executive positions = 31% Percentage of females in the Board of Directors= 17% Average unadjusted gender pay gap = 0 for all sites Number of incidents related to discrimination = 0
Corruption	SDG 16 and 17	Principle 10	% of employees trained on business ethics issues = 91,75% Special approval procedure for gift available = 100% Number of confirmed incidents related to corruption = 0 % of employees who signed code of conduct = 76% Sites with business ethics risk assessment done =63% Certifications obtained = 38%
Compliance	SDG 16	Principle 10	Whistle-blowing system installed = 100% Number of reported incidents through whistleblower mechanism = 0 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices = 0 Monetary fines for non-compliance with environmental laws and regulations = 0 Monetary fines for non-compliance with L&R in the social & economic area = 0
Responsible Information Management	SDG 16	Principle 10	Waste anonymization process installed = 87,5% Number of reported IT security incidents through whistleblower mechanism = 0 Number of confirmed information security breaches = 0
Product Design and Labeling	SDG 12	Principle 9	% of products with information on recyclability = 89% Incidents of non-compliance concerning product and service information and labeling = 0 Incidents of non-compliance concerning marketing communications = 0
Customer Health and Safety	SDG 3		Incidents of non-compliance with regulations resulting in a fine or penalty = 0 Incidents of non-compliance with regulations resulting in a warning = 0 Incidents of non-compliance with voluntary codes = 0

## About This Report

# GRI Content Index

### GRI 1: Foundation

Statement of Use	Arka Merchants Limited has reported in accordance with the GRI Standards for the period 1 <sup>st</sup> January 2022 - 31 <sup>st</sup> December 2022.
GRI 1 used	GRI 1: Foundation 2021.
Applicable GRI sector standards	Not currently available.

### GRI 2 General Disclosures

2-1	Organizational details	p. 5	
2-2	Entities included in the organization's sustainability reporting	p. 5, 11, 12	Entities included in the sustainability report include the headquarter in Ireland as well as the 7 production sites. The financial statement includes other non-production sites whose sustainability impact was considered insignificant due to the small number of employees at those sites.
2-3	Reporting period, frequency and contact point	p. 56, 75	
2-4	Restatements of information		As this is our first report, no restatement of information was necessary.
2-5	External assurance	p. 56	
2-6	Activities, value chain, and other business relationships	p. 5, 42-46	
2-7	Employees	p. 24-25	
2-8	Workers who are not employees	p. 25	



## About This Report

# GRI Content Index

### GRI 2 General Disclosures

2-9	Governance structure and composition		Board of Directors consisting of 6 members of the Board: 5 Male, 1 Female.
2-10	Nomination and selection of the highest governance body		All C-level Officers should be represented in the Board of Directors (4 representatives) as well as two representatives from the Group level/shareholder (2 representatives).
2-11	Chair of the highest governance body		The Board of Directors has no chairman.
2-12	Role of the highest governance body in overseeing the management of impacts		Our Board annually reviews the progress towards our sustainability goals set out in our Policies.
2-13	Delegation of responsibility for managing impacts	p. 7	CEO signs off on: Sustainability strategy, Sustainability goals, Policies. C-level Officers decide on: Sustainability strategy, Sustainability goals, Policies. Plant Directors implement: Policies, Sustainability measures, Report on sustainability KPIs.
2-14	Role of the highest governance body in sustainability reporting	p. 7	Our CEO reviews and signs off our Sustainability Report as well as other relevant sustainability related documents.
2-15	Conflicts of interest		Our C-Level team declare conflicts at each meeting of the Board of Directors if relevant. No conflicts have been noted during the reporting period.
2-16	Communication of critical concerns	p. 36, 37	We have a confidential reporting and whistle blowing mechanism in place. No concerns were raised during the reporting period.
2-17	Collective knowledge of the highest governance body		Our C-Level team consists of relevant subject matter experts for legal, financial, HR and environmental compliance and procurement topics.
2-18	Evaluation of the performance of the highest governance body		The evaluation of the performance is carried out by way of setting annual of KPIs.
2-19	Remuneration policies		Information cannot be disclosed due to confidentiality reasons.
2-20	Process to determine remuneration		We compare market rates and pay grades to ensure fair pay according to functions performed.
2-21	Annual total compensation ratio		Information cannot be disclosed due to confidentiality reasons.
2-22	Statement on sustainable development strategy	p. 3	

## About This Report

# GRI Content Index

### GRI 2 General Disclosures

2-23	Policy commitments	p. 8, 10, 14, 22, 23, 36, 39, 42	
2-24	Embedding policy commitments	p. 7, 33, 36, 47	Quantitative targets are set in our policies which are monitored, tracked and reported on an annual basis.
2-25	Processes to remediate negative impacts		We have a policy on grievance in place.
2-26	Mechanisms for seeking advice and raising concerns	p. 36, 37	We have a confidential reporting and whistle blowing mechanism in place. No concerns were raised during the reporting period.
2-27	Compliance with laws and regulations	p. 38, 68	
2-28	Membership associations	p. 10	
2-29	Approach to stakeholder engagement	p. 58-60	
2-30	Collective bargaining agreements	p. 26	

### GRI 3: Material Topics

3-1	Process to determine material topics	p. 61	
3-2	List of material topics	p. 62-64	
3-3	Management of material topics	p. 62-64	



## About This Report

# GRI Content Index

### Topic Standards

#### Materials

3-3	p. 17	Management approach
301-1	p. 18	Materials used by weight or volume » (5 related metrics in other taxonomies)
301-2	p. 65	Recycled input materials used » (6 related metrics in other taxonomies)

#### Energy

3-3	p. 14	Management approach
302-1	p. 16	Energy consumption within the organization » (6 related metrics in other taxonomies)
302-3	p. 65	Energy intensity » (3 related metrics in other taxonomies)
302-4	p. 16	Reduction of energy consumption » (4 related metrics in other taxonomies)

#### Water

3-3	p. 19	Management approach
303-1	p. 20	Water withdrawal by source » (2 related metrics in other taxonomies)

#### Emissions

3-3	p. 14	Management approach
305-1	p. 16	Direct (Scope 1) GHG emissions » (7 related metrics in other taxonomies)
305-2	p. 16	Energy indirect (Scope 2) GHG emissions » (6 related metrics in other taxonomies)
305-5	p. 16	Reduction of GHG emissions » (1 related metrics in other taxonomies)

#### Effluents and Waste

3-3	p. 17	Management approach
306-2	p. 18	Waste by type and disposal method » (8 related metrics in other taxonomies)

#### Supplier Environmental Assessment

3-3	p. 47	Management approach
308-1	p. 48	New suppliers that were screened using environmental criteria » (1 related metrics in other taxonomies)



## About This Report

# GRI Content Index

<b>Employment</b>		
3-3	p. 22, 23	Management approach
401-1	p. 24	New employee hires and employee turnover » (12 related metrics in other taxonomies)
401-2	p. 23	Benefits provided to full-time employees that are not provided to temporary or part-time employees » (3 related metrics in other taxonomies)
401-3	p. 24	Parental leave » (3 related metrics in other taxonomies)
<b>Occupational health and safety (2018)</b>		
3-3	p. 27	Management approach
403-1	p. 66	Occupational health and safety management system
403-2	p. 27, 66	Hazard identification, risk assessment, and incident investigation
403-4	p. 66	Worker participation, consultation, and communication on occupational health and safety
403-5	p. 66	Worker training on occupational health and safety
403-9	p. 28, 66	Work-related injuries
403-10	p. 66	Work-related ill health
<b>Training and Education</b>		
3-3	p. 29	Management approach
404-1	p. 66	Average hours of training per year per employee » (2 related metrics in other taxonomies)
404-3	p. 30	Percentage of employees receiving regular performance and career development reviews
<b>Diversity and equal opportunity</b>		
3-3	p. 31	Management approach
405-1	p. 32, 70	Diversity of governance bodies and employees » (6 related metrics in other taxonomies)
405-2	p. 68	Ratio of basic salary and remuneration of women to men » (4 related metrics in other taxonomies)
<b>Non-discrimination</b>		
3-3	p. 31	Management approach
406-1	p. 32, 66	Incidents of discrimination and corrective actions taken » (7 related metrics in other taxonomies)
<b>Freedom of Association and Collective Bargaining</b>		
3-3	p. 23	Management approach
407-1	p. 66	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk » (2 related metrics in other taxonomies)

## About This Report

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About This Report

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