



Sustainability Report 2020

Close the Loop | Work Smarter | Act Responsibly

Welcome to our 2020 sustainability report

We are investing our time, focus and energy in becoming a better, more sustainable business. Our broad and ambitious sustainability strategy Investing in Better, comprising three clear objectives, has set us on an exciting new path, and we are already making progress.



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We are using our expertise, influence, global reach and partnerships to make a positive impact."

Scott Tracey,
Chief Executive Officer

Close the Loop

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CEO's message

An introduction from our CEO

Our mission, 'the sustainable protection of everyday needs', informs everything we do. We create innovative films and trays that provide safeguards to medication and medical devices, help avoid food waste, and protect the integrity of countless durable products in the most sustainable way.

Sustainability has been critical to kp for many years, and the impact of the COVID-19 pandemic over the past 18 months has presented new challenges. Our focus on key sustainability goals has not wavered, and I'd like to start by thanking the kp team, our suppliers, and our customers for their continued support in driving the sustainability agenda. This year, we also doubled down on our efforts and launched our new sustainability strategy, Investing in Better, comprising ten ambitious goals.



Our focus on key sustainability goals has not wavered, and I'd like to start by thanking the kp team, our suppliers, and our customers for their continued support in driving the sustainability agenda."

We are proud to be a leader in the use of recycled content at scale, and developers of numerous innovative, next-generation sustainable products, including applications in highly regulated spaces such as pharmaceutical packaging.

We've worked hard to ensure that sustainability is firmly embedded in how we do business and in our commercial strategy. At kp, we've also integrated our goals into our refinancing, which was the first of its kind in the US to incorporate an ESG-Ratchet Linked Term Loan.

Just this past year, we have strategically invested to expand our ability to handle recycled content in Germany, the UK and the USA, making a significant contribution to the circular economy. We have also seen meaningful reductions in our operational carbon emissions, and continued to focus on safety leadership across our global manufacturing footprint.

We're proud of what we've accomplished and we know that there is more work to be done. We are inspired and motivated to keep Investing in Better and ensuring that kp plays a positive role in the world. Sustainability is truly a team sport, and we understand that working with communities, governments, industry associations, vendors, customers, shareholders and colleagues is crucial to achieve our future goals.

Scott Tracey, CEO



Group Sustainability Director's message

A word from the Group Sustainability Director

As I write, the COVID-19 pandemic is finally receding in many – but not all – parts of the world, thanks to an unprecedented vaccine roll-out. The effect of the pandemic on people's lives, adding further unpredictability and uncertainty, highlights that the need for action on sustainability – in its broadest sense – has never been greater. To halt climate change, and create a more just and diverse society, we must all move faster – something we know our stakeholders expect.

We are meeting this fresh sense of urgency with a new, ambitious strategy – Investing in Better. Launched earlier this year, this set of three objectives and ten targets will spur us to make rapid progress across a broader range of issues. Our goals are time-bound, measurable and ambitious. And we will be reporting on them regularly and transparently.

Despite the disruption wrought by COVID-19, our talented and committed colleagues stayed true to kp's values, and were able to contribute to Investing in Better, while ensuring they met and exceeded customer needs. Their excellent work is beginning to show in the numbers, too, as our CO₂ emissions fell 14% year on year, and we incorporated more than 120,000 tonnes of recycled PET (rPET) into our products.

This year, we were also gratified that our efforts were recognised by EcoVadis – the independent provider of global sustainability ratings for environmental, social, and ethical performance – with a Gold award, putting us in the top 3% of plastic product manufacturers assessed. But, of course, we know there is more to be done.

To achieve the kind of industry-scale change we need, we must work together with others. Through forging strategic partnerships with our key suppliers, signing voluntary agreements and being active members of industry associations around the world, we're able to move faster on our mission to 'close the loop' on plastic packaging. Every day, we are stimulating investment, driving innovation and helping to shape future legislation.

Looking ahead, we are pressing forward with the changes necessary to reach our ambitious targets. We don't yet have all the answers, but we are confident that there are plenty of further opportunities to Close the Loop, Work Smarter and Act Responsibly.

Adam Elman,
Group Sustainability Director



Through forging strategic partnerships with our key suppliers, signing voluntary agreements and being active members of industry associations around the world, we're able to move faster on our mission to 'close the loop' on plastic packaging."

Our sustainability strategy

Three clear objectives

Close the Loop

By 'closing the loop' we will reduce waste, and do more with less. We will use more recycled material, close the packaging loop and take every opportunity to make our packaging recyclable.

See page 16 →

Objective 1

Work Smarter

We have a responsibility to use as few resources as possible, as efficiently as possible. That's why we are focused on using less energy, cutting carbon emissions and ending landfill.

See page 28 →

Objective 2



Investing
in better

Act Responsibly

Acting responsibly at all times is a cornerstone of our culture. And in the future, we will do even more to keep our people engaged, while we become a safer and more diverse company.

See page 40 →

Objective 3

Our sustainability strategy (continued)

Ten ambitious targets

Close the Loop

Target I

We will use at least 30% post-consumer recycled material in our packaging.

🕒 *End of 2025.*

Target II

At least 30% of the post-consumer recycled material in our packaging will be from kp Tray2Tray™ initiative.

🕒 *End of 2025.*

Target III

100% of our packaging will be recyclable. 🕒 *End of 2025.*

Work Smarter

Target I

We will increase energy efficiency by 17% against a 2019 baseline. 🕒 *End of 2025.*

Target II

We will reduce Scope 1 and 2 emissions by 50%, and by 2030, Scope 3 emissions by 20% per tonne of product sold, against a 2019 baseline.

🕒 *End of 2025* / 🕒 *Beginning of 2030.*

Target III

We will send zero waste to landfill or incineration without energy recovery.

🕒 *End of 2022.*

Act Responsibly

Target I

We will reduce our lost-time accident rate to zero. 🕒 *End of 2025.*

Target II

The percentage of women at management levels at kp will exceed 30%. 🕒 *End of 2025.*

Target III

Our employee engagement score will improve to over 80%. 🕒 *End of 2025.*

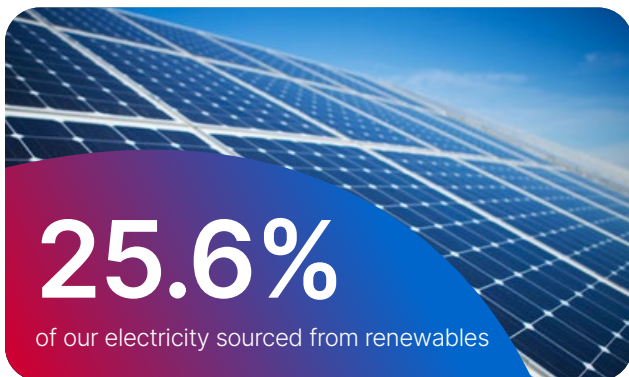
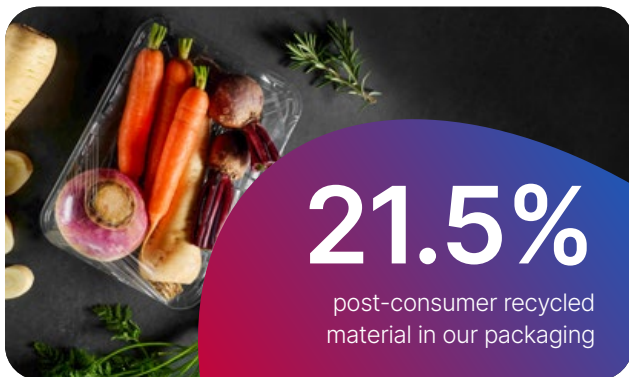
Target IV

100% of kp plants will complete at least one impactful community project annually, doubling that by the end of 2025.

🕒 *End of 2022.*

Performance highlights

We are becoming more sustainable by the day



 Find out more at kpfilms.com

About us

The leading global manufacturer of high-barrier protective packaging solutions

Our experts create innovative films and trays that safeguard medication and medical devices, keep products safe, help avoid food waste and protect the integrity of countless durable products.

We offer more than 8,000 customers an extensive portfolio of high-quality plastic packaging and related solutions. We hold leading positions in global market share in our product segments across both of our divisions: Pharma, Health & Protection and Durables (PHD), and Food Packaging (FP).

€88m

invested in building our capacity and capability to use sustainable materials since 2018

Global presence

31 plants in 18 countries across 5 continents

Key company milestones

1965

Founded in Montabaur, Germany

1970

Entered North American market

2012

Acquired by a group of investors led by SVP Global

2017

Acquired LINPAC Group

Our two divisions

Two complementary divisions offer access to a range of markets

Pharma, Health & Protection and Durables

We offer enhanced consumer safety and shelf life, paired with high-quality aesthetics and sustainability.

61%
of EBITDA

2,260+
employees

11
manufacturing
plants

3,200
customers

Food Packaging



Pharma

- Highly protective films for pharmaceutical blister packs.
- Ensures extended shelf life, drug efficacy and consumer safety.



Health & Protection

- Rigid films for medical devices and consumer health applications, heat shrink sleeves for food and beverages.
- Enhances protection, shelf life, appeal and ease of use.



Durables

- Cards (e.g. secure bank cards), graphics (e.g. floor graphics), home, building and construction applications.
- Enhances both aesthetics and durability.

Our two divisions (continued)

Two complementary divisions offer access to a range of markets

Pharma, Health & Protection and Durables

Food Packaging

We offer sustainable packaging solutions, enhanced shelf life and consumer safety, and unique design attributes.

39%
of EBITDA

3,130+
employees

20
manufacturing
plants

4,800
customers



Protein

- Trays for red meat, poultry, fish and meat-alternative proteins, flexible films (barrier and stretch) and rigid films for form, fill and seal applications.
- Sustainable packaging solutions for food safety, hygiene, shelf life extension and home delivery.



Fruit & Produce

- Trays for fresh fruits and produce, punnets, lids, flexible films.
- Sustainable and circular solutions for product enhancement and distribution efficiency.



Food-to-Go and Food Service

- Trays for food-to-go, food service, dairy and bakery products, flexible films (barrier and stretch) and rigid films for form, fill and seal applications.
- Full range of sustainable and recyclable food-to-go and food service products specifically designed to enhance food presentation and deliver on-shelf differentiation.

Our business model

Our capacity, sustainability focus and ability to innovate set us apart

What we do

We use state-of-the-art equipment at our manufacturing plants to make primarily rigid plastic film products for conversion and thermoformed trays. Nearly all our film formulations are developed in-house.

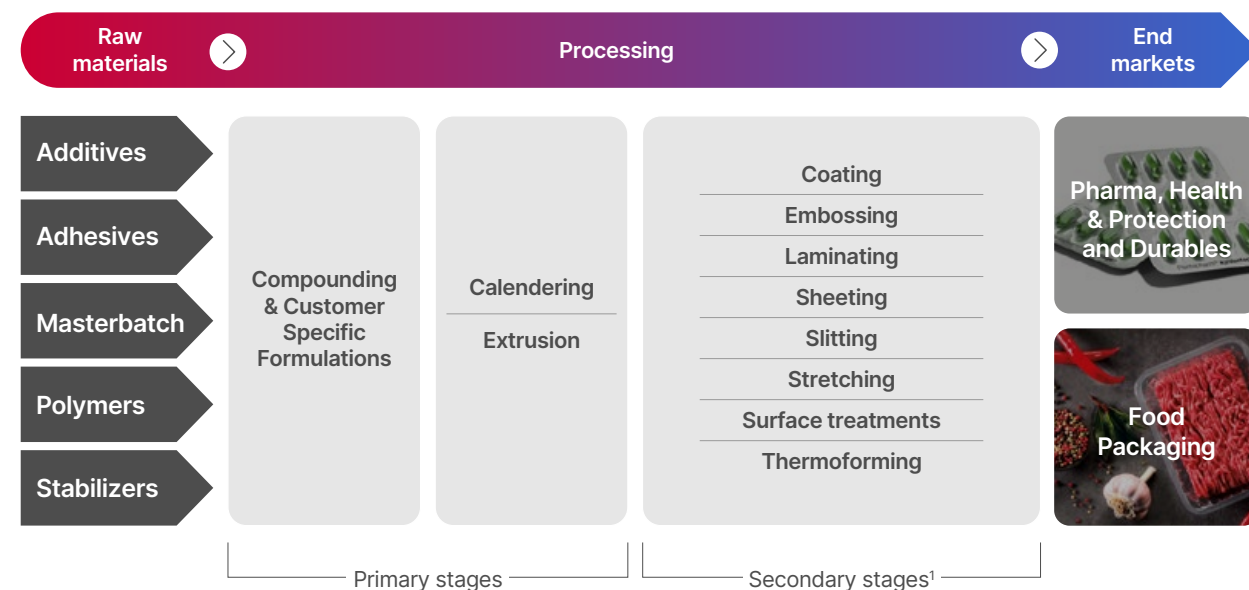
Our core production process is shared across both divisions, and involves calendering, extruding and thermoforming polymers, adding chemical additives and then processing according to customer specifications and legal requirements.

How we create value

Our manufacturing capacity requires high initial capital investment, but it enables us to work with numerous customers over both long and short timescales, to meet orders large and small. Our customers and suppliers buy from us because they know that kp can deliver the high-quality products they require at speed, thereby improving productivity levels.

Our products are typically used by our customers on production lines where, for example, pharmaceuticals or food are packaged. These items are then usually shipped to hospitals, pharmacies or retailers, after which they reach consumers.

We remain competitive by deploying our substantial expertise to develop new, innovative products that meet specific customer and market needs, often driven by new environmental regulations. We have cultivated long-standing relationships with many customers and suppliers, who often work in partnership with us to solve problems.



¹ Various processes may be necessary for the same product.

Our business model (continued)

Why we work with plastic



Protection of products which safeguards and extends medicine, keeps products away from children and keeps medical devices sterile



Preservation of food freshness during distribution, in stores and at home, further reducing food waste



Plastic acts as a hygienic barrier, protecting drugs and food against moisture, microorganisms, gases and extreme temperatures



Strength, durability and lightness, when compared with common alternatives



Potential to be recycled multiple times, creating a valuable raw material for more packaging and products



Versatility, adaptability and flexibility; plastic can become any size or shape, and is easy to print on



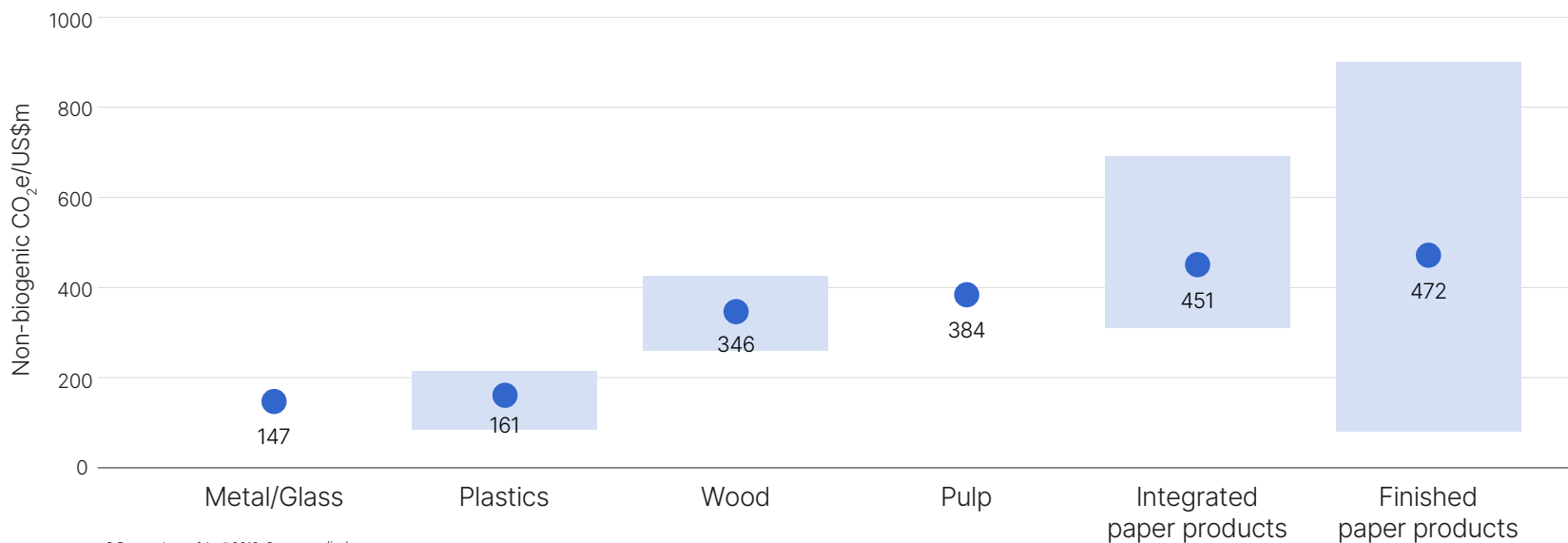
Relatively low carbon emission intensity, when compared with common alternatives

There is no other packaging material which can match the unique benefits of plastic.

Of course, we understand that plastic is a by-product of the fossil fuel industry, and that we must work hard to get the maximum benefit from every bit of plastic produced, while minimising carbon emissions. That means recyclability, lightweighting and using recycled materials are critical, and it's why we are focusing on Closing the Loop. Read more on page 17.

For every \$m of sales, the greenhouse gas emissions intensity of plastic containers and packaging is relatively low

Non-biogenic carbon emission intensity comparison per primary product, average and ranges²



Source: MSCI ESG Research as of April 2019, Company disclosure

2. Biogenic carbon dioxide emissions are from the combustion or biodegradation of biomass; they are separated out here by MSCI to focus on non-biogenic (all other emissions) to enable a comparison.

Our business model (continued)

Key competitive advantages

**Manufacturing footprint and capacity**

Our large manufacturing footprint – 31 plants in 18 countries on 5 continents – represents a key competitive advantage and barrier to entry. This is chiefly because of the high initial capital investment required to offer industry-leading reliability and continuity of supply for a demanding customer base. Investing in training, automation, technology and equipment, and then ensuring all of this is available in a location conducive to rapidly meeting customer needs, is critical.

**Sustainability focus**

Our customers actively want more sustainable packaging, and the ability to meet that demand gives us a significant advantage in the marketplace. Developing innovative and sustainable products and solutions with the same protective and aesthetic qualities as older products requires significant capacity and capability, as well as substantial technical know-how.

**Ability to innovate**

With 5 dedicated kp i.centers in Charlottesville (US), Girona (Spain), Featherstone (UK), Pravia (Spain) and Gendorf (Germany), we invest continuously in research and development which enables us to create new, more sustainable, higher-margin solutions for customers.

Just in the past three years, we've launched approximately 46 new products in the Pharma, Health & Protection and Durables division and approximately 43 products in the Food Packaging division.

Each division has a dedicated R&D team which, together with the operations and sales teams, works closely with current and potential customers to develop customised products that meet specific performance requirements, and then to help customers use those products efficiently on their equipment.

Our innovation team also supports customers who are seeking regulatory approval in high-value areas, such as pharmaceuticals and certain food applications, as well as improving the appearance of consumer products. The clear majority of our innovation work, however, is now focused on ensuring our products, and therefore our customers, become more sustainable.

Our track record of innovation

We consistently find new ways to become more sustainable



2000

Began to use PET in substitution of other materials



2008

PET/PE tray containing 100% rPET introduced



2018

Launched Positive Plastics Pledge



2019

Stretch PO flexible film scored 20/20 for recycling by Interseroh



2020

ShoreCycle™ card film, films produced with ocean-bound recovered material



2020

kp MonoSeal™ fully recyclable mono PET rigid film for form, fill and seal applications in fresh food

2000–2009

2010–2019

2020



2007

Introduction of rPET in our consumer packaging segment, Pentaform® SmartCycle®



2009

kpVantage®, our first vinyl-free pharma solution based on PET



2019

kp Infinity™ range of fully recyclable expanded PP trays



2020

Pentalabel® SmartCycle®, a recyclable label, launched in Europe



2020

kp Eternal™ tray, which uses recycled tray flake instead of bottle flake

Key statistics

5

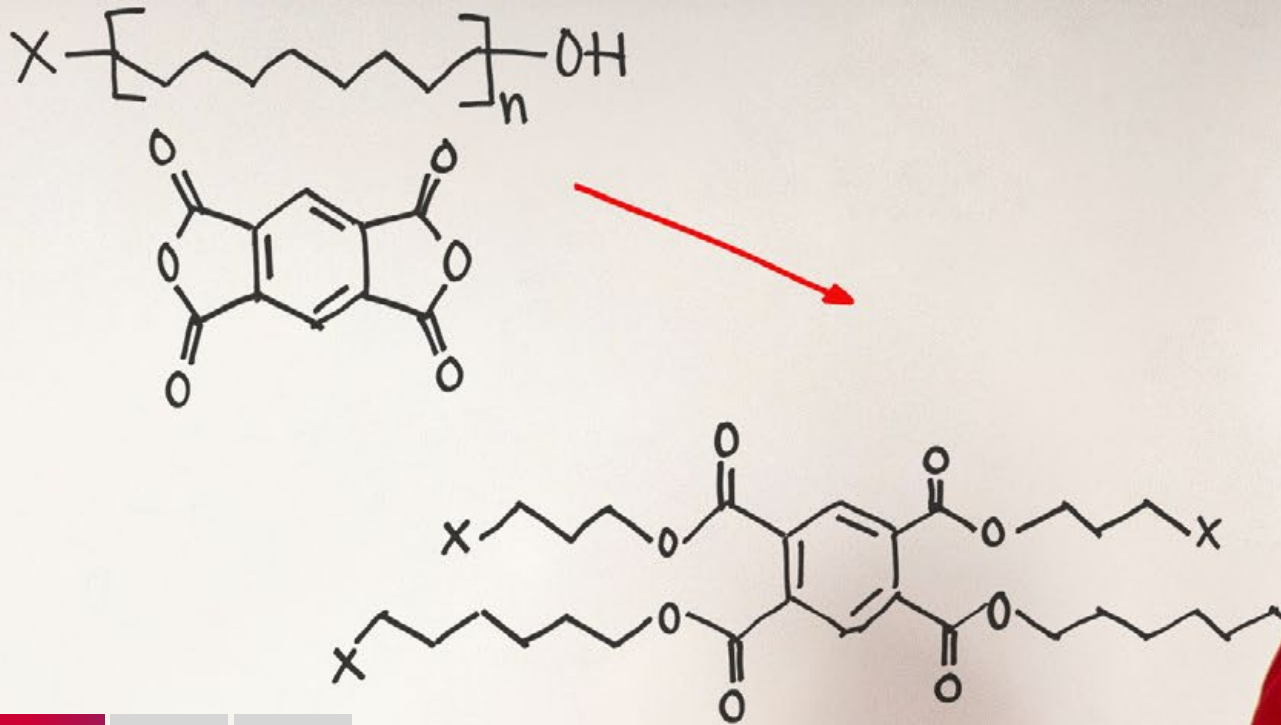
kp i.centers in the USA, UK, Spain and Germany

50+

years of engineering and mechanical design expertise

>50%

of products co-created with customers



Close the Loop

Plastic is a renewable resource, that should never be wasted – so designing for circularity is at the top of our agenda.



Close the Loop – our targets

Target I

Use more
recycled material

Goal

By the end of 2025, we will use at least 30% post-consumer recycled material in our packaging products.

Target II

Close the
packaging loop

Goal

By the end of 2025, at least 30% of the post-consumer recycled material in our packaging will be from kp Tray2Tray™ initiative.

Target III

Make all of our
packaging recyclable

Goal

By the end of 2025, 100% of our packaging will be recyclable.

Core aims

Reduce our use of virgin raw materials, and comply with evolving regulation.

Move towards a circular economy.

What we're doing

- Designing for recyclability and maximising recycled content.
- Growing our existing high volume of post-consumer recycled material.
- Encouraging people to recycle more.
- Helping develop infrastructure and incentives to secure supplies.
- Reducing the weight of our packaging.

Overview

Plastic production has increased from 15 million tonnes in the 1960s to 368 million tonnes in 2019,¹ and is expected to triple by 2050. However, worldwide only about 14% of plastic packaging is collected for recycling. This is much higher in Europe, where the recycling rate² is 41.8%, demonstrating clearly the improvements that can be achieved.

We understand that reducing plastic leakage into natural systems is vital.³ All packaging must be designed and used in ways that eliminate waste and pollution, and lead to the circulation of products and materials in a cost-effective manner. Research into a circular, or 'closed loop', economy for plastic packaging has shown that, as well as reducing the annual volume of plastics entering our oceans by 80%, and reducing greenhouse gas (GHG) emissions by 25%, a circular economy can, by 2040, generate savings of \$200 billion per year and create 700,000 additional jobs.⁴

High-quality packaging flows best in a circular system owing to its durable, reusable and recyclable design. This closed-loop thinking goes beyond recycling – other systemic issues to take into account include consumption patterns, energy sources, employment, resource extraction and biodiversity.⁵

There is a clear need to increase the uptake, cost-effectiveness and quality of recycling. This requires collaboration on production, after-use and infrastructure. Regarding plastic packaging, society needs new ways of systematically improving economic and environmental outcomes; and as producers, we are playing our part.

1. https://www.plasticseurope.org/application/files/8016/1125/2189/AF_Plastics_the_facts-WEB-2020-ING_FINAL.pdf, page 16. 2. Article 6(1) of Directive 94/62/EC, <https://ec.europa.eu/eurostat/databrowser/view/ten00063/default/table?lang=en>. 3. World Economic Forum, Ellen MacArthur Foundation and McKinsey & Company, *The New Plastics Economy: Rethinking the future of plastics* (2016). 4. Ellen MacArthur Foundation, *Universal Circular Economy Policy Goals* (2021), page 12. 5. <https://www.circularity-gap.world/2020#interactive>



Innovation

How our innovation teams work

Customer needs and market requirements drive innovation. These can include product design attributes such as food and drugs protection, avoidance of food waste and, of course, sustainability.

They also include business requirements such as financial viability, conversion cost control, supply chain and regulations. Accordingly, our Innovation teams are currently working on more than 80 technical projects, the scientific and financial performance of which are reported to our leadership team every month.

Our innovation process comprises 5 stages: concept, design, prototype, qualification and commercialisation. Between each of these stages lies a 'gate' where the idea in question is evaluated, typically for commercial application and market need.

Innovators and product line managers work together jointly (an approach called 'two-in-a-box'), walking through the different challenges of the stage and gate process. This process for new products at kp incorporates sustainability criteria, and pilot tests with key customers. It also includes input from other stakeholders, such as suppliers, industry bodies and regulators.

Innovators in Pharma, Health & Protection and Durables

In our Pharma, Health & Protection and Durables (PHD) division, we are making progress in the face of strict specifications.

For example, in many jurisdictions, it is not legally permissible to use recycled content in medical product packaging due to traceability issues. Any contaminant presents a risk to our customer, and the end-consumer. To overcome these challenges, we are investing in new technologies and partnerships which will enable us to make better use of our raw material.

Can the switch be made from vinyl (PVC) to other, more easily recyclable or sustainable solutions? Well, huge strides forward have already been made, with more to follow.

Focus areas include innovative design, simplification of recycling systems and chemical recycling.

Meanwhile, our senior teams from the kp i.centers engage with governments on the subject of viable options for replacing vinyl, which maintain a high standard of consumer experience, safety and recyclability.



In our PHD division, sustainable solutions represent by far the greatest portion of our innovation pipeline and go on to serve the sustainability goals of our customer base."

Daniel Stagnaro,
Head of Technology, PHD division

Our Pharma, Health & Protection and Durables kp i.center

In **pharma and medical devices**, we have been working on recyclable alternatives to vinyl. One such example is the kpNext® solution, a material for pharmaceutical blister packaging, which we are launching in the second half of 2021.



For our **cards and graphics** customers, we have taken the extra step of incorporating more than 95% ocean-bound recovered plastics into a vinyl-free option. ShoreCycle™ is quickly becoming the material of choice for card and graphic customers who want a truly sustainable option that supports a global, circular economy.

In our **labels** segment, we have developed SmartCycle®, a polyester material that can be mechanically recycled. Coupled with washable inks, these labels can be recycled directly with PET bottles greatly reducing the resources required at recycling centres while adding to the amount of post-consumer recycled resin available. Our second-generation label material called SmartCycle® Pro will have the same great quality of recyclability and will also have the added benefit of containing 30% post-consumer recycled content, adding to a truly circular economy.



Innovation (continued)

Innovators in Food Packaging

In our Food Packaging division, sustainability is the key driver for change. As an industry, we are determined to do our part, given that a third of the food produced globally for human consumption is wasted every year.

Our aim is to deliver food packaging that keeps food safe, extends shelf-life and reduces waste, yet is produced with recyclability in mind, and is made up of high-quality recycled inputs.

Our range of fresh food categories covers thermoformed trays, rigid films for form, fill and seal applications, as well as flexible films. As in our PHD division, all new product development is governed by a rigorous development process involving sustainability criteria and senior management support.

Our FP innovators track regulations on food safety, collect information from colleagues around the world, and meet with governments to advocate policy development and product protocols.

“

Innovation now mainly revolves around recycling and sustainability. I have a significant role in developing our portfolio to ensure that we are designing for sustainability at every opportunity, with a particular focus on reducing the food waste that often has a bigger impact, in terms of carbon, than packaging.”

Dr Ana Fernandez,
Innovation Director, Food Packaging

Our Food Packaging kp i.center

In **rigid film packaging** for form, fill and seal applications, we aim to offer a 100% recycled PET (rPET) range of films, including post-consumer recycled (PCR) from our kp Tray2Tray™ initiative and our Recycled Ocean Plastics™, which have been developed with material diverted away from the ocean.



In **trays**, we want our kp Infinity™ range to replace extruded polystyrene (XPS), we are aiming for our kp Tray2Tray™ initiative to be expanded globally (see page 23), and we are seeking to boost recyclability.

For our **flexible films**, we will focus on the development of barrier films using PCR that can be recycled, where the right infrastructure is available.



Target I

Use more recycled material

Plastic packaging offers extensive sustainability benefits. However, the choice of raw materials must be made carefully, and the infrastructure for collecting, sorting and recycling must be available to enable consumers to play their part; ultimately, all materials come with some inherent environmental or social risk which must be managed.

In this context, we've been using post-consumer recycled PET (rPET) for nearly two decades to produce high-quality products that meet global safety standards and consumer expectations.

While most PCR material can be used by industry somewhere, the requirements of the food and medical sectors are particularly stringent. So, since 2007, we have been investing in better technology – known as 'super-cleaning' – in our Food Packaging division. That's why it's now possible to incorporate repeatedly recycled PET into our products while maintaining high quality standards.

Beyond quality, what does this mean for our customers? Well, consumer brands want to reduce their carbon emissions, cut waste, be part of the circular economy and boost their reputation – and incorporating recycled plastics in packaging contributes to all of these.

In 2020, 21.5% of the inputs in our plastic packaging were made up of post-consumer recycled polymers, which equates to over 120,000 tonnes, including some from our circular initiative, kp Tray2Tray™.

We will continue to innovate with the goal of integrating our products firmly within the circular economy. We will also cultivate stakeholder partnerships with the aim of creating markets for recycled content, and improved infrastructure.

We can't do this on our own, which is why we are members of several relevant associations that are committed to collective, transformational change.

We are Board members of Petcore, INCPEN and IVK, sit on the BFP management committee and the advisory committee of the UK Plastic Pact, while co-chairing the Petcore thermoforming group.

We also recently helped found the ANZPAC Plastics Pact in Australasia, and are actively involved in Ellen MacArthur Foundation's New Plastics Economy Global Commitment.

Case study

kp Elite® trays offer a proven lower-impact life cycle

Our lightweight kp Elite® trays, made with up to 100% recycled PET, have the lowest overall environmental impact when compared against all other competitive options on the market.

We commissioned a Life Cycle Assessment study to ensure our kp Elite® tray (including its lidding film) really was the best on the market for sustainability. We looked at carbon emissions, energy, water usage and ReCiPe scores, and the Elite® tray was the winner across all metrics.

Impact

Our trays are made using up to 100% rPET, and they're designed without the polyethylene (PE) lining so that they're easy for end-consumers to recycle. The material can then come back to us in the form of tray flake, as part of our kp Tray2Tray™ initiative.

56.5 g CO₂e

versus an industry average of 69.94

21.5%

PCR material in our packaging



Target I. Use more recycled material (continued)

Case study

kp Volta™ demonstrates the value of collaboration

Our new prepared fruit range, kp Volta™, is made using 100% recycled PET which can be recycled again and again, with a clear on-pack recycling message. During 2020, our team worked with Marks & Spencer to replace 23 different pack sizes with just 9 kp Volta™ packs.

The range was designed to be as lightweight as possible, use the least amount of material and therefore have the lowest carbon footprint. It offers the stability, portability and structure required for food-to-go, while being disposable in standard recycling systems.

One of our long-standing customers is UK-based retailer Marks & Spencer, who had been working with 4 different suppliers of prepared fruit, and over many years had accumulated 23 different pack sizes. These have now been replaced with just 9 kp Volta™ packs which also fit perfectly in delivery crates, reducing the number of crates required in transportation and so lowering carbon emissions even further.

Impact

Our collaboration with M&S means that the overall carbon footprint of the retailers' prepared fruit products has dropped, while end-consumers are more easily able to recycle.

80+ tonnes

of plastic packaging designed out of the current range of prepared fruit range at M&S through lightweighting and rationalisation



Case study

Transforming ocean-bound material into credit cards with kp ShoreCycle™

Paying with a credit or debit card made from ocean-bound plastics is now possible, thanks to kp ShoreCycle™. We're helping coastal communities retrieve discarded plastic, which is proving to be a versatile and sustainable material choice for cards.

kp ShoreCycle™ is made from plastics collected from areas near to coastlines that are at risk of polluting waterways and oceans and lack formal waste collection – sadly, 8 million tonnes of litter enters our oceans every year. Once collected, our partners recycle this material into usable high-density polyethylene (HDPE) resin, which we can then convert into ShoreCycle™ products.

Impact

In addition to supporting the circular economy, this programme offers people living in areas near to coastlines the opportunity to generate income by collecting the plastic waste which also promotes social responsibility. Meanwhile, we are able to offer our customers a uniquely sustainable card product, made from over 95% post-consumer recycled HDPE.



Target II

Close the packaging loop

For many years, we have been working on securing sufficient volumes of high-quality recycled material so that we can fulfil our commitment to a more circular economy. A big part of this is our rPET kp Tray2Tray™ initiative, which 'closes the loop' for food trays and rigid films.

We work hard to source recycled materials and have clear purchasing specifications, covering the percentage of mono-material contents, presence of non-compatible polymers, and viscosity.

Historically, our main source of these recycled materials (in the form of rPET) has been bottle flake (even though we don't make bottles). But over time demand for – and the cost of – this recycled material has increased, driven by plastic taxes and new expectations around sustainability. That means we can't rely on bottle flake in the future. So, to diversify our sources of recycled material while also 'closing the loop' on the products we make, we are working with the wider industry to improve the availability of recycled material from food trays, instead.

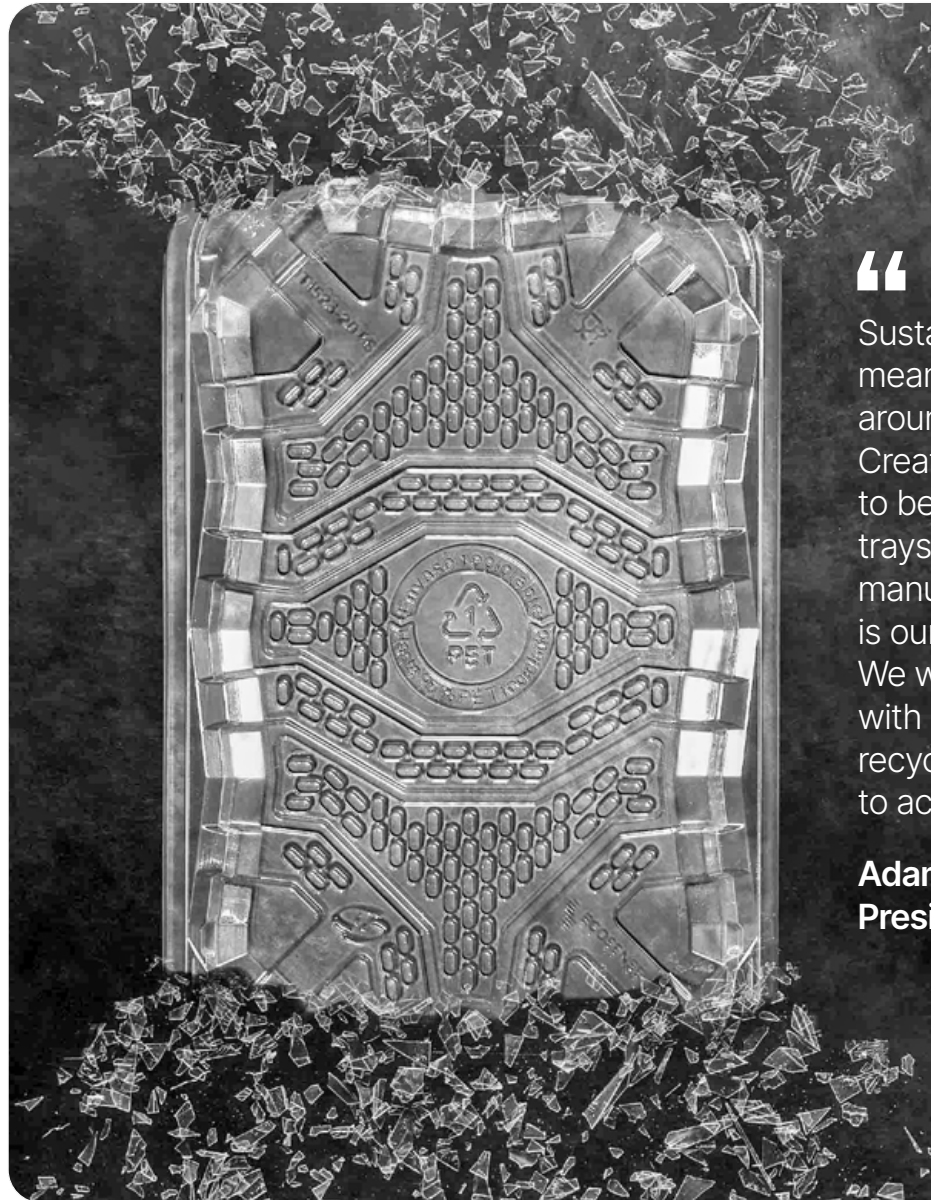
In 2020, we set up a specific project to research and test material blends using tray flake – we call this kp Tray2Tray™. We are now working to establish new systems across the supply chain to access tray flake, while at the same time working with customers to push demand for this material.

Through our successful research and close engagement with committed partners, we have started ramping up the volume of tray flake within our products. By sending a clear demand signal for this material, we're helping to increase levels of recycling and meet objectives on increasing use of recycled material such as the EU's Circular Plastic Alliance goal (of which kp is a signatory) to recycle 10 million tonnes by 2025.

kp Tray2Tray™ builds on our work in lightweighting – since 2007, we have reduced the weight of our trays by 43%, which in turn has reduced their carbon intensity by 66%.

3%

of our recycled material already comes from kp Tray2Tray™



“

Sustainability, in my mind, means thinking long term around real, structural solutions. Creating the infrastructure to be able to take back the trays we make, in order to manufacture new ones, is our longer-term vision. We will continue to work with our customers and recycling partners in order to achieve this.”

Adam Barnett,
President of Food Division

Target III

Make all of our packaging recyclable

Plastic packaging is valuable, so its design should be based on Design for Environment principles that recognise the importance of keeping products and materials in the economy at their highest possible value. Doing this helps to maximise the return from the energy invested in the product, and encourages a more regenerative use of natural systems. Without product recyclability, improvements to business models, local recycling infrastructure, enabling regulations, or consumer behaviour will have little impact.

We also fully recognise a clear challenge: our portfolio of products includes high-barrier packaging designed to meet customer expectations of protection for pharmaceutical products and extended shelf-life for fresh food. Core to this challenge is a trade-off: enhanced recyclability cannot come at the expense of protecting the product.

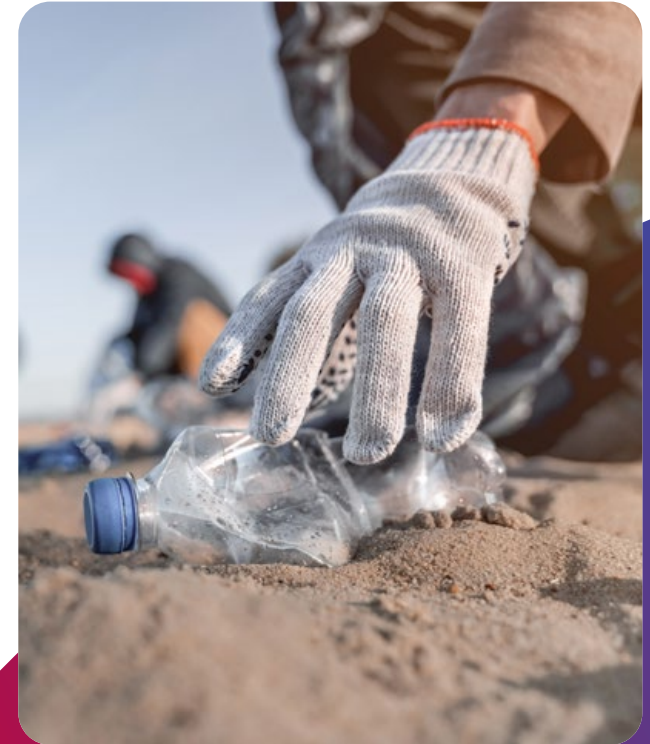
To measure progress on this goal, recyclable packaging must meet recognised and accepted design standards for recyclability. Guidelines from organisations like RecyClass, APR, CEFLEX and Petcore help us to ensure that our products are designed in such a way that they can be easily recycled, when appropriate collection, sorting and recycling infrastructure is in place.

In 2020, we assessed the recyclability of our packaging portfolio (based on our sales volumes) to be 24.2%, which was an improvement from 22% in 2019.

We already offer recyclable alternatives for 58% of our portfolio, and so we expect our performance to improve in the coming years, as customers buy more of these alternatives from us.

While maintaining the expansion of our recyclable product portfolio, we are simplifying our range of materials, focusing on using mono-materials (as opposed to multi-materials) where possible.

How does maximising recyclability help reduce 'system leakage' and pollution? As described in the kp Tray2Tray™ section on the previous page, we are working with the supply chain to create demand and to ensure governments and private waste collectors invest in the infrastructure needed. Major changes are required worldwide to collect, sort and recycle plastics, but progress is certainly being made.

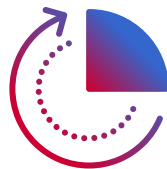


What is 'recyclability'?

We take into account several definitions to ensure that our products are designed for recycling, including those outlined by RecyClass, the Ellen MacArthur Foundation (EMF), the UK Plastics Pact, RECOUP, COTREP and CEFLEX, among others. The result is a comprehensive multi-year sustainable material strategy.

24.2%

of our packaging portfolio is recyclable



Target III. Make all of our packaging recyclable (continued)

Our role as a member of the UK Plastic Pact and our involvement in the Ellen MacArthur Foundation's New Plastics Economy Global Commitment allows us to collaborate and innovate on industry-wide recyclability goals, such as the challenge of developing PET tray recycling infrastructure in Europe and North America.

Furthermore, we have been a member of Petcore since 2015, where we chair a working group which focuses on elevating the market presence, and demonstrating the recyclability, of PET thermoforms. And in 2020, we joined the HolyGrail 2.0 initiative, which aims to improve sorting of post-consumer packaging through the use of on-pack chemical tracers and digital watermarks.

We are also making it clearer what can be recycled, and how. We want consumers to do the right thing, so more kp products are made from mono materials with clear and simple on-pack messaging. For example, our new kp Infinity™ range has a 'Recycle me' logo embossed on each pack, and similar messaging in several languages can be found on the base of our clear plastic trays as a call to action for consumers.

Over the last year, we have launched a range of recyclable products. In our Food Packaging division, these include kp MonoSeal™, our top of the range, sustainable PET base rigid film for form, fill and seal applications (100% PCR range available). Meanwhile, kp Infinity™, our revolutionary, fully recyclable food-to-go packaging with a low-carbon footprint is also microwaveable and keeps food hotter for longer. And our polyolefin (PO) stretch range has been certified as fully recyclable.

In our Pharma, Health & Protection and Durables division, products include kpNext®, a recyclable material for pharmaceutical blister packaging launched in Summer 2021, and SmartCycle®, a polyester label material which can be recycled together with bottles and can incorporate recycled material.

These products are all part of our long-term 'sustainable materials' strategy, which covers all market sectors and packaging formats. Looking ahead, our innovation project pipeline remains focused on increasing the recyclability of our product range wherever possible.

Case study

kp Pentalabel® SmartCycle® offers easier recycling

Until now, shrink sleeve labels had to be removed from drinks bottles before they could be recycled, a time-consuming and costly step for recyclers. That's all changed, thanks to Pentalabel® SmartCycle®.

Made from a Copolyester resin which is fully compatible with PET bottle material, SmartCycle® labels can be added straight into the recycling stream. No time is wasted removing them and no extra equipment is needed for processing.

This product forms part of our contribution to the HolyGrail 2.0 initiative, devised to assess whether pioneering technology, such as on-pack chemical tracers and digital watermarks, can enable better sorting and higher-quality recycling rates for packaging in the EU.

Impact

Introducing a fully recyclable label increases the efficiency of recycling centres and increases the amount of PCR resin available in the market for new production.



Target III. Make all of our packaging recyclable (continued)

Case study

A smaller carbon footprint and enhanced performance with kp Infinity™

A high-quality mono material that can be easily recycled into many products – from car parts, to furniture and flooring – offers a second life and beyond for food-to-go packaging.

In the context of an incoming ban on traditional expanded polystyrene packaging, set to come into force in 2021, the choice of expanded polypropylene for our new product was clear. Our innovation team felt that the many benefits of the material and the presence of a clear downcycling market stream were an effective combination, and we launched in 2019.

Independent studies have since confirmed that kp Infinity™ outperforms alternative materials, and offers significantly reduced energy and water impact, with a much lower carbon footprint.

Critically, for food-to-go use, kp Infinity™ boasts exceptional thermal and insulating protection properties, keeping food hotter for longer by more than 10°C when compared with alternative packaging solutions. Its low heat-transfer rate means that heat is retained inside the packaging while keeping the outside cool to the touch.

kp Infinity™ is also lightweight, compared with alternatives, while maintaining durability, is microwaveable, and resistant to water, acids, alkalis and hot oil.

3 awards

won during 2020

Impact

Our first big launch was with Whole Foods Market in the UK, who needed a recyclable alternative to the in-store packaging previously used for the butcher and fresh fruit counters.

Since then, we have expanded our product offering, and the packaging can now be found in government buildings, school districts, takeaway services, in-store counters and more.

Next steps

Our next objective is to work out how we can close the loop by recycling returned products into food-grade material. We have recently joined a new multi-stakeholder group called NEXTLOOPP, which we hope will help us develop the infrastructure required.

NEXTLOOPP's ultimate goal is to ensure that recycling and decontamination systems are available in major UK population centres for polypropylene, enabling kp Infinity™ to become a full part of the circular economy.



Innovations in
Packaging Award
kp Infinity™



Design &
Marketing Award
kp Infinity™



Product
Innovation Award
kp Infinity™



Target III. Make all of our packaging recyclable (continued)

Case study

Playing our part in the circular economy with kp MonoSeal™

Tailor-made for fresh food applications, including various proteins, cheese and pasta, kp MonoSeal™ is a sustainable PET rigid base film that both incorporates recycled content and is fully recyclable.

We have created a recyclable PET rigid film for form, fill and seal applications with a given percentage of recycled content. This enables us to play our part in the circular economy, through our kp Tray2Tray™ initiative. And for customers who share our sustainability ambitions and are dealing with various new taxes on virgin plastic, this product range is just what they need to reduce waste and increase recycling.

Impact

Launched in November 2020, and already in use by several of our customers, kp MonoSeal™ has the strongest sealing capability in the market, and is 7% lighter than competing multi-layer films. And on top of its circular-economy credentials, it also requires 10% less energy to produce, less heat to seal and has a smaller carbon footprint overall than the packaging it typically replaces.

Next steps

We are helping current customers to transition to kp MonoSeal™, as we market the product to new customers who want to become more sustainable.

-30%

lower sealing temperature
required during production



Close the Loop – next steps

We understand the urgent need to build the infrastructure necessary to increase recycling rates, and we are working with several partners to do so.

In pharmaceutical packaging and labels, we are accelerating the pace of the switch from vinyl to PET and polyolefins. We are investing in upscaling the capacity to meet growing customer demand, continuing with research into recyclable barriers in medical packaging. Naturally, these efforts will only count if they are complemented by growth in customer knowledge in key markets.

Already, kp Tray2Tray™ is helping us to close the loop. The next step is to secure additional flake from post-consumer tray suppliers, and then to invest in equipment which increases our ability to use kp Tray2Tray™ content in all our products.

Recyclability is at the core of the solution to closed-loop systems, so we continue to work on refining recyclable high-barrier designs, and a focus on PE and PET sealant for mono-material lidding films as well as having a smooth transition from vinyl solutions to more sustainable materials.



Work Smarter

Using less energy, cutting carbon emissions and diverting material from landfill is the right thing to do for us, and the planet we share.

Work Smarter – our targets

Target I

Improve energy efficiency

Goal

By the end of 2025, we will increase energy efficiency by 17% (2019 baseline).

Target II

Reduce Scope 1, 2 and 3 emissions

Goal

By the end of 2025, we will reduce Scope 1 and 2 emissions by 50%, and by 2030, Scope 3 emissions by 20% per tonne of product sold (2019 baseline).

Target III

Stop sending waste to landfill

Goal

By the end of 2022, we will send zero waste to landfill or incineration without energy recovery.

Core aims

Take a science-based approach to combating climate change, in line with the 2015 Paris Agreement.

What we're doing

- Intensifying our energy efficiency drive, which is guided by our Global Energy Taskforce and underpinned by investment to triple the number of energy-saving projects.
- Setting a science-based target for our greenhouse gas (GHG) emissions.
- Expanding our use of renewable energy to reduce the life-cycle emissions from our products.
- Increasing use of recycled, and other lower-carbon, materials and by increasing the recyclability of our products.

Treat 'waste' of all kinds as a resource to be reused for the benefit of our business and the planet.

- Deepening the reach of our Zero Waste to landfill (and incineration without energy recovery) programme to: maximise process efficiency; minimise waste; and find the best end-of-life options for all materials.

Overview

Every business has a responsibility to reduce energy consumption and GHG emissions in order to help limit global warming to 1.5° Celsius.¹ Recent research from the International Energy Agency (IEA)² urges a trebling of the average rate of the energy efficiency improvements of the last two decades. For us, working smarter means lower burdens on the environment, better use of resources, fewer physical impacts from climate change, and ultimately reduced socio-economic inequality.

As well as being more efficient, business and society needs to become more circular. Each year, international data sources indicate that we generate 1.3 to 2.01 billion tonnes of solid waste, which will rise to 3.4 billion tonnes by 2050,³ primarily resulting from increasing populations and urbanisation. Closed-loop resource stewardship – doing more with less by minimising waste and re-purposing by-products – is vital to ensuring our planet remains liveable.

For business, working smarter like this creates and protects value for customers, employees and investors. Strong governance and smart leadership means embracing longer-term risks, adopting new ways of working and cultivating innovation. A precautionary (and commercially sensible) approach requires us to be aware of disruptions to natural systems or economic models from even a small temperature rise, and to respond by making kp more sustainable and circular.



1. <https://www.ipcc.ch/sr15/>. 2. Net Zero by 2050: a Roadmap for the Global Energy Sector, <https://www.iea.org/reports/net-zero-by-2050>. 3. <https://www.worldbank.org/en/news/press-release/2018/09/20/global-waste-to-grow-by-70-percent-by-2050-unless-urgent-action-is-taken-world-bank-report>.

Target I

Improve energy efficiency

The most sustainable energy is the energy you don't use in the first place, and energy is one of our largest controllable costs. We can all save energy in all aspects of our lives, at home, at work, on the road and via our purchasing choices. So we are reducing consumption, and shifting increasingly to renewable energy sources. A wide range of initiatives are now in place at our plants, and we are always looking for ways to do more.

Our management of energy efficiency and renewable energy is driven by our Global Energy Taskforce. Established in 2019, its key goal is to reduce energy usage and associated emissions, following the 'Lean, Clean, Green' model. Our Taskforce teams comprise around 100 'energy champions' across our sites who are highly innovative, continually optimising operations to reduce usage by tackling issues like compressed air leaks, inefficient water pumps, and heat loss.

Whether optimising maintenance regimes, adjusting plant operations or investing in new equipment, our site teams know their plants better than anyone else. In 2020, they ran more than 50 projects, covering things like compressed air improvements, lighting upgrades and cooling system optimisation. There are as many as 30 different project types currently driving energy savings in the Taskforce. This is creativity, a continuous improvement philosophy and smart work in action.

In 2020, while maintaining global production volumes, we consumed 760,402 MWh. This is 12,956 MWh lower than our 2019 baseline year and equates to a 1.65% fall in energy intensity (per tonne of volume processed). The reduction in overall energy consumption is the equivalent of the annual energy consumed at one of our smaller manufacturing plants. Given, however, that our key energy efficiency metric focuses on electricity usage and its relationship to volume and weight of product processed, the demands from customers for lighter products may mean that our progress may not be reflected in the metric. We will continue to monitor this effect.

1.65%

reduction in energy
usage per tonne



We are certified to global standards

Each site systematically manages its environmental management, energy management and quality processes. This helps to achieve compliance with all environmental laws and regulations, as well as with our internal policies and requirements.

Our manufacturing sites hold a range of external certifications, including 5 sites certified to ISO 50001 (Energy Management), 10 to ISO 14001 (Environmental Management system) and 28 to ISO 9001 Quality. We are working to expand coverage across all of our sites.

In 2020 Project POLARIS was launched. It aims to reduce quality issues (and therefore waste) by developing and implementing a world-class quality management system, designed to deliver improvements across all areas of the business. This includes the implementation of a new kp Quality Standard and a standard assessment which will be used to measure performance across all of our sites.

Target I. Improve energy efficiency (continued)

Case study

Fighting the Battle of the Baseload to save energy

We believe that our factories can always become more efficient, and that's why we launched the Battle of the Baseload campaign.

Targeting energy used in our plants, but not in the process of actually making our products (i.e. the 'baseload'), became an even bigger priority in 2020. Since then, we've focused on – among other things – adjusting shutdown and startup procedures, tackling processes held at temperature during downtime, reducing air leakage, and adjusting cooling water and compressed air set points.

We also closely monitor the heat applied to the materials we process, adjusting temperatures where necessary to make sure that energy is used effectively.

In sum, the Battle campaign comprises operational and behavioural interventions which combine to help us do the basics of energy management brilliantly.

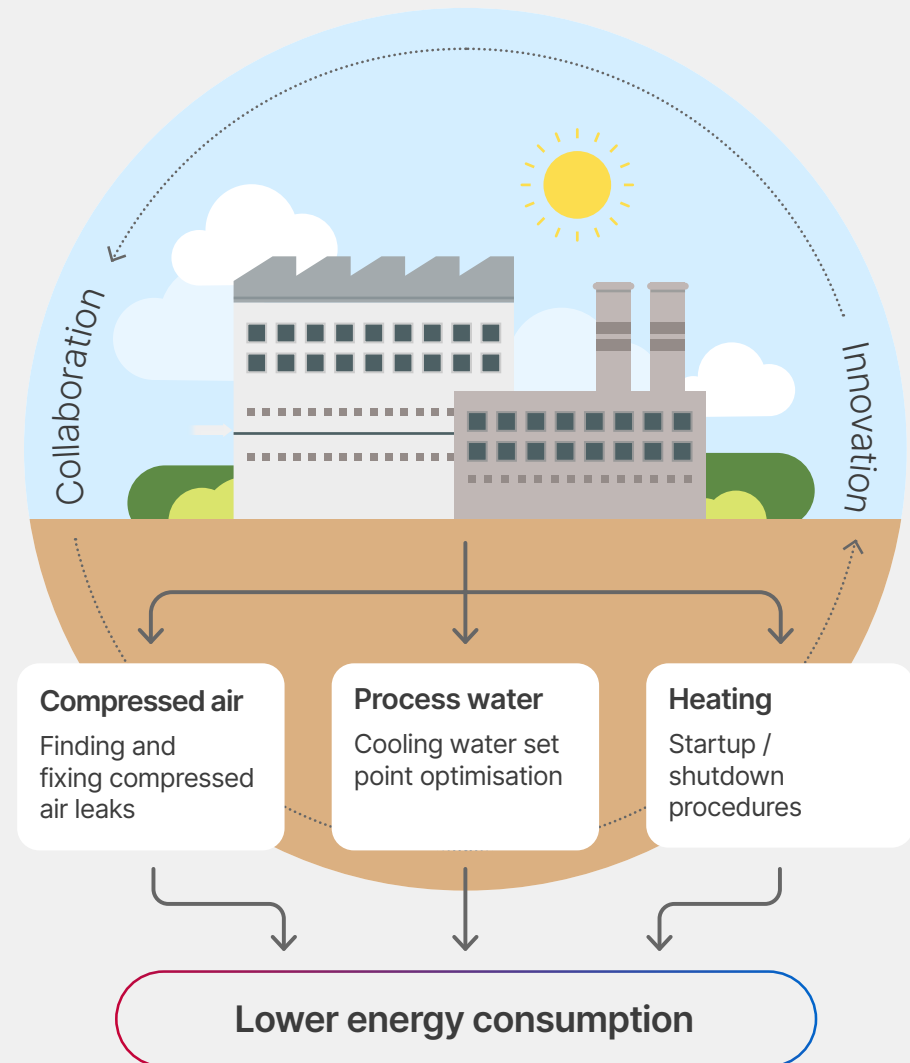
Impact

We now visualise and measure the baseload, to focus minds on reducing it in day-to-day operations. And we have full visibility of exactly where the energy is being consumed. This helps us gain insight into the use of energy in our plants, and to detect unnecessary losses.

Next steps

Our plants around the world are engaged in incorporating all of the lessons we've learned through the campaign. We're also looking at opportunities to fix air leaks, which can be responsible for up to 20% of the air used in our plants, and to optimise cooling water set points.

We are certain that there are further opportunities to reduce baseload energy usage, and ensure a greater proportion of the energy we use ends up going into our products. The campaign has demonstrated clearly that even as quality of production is maintained, energy consumption can go down.



50

different projects launched to improve how we use compressed air, cooling water, heat and our machines

Target I. Improve energy efficiency (continued)

Case study

Lighting the way forward with a major LED upgrade in the US

Three US manufacturing plants upgraded to LED lighting that works better and saves energy at the same time – a clear win-win.

In our Gordonsville, Rural Retreat and Beaver plants, we saw an opportunity to improve existing lighting levels while maximising energy savings. To achieve this, we replaced a mixture of existing metal halide and fluorescent fixtures with LED equivalents. Benefits include a wider range of colours, longer life, better dimming, reduced presence of infrared, and operational savings through less maintenance and energy consumption.

Improved light levels and quality also provide a better working environment for employees, helping to improve health and safety.

Impact

At a cost of \$0.75m, we upgraded 3,000 light fittings to LED across three plants. This will save 3,000 MWh of energy per year, which exceeds 1% of the total electricity consumption across these three sites.

Next steps

We're planning a complete site-wide LED lighting roll-out in our Gordonsville Barrier Films site and Pontivy in 2021, and are making ongoing improvements to sites, including St Helens, Ritterhude, Melbourne, St Petersburg, Pravia and Orsha.

We've now set a target of 100% LED lighting, where practical, in all locations across kp aligned with the Investing in Better 2023 timeline.

Management approach – energy

For many years, kp has made good progress on saving energy, and our aim is to become a leading example in energy management in our sector.

In 2019, our Global Energy Taskforce started to deliver a step change in energy efficiency, enabling us to make quality and service improvements and to meet rising demand – all without increasing our energy use. The Taskforce comprises 100 Energy Champions across Operations, Engineering, Maintenance, Procurement and Business Excellence (with Executive level leadership). The Taskforce's diversity of skills, knowledge and experience is underpinned by a clear executive mandate, investment in capital equipment, supportive governance instruments and regular progress updates.

Continuous improvement is the name of the game: we are constantly looking for new ways to improve in areas such as operator behaviour, site monitoring, building control and pipework.

Around the world, each site has developed a tailored energy action plan aligned with local energy costs and regulations. A 'one-size-fits-all' approach is not possible, and the Energy Toolkit – a list of 200 energy best practices – used by energy champions is vital. Such guidance is offered in tandem with energy workshops – based on well-known cyclical continuous improvement frameworks – which can generate further ideas.

715 homes

worth of annual electricity consumption saved through this initiative

Target I. Improve energy efficiency (continued)

Water stewardship

When we use water, we also use energy. That's why our Global Energy Taskforce looks at opportunities covering both energy and water reduction. Water efficiency is important in our industry although, relative to energy and carbon emissions, it is a relatively low priority for kp, as we do not use a significant volume (see page 53 for information on our material issues). That said, a prudent, precautionary approach is warranted, so we have been evaluating the risks and impacts relating to kp's operations.

Part of working smarter, water use is carefully managed in all our operations. Key impacts relate to its withdrawal, consumption and discharge, particularly in water-stressed areas. In 2020, we conducted our first water risk assessment which produced a combined water stress index informed by the WWF's Water Risk Filter and WRI's Aqueduct tool. It indicates levels of water risk across all sites. Five of our 31 sites are in high water stress regions located in South America, Asia and Europe.

During 2021, we will conduct a full water audit to better understand the impacts of water withdrawal, and to improve water conservation in high-stress regions, principally by installing 'closed circuit' process water systems. Additionally, we will be setting a standard water efficiency metric that accounts for the varying water availability and infrastructure where we operate. Meanwhile, our teams consistently share best practices for machine settings and updates, introduce new water-saving concepts and educate and engage employees on water conservation.

Case study

Lost heat, captured and recovered at our Food Packaging sites

Extruding plastic requires heating and cooling at just the right time. But that means heat, and thus energy, is lost during the process. Our plants in Pontivy, France and St Petersburg, Russia have recently focused on capturing that lost heat from machines.

Extrusion uses continuous electrical energy to generate heat. First, the plastic is heated from room temperature level to around 180°C, and then after it has melted and been formed, the product is cooled down again, using cooling water. Meanwhile, part of the heat generated is transferred to the environment, i.e. the warehouse.

It was clear to us that there was heat available to be recovered for re-circulation. This can be achieved by transferring the heat into air, water or another fluid.

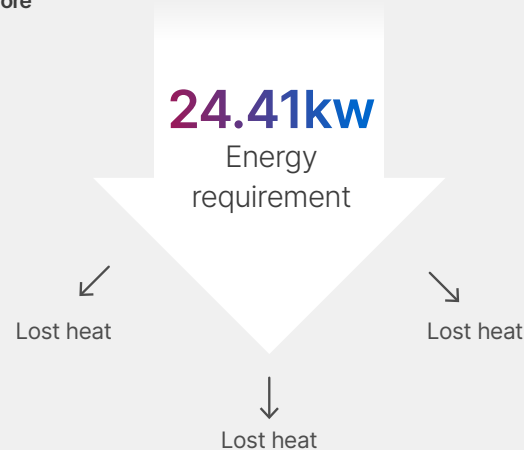
Impact

Before this project began, the power needed to heat plastic was around 24.41kw, but with 12.8kw of power saved through heat capture, the power needed is now around 11.61kw. With a capital investment of €25,000, we'll see a clear return on investment in three years, on top of the substantial environmental benefits.

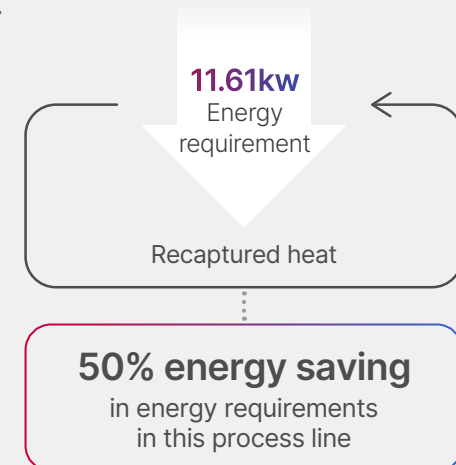
Next steps

The project is a pilot which has the potential to be deployed on a further 10 lines in Pontivy. We're also rolling out this concept as a best-practice example across all other kp sites where there's potential to re-use waste heat.

Before



After



Target II

Reduce Scope 1, 2 and 3 carbon emissions

Carbon emissions come from energy we use directly (Scope 1), energy we purchase (Scope 2), as well as other upstream and downstream activities, such as raw materials, transportation, business travel, or end of life treatment of sold products (Scope 3).

Last year, we undertook a comprehensive analysis of the Scope 1, 2 and 3 GHG emissions from our operations, in line with the GHG Protocol and ISO 14064, to understand and manage the climate change impacts of the business, and to set a baseline for tracking performance. Following the emissions inventory from 2019, we set credible carbon reduction targets in 2020 using the Science Based Targets initiative (SBTi) methodology.⁴ Our targets are currently being validated.

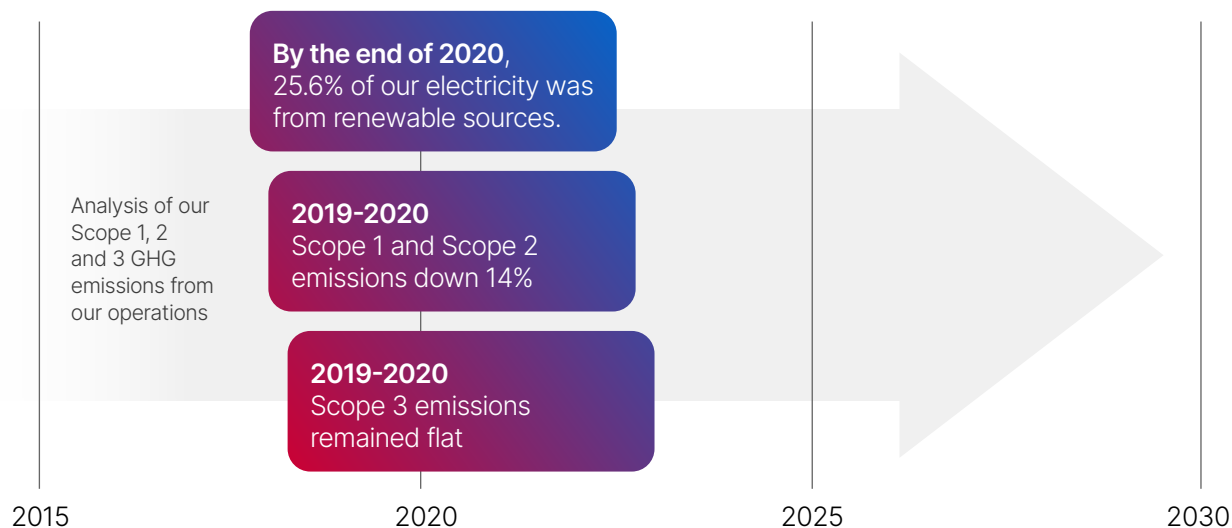
Energy efficiency can only take us so far in reducing emissions, because we will always need energy to make our products. That's why we are also investing in renewable energy. Our renewable energy capabilities can make a significant contribution to our goal to halve Scope 1 and Scope 2 GHG emissions by 2025.

While we will take into account all aspects of our Scope 3 emissions, our goal focuses on the purchased goods to make our products, the subsequent processing of the products, and end-of-life treatment. Achieving this goal will mean increasing our use of recycled, and other lower-carbon, materials and increasing the recyclability of our products.

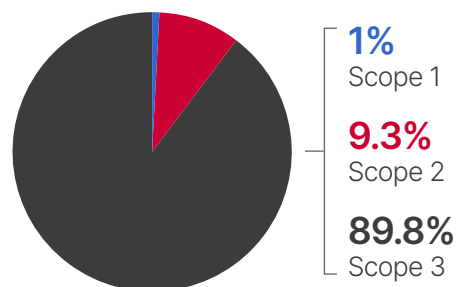
By the end of 2020, a quarter of our electricity (25.6%) was already drawn from renewable sources. Notably, 100% of the electricity we use in the UK, Poland and Spain is renewable – we have purchased a mix of Guarantees of Origin certificates (GOs) and International Renewable Energy Certificates (I-RECs). Our Thailand plant, meanwhile, uses on-site solar panels. We have effectively doubled our use of renewable energy since 2018 in order to meet our GHG reduction target.

⁴ SBTi provides the most widely used method of calculating and communicating a target in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C: <https://sciencebasedtargets.org/>

Our emissions reduction roadmap



GHG emissions breakdown by Scope



Key actions

- ✓ Credible carbon reduction targets set in 2020, using the Science Based Targets initiative
- ✓ Scope 3 goal focuses on purchased raw materials, processing and the end-of-life treatment
- ✓ Increase use of recycled, and other lower-carbon, materials
- ✓ Increase the recyclability of our product
- ✓ Maintain energy efficiency best practice and invest in renewable energy

Target II. Reduce Scope 1, 2 and 3 carbon emissions (continued)

Case study

The sky is the limit for our ambitious renewable energy plan

We are actively planning for a future where our sites either buy or generate considerably more renewable energy, so that we're able to meet our ambitious emissions targets.

Of course, we want to play our part in mitigating climate change, in line with the 2015 Paris Agreement. And as a large consumer of energy (we own and lease properties in 17 countries), these targets will be challenging for us to meet – but we are determined to lead on this critical issue.

That's why in 2020 we commissioned a report on renewable energy options on a global level. That was the first step in reviewing on-site and off-site renewables across our portfolio, setting us on the path to powering our operations from renewable energy:

- We are seeking to maximise our own generation of renewable energy.
- The most likely solution is to install solar systems at our plants. We have already launched a company-wide project to move this forward.
- We are reviewing on-site and off-site renewables across our portfolio, setting us on a path to powering our operations from renewable energy.

A good example of this in practice is the solar PV installation at our Rayong (Thailand) office, installed in April 2020. For an investment of €31,000, this small change saves 24 tonnes of CO₂ per year.

25.6%

of our electricity comes
from renewable sources

And in 2021, we are moving forward with Phase 2 installation of the solar PV system in Rayong, investing €300,000 in a 324 kWp system that can generate 2-3% of the site's electricity. Many incremental improvements such as this, across our global footprint, will ultimately have a big impact.

Impact

In 2019, 20% of our electricity already came from renewables through our sourcing of contracts, and in 2020 we increased this to 25.6%. Our renewable energy capabilities will make a significant contribution to our 50% Scope 1 and Scope 2 GHG reduction goal.

Next steps

In 2021, we will launch regional tenders in our key geographies to significantly expand our use of renewable energy. We will deploy more on-site solar systems, and investigate off-site power purchase agreements.

Generating more energy ourselves also protects us from future volatility in energy prices.



Target III

Stop sending waste to landfill

We are doing more with less, and we are landfilling less. We are minimising, reusing, and recycling waste to divert it from landfill and move one step closer to a more 'circular economy'. Site waste is defined as any by-product of day-to-day operations that leaves the site and is not finished goods. Most waste arises from manufacturing, such as packaging by-products, wood or wrappings, and is mostly recycled. Other general waste is mostly landfilled, but some goes to a waste-to-energy plant.

Our new Zero Waste to landfill/incineration without energy recovery programme ('Zero Waste programme') focuses on reducing the amount of waste generated at our plants and on finding the best 'end-of-life' options. For example, we have initiatives in place to help us reduce losses of scrap material, pellets and flakes from our processes. Scrap by-products are a significant resource, as the case study on the next page shows.

The Zero Waste programme aims to not only divert waste from landfill but also to avoid using incineration without energy recovery. At site level, we are analysing our waste streams to understand waste types, volumes and disposal routes in order to properly identify the root causes of each, and actions for their reduction. Action plans are under way, complemented by performance monitoring and reporting mechanisms.

In 2020, 80% of our waste was sent for recycling and 6% to incineration with energy recovery. Since the inception of the Zero Waste programme in July 2020, and up to the end of 2020, we now have 11 'zero waste to landfill and incineration' sites, out of 31 kp controlled sites globally. The 14% sent to landfill or incineration without energy recovery consisted of different types of waste, including small amounts of hazardous waste handled in accordance with regulations.



So far six plants have been running Operation Clean Sweep®, a well-known global campaign dedicated to helping every plastic resin-handling operation achieve zero pellet, flake and powder loss.⁵ In our Santo Tirso plant in Portugal, for instance, a recent initiative uses a site patrol to seek risk of pellet and flake loss during delivery and handling to avoid material leakage and to protect the environment.

We are finding that our new Investing in Better strategy has set the tone, creating a sense of direction and purpose for our people. When faced with a challenge it is better to face it together to make it achievable. Our teams are used to delivering kp commitments, and zero landfill is one of them.

Management approach – waste

Our Zero Waste programme is governed at executive level by the Head of Group Business Excellence team, while at site level it is led by the Safety, Health & Environment Manager. Performance data are gathered on site including a waste stream analysis to identify how much of which waste goes to landfill, incineration or recycling. Each site Health, Safety and Environment (HSE) manager works with site teams to review data and set improvement action plans. Monthly audits are undertaken to review waste disposal, effectiveness of action plans, and any corrective improvements. The site action plan accounts for audit findings and lays out how to meet the zero landfill target. Each site manager shares local data with the Group Business Excellence team to track progress via a shared Zero Waste tracker system.

11

'zero waste to landfill and incineration without energy recovery' sites



⁵ <https://www.opcleansweep.org/>

Target III. Stop sending waste to landfill (continued)

Case study

Using production analysis to reduce waste

In March 2020 we launched a new project, called Product Wheel, which gave us the information required to reduce the scrap we lose in the 'changeover' phase of production.

Covering 31 sites and 248 assets, an 'ABC' analysis was undertaken on all calendars, extruders, thermoformers and laminators to establish volumes and frequency of product manufacture.

Then, by planning the production campaigns in the most efficient sequence, the number of changeovers could be reduced, which resulted in a more efficient, less wasteful production plan.

Impact

The reduced number of changeovers led to improved lead times for our customers, and reduced the volume of waste produced.

In combination with other initiatives, Product Wheel helped reduce process scrap from 38,307 tonnes in 2019 to 30,094 in 2020. A drop from 4.5% to 3.6% of total production.

In 2021, Product Wheel continues meeting monthly with all sites, and reviews relevant plans.

8,000+ tonnes

of scrap saved in 2020 versus 2019

Case study

Zero waste to landfill achieved at kp Rayong

Our Rayong facility has demonstrated that it's possible to both significantly reduce waste, and then to avoid using landfill. Now we are committed to zero waste to landfill worldwide by the end of 2022.

Waste which goes to landfill ultimately has a negative impact on the environment, and we understand that it's one of the issues we need to push forward on. The first movers on this issue at kp were the team at kp Rayong, in southern Thailand, who in 2020 set out to ensure that none of the waste created by the facility would end up in landfill.

The team undertook a waste stream analysis, conducting an internal audit and creating an action plan to first reduce the amount of waste being generated, and then to find alternatives to landfill.

In October 2020, the waste began to be incinerated to create energy at the Chonburi clean energy site. All waste is now sent here instead of landfill. The project costs were limited to the expense of new containers in the factory to improve segregation of the waste.

Impact

The total amount of waste created is now 5,968kg per month, a 29% drop compared with the landfill waste earlier in the year.

Next steps

At the end of July 2020, kp launched its Zero Waste programme, which will see all 31 sites stop sending waste to landfill by the end of 2022.



“

Since November 2020, the Rayong site has sent zero waste to landfill. We looked everywhere for opportunities to improve, and were able to send waste from our main operations to an energy recovery power plant, repurpose waste from the canteen into animal feed, and deliver Polyvinylidene dichloride 'sludge' to a local brick manufacturer. The next step for us is to focus on reducing the amount of waste generated during production.”

Ronnarong Preechakul,
Site Manager Rayong



Work Smarter – next steps

Our distinguished manufacturing history offers a solid foundation on which to advance our energy efficiency programme: in 2021, we expect to triple the number of energy efficiency projects. As we close in on our target date of 2025, we will monitor the projected savings and search for new opportunities related to technology, production adjustments, behavioural change and purchasing. Examples include lighting upgrades at our Gordonsville site (USA) and Pontivy site (France), followed closely by similar planned upgrades at six more sites in 2021. Where practical, all kp sites will be upgraded with LED lighting by 2022.

On climate risk, a new global review of renewable energy options at kp will help guide the next tranche of investment. For example, in 2020 we began commissioning on-site solar generation, at our Rayong site. We are reviewing opportunities across our portfolio, setting us on a path to powering our operations from renewable electricity.

We recognise the most likely solution is the installation of solar systems and we have launched a company-wide initiative to move this forward.

In line with our waste target, we will increase the number of zero-waste sites and reduce the total amount of waste to landfill or incineration without energy recovery. We're also committed to measuring the small amounts of hazardous waste across all sites. In 2021, we are running and testing the data which will inform subsequent action planning.



From the boiler room to the Boardroom, smarter use of energy benefits our business. At kp, we have defined a clear path of action to improve energy efficiency and renewable energy, with challenging targets to guide our path. The Energy Taskforce is on a mission, with many new innovations and opportunities ahead.”

Ethan O'Brien,
Group Energy Manager

Act Responsibly

A safe, productive culture attracts diverse talent and goodwill to kp, while securing our social licence to operate.



Act Responsibly – our targets

Target I

Eliminate lost-time accidents

Goal

By the end of 2025, we will reduce our lost-time accident rate to zero.

Target II

Become more diverse

Goal

By the end of 2025, the percentage of women at management levels at kp will exceed 30%.

Target III

Engage employees better

Goal

By the end of 2025, our employee engagement score will improve to over 80%.

Target IV

Make a difference in our communities

Goal

By the end of 2022, 100% of kp plants will complete at least one impactful community project annually, doubling that by the end of 2025.

Core aims

Maintain maximum employee safety, make decisions using more diverse perspectives, and continuously improve employee productivity.

What we're doing

- Using a 'behaviour-based safety observation' approach, engaging both employees and managers to help eliminate most work-related injuries and illnesses.
- Fostering Diversity, Equity and Inclusion by making kp a place where everyone is respected and valued for what they bring to our global team, and is fully able to contribute to our mutual success.
- Engaging our people and responding to their needs in line with our core values, so that they stay with kp longer, and become more ingenious and creative.
- Developing high-quality, collaborative employee action plans across our business which respond to findings from our most recent employee engagement survey.

Secure our social licence to operate, wherever we are.

- Expanding our community investment projects to better support and engage with the communities in which we operate.

Overview

Responding to societal issues, such as safety, diversity and wider community engagement, is critical for kp. If we fail to respond appropriately, we lose integrity in the marketplace, effective governance becomes more difficult, and our commercial success will ultimately be negatively affected.

For example, the human cost of occupational accidents, diseases and major industrial disasters is high: the International Labour Organization (ILO) estimates that nearly 3 million people die every year as a result of occupational accidents and diseases. On top of which, the economic burden of these events is estimated at around 4% of global GDP each year.¹ It's our responsibility to make sure that kp doesn't contribute to these figures.

Unfortunately, hundreds of millions of people still suffer from discrimination in the world of work. This not only violates a basic human right, it accentuates social inequalities and has wider social and economic consequences. At kp, however, we believe that diversity both improves business outcomes, and makes it easier to attract talent. A large survey² in 2019 showed that almost three-quarters of companies that acknowledged the benefits of gender diversity in management reported profit increases of between 5% and 20%. Respect for human rights and non-discrimination also demonstrates integrity, and therefore helps manage reputational risks.

Community investment and other engagement helps us understand local community issues while protecting our 'social licence to operate'. It seems clear to us that we are more likely to succeed when we are part of healthy, prosperous communities who in turn provide businesses like ours with talent, skills, goods and services.

1. <http://www.ilo.org/global/topics/safety-and-health-at-work/lang--en/index.htm>.

2. By the ILO's Bureau of Employers' Activities: https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_701767/lang--en/index.htm.



Target I

Eliminate lost-time accidents

Our operations involve risks to people's safety and health which must be controlled, and eliminated. We believe that a 'zero harm' workplace is both a business and a moral imperative, and we have nurtured a globally unified kp culture founded on quality management and worker safety.

This collaborative culture means safety is a daily priority for all of us. We want our people to act safely in everything they do, all day, every day. Even as we grow or change, we want our safety culture to be instinctive, a natural reflex to stay safe and keep everyone else safe, too. If people know they are acting unsafely but do it anyway, we want that mindset to change. In terms of leading safety behaviour models, this means moving people from a reactive, or behaviourally dependent, state (we do it because we're told to), to one where safety is a habit, an unconscious part of life. We want this habit to persist through operational change, taking on new people, changing careers and even into retirement.

We put so much emphasis on safety first and foremost because it's the right thing to do. Of course, safer operations are more efficient and successful, and employees and contractors are more engaged and motivated. And it's clear that people are more likely to choose to work for us compared with an alternative business with sub-standard safety. Safety also enhances employee engagement which means risk assessments become more meaningful, or that we more easily learn from past experience when using standard operating procedures (SOPs).

Our current occupational health and safety management system, known as WeCare, covers all employees and contractors, and is being refined to also cover activities at customer sites. Plant managers, shift coordinators and teams meet on the 'shop floor' to observe, discuss and get close to how safety is 'owned', and how it is maintained as a conscious habit. More formal processes include hazard identification, risk assessment and incident investigation. In fact, in addition to process safety assessments for production machinery, we also ask all workers to use a personal safety '30 second risk assessment' before each job. We want them to log all near misses so we can compile good data: at kp, safety and a 'right first time' approach is everybody's business.



My message to you, my colleagues and contractors: wherever you see unsafe behaviour of a colleague, a contractor or your manager, please speak to them. This is a vital part of our culture, and we owe it to our families."

**Philippe Freund,
Group Director Quality
& Operational Risk**

We reinforce the message by sharing outcomes of incident investigations, via poster campaigns, and using 'tone-from-the-top' messages in our newsletters and other channels. In plants with strong union representation, worker representatives participate in consultations about safety measures and changes.

To complement this, there is induction safety training for each recruit, and regular SOP training for all. Occupational health services are in line with good practices where we operate, and general promotion of worker health (e.g. healthy lifestyles) takes place across our sites.

The Group Director for Quality & Operational Risk reports regularly to the kp leadership, reviews progress against targets and coordinates a weekly call for around 50 people in the kp safety and health community to share experience and improve performance. Overall governance of safety sits with the Group-level Executive Committee, supported by the Group Director for Quality & Operational Risk, and the Regional Safety Lead in the divisions. Concerns or grievances are escalated to divisional senior management (see also page 51 which covers the kp Ethics Hotline). Incidents such as first aid, lost time or recordable accidents are formally investigated and the results are reviewed by the site HSE manager and shared and validated by the We Care Community. Near miss accidents are managed and investigated at local level.

Target I. Eliminate lost-time accidents (continued)

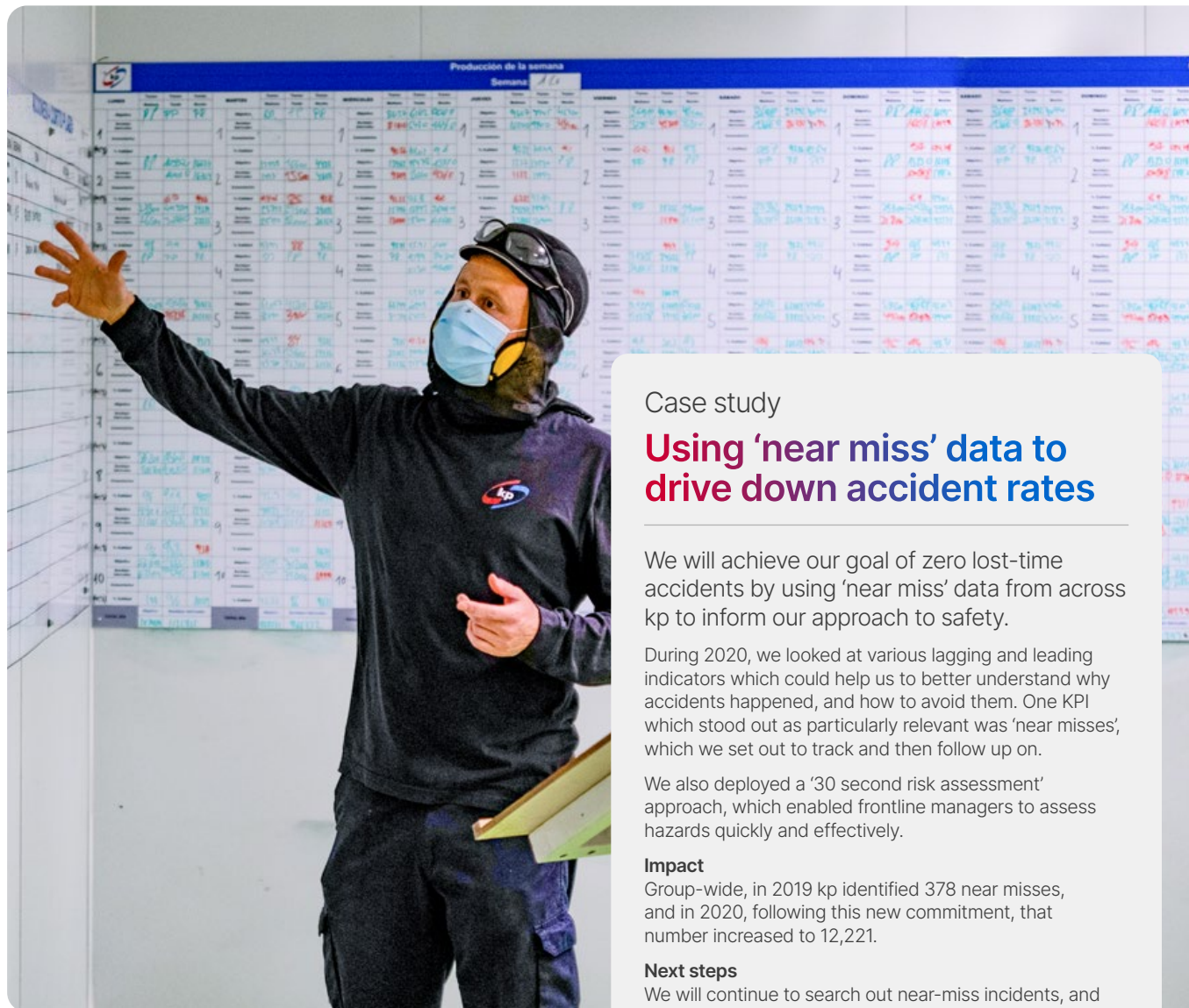
In 2020, safety performance was generally consistent across all operations. We reduced the number of injuries, and experienced no fatalities. Our all injury rate (AIR) for 2020 was 2.52, down 16% from 2019, and our recordable injury rate is falling, although our lost-time accident (LTA) rate in 2020 was 0.33, up 17% from 2019 due to an increased number of low-severity incidents such as slips, trips and falls. Across all sites, 25% achieved zero harm status in 2020.

Risk assessments showed that forklift work and maintenance of calendar rollers currently pose high risks. We expect there to be a continuous stream of similar areas to focus on, given that the number of observation-based 30-second risk assessments completed reached 40,000 by the end of 2020. Such heightened awareness, reporting and subsequent data will boost our safety culture. The data also allows us to focus on underperforming sites, as a priority.

The global COVID-19 pandemic in 2020 was a potential source of major disruption, as the human impact of COVID-19 hit hard. Every fortnight the senior kp leadership team monitored the impact. Our people showed strong levels of adherence to the rules and guidance on hygiene and social distancing. Overall, our people suffered no major impacts and the number of infections of our workers remained low during 2020.

0.33

lost-time accident rate



Case study

Using 'near miss' data to drive down accident rates

We will achieve our goal of zero lost-time accidents by using 'near miss' data from across kp to inform our approach to safety.

During 2020, we looked at various lagging and leading indicators which could help us to better understand why accidents happened, and how to avoid them. One KPI which stood out as particularly relevant was 'near misses', which we set out to track and then follow up on.

We also deployed a '30 second risk assessment' approach, which enabled frontline managers to assess hazards quickly and effectively.

Impact

Group-wide, in 2019 kp identified 378 near misses, and in 2020, following this new commitment, that number increased to 12,221.

Next steps

We will continue to search out near-miss incidents, and use the data to find opportunities to improve safety.

Target I. Eliminate lost-time accidents (continued)

Case study

Effective management of COVID-19 in Turkey, and beyond

Careful planning and monitoring ensured that our Gebze facility in Turkey was kept running throughout the COVID-19 pandemic.

Our Gebze plant is in an area which suffered from high rates of COVID-19 infections. We put processes in place to keep our workers and their families safe, thereby ensuring that the facility was kept running, and that the food and pharmaceutical supply chain remained unharmed.

Among other measures, we tracked cases in Turkey and the local area on a daily basis, so that we could fine-tune our response. We also shared care packs (including masks, soap, disinfectant and a letter detailing good hygiene habits) to encourage good practices at work and home.

Two rounds of full PCR tests were carried out in October 2020 and April 2021 in line with Turkey's infection peaks, and the first round found no cases. The second round found three colleagues with positive results, who were quickly isolated to avoid further spread.

Impact

Given that all of the other kp plants also face similar risks, we organised regular COVID-19 calls to exchange experiences and best practices around issues like testing and isolation, ventilation effectiveness tests and social distancing. Plants which operated in an area with high levels of the virus were able to share key learnings early on, so that others were prepared for later peaks and surges.

Next steps

With the discovery and roll-out of vaccines, COVID-19 is becoming less of a threat in many areas. However, we will continue to be vigilant, and the lessons learned will not be forgotten.



Better to take good protective measures proactively, than making an effective fight after Covid-19 spreads”.

**Kurt Kuruc,
Vice President
MEIA & CIS region**

Case study

Cross-site research helps improve safety

By ensuring that only the safest cutting tools are used, and only for specific purposes, we can make accidents far less likely to happen.

In 2019, 25% of the accidents which happened at our plants involved a cutting tool (e.g. knives or blades) of some kind. Cutting is a common task across the business, with cutting of plastic films a particularly frequent activity.

Given its prevalence, the issue was added to the agenda for the weekly meetings of the HSE community, and was highlighted as a priority in monthly reviews with the management team. Furthermore, at each site we conducted a thorough risk assessment. For example, at our Suzhou site in China, we looked at 15 different tasks which involved knives.

Impact

To solve the problem, we first reviewed all kinds of cutting tools used within kp, what they were typically used for, and how safe they were. The safest tools were then rolled out kp-wide for use in most scenarios, with specific alternatives offered for unusual or highly specific tasks. We then put in place a process to authorise and manage use of those alternative tools.

Next steps

We will continue to search for ways to drive down injury rates. We are already looking at use of protective gloves and sleeves for some tasks.



Target II

Become more diverse

We believe in the value of diversity. That's why we aim to increase the diversity at all levels of our global team, and create an environment where everyone belongs, is respected and feels valued for who they are and what they bring.

Our approach

To drive our mutual success as a business, we empower everyone to use their unique backgrounds, perspectives, talents and experiences to reach their full potential, and create real impact. We can achieve much more as a team of uniquely talented people.

When we recruit, we want the most talented candidates to choose kp, and we understand that a strategic approach to Diversity, Equity and Inclusion (DE&I) helps us to achieve this. One of the most visible, although by no means only, outcomes of this effort is to significantly increase our gender diversity at management levels.

At the end of 2020, women made up 22.8% of our workforce, with a slightly higher proportion at management level of 23.6%. And while these two figures are roughly equal, we want to encourage more women to join the manufacturing and the plastic industry, and to rise to become managers. That's why we are targeting a proportion of at least 30% for women in management by 2025.

To ensure that happens, we will actively promote DE&I, while making clear the advantages of this approach for both kp and our people. At the same time, we will incorporate DE&I best practice into the way we work, from talent acquisition through to career development and flexible working practices.

Key focus areas going forward include ensuring we have good retention levels among women and minorities, addressing the gender pay gap and ensuring we become a 'barrier-free' company.

Data collection and policies

We collect and report a wide variety of data on diversity including our gender pay gap which we report publicly in all countries where we are legally required to do so. We will continue to evolve and improve our reporting more widely in the future, although we are restricted in a number of countries as to the data we are permitted to collect.

Of course, we cannot tolerate discrimination, and non-discriminatory behaviour is embedded in our Code of Business Conduct and Ethics, which all kp employees have signed. Should the need arise, we have the kp Ethics Hotline in place. No incidents of discrimination were recorded during 2020.

Our DE&I strategic frame

Our vision

**Being me.
Thriving
together.**

Our mission

To make kp the place where everyone respects and values everyone else for who they are, what they bring and how they contribute to the mutual success of our global team.

Our objectives

Communicate the value

Build a more diverse workforce

Create an inclusive environment

Make a difference in the world



Through our unifying global DE&I strategy, we are strengthening our culture of inclusion and innovation, as well as making kp a true employer of choice."

Dawn Trail,
Group Director Corporate
Communications

Target III

Engage employees better

Keeping our people motivated and engaged is fundamental to kp. Both for the success of our business but also to ensure our colleagues are productive and happy, and able to produce their best work. Employees who enjoy their careers enable us to sustain the extraordinary levels of ingenuity and collaboration that makes kp different. We are committed to driving up our employee engagement score significantly over the next five years.

Indeed, we already have numerous employee action plans in place to address the findings from our last employee engagement survey. Through this Insights survey, we know that employees are looking for continued and improved communication. Over the past 18 months, we have therefore focused on improving our employee communications, and now deploy a broad range of communications in multiple languages to ensure that there is regular live dialogue with management.

Our Town Halls have proved to be very successful, particularly in communicating our business strategy and performance updates. They allow our CEO and leadership team to speak directly to all employees on key issues, enabling clear and open communication. Our updated kp newsletter translated into many languages has been very effective and we are constantly updating and improving our company intranet, which is a key source of information for all our employees.



People want to know they matter and they want to be treated as people. At kp, all can contribute and every contribution matters. For me, that is employee engagement.”

Linda Kennedy,
Chief Human Resources Officer

During the global pandemic, we were fortunate to be able to continue working both in our plants and from home offices. We offered extensive support and flexibility to our people, enabling them to continue working effectively from home where appropriate and to access online development and training. During 2020, we improved our online performance management system, and started rolling out new supporting documentation and training for all. This has enabled us to effectively manage performance remotely and better support our colleagues to deliver in a productive and sustainable way.

From a broader training and development perspective, we are working on a new Talent Management Framework for kp, including clearly defined job descriptions and identifying clear career paths for different categories of employees. Supporting programmes will provide consistent leadership and management training at all levels and will be delivered through the kp Academy, our online development tool. This year, we launched a new Coaching programme in kp and we are strengthening mentoring across the organisation.

Looking to the future, it is very important for us to create competitive apprenticeship and graduate programmes which will generate a pipeline of future leaders for kp. We have a very effective Graduate Scheme in Germany, and now aim to adopt a similar approach in more countries. We are also focusing on our Women in Management and providing support for them to develop and grow into senior leadership roles (see page 46 for discussion around diversity).



Employee recognition

Our FARU recognition programme allows us to thank and recognise our employees who demonstrate outstanding achievement in 'living' our values of Focus, Accountability, Respect and Urgency. This is just one initiative that is helping us to keep our people engaged, satisfied and effective.

Target IV

Make a difference in our communities

The quality of kp's interaction with wider society will affect our social licence to operate and attract goodwill wherever we do business. Other benefits include meeting expectations of employees, improving local infrastructure and enhancing brand equity. At kp, our community investment projects around the world are many and diverse, from litter clean-ups to educational programmes.

Community relations and investment are coordinated at a regional level, and are ultimately governed by the kp leadership team. Beneficiaries are selected in line with the material issues which inform our Investing in Better strategy, as well as other legacy partnerships to which we remain committed.

In 2020, we launched kp Communities, a programme which supports numerous diverse community groups with specific projects, such as economic development and education. The programme is funded by kp, but also involves budgeting time for employees to create a positive social and environmental impact by volunteering at a chosen local charity.

As a result of the pandemic, we had to put our community initiatives temporarily on hold, in line with local restrictions. Naturally, we anticipate re-launching any postponed events with due regard for the health and safety of our people and other stakeholders. Despite this, our investment in communities continues. They fall into five broad categories: education, poverty alleviation, diversity, environment and care for the elderly.

As a manufacturer we recognise the value of STEM education, and as an innovator we want to see effective use of digital technology in schools. In addition, a healthy community means a healthy industry so combating impoverishment and a clean environment are fundamental.

And in line with our values, we believe no one should be left behind, and so we also fund projects on women's advocacy, humanitarian causes and improved accommodation for the elderly.

Case study

Supporting local fisheries

For 20 years, we have supported Las Mestas Del Narcea, a non-profit association founded by fishermen in Asturias, northern Spain, where our Pravia plant is located, to maintain a healthy river population of salmon and trout.

Impact

Research indicates that, despite environmental change, agri-industrial pollution risk and human disturbance, the number of Atlantic salmon 'returns' up the Nalón-Narcea River have been consistent, suggesting ample spawning and a healthy juvenile habitat. In 2020 the association saw an increase of 12% on salmon donations by the nearby fishers so that the farm can reproduce them and help restore the river basin area.



Target IV. Make a difference in our communities (continued)

Case study

Finding the packaging technologists of the future

We have sponsored the 'Starpac' school and college awards since 2017, which challenge students to explore imaginative ways to create recyclable plastic packaging. In 2020, the schools competition focused on food-to-go packaging which promotes healthy eating, while the college brief focused on reducing consumer food waste. The winning food-to-go entry provided a packaging solution for fruit pots (below).

Impact

We received 15 entries from schools and 16 from colleges and universities. We hope that through initiatives such as this we are able to inspire the next generation to find practical solutions to big challenges.

BASHBOX

Case study

Doing our part during a global pandemic

During the COVID-19 pandemic, our teams across the globe quickly reconfigured production lines to assemble medical personal protective equipment (PPE) in record time, donated plastic where it could help, and worked with customers to produce what was needed.

Impact

Examples include: plastic screens for local hospitals in France; donations of PET film used for thousands of face shields in Canada; 40,000 face shields provided for the German federal disaster relief agency in collaboration with another firm; food trays donated to hospitals in Belarus; and 14,000 face masks sent to customers in China.



Act responsibly – next steps

Continuous improvement means that our 'behaviour-based safety observation' approach will now be augmented with Dynamic Risk Assessment. This will complement standard risk assessment methods, enabling us to form the habit of spotting risks quickly as the working environment changes around each one of us.

We will also continue to mitigate the most significant risks facing our business, and plan to launch the widely recognised, Japan-inspired '5S program' across all 31 sites. 5S is a systemised and methodical approach to safe and efficient workplace organisation, and will further cement our strong safety culture.

To deliver on diversity and equity, we will guide our colleagues on ways to embed a culture of inclusivity into the way we work. Over time, and in line with local regulations and culture, we will measure additional attributes such as ethnicity, LGBTQ+ and the gender pay gap.

A safe and inclusive environment helps maintain employee engagement, but we will be going further in 2021. In addition to ensuring our current response to employee feedback has an impact, we also want to maintain high-quality leadership. Accordingly, we will establish competency levels across kp, and develop and deliver associated training. The key will be consistent Leadership and Management Development training, which will show our values in action, and the roll-out of our Learning Management System will allow us to better manage and track all the training happening within kp.

Looking beyond the factory gates, we are scaling up our community investment to create further positive impact at local, national and international levels, while aligning with, and supporting, the post-COVID economic recovery where we operate.

Acting responsibly requires effective governance, geared towards impact. That's why we will continue refining and developing our policies, our Code of Conduct and the way we engage with our suppliers.



Corporate governance

We are committed to the highest standards of business conduct and corporate governance. Meanwhile, our internal systems continue to evolve, to ensure compliance with the highest standards of health and safety, quality, product safety and sustainability.

Transparency is vital for our customers and openness on corporate affairs and governance is fundamental to kp. Ordinarily, we offer customers the opportunity to see how their product is made, how quality standards are met, the materials used, and how hygiene regulations are upheld. Customers can also check, evaluate, select and discuss their individual requirements with our experts. Such customer engagement is a great way to maintain trust, and to uphold our own Code of Conduct.

On top of adhering to official standards and certifications, we rigorously apply our own standards to help distinguish us from our competitors.

Ethics, integrity and anti-corruption

The kp Code of Business Conduct & Ethics is distributed to all employees and Board members, and is available on the company intranet.

Our global corporate Anti-Bribery & Corruption Policy commits kp to operating in accordance with the highest standards and relevant laws, such as the UK Bribery Act 2010, and the US Foreign Corrupt Practices Act 1977, wherever we do business. The Policy guides employees on risks described in the Code of Conduct, on terminology such as kickbacks, gifts and entertainment, government officials, or red flags. Potential violations are reported using the same procedure as for the Code.

External relations, advocacy, outreach, engagement

As part of our external corporate engagement, kp is regularly involved in policy development on topics such as EU Single Use Plastics Directive and the UK plastics tax, among other topics. We are also members of trade bodies who collectively present industry views, and we work with not-for-profits, such as the Ellen MacArthur Foundation. This work assists our wider horizon scanning on circular economy policy goals.

Concrete outputs of our outreach efforts include industry innovation on high-quality design for durable packaging (see pages 19 and 20), process efficiency to preserve material value (see page 37), investing in skills and circular economy-related innovation, and integrating circular economy principles into national and international policies.

Supply chain and responsible procurement

We recognise that sustainability impacts are related to various operators across a product's value chain. Plastic packaging waste and pollution is a shared responsibility, for retailers, waste contractors, consumers, manufacturers, trade bodies and governments. Importantly, we acknowledge that the supply chain for plastic packaging is attracting intense scrutiny from various groups focusing on polymer producers and plastic packaging manufacturers.

Our response is to double down to effect change where we can: purchasing policy and supplier management can improve sustainability performance. Our new Supplier Code of Conduct follows the United Nations Guiding Principles on Business and Human Rights and the Core Conventions of the International Labour Organization (ILO), including the ILO Declaration on Fundamental Principles and Rights at Work. Labour conditions and safety are the main elements of the Supplier Code but it also covers environmental impacts, quality, conflict minerals, management systems and governance practices.

Part of our Investing in Better strategy is to deliver our new Supplier Code of Conduct, test our increasingly demanding procurement processes, and, over the next 18 months, intensify our supply chain sustainability risk assessment.

For our policies, and additional information on governance, please [click here](#). For details of our tax governance please [click here](#).

Code of Business Conduct and Ethics

The Code is available to employees in 15 languages and covers topics such as Conflicts of Interest, Bribery & Corruption, Competition & Fair Trading, Ethical Production & Supply Chain Practices, and Modern Slavery & Child Labor. All updates to the Code are approved by the Board of Managers. All employees must understand and comply with the Code of Conduct.

Training is provided through a variety of channels from online to briefings at shop floor level to all employees, who need to understand the importance of adhering to the Code and also be fully aware of how they can report any issues.

Potential Code violations can be reported via a line manager, the Compliance Officer or the confidential and toll-free kp Ethics Hotline available 24/7 and operated by trained specialists, to report violations of the Code or breaches of our business policies. Reporting in good faith comes with a guarantee of no retaliation or adverse outcome.



Further information

- About this report
- Memberships and partnerships
- GRI index
- Assurance statement
- Glossary

About this report

This, our inaugural Sustainability Report, provides relevant information for our stakeholders to form an opinion on the impact of our business on the environment and society, as well as the impact of sustainability risk and opportunity on our business.

Scope

The performance information and data in this report relate to all assets under the control of kp. Where possible, we provide historic data for comparisons. The reporting period is the calendar year 2020. Unless otherwise stated, we report data for our operations on a 100% ownership basis. Data is reported using the metric system and Euros. Unless otherwise stated, all workforce data is limited to permanent and temporary employees. We declare no material restatements, since this is our first report.

Material topics

The report provides details of performance relating to topics that are material to our business and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. In addition, its preparation is informed by the principles of integrated thinking articulated by the Value Reporting Foundation.¹ While we are not explicitly mapping the content to the Sustainable Development Goals (SDGs) in the report this year, our contribution to them can be found on page 54, and on our website.²

In this report, a material sustainability topic is one that reflects kp's most significant environmental, social and governance (ESG) impacts, or one that could substantively influence the assessments and decisions of our stakeholders. The content of this report is shaped by a materiality assessment, which identifies and evaluates the most material sustainability topics for our business and our stakeholders, during the previous year and on a five-year time horizon into the future.

Our materiality process comprises three steps: identification, prioritisation and validation. In 2020, we identified a full list of topics that was then evaluated by internal experts and validated by our senior management team. No formal external stakeholder engagement was carried out as part of this process; however, it was informed by a substantial series of interactions, such as customer collaborations, interviews with senior management, an employee feedback survey, ongoing discussions with investors, working with associations, regulatory engagement, and rating agency consultations. We used more than 30 inputs, such as non-governmental organisation (NGO) reports and media reviews, as well as peer and customer reports relating to impacts within kp and the plastic packaging sector. This led us to prioritise 11 sustainability topics, organised into 3 thematic areas:

- Products & customers: Recycled material inputs, Closed-loop packaging, Recyclability.
- People & communities: Health & Safety, Diversity, Equity & Inclusion, Employee engagement, Community involvement.
- Responsible operations: Energy efficiency, Renewable energy, Greenhouse gas (GHG) emissions, Waste.

In the validation phase, the results of the materiality assessment were reviewed by members of our leadership team and other senior managers. We continue to seek external input through the year to inform our materiality assessment of impacts in our value chain. While our annual performance related to material topics is stated in this report, the chapter sequencing does not indicate a materiality ranking. This report has been reviewed and approved by kp's leadership team.

Management approach

Information about how we manage our material topics is indicated in the report, with detailed supporting policy documentation available on our website.³ Supporting information on site certifications, risk management, and audits are also available online. Readers can find additional supporting publications on our website, including our Investing in Better launch brochure as well as mandatory statements such as our gender pay gap report and modern slavery statement.

Assurance

External assurance is used for Scope 1 and 2 GHG emissions, as well as on our post-consumer recycled content (see Assurance statement, page 62). Our carbon reduction targets were developed using the Science Based Target initiative (SBTi) method; they are currently being validated.

Data disclosures

Data relates to 2020 performance unless otherwise stated. Key data points are found in the relevant chapters, with supporting tables and charts, as well as the GRI index on pages 55–61.

1. <https://www.valuereportingfoundation.org>

2. https://www.kpfilms.com/en/sustainability/Contributing_to_UN_SDGs

3. <https://www.kpfilms.com/en/sustainability/governance-ethics>

Memberships and partnerships

Sustainability is a team effort, and so kp has signed up to a number of voluntary commitments, collaborative initiatives and trade association memberships.



Doing our part to support sustainable development

The Sustainable Development Goals (SDGs) were launched by the United Nations in 2015 with ambitious targets to address major global issues – from ending poverty to tackling climate change.

Not every company or organisation can be expected to influence all 17 goals. However, here at kp we have identified the 13 key areas where we believe our people, our expertise and our sustainable portfolio of products can have the greatest impact – by preventing food waste, delivering medication and protecting the integrity of countless products.



kp has signed up to a number of voluntary commitments and collaborative initiatives

 <p>ANZPAC Plastics Pact</p>	 <p>CEFLEX</p>	 <p>Circular Plastics Alliance</p>	 <p>HolyGrail 2.0</p>
 <p>New Plastics Economy – EMF</p>	 <p>NEXTLOOP</p>	 <p>Plastics Europe</p>	 <p>UK Plastics Pact</p>

Our trade association memberships

- Asociación Nacional del Envase de PET
- Associação Portuguesa da Indústria de Plásticos
- Asociación Española de Industriales de Plásticos
- The Association of Plastic Recyclers
- The Australian Institute of Packaging
- Australian Packaging Covenant
- British Plastics Federation
- Elipso
- European Plastics Converters
- Federazione Gomma Plastica
- Food Marketing, Inc
- Foodservice Packaging Association
- Incpen
- Industrievereinigung Kunststoffverpackungen e.V.
- IVK Europe
- National Association for PET Container Resources
- OPRL – On-Pack Recycling Label Ltd
- PAC Packaging Consortium
- Packaging Federation
- Petcore
- PET Sheet Europe
- Polish Union of Plastics Converters
- Polymer Comply Europe
- RECOUP
- Vinyl Films and Sheets Europe

GRI index

Topic	Effective date	GRI ref	Disclosure title	Page ref	kp comments																														
GENERAL DISCLOSURES																																			
GRI 102: General Disclosures – Organisational profile	2018	102-1	Name of the organisation	–	Kleopatra Holdings 2 S.C.A.																														
	2018	102-2	Activities, brands, products and services	9–14	Read more about our activities, brands, products and services →																														
	2018	102-3	Location of headquarters	–	Corporate office located in London. Registered office in Luxembourg.																														
	2018	102-4	Location of operations	9																															
	2018	102-5	Ownership and legal form	–	Kleopatra Holdings 2 S.C.A. is registered in Luxembourg. Read more about our locations →																														
	2018	102-6	Markets served	9–11	Read more about the markets we serve →																														
	2018	102-7	Scale of the organisation	10–11	Read more about our scale →																														
	2018	102-8	Information on employees and other workers	10–11, 46, 59	<table><tr><td></td><td>Asia</td><td>EMEA</td><td>North America</td><td>South America</td><td>Total</td></tr><tr><td>Female employees</td><td>149</td><td>934</td><td>152</td><td>32</td><td>1,267</td></tr><tr><td>Male employees</td><td>395</td><td>3,016</td><td>695</td><td>203</td><td>4,309</td></tr><tr><td>Total employees</td><td>544</td><td>3,950</td><td>847</td><td>235</td><td>5,576</td></tr><tr><td>The total number of employees includes 185 temporary employees</td><td>12</td><td>171</td><td>1</td><td>1</td><td>185</td></tr></table>		Asia	EMEA	North America	South America	Total	Female employees	149	934	152	32	1,267	Male employees	395	3,016	695	203	4,309	Total employees	544	3,950	847	235	5,576	The total number of employees includes 185 temporary employees	12	171	1	1	185
		Asia	EMEA	North America	South America	Total																													
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	Total employees	544	3,950	847	235	5,576																													
	The total number of employees includes 185 temporary employees	12	171	1	1	185																													
	2018	102-9	Supply chain	51																															
	2018	102-10	Significant changes to the organisation and its supply chain	9, 15																															
	2018	102-11	Precautionary principle or approach	18–20																															
2018	102-12	External initiatives	21, 54	Read more about our external initiatives → Read more about our contribution to UN SDGs → Read more about our voluntary commitments and collaborative initiatives →																															
2018	102-13	Membership of associations	54	Read more about our memberships →																															
GRI 102: General Disclosures – Strategy	2018	102-14	Statement from senior decision-maker	4																															
	2018	102-15	Key impacts, risks and opportunities	4–5, 6–8																															
GRI 102: General Disclosures – Ethics and integrity	2018	102-16	Values, principles, standards and norms of behaviour	51																															
	2018	102-17	Mechanisms for advice and concerns about ethics	43, 51	Read more about governance and ethics → Read our statement on slavery and human trafficking →																														
GRI 102: General Disclosures – Governance	2018	102-18	Governance structure	51	Read more about governance and ethics → Read more about our CEO and management team →																														

GRI index (continued)

Topic	Effective date	GRI ref	Disclosure title	Page ref	kp comments
GRI 102: General Disclosures – Stakeholder engagement	2018	102-40	List of stakeholder groups	47–48, 51, 53, 54	
	2018	102-41	Collective bargaining agreements	–	Pharma, Health & Protection and Durables – 4 of our 10 manufacturing sites are subject to collective bargaining or tariff agreements and around 1,100 employees are covered by such agreements (47% of the workforce). Food Packaging – Employees at manufacturing sites comprise the majority of our workforce; 14 of our facilities recognise collective bargaining and approximately 2,200 employees are covered by such agreements (67% of the workforce).
	2018	102-42	Identifying and selecting stakeholders	53	
	2018	102-43	Approach to stakeholder engagement	47, 53	Read our Group Sustainability Policy → Read about our sustainability strategy →
	2018	102-44	Key topics and concerns raised	47, 53	
GRI 102: General Disclosures – Reporting practice	2018	102-45	Entities included in the consolidated financial statements	53	
	2018	102-46	Defining report content and topic Boundaries	53	
	2018	102-47	List of material topics	6, 17, 29, 41, 53	
	2018	102-48	Restatements of information	53	
	2018	102-49	Changes in reporting	53	
	2018	102-50	Reporting period	53	
	2018	102-51	Date of most recent report	53	
	2018	102-52	Reporting cycle	–	Annual.
	2018	102-53	Contact point for questions regarding the report	65	
	2018	102-54	Claims of reporting in accordance with the GRI Standards	53	
	2018	102-55	GRI content index	55–61	
	2018	102-56	External assurance	62	
Topic Specific Disclosures					
ECONOMIC					
GRI 205: Anti-corruption	2018	205	Management approach disclosures	51	Read more about governance and ethics →
	2018	205-2	Communication and training about anti-corruption policies and procedures	51	
GRI 2017: Tax	2021	207	Management approach disclosures	56	Read more about our tax strategy →
	2021	207-1	Approach to tax	56	Tax strategy refers to the UK jurisdiction. Read more about our tax strategy →
ENVIRONMENTAL					
GRI 301: Materials	2018	301	Management approach disclosures	18, 19–20, 23–24	
	2018	301-2	Recycled input materials used	21, 23–25	PIR (post-industrial recycled content): 22,253 tonnes PCR (post-consumer recycled content): 123,602 tonnes In the scope of the PCR calculation, we include all products from our FP division, and we only include our packaging products from our PHD division and as such all durable products (e.g. flooring, construction, etc.) are out of scope.
	2018	301-3	Reclaimed products and their packaging materials	23	

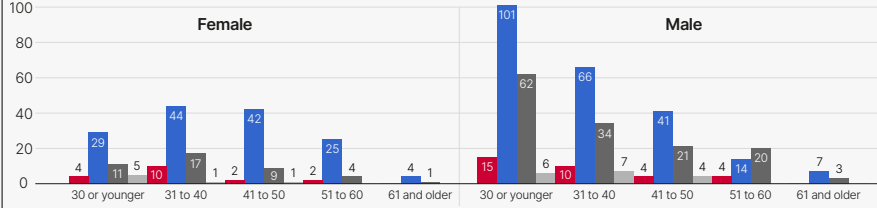
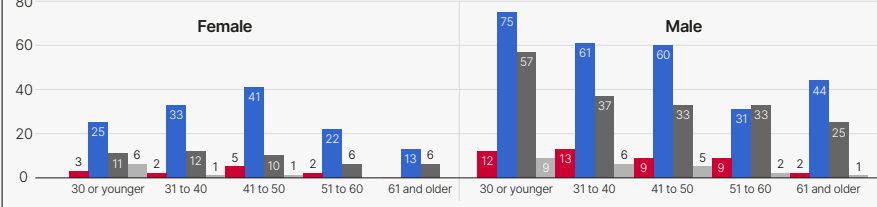
GRI index (continued)

Topic	Effective date	GRI ref	Disclosure title	Page ref	kp comments													
GRI 302: Energy	2018	302	Management approach disclosures	31–32, 33														
	2018	302-1	Energy consumption within the organisation	31, 33, 57	<table><tr><th>KPI Name</th><th>2020</th></tr><tr><td>Energy intensity per tonne</td><td>1,115.7</td></tr><tr><td>Total energy consumption (kWh)</td><td>760,402,425</td></tr><tr><td>% of renewable electricity</td><td>25.6%</td></tr><tr><td>Breakdown of different fuels (electricity, heating, cooling, steam) (kWh)</td><td>Electricity: 58,443,426 Natural gas: 61,952,030 Steam: 28,443,231 Compressed air: 1,937,054</td><td>Solar energy: 22,992 Propane: 1,509,075 Diesel: 8,094,618</td></tr><tr><td>Reduction of energy consumption (kWh)</td><td>12,956,000</td></tr></table>	KPI Name	2020	Energy intensity per tonne	1,115.7	Total energy consumption (kWh)	760,402,425	% of renewable electricity	25.6%	Breakdown of different fuels (electricity, heating, cooling, steam) (kWh)	Electricity: 58,443,426 Natural gas: 61,952,030 Steam: 28,443,231 Compressed air: 1,937,054	Solar energy: 22,992 Propane: 1,509,075 Diesel: 8,094,618	Reduction of energy consumption (kWh)	12,956,000
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	Reduction of energy consumption (kWh)	12,956,000																
2018	302-2	Energy consumption outside of the organisation	31, 57															
2018	302-3	Energy intensity	31, 57															
2018	302-4	Reduction of energy consumption	57	<p>All types of energy are included: electricity, natural gas, diesel, propane and steam. Methodology for the calculation is governed on the approach covered in our Global Energy Taskforce KPI Toolkit. Total energy consumption is a key performance indicator for the group.</p> <p>We have quantified energy consumption outside of the organisation by calculating our Scope 3 emissions based on our upstream and downstream activities (across all value chains).</p> <p>Boundaries for the calculation: all factories globally.</p> <p>The energy intensity metric measures all energy usage inside the organisation as reported in disclosure 302-1, against total tonnes of material produced. We are reporting in kilowatt hours (kWh) per tonne.</p> <p>We recorded an absolute reduction of 12,956 MWh in 2020 vs 2019 baseline. Our energy usage was mainly impacted by energy reduction and efficiency projects, as part of the Energy Taskforce programme, along with other external factors.</p>														
2018	302-5	Reductions in energy requirements of products and services	23															
GRI 305: Emissions	2018	305	Management approach disclosures	31, 33, 57	<p>Last year, we undertook a comprehensive analysis of our Scope 1, 2 and 3 GHG emissions from our operations in line with the GHG Protocol and ISO 14064. 2019 was the first year we undertook a comprehensive carbon footprint to understand and manage the climate change impacts of the business, and therefore can be used as a baseline year in comparison with future years. Our Scope 1, 2 and 3 GHG emissions are calculated in line with the GHG Protocol and ISO 14064.</p> <p>Greenhouse gases included within the boundary: Included greenhouse gases are CO₂, CH₄, N₂O, HFCs, PFCs and SF₆. Greenhouse gases have been calculated in CO₂e. Emissions from biologically sequestered emissions have not been included.</p> <p>Organisational boundary: This report takes the operational control consolidation approach. All Scope 1, 2 and 3 emissions from operations over which Klöckner Pentaplast has operational control.</p> <p>Most emissions factors that are used to convert activity data (e.g. kWh energy or passenger kilometres travelled) are taken from the ‘UK Government GHG Conversion Factors for Company Reporting’, published by BEIS and DEFRA each year. Emissions from electricity use are estimated using ‘location-based’ and ‘market-based’ approaches. For the location-based approach, the average emissions factor for the country is used, applying country-specific emissions factors published annually by the International Energy Agency (IEA). The alternative ‘market-based’ approach refers to renewable energy certificates (given zero emissions), and where no supplier-specific data is held, factors published for residual emissions.</p>													

GRI index (continued)

Topic	Effective date	GRI ref	Disclosure title	Page ref	kp comments					
GRI 305: Emissions (continued)	2018	305-1	Direct (Scope 1) GHG emissions	35, 58	Scope	Category	2019 tCO ₂ e		2020 tCO ₂ e	
	2018	305-2	Indirect (Scope 2) GHG emissions	35, 58			Location-based	Market-based	Location-based	Market-based
	2018	305-3	Other indirect (Scope 3) GHG emissions	35, 58	1	Diesel	2,705	2,705	2,195	2,195
	2018	305-4	GHG emissions intensity	35, 58		Natural gas	12,414	12,414	11,391	11,391
	2018	305-5	Reduction of GHG emissions	35, 58		Own fleet	6,712	6,712	7,572	7,572
						Production gas	513	513	518	518
						Propane	301	301	316	316
						Refrigerants	1,774	1,774	1,873	1,873
						Sub Total	24,418	24,418	23,865	23,865
	2	Electricity	246,121	261,869	209,154	223,036				
Steam		4,957	4,957	4,910	4,910					
Sub Total		251,078	266,826	214,064	227,945					
1 & 2	Total	275,496	291,244	237,929	251,810					
3	Category 1: Purchased goods and services	1,629,336	1,629,336	1,636,179	1,636,179					
	Category 2: Purchased capital items	18,510	18,510	18,273	18,273					
	Category 3: Fuel and energy-related activities	65,471	57,803	60,633	53,934					
	Category 4: Upstream transportation and distribution	107,490	107,490	91,928	91,928					
	Category 5: Waste generated in operations	3,214	3,214	4,090	4,090					
	Category 6: Business travel	6,467	6,467	2,248	2,248					
	Category 7: Employee commuting	4,039	4,039	2,519	2,519					
	Category 9: Downstream transport and distribution	223,735	223,735	265,866	265,866					
	Category 10: Processing of sold products	134,269	134,269	122,741	122,741					
	Category 12: End-of-life treatment of sold products	13,583	13,583	10,716	10,716					
	Total	2,206,115	2,198,446	2,215,193	2,208,493					
GRI 306: Waste	2021	306	Management approach disclosures	37						
	2021	306-1	Waste generation and significant waste-related impacts (management approach supplementary)	12–13, 19–20, 22, 23–25, 27, 37–38						
	2021	306-2	Management of significant waste-related impacts (management approach supplementary)	19–20, 22, 23–24, 27, 37–38						
	2021	306-3	Waste generated	37, 58						
	2021	306-4	Waste diverted from disposal	37, 58	KPI Name	2020		% breakdown		
	2021	306-5	Waste directed to disposal	37, 58	Waste to energy (WTE)	2,816,646 kg		6%		
					Recycled	39,022,693 kg		80%		
				Landfill	6,974,149 kg		14%			

GRI index (continued)

Topic	Effective date	GRI ref	Disclosure title	Page ref	kp comments
SOCIAL					
GRI 401: Employment	2018	401	Management approach disclosures	47	kp exceeds the country minimum wage limits in all countries for both male and female employees.
	2018	401-1	New employee hires and employee turnover	59	<p>New hire rate</p> <p>At Group level, the rate in 2020 was 11.3%, the chart shows the spread of age at recruitment for men and women in the four global regions last year.</p>  <p>Global attrition</p> <p>Our Group-level turnover rate is 12.97% for 2020. The chart shows the spread of turnover for different age groups of men and women across the four global regions.</p> 
	2018	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	47	<ul style="list-style-type: none"> • Medical insurance • Dental insurance • Life insurance • Accident insurance • Disability Insurance • Retirement/pension account • Paid time off/sickness and vacation time • Parental leave
	2018	401-3	Parental leave	59	At kp, the female return-to-work rate is 62%, with a male rate of 98%. Initial data indicate the total numbers of female and male employees entitled to parental leave in 2020 were 750 and 3,000 respectively. The numbers that took it in 2020 were 76 and 78, respectively. The total number returning to work and still employed 12 months after returning were 48 and 75.
	2018	402	Management approach disclosures	47, 51	
GRI 402: Labour/Management Relations	2018	402-1	Minimum notice periods regarding operational changes	59	Before making operational changes that could substantially affect our employees, we provide a period of notice outlining the proposed changes. The minimum period and provisions for consultation and negotiation are specified either in the collective agreements or in the local laws. On average, the minimum notice period is 41 days.

GRI index (continued)

Topic	Effective date	GRI ref	Disclosure title	Page ref	kp comments
GRI 403: Occupational Health and Safety	2018	403	Management approach disclosures	43	
	2021	403-1	Occupational health and safety management system (management approach supplementary)	43	Our HSE management system 'We Care' has been updated and is being implemented through 2021; it currently covers every kp employee and contractor working in our operations and supporting functions. The next phase is the expansion to formally cover commercial functions working at kp and offsite. Group-wide, 31 sites (100%) are covered by the system. Read more about how we act responsibly →
	2021	403-2	Hazard identification, risk assessment and incident investigation (management approach supplementary)	43	Two approaches: (i) static, traditional, end-to-end assessment approach for each machine, or task, in our manufacturing operators; and (ii) a dynamic assessment based on behavioural safety of every individual at every level of seniority. The employees are committed to perform a 30-second risk assessment subject to observation and appraisal by the safety leadership team; we do review the process with specific KPIs on a monthly basis. We ensure the process quality and staff competencies by using our performance appraisal and total quality systems. The outcomes of the processes are evaluated and any improvements made to continually improve the occupational health and safety management system. Workers can report work-related hazards and hazardous situations in a no-blame and anonymous way via our Ethics Hotline. Our policies and processes encourage a behavioural and observational approach to avoid hazardous situations and encourage the protection of others. Any incident, such as a first aid, lost time or recordable accident, is formally investigated and the result is reviewed by the SITE HSE manager and shared and validated by the We Care Community, while near-miss accidents are managed and investigated at local level, and sharing the best practices for relevant ones.
	2021	403-3	Occupational health services (management approach supplementary)	43	In line with EU law and other host country laws, we manage safety in a way that identifies and seeks to eliminate hazards, and minimise risks. Our WeCare system is designed to ensure the quality of safety and workers' access to information and support regarding safety at work.
	2021	403-4	Worker participation, consultation and communication on occupational health and safety (management approach supplementary)	43	Over 90% of our sites have a Safety Steering Meeting where the worker consultation and participation takes place. When a legal request is in place, this is managed by the H&S Committee, with specific participation from the employers' representatives. All learning on safety is shared across all sites, while safety topics are identified and communicated on a monthly basis, and displayed either on monitors on site, at the canteen or via newsletters. The site and divisional senior management teams communicate the 'zero harm' goal and status via newsletter and video. For unionised plants, the representatives of the workers are consulted on any new rules before implementation.
	2021	403-5	Worker training on occupational health and safety (management approach supplementary)	43	All new recruits (including temps and contractors) receive an induction training which starts with safety. Every employee is trained on how to perform a task using the applicable standard operating procedure (SOP) document. Training is recorded, employees formally declare that they have completed any training. The validation of the proper training is performed through the Scheduled People Activity Safety Audits.
	2021	403-6	Promotion of worker health (management approach supplementary)	43	There are various ways worker health is promoted e.g. our Code of Conduct, our sustainability policies and site-level communication. We also exercise proportional disciplinary action for any transgressions of safety and health rules, the outcomes of which are shared to help avoid it happening again. Read more about governance and ethics →
	2021	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships (management approach supplementary)	43	As a result of the formal risk assessment process, near miss or injury investigation, any corrective action to either mitigate or remedy the risk is considered, and deployed as appropriate.
	2021	403-8	Workers covered by an occupational health and safety management system	43	All legal requirements are considered, followed and audited to ensure every worker has adequate attention in case of work-related injuries or illnesses. Employees travelling abroad are covered by specific insurance programmes.

GRI index (continued)

Topic	Effective date	GRI ref	Disclosure title	Page ref	kp comments
GRI 403: Occupational Health and Safety (continued)	2021	403-9	Work-related injuries	44	
	2021	403-10	Work-related ill health	44–45	
GRI 404: Training and Education	2021	404	Management approach disclosures	47, 50	We want to attract, grow and retain the best talent in our industry; a key part of our Employee Value Proposition is training and development through our online kp Academy which helps with skills, standards and values. Examples include the kp Code of Conduct, cyber-security, data privacy, health & safety, the environment and diversity. Read more about the kp working environment →
	2021	404-3	Percentage of employees receiving regular performance and career development reviews	61	711 managers across kp receive performance and career development reviews, including development planning. 76.2% of them are male and 23.8% are female. These are the employees that we track via our human resource information system in management grades. Beyond this, we do not track performance and career development reviews centrally; this information is held and managed locally.
GRI 405: Diversity and Equal Opportunity	2018	405	Management approach disclosures	46	Read more about the kp working environment →
	2018	405-1	Diversity of governance bodies and employees	46	Read more about our CEO and management team →
GRI 406: Non-discrimination	2018	406	Management approach disclosures	46	Read more about the kp working environment →
	2018	406-1	Incidents of discrimination and corrective actions taken	46	
GRI 413: Local Communities	2018	413	Management approach disclosures	48	
	2018	413-1	Operations with local community engagement, impact assessments, and development programmes	48	As a result of the pandemic, we had to put our community initiatives temporarily on hold in line with local restrictions. We anticipate re-launching postponed events and will report further progress in our next sustainability report.
GRI 416: Customer Health and Safety	2018	416	Management approach disclosures	10–13, 19–20	Read more about medical device packaging films →
	2018	416-1	Assessment of the health and safety impacts of product and service categories	13–14, 19–20	All (100%) of our significant product and service categories are assessed for health and safety impacts as part of our product design and manufacturing quality processes.

Assurance statement

Independent Limited Assurance Report to the Directors of Klöckner Pentaplast

DNV Business Assurance Services UK Limited ("DNV", "us" or "we") were engaged by Linpac Group Holdings Ltd. to provide limited assurance to Klöckner Pentaplast ("kp") over Selected Information presented in the kp Sustainability Report 2020 (the "Report") for the reporting year ended 31st December 2020.

Our Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria. This conclusion relates only to the Selected Information, and is to be read in the context of this Independent Limited Assurance Report, in particular the inherent limitations explained overleaf.

Our observations and areas for improvement will be raised in a separate report to kp's Management. Selected observations are provided below. These observations do not affect our conclusion set out above.

- The Sustainability Report 2020 is the first sustainability report published by kp, communicating the 'Investing in Better' sustainability strategy alongside ambitious targets. We recommend that in future Reports, kp transparently disclose detailed progress against targets, providing stakeholders with the wider context of the challenges faced and achievements made as the company progresses towards the target deadlines.
- We observed robust processes and systems for compiling 2019 and 2020 Scope 1 and 2 GHG emissions data. Calculation methodology was applied appropriately and consistently. We noted an improved quality control process this year, which reflected in the quality of data we reviewed. Overall, we found a limited number of errors and omissions, and these were corrected prior to inclusion in the Report.

- The percentage of post-consumer material used in packaging manufacture is calculated based on raw material procurement data. We noted that this data had been carefully reviewed and adjusted appropriately to improve accuracy. We recommend kp continue to carefully analyse and review procurement data, take a conservative approach to avoid over claiming and clearly document the process, to ensure consistency and comparability each year.

Selected information

The scope and boundary of our work is restricted to the key performance indicators included within the Report (the "Selected Information"), listed below:

- 2019 and 2020 Scope 1 GHG emissions (tonnes of CO₂e)
- 2019 and 2020 Scope 2 GHG emissions, market and location based (tonnes of CO₂e)
- 2020 Post consumer resin used to manufacture packaging products (%)

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used kp's reporting criteria (the "Criteria"), which can be found on page 53 of the Report.

We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on kp's website for the current reporting period or for previous periods.

Our competence, independence and quality control

DNV established policies and procedures are designed to ensure that DNV, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. Our multidisciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

Inherent limitations

All assurance engagements are subject to inherent limitations as selective testing (sampling) may not detect errors, fraud or other irregularities. Non-financial data may be subject to greater inherent uncertainty than financial data, given the nature and methods used for calculating, estimating and determining such data. The selection of different, but acceptable, measurement techniques may result in different quantifications between different entities. Our assurance relies on the premise that the data and information provided to us by kp have been provided in good faith. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

WHEN TRUST MATTERS
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Assurance statement (continued)

Standard and level of assurance

We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance.

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 – Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for Our Conclusion, so that the risk of this conclusion being in error is reduced but not reduced to very low.

Basis of Our Conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Conducting interviews with kp management to obtain an understanding of the key processes, systems and controls in place to generate, aggregate and report the Selected Information;
- Reviewing processes and systems for preparing site level data consolidated at Group level, we were free to select sites and the selection criteria was on the basis of materiality;
- Performing limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported;
- Reviewing that the evidence, measurements and their scope provided to us by kp for the Selected Information is prepared in line with the Criteria;
- Assessing the appropriateness of the Criteria for the Selected Information; and
- Reading the Report and narrative accompanying the Selected Information within it with regard to the Criteria.

DNV Business Assurance Services UK Limited

London, UK
15th July 2021

Responsibilities of the Directors of kp and DNV

The Directors of kp have sole responsibility for:

- Preparing and presenting the Selected information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to kp in the form of an Independent Limited Assurance Conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

DNV Business Assurance

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Glossary

Circular economy/circularity: an economic system aimed at eliminating waste and depletion of resources. Circular systems employ reuse, sharing, repair, refurbishment, remanufacturing and recycling to create a closed-loop system.

High-density polyethylene (HDPE): a thermoplastic polymer produced from the monomer ethylene. It is commonly recycled, with the number '2' as its resin identification code.

Life cycle assessment: a method for assessing environmental impacts associated with all the stages of the life cycle of a commercial product, process or service.

Modified atmosphere: the practice of modifying the composition of the internal atmosphere of a package (commonly food packages, medications) in order to improve the shelf life.

Plastics: synthetic or semi-synthetic materials that use polymers as a main ingredient.

Polyethylene terephthalate (PET): the most common thermoplastic polymer resin of the polyester family; used in fibres for clothing, containers for liquids and foods, and thermoforming for manufacturing, and in combination with glass fibre for engineering resins. PET has a resin identification code of 1. Prime uses for recycled PET are polyester fibre, strapping and non-food containers. Mechanical recycling of PET is very common. Chemical recycling of PET will become cost-efficient only in high-capacity recycling lines.

Polymer: a natural or man-made material comprising molecules made up of many repeating units that provide strength and other properties expected of everyday objects such as plastic packaging.

Polyolefin: a type of polymer produced from a simple olefin (an alkene) as a monomer. For example, polyethylene is the polyolefin produced by polymerising the olefin ethylene.

Polyvinyl chloride PVC (vinyl): widely produced synthetic plastic polymer, in rigid and flexible forms, used for making various products, from drainpipes to packaging.

Post-consumer waste: waste produced by the end-consumer of a material or commodity. Post-consumer waste is distinguished from pre-consumer waste which is the reintroduction of manufacturing scrap (such as trimmings) back into the manufacturing process.

Thermoforming: a manufacturing process where a plastic sheet is heated to a pliable forming temperature, formed to a specific shape in a mold, and trimmed to create a usable product such as a tray or film.

Our business is becoming more sustainable by the day, and this is just the start.
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