



Task Force on Climate-related Financial Disclosures Report

June 2023

This report covers our disclosures following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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Introduction

At kp, we are aware that urgent action is required to address the climate emergency. kp's success shouldn't come at a cost to our communities and our planet, and at the same time, we must also be prepared for the potential impacts and changes that may be triggered by climate change.

kp offers more than 8,000 customers an extensive portfolio of high-quality plastic packaging and related solutions. Our experts create innovative films and trays that protect medication and medical devices, keep products safe, help avoid food waste and preserve the integrity of countless durable products.

Climate change is a highly material topic. From the boardroom to the production floor, we're all involved in decarbonising our business, and kp is playing its part in accelerating a circular economy for plastic packaging. We also recognise the potential for negative impacts from climate risks and understand the importance of taking a science-based approach to addressing climate change and its impacts.

As a business, our commitment is inextricably linked to our purpose and promise to the world: the sustainable protection of everyday needs. We're working on mitigating climate risks and building on opportunities through partnerships for positive climate action.

In 2022, we focused on assessing and managing climate-related risks and opportunities. As we continue to integrate climate risk into our governance processes and business strategy, we will increase our capacity to manage and mitigate climate risk, thereby protecting our business and reputation.

We will continue to prosper in this challenging, fast-changing world by making smart investments in our people, efficiencies, innovations, processes, policies and more. Meaningful, considered investment in sustainability ultimately benefits every single product that comes off the line.

We acknowledge there will always be more we can do, but this report outlines our progress toward meeting the recommendations of the Task Force on Climate-related Financial Disclosures.

Governance

Our Board recognises the scale of the risks associated with climate change and the potential impact it is likely to have on the world around us, as well as our business.

Through our governance structures, our leadership assesses risks related to sustainability, and specifically, climate. To deepen our understanding, we commissioned research in 2022 to assess physical and transitional climate risks and opportunities, and are working to build the findings of this assessment into our business strategy. Our approach is to respond proactively to projected disruptions to natural systems or economic models. As such, our strategy focuses on taking mitigating action to minimise our carbon footprint and impacts on the environment, and we encourage partners in our value chain to do the same.

The Board and Executive Leadership team, led by the Chief Executive Officer, have ultimate responsibility for delivering sustainable value to our shareholders and other stakeholders. Responsibility for analysing climate-related risks sits with the Sustainability Committee, following our Risk Process, which is overseen by our risk lead. Climate risks are identified through trend analysis and stakeholder engagement; identified risks are presented to the Executive Leadership Team and Board and are incorporated into our risk framework to be managed by the appropriate business areas.

The oversight and management of kp's global sustainability strategy – Investing in Better – (which includes climate-related risks and opportunities) is led by our VP Sustainability, who reports to our Chief Executive Officer. However, given that climate change and the associated risks and opportunities have been identified as key strategic issues, ownership and governance for the delivery of our sustainability commitments are embedded across the business.

→ For further detail on our management approach, see the Governance and Approach section of our Investing in Better Sustainability Report 2022 www.kpfilms.com/en/sustainability/reports-and-disclosure

Responsibilities in relation to climate-related issues

Board
<ul style="list-style-type: none"> Primarily responsible for our strategic plan, risk appetite and systems of internal control and governance – all of which are underpinned by sustainability. Climate-related issues are a standing topic, with progress on our science-based targets regularly reported, and updates on the risk profiles reviewed as part of the full and half-year reporting cycle.
Executive Leadership Team
<ul style="list-style-type: none"> Responsible for the overarching development of our policies and for effective implementation. Accountable for minimising our impact on the environment and for owning our various targets to improve environmental performance.
VP Sustainability
<ul style="list-style-type: none"> Responsible for the design and implementation of projects to improve our environmental performance. Responsible for oversight and reporting in relation to Investing in Better, and wider sustainability commitments.
Sustainability Committee
<ul style="list-style-type: none"> Responsible for overseeing the implementation of sustainability initiatives and policies, including the three Investing in Better objectives and ten underlying targets. Chaired by the VP Sustainability and includes the full Executive Leadership Team and leaders from corporate functions and divisions. Meets every quarter, reviews Investing in Better KPIs and reports progress to the full Leadership Team.
Divisions and sites
<ul style="list-style-type: none"> Responsible for day-to-day progress in relation to environmental performance and Investing in Better targets. Our Food Packaging and Pharma, Health & Protection and Durables divisions have targets that when combined support our company-wide ambitious Investing in Better targets. Each site drives tailored local projects to support the reduction of carbon emissions, electricity and water consumption, and delivers against a tailored energy action plan aligned with local energy costs and regulations.

Strategy

Climate change poses opportunities and risks to any business, and we've already witnessed some physical and transitional climate-related risks manifest. Our Board and Executive Leadership team recognise climate change represents a material risk throughout our supply chains and our sites worldwide.

In 2022 and early 2023 we assessed potential short- (5 years), medium- (10 years) and long- (30 years) term climate risks and opportunities. The tables on the following pages summarise the risks and opportunities that may have a significant impact on our business.

Risk area	Risk identified and description	Impact						
		Products and services	Supply chain and/or value chain	Adaptation and mitigation activities	Investment in research and development	Operations	Acquisitions or divestments	Access to capital
Transition risks								
Market	Alternative materials: a market shift to alternative materials could affect kp's sales and reputation.	✓	✓	✓	✓	✓	✓	✓
Market/policy and legal	Increased costs: anticipated regulations in Europe and associated technological solutions will likely result in increased supply prices for manufacturers. The price 'premiums' may in turn affect kp's sales and margins.	✓	✓		✓	✓	✓	✓
Policy and legal	Legal requirements for recyclability and circularity: fast-evolving legislative requirements pose a risk to kp's licence to operate.	✓	✓	✓	✓	✓		✓
Reputation	Sustainability commitments: kp may not be able to deliver on its sustainability commitments or address all its material sustainability/ climate-related risks, which may result in reputational damage or even fines.			✓				✓
Physical risks								
Acute and chronic	Supply chain and raw material procurement: physical climate risks pose a threat to kp's suppliers, and dependencies on single source suppliers need to be carefully managed to address vulnerabilities within kp's supply chain.	✓	✓	✓		✓		
	Impact to manufacturing sites: kp's manufacturing sites are exposed to physical climate risks, particularly to heatwaves and water stress, which have direct implications for staff comfort and kp's operations.	✓	✓	✓		✓	✓	✓

Strategy (continued)

Opportunities identified	Area of opportunity			
	Resource efficiency	Energy source	Products and services	Markets and resilience
Renewable energy: investing in and transitioning to renewable energy to reduce dependency on grid energy and mitigate risks associated with volatility in grid energy prices.	✓	✓		✓
Technology: investing in technologies e.g. 'super clean technology', new equipment/retrofitting equipment and designing for chemical recycling to continue driving towards circularity.	✓		✓	✓
Collaboration and partnership: leverage kp's influence to create 'taskforces' with key customers, suppliers, local communities and other stakeholders, to help explore climate change mitigation and adaptation strategies that would benefit all players within a localised system.				✓
Governance: improved governance and accountability of climate-related risks and opportunities, building on existing risk management assessments and strategies.			✓	✓
Life-cycle assessments: performing a life-cycle assessment on material products to support communications to customers and consumers in order to sell the climate-related value of kp's products.	✓		✓	✓

To summarise, physical risks have the potential to impact manufacturing sites (facilities and infrastructure), water and raw material availability, and supply chains. Linked to this are direct financial consequences, as well as up-front insurance and investment-related costs. And we acknowledge we're vulnerable to risks associated with the transition to a low-carbon economy. Policies, regulations and legislation will impact the packaging industry, along with technology and market changes, and shifting consumer perceptions/preferences. But there are also opportunities to mitigate the negative impacts of climate change through innovation and technology.

Given we have a global footprint and operate facilities all over the world, where we have already faced some extreme weather events, we wanted to gain further insight into the frequency and potential severity of these extreme weather events so we can be better prepared and take mitigating actions.

As such, we partnered with SUST Global to undertake a climate risk scenario assessment across all our operational sites globally, which are scattered across 5 continents and 18 countries, as well as key supply chain locations across the world. Both acute and chronic physical risks originating from climate change were considered. The scope of the exercise focused on predicted risk over a period of 5, 10 and 30 years, and took into account:

Scenario	Situation summary
Strong mitigation: SSP1-RCP2.6	Carbon emissions begin to decline around 2020 and global mean temperatures rise approximately 1.8°C by 2100, a key goal of the Paris Climate Agreement.
Middle of the road: SSP2-RCP4.5	Overall emissions continue to rise through mid-century before beginning to decline. This is a likely scenario if governments and policy reflect a strong sense of urgency towards climate adaptation. Global mean temperatures rise approximately 2.4°C by 2100, but greater emissions raise the risk of tipping points.
High emissions: SSP5-RCP8.5	Emissions peak around 2090 and global mean temperatures rise approximately 4.3°C by 2100.

To enhance the scenario evaluations, we combined quantitative and qualitative analysis, alongside knowledge of our business and operating environment.

None of the physical or chronic hazards that were flagged indicated business-critical impacts, however flooding, cyclones and wildfires were flagged as an acute risk for 3 sites, and water stresses and heatwaves could pose chronic hazards at 15 sites under the high emissions (SSP5-RCP8.5) scenario.

We've since undertaken a value-at-risk analysis to understand how best to mitigate, which is feeding into business strategy and planning. While there is uncertainty regarding the point to which certain risks will materialise and the correct point in time to seize an opportunity:

- We've reviewed the quantitative impact metrics (lost production volume in kilo tonnes and in € million, and mitigation CAPEX in € million) from the third-party climate risk analysis and note the mitigation CAPEX is only a fraction of the commercial impact from the potential chronic risks. Impacts from potential acute risks are far higher than from chronic risks (down to the assumed scale of impact and duration of downtime).
- Our value-at-risk analysis confirmed insurance coverage is already adequate for the worst-case scenario outlined in SUST Global's work.
- We're making good process on our greenhouse gas emission reduction plans (so much so we triggered a discount on our refinancing loan in 2022, which is ESG-ratchet linked).

Risk management

Our approach endeavours to anticipate threats to delivering upon our core promise – the sustainable projection of everyday needs. We're committed to maturing our capacity and capability to manage risk and uncertainty to ensure long-term financial resilience.

Our risk management process is based on international best practice, and our robust Enterprise Risk Process framework is present across divisions and across markets. Each site systematically manages its environmental management, energy management and quality processes to ensure compliance with regulations and our own policies. Climate-related risks are being identified and we're feeding our planned mitigation strategies into our risk framework to ensure these issues have clear ownership and are regularly reviewed.

Material climate impacts are discussed in the Sustainability Committee, with key risks and opportunities being promptly communicated to key decision makers. In addition, the Board and Executive Leadership Team receive updates on overall enterprise risks, via the Enterprise Risk Process, as part of the ongoing full and half-year reporting cycle. This provides an overview of our principal risks and includes details of new and emerging risks. Centralised and integrated policies, procedures and guidance ensure effective risk management and mitigation across our two divisions and at each of our sites and are under continuous review and updates.

To help us fully understand the impact of climate change on our business, we worked with independent sustainability consulting firm DNV to conduct an extensive climate risk assessment for the business, building on and including the climate scenario analysis on physical risks to our operating sites with SUST Global.

DNV undertook surveys and interviews with internal and external stakeholders to provide an in-depth picture of our climate risk and opportunity landscape. Following the survey and interview process, a workshop was held with internal stakeholders, including members of the Executive Leadership Team and the Sustainability Committee, to validate the findings.

These pieces of work are informing a roadmap to address our short-, medium-, and long-term climate-related risks and opportunities.

In addition, our recent assessments have identified the following actions that we expect to take in the short term:

To generate positive financial impacts
<ul style="list-style-type: none"> • Undertake transparent life-cycle assessments on relevant products. • Identify the appropriate markets and clients for more sustainable products. • Educate/raise awareness around the value and functionality of plastic. Provide information to allow customers to compare alternative products across life cycle. • Identify potential partners for industry/stakeholder collaboration.
To mitigate negative financial impacts
<ul style="list-style-type: none"> • Undertake a review of the product portfolio, to identify products that could potentially carry a reputational risk. • Address gaps in governance of climate-related risks and risk management framework. • Proactively prepare to build resilience for the sites most likely to be affected by acute risks e.g. flooding/drought and chronic risks e.g. heatwaves. • Diversification of raw-materials sourcing geographies where possible, especially single source materials.

Metrics and targets

We are committed to addressing climate change through product innovations and reducing greenhouse gas (GHG) emissions in our operations and across the supply chain. We achieve this by implementing rigorous governance and strategic planning. Accurately measuring our impact and tracking reductions are essential in executing this effectively.

Target: By 2025, we will use at least 30% post-consumer recycled (PCR) material in our packaging.

Our progress

PCR material in our packaging (%)

2021	<div><div></div></div>	23.3
2022	<div><div></div></div>	21.3
2025*	<div><div></div></div>	30

Progress Target * end of year

We're transitioning our portfolio constantly to ensure all our products are fully recyclable, contain as much recycled content as possible and are part of the solution, not part of the problem. In 2022, to ensure timely delivery of quality products to our customers, we put significant effort into consolidating our position to maximise business resilience and to deliver strategic transformations.

Closing the loop requires us to maximise PCR content quality and availability, and to collaborate with our customers to design for recyclability. In 2022, we used 21.3% of post-consumer recycled (PCR) material in the plastic packaging we produced – that's just over 114,000 tonnes. Our aim is to produce optimised packaging that delivers the required protection using as little material as possible that is fully recyclable, so it protects far more resources than it uses.

→ For further details on our recyclability and PCR targets, see the Close the Loop section of our Investing in Better Sustainability Report 2022 <https://www.kpfilms.com/en/sustainability/Our-Strategy/Close-The-Loop>

Target: By 2025, at least 30% of the PCR material in our packaging will be from the kp Tray2Tray® initiative.

Our progress

PCR content from kp Tray2Tray® initiative (%)

2021	<div><div></div></div>	7.3
2022	<div><div></div></div>	9.1
2025*	<div><div></div></div>	30

Progress Target * end of year

Our performance depends on high levels of recyclability – in plastic packaging, the two go hand-in-hand. For this to work, kp's products must be made of plastic that is collected, sorted and aggregated into defined streams for recycling, and that has market value. While our overall recyclable share increased 2% to 30% in 2022, we now have recyclable alternatives for 63% of our overall product portfolio versus 54% last year.

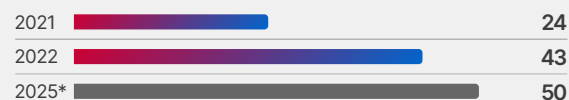
We're also on a mission to recover used packaging and turn it back into more of the same. Our Tray2Tray® programme is leading the way; through this, we replace recycled content from bottles with recycled content from trays, to create plastic trays and rigid films that can come back time and again as safe, protective, fully recyclable food packaging trays, in a fully closed loop. In 2022, 9.1% of our recycled material was generated from this truly circular system, and the number of trays recycled increased to 725 million.

Metrics and targets (continued)

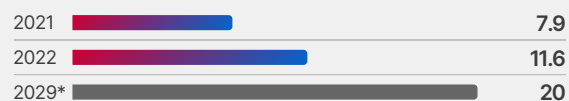
Target: By 2025, we will reduce Scope 1 and 2 emissions by 50%, and by 2029, Scope 3 emissions by 20% per tonne of raw materials, against a 2019 baseline.

Our progress

Scope 1 and 2 emissions reduction (%)



Scope 3 emissions reduction (%)



Progress Target * end of year

We have made several climate-related public commitments – central to these are our science-based targets for all emission scopes. We monitor and report Scopes 1, 2 and 3 GHG emissions in line with the Greenhouse Gas Protocol and ISO 14064. Our GHG emissions targets, set in 2020, align with the goal of limiting global warming to 1.5°C and were formally approved by the Science Based Targets initiative in September 2021.

For kp, 90% of our emissions are in our value chain (Scope 3) while 10% come from our own operations (Scopes 1 and 2). Our data shows 78% of Scope 3 GHG emissions are coming from our purchased goods and services, from which the main contributors are our raw material suppliers.

Scope	Category	2020 tCO ₂ e	2021 tCO ₂ e	2022 tCO ₂ e
1	Sub total	23,865	21,967	20,475
2	Sub total (location-based)	214,064	207,520	181,540
	Sub total (market-based)	227,945	198,181	145,558
1 and 2	Total Scopes 1 and 2 (location-based)	237,929	229,487	202,015
	Total Scopes 1 and 2 (market-based)	251,810	220,148	166,034
3	Sub total (location-based)	2,215,193	2,088,625	1,904,023
	Sub total (market-based)	2,208,493	2,059,309	1,868,479
1, 2 and 3	TOTAL (location-based)	2,453,122	2,318,112	2,104,939
	TOTAL (market-based)	2,460,304	2,279,456	2,034,512

Supplier engagement is key to decarbonising our value chain and is critical to achieving our science-based target. In 2022, we initiated a supplier engagement program by engaging with our top 24 suppliers to assess the largest contributors to our carbon footprint. Following that, our procurement team extended the engagement with our top 50 suppliers, which have been selected based on their overall Scope 3 contribution, in order to collect primary data from them. Through this engagement, we have also aimed to educate and support our suppliers and have provided training materials to accelerate progress in relation to GHG emission reductions.

A process of formal validation has helped us ensure the findings are correct and we are looking at reporting further progress in our 2023 Sustainability Report.

In 2022, we continued to use less energy; we recorded an 11% reduction (80,297 MWh) in absolute energy consumption since 2019. In addition to being lean, we're also investing in green energy from renewables.

By the end of 2022, 52% of our electricity was generated from renewable sources (2021: 28%). We currently have 4 factories partly operating on self-generated renewable energy and we're working on feasibility studies for 10 more similar installations.

Our modern, high-tech production processes are extremely efficient. However, wasting less remains an important consideration; in 2022, 24 of our 29 sites achieved zero waste to landfill and we are on track to achieve this goal in Q3 2023.

While we do not have an enterprise-wide goal for water stewardship as part of our current strategy, our teams have been working on this topic and continued to apply good practice in 2022.

→ For further details on our climate-related metrics and targets, as well as our GHG reporting, see the Work Smarter section of our Investing in Better Sustainability Report 2022 <https://www.kpfilms.com/en/sustainability/Our-Strategy/Work-Smarter>

Summary of progress



Governance

- Climate risks and opportunities research presented at board-level risk review.
- Climate risks and opportunities incorporated into strategic and risk appetite discussions.



Strategy

- Completed assessment of climate-related transition risks.
- Completed evaluation of physical risks, for a model period of 15 years for 3 different climate-related scenarios, across all operational sites and key supply chain locations.



Risk management

- Completed a value-at-risk analysis to quantify the physical risks, and lightly evaluated transition risks.



Metrics and targets

- Scope 1 and 2 greenhouse gas emissions are 43% down on 2019 baseline.
- Completed a materiality assessment in 2020/21 and disclosed performance metrics for each material topic with targets set for emissions reduction, waste reduction and energy efficiency.



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