



Sustainability report

2022

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Organizational details

01

Legal name	UAB „Vilniaus pakuotė“ (VILPAK)
Nature of ownership and legal form	Joint- stock company
Location	Savanorių av. 219A, LT-02300 Vilnius
Countries of operation	Lithuania
Legal entity code	302687051
VAT code	LT100006505019
Place of registration	Registered in the Register of Legal Entities
Date of registration	11 November 2011
Authorized Capital	742 006,44 Eur
Email address	info@vilpak.lt
Website	www.vilpak.lt
Main activity	Producer of paper-based offset printed packaging for food and non-food industries



Statement from CEO

02

What has been the biggest challenge this year?

The year 2022 was one of largest shocks for society and crises, and exceptionally volatile for energy and commodity markets, with impacts across the globe. Russia's invasion of Ukraine caused a human suffering and sent shock waves through balanced energy system, fuelling extreme price movements, and disrupting supply chains. Diversifying and securing supply of energy and raw materials has inevitably risen to the top priority of our agenda. Geopolitical tensions continue to exert their influence, so business resilience and sustainability concerns remain a key focus areas for our company. Despite ongoing economic challenges related to the global obstacles and rising inflation, we have worked together and delivered on our purpose to remain stable in these challenging times and meet the needs of our stakeholders.

In 2022, the situation in the global supply chain for raw materials was challenging to say the least. It was unstable, unpredictable, and characterized by disruptions. In such difficult circumstances we had to act quickly, make decisions, and double our efforts to ensure stability in our production and in servicing the needs of our customers.

Why is sustainability important to your company?

Sustainable business practices have been an integral part of our company culture for the past few years, and are also a central element of our vision of the future. Leadership in sustainability is our strategic priority to increase sales and profitability and to reduce risks in the company while contributing to a better world in general. We, as a company, aim to create value for all our stakeholders with our sustainable packaging solutions, close collaboration along the value chain, and active employee engagement.

At Vilpak, we are proud of the reputation we have built as trusted partner for our customers and an innovator valued not only for our business performance, but also for sustainable packaging solutions. „The Customer Is our Employer” is one of the core

principles ingrained in our company, and we continuously strive to establish strong, supportive, and personal relationships to find best packaging solutions for them and mutually achieve success. The environmentally-friendly origin of our products, and our dedication to sustainable innovation, make us the 'go-to' manufacturer for a growing numbers of customers and partners.

What do you do differently in terms of sustainability?

To enable a more sustainable and resource-efficient future, especially when it comes to tackling climate change, is more relevant than ever. Good thing to know that our company efforts and investments in energy efficiency projects to reduce our carbon footprint and contribute to environmental performance, delivered the right results. The main drivers for these reductions have been improved resource efficiency during the converting process and investments in energy efficiency and renewable energy sources. We use 100% electricity from renewable energy sources in converting operations. Also, energy efficiency projects, e.g. equipment converting excess steam into heating, allowed us to cut the use of gas approximately 44%. Further investments in resource and energy efficiency will contribute to our continues reductions in the coming years.

We are happy that our customers' awareness towards sustainable issues is growing and following the rising interest of customers to offset unavoidable emissions generated in converting operations. Customers increasingly want to know the emissions profile and carbon intensity of the production we supply. This is becoming an important additional service we provide and also a source of competitive advantage. Seeking to bring greater transparency to supply chain, emissions allows us to help customers select lower carbon options and reduce the carbon footprint of their packaging solutions.

Continuous development for the next year will be supported further by development know-how of alternative raw materials that will help us in ensuring that all of our products are recyclable, in lightweighted design and still ensuring functionality, and that our packaging solutions do not contain any substances of concern.



Darius Murauskas
CEO

About sustainability report

03

At Vilpak, sustainable activities being integral part of our business strategy are the foundation of our company, and innovation is how we create long-term value for our multiple stakeholders.

The Vilpak Sustainability Report covers the key environmental, social and governance developments in fiscal 2022. This report shows the progress we have made on our journey since 2021 so far – and it demonstrates how we will continue to develop our company. The contents of this report reflect the Vilpak-relevant and material challenges of sustainable development. In 2021 our first Sustainability Report defined 22 2025 Sustainability Goals continue to shape our operations strategy, product innovation portfolio, and our commitment to stakeholders. We designed the goals to be challenging – to provoke technical breakthroughs and new ideas for addressing our sector specific biggest challenges while also addressing the material sustainability topics most relevant to our business.

VILPAK is part of the Grafija group of printing and related companies established in 1996. This annual report discloses only Vilpak's performance on the social, environmental, and economic (governance) impacts and risks related to its activities.

The report was prepared following the standards developed by the Global Reporting Initiative (GRI) (2021 revised version) and it focuses on 17 material topics, which are aligned with our business priorities. We identified 15 topics in 2021 through a materiality analysis that considered the sustainability context and involved a review of stakeholders' concerns and added 2 new one during this reporting period. For each material topic, we define ambitions and goals, and implement programs. In response to our stakeholders' expectations and for better understanding of our performance, we disclose data and information from previous year.

Vilpak reports on its sustainability performance annually based on a calendar year, hence, the report covers the time period January 1st, 2022 – December 31st, 2022. The information presented in the report is disclosed on a

Materiality Assessment principle and the scope of disclosure has been extended to cover stakeholders' expectations and contribution to eight of the 17 goals of the UN 2030 Agenda for Sustainable Development. The content of the report includes the latest information available at the time of publication. The Sustainability Report itself has not been reviewed by an external expert.

There are no significant changes to the organization and its supply chain. There is no restatement of information given in previous report.

If you have questions about the content of the Sustainability Report, or the Company's sustainability activities, contact Eimantė Urbanavičiūtė, Marketing manager, by mail: info@vilpak.lt.

Feedback is welcome!

About Vilpak

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Vilniaus Pakuotė UAB (further - Vilpak), established in 2011 and a part of the printing group Grafija, is a modern, socially responsible employer that produces the highest quality cardboard packaging products. For Vilpak, sustainability is at the heart of our company strategy for successful business development, reflecting all three dimensions: Environmental, Social and Governance. We believe that we have a responsibility in contributing to a sustainable future. Based on our long term value creation, we have established trustful relationships with our customers, offer our staff a supportive working environment, and actively engage for climate and environmental protection. As a manufacturer of packaging we have a special responsibility when dealing with resources, a responsibility that we are fully aware of. We strive not only to be socially responsible and environmentally friendly, but also to encourage our customers to follow the same philosophy. It is not only *our* activities that are important, but also the actions of our customers and their clients. Our world and the people who live in it are important to us - today and tomorrow.

4975t

Board
converted

98

Total
employees

16,7M

Revenue,
Eur

67%

Share of export
in revenue

1,6M

EBITDA,
Eur

38%

Overall GHG emissions
reduction

**CUSTOMERS
>15 COUNTRIES**

100%

Green electricity
in production

**11 INDUSTRIES
SERVED**

Key events



January

EU structural funds financing approved for the project „Automation of Vilpak processes by implementation of client self service solution“. Total project value about EUR 75 k, of which appr. EUR 50 k to be financed by EU structural funds.



May

IT integrations of ERP with ESKO, Horas systems as well as imposition integrations finalized. Also, the renovation of the administration building exterior was finalized (total investment EUR 123 k). Participation in Seafood 2022 expo.



August

First Company's ESG report finalized.



March

New BRC certificate received with grade A after finalizing audit.



July

Modernization of working premises in relations to safety - installation of safety fences. Total investment EUR 30 k.



October

Participation in ScanPack 2022 expo in Sweden (one of the main yearly events in packaging industry).

Mission, vision, values and business strategy



Vilpak operates in accordance with a defined strategic plan until 2025 - approved by the top management team - that sets out the company's vision and mission, defines its goals, and serves as a blueprint. It ensures that the entire organisation is working towards the same goals and supports a sense of shared responsibility amongst employees.

Mission

We are in business to provide our customers with the best paper-based packaging solutions in terms of quality, safety, and sustainability.

Vision

To be a reliable partner and the preferred supplier for companies when it comes to sustainable, innovative, and intelligent paper-based packaging solutions.

Our values

We have defined a set of core values that gives us a framework for leadership and influences our business decisions in everything we do. The following core values and beliefs define what is important to us, what we stand for, and what drives our business at Vilpak:

Involved partnership

Develop trustworthy relationships with our customers, suppliers, partners, and other stakeholders. Respond to growing demands and expectations with the best packaging solutions and maximize the positive impact of our operations throughout the supply chain.

Innovation

Providing safe, innovative, and environmentally sound products to our customers and end-users thanks to the expertise and commitment of all our employees by connecting new ideas and challenges with business realities.

Continuous improvement

Continuous improvement of the management system: learning, sharing, and implementing.

Act in sustainable way

Sustainable use of natural resources and pollution prevention.

Responsibility

We stick to our commitments, act with uncompromising transparency and integrity, and make responsible decisions based on professional standards by respecting our social and physical environment.

Teamwork

We achieve more when we collaborate and all work together. A long-term ambitious and forward-looking approach is at the core of our daily work, while our business strategy is based on three key goals:

Our strategic goals

- 1 Continued expansion of our operations in new markets beyond Europe and long-term economic success; profitability that helps us to provide employees an attractive return through sustainable continuous growth; and providing our customers with the best services and solutions.
- 2 Responsible industry leadership offering paper-based packaging solutions and a sustainable and innovative approach to business.
- 3 Improved operational performance and cost efficiency, with optimization and digitalization of production and innovative product offering solutions.

Product portfolio

We help our clients to find the best eco-friendly solution for packing their products, which is the most compliant for their unique needs. We make their product packaging journey easy and sustainable.



Folding cartons

We are offering a wide range of folding cartons - from standard folding boxes to complex multipacks or pastry boxes - using a variety of folding techniques. Our boxes and trays are suitable for hand or automatic erection, depending on your requirements. LIGHTWEIGHT AND RECYCLABLE. It is an ecological alternative as this is a lightweight and recyclable material.



Conical trays

Conical solid board boxes, trays and items of the sort are a natural paper-based alternative to plastic packaging. Ideal for fast-food, take-away and many other food-containing needs, they're also increasingly used as a convenient option for an eye-catching packaging of non-food items as well. VILPAK's advanced production technology includes a modern Heiber + Schröder High-Speed Carton Erecting Machine capable of producing any type of ready-meal trays. Some features:

- with glued windows
- double walls, which give strength and safer transportation to the package
- water and/or fat resistant



Foodservice packaging

VILPAK has the experience, technology, proven processes and certifications such as BRC and ISO 9001, needed for the production of safe and high-quality packaging for food products. Top international clients vouch for our work. Conical solid board boxes, trays and items of the sort are a natural paper-based alternative to plastic packaging. Ideal for fast-food, take-away and many other food-containing needs, they're also increasingly used as a convenient option for an eye-catching packaging of non-food items as well.



Fruits and vegetables packaging

We adapted the latest technology for advanced conical packaging solutions for fruits and vegetables. VILPAK's advanced production technology includes a modern Heiber + Schröder High-Speed Carton Erecting Machine capable of producing any type of ready-meal trays.



MAP trays

HALOPACK® is an innovative solution for food producers that not only ensures smooth technological transition from plastic trays but also creates new opportunities: the surface is 360° printable, it's easily recyclable and perfectly suited for automatic packing lines.



Skinpads

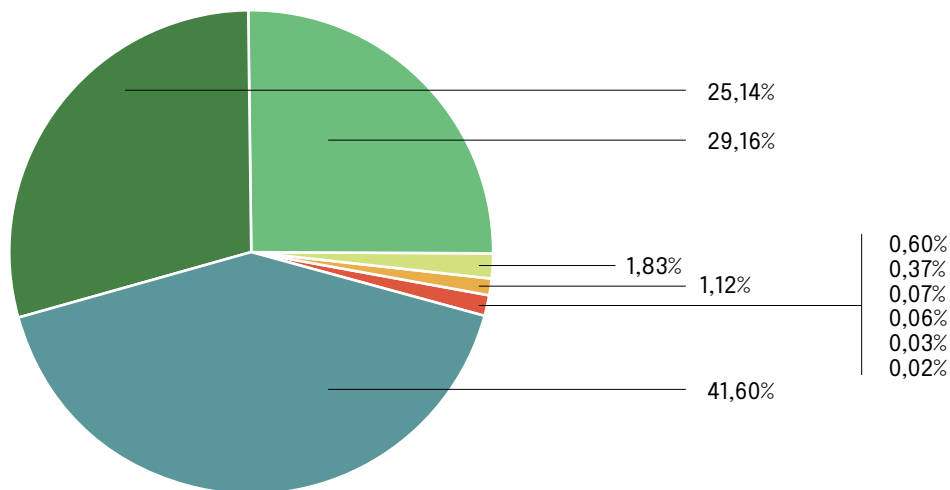
SKINPAD is made from cardboard pad with a thin layer of PE barrier which is printed on both sides. For this type of packaging, the marketing appeal is strong and does not require any additional sleeve to make it more appealing to the end-user, and thus reduces the secondary packaging waste for marketing purposes. Skinpad is designed for vacuum skin packaging and ensures highest absorbing performance with reduced material thickness, facilitating the opening of the package and preserving the packaging from breakage and tearing.

Market presence

While packaging has historically contained, preserved, and protected products, it is now playing an increasingly sophisticated role in driving customer engagement. We believe that shifting consumer preferences, increased interest in sustainable materials, and the integration of advanced technologies into packaging create new opportunities for the industry. We stay connected to our customers at the highest levels, we can fight through any implementation obstacles and gain some great opportunities.

Our customers are leading manufacturing companies offering a wide range of products. These industry leaders have already shown appreciation for our commitment to the environment and for offering customers sustainable packaging solutions.

Same as previous year, the vast majority of the company's production in 2022 is served in the industries of commercial and professional services, manufacturing, food, beverages, and tobacco. The more detailed split of industries served, and sales to those industries in 2022, is indicated in the table and chart below.



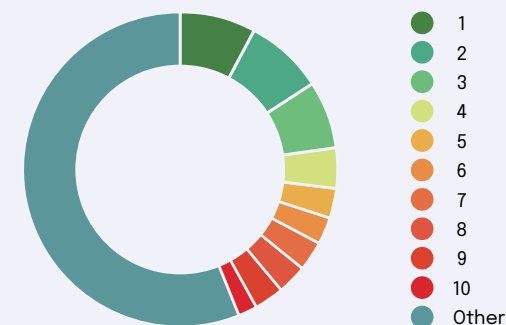
- Commercial and Professional Services (Intermediate)
- Food, Beverage, and Tobacco
- Manufacturing
- Food and Staples Retailing
- Retailing
- OTHER

Industry served	Total sales 2022, EUR	% from total sales	Total sales 2021, EUR	% from total sales
Commercial and Professional Services (Intermediate)	6 937 864	41,60%	4 826 960	36,73%
Food, Beverage, and Tobacco	4 862 820	29,16%	2 896 047	22,03%
Manufacturing	4 192 294	25,14%	4 735 974	36,03%
Food and Staples Retailing	305 683	1,83%	380 778	2,90%
Retailing	185 944	1,12%	102 054	0,78%
Materials	100 173	0,60%	152 467	1,16%
Services	61 752	0,37%	10 980	0,08%
Pharmaceuticals, Biotechnology, and Life Sciences	11 457	0,07%	8 026	0,06%
Household and Personal Products	9 407	0,06%	30 068	0,23%
Consumer Durables and Apparel	4 978	0,03%	0	0,00%
Real estate	3 400	0,02%	0	0,00%
Total:	16 675 770	100%	13 143 354	100%

The Company mainly operates on a long-term contracts basis and values business relationships with its customers based on mutual trust, professionalism, and future-thinking. This results in the vast majority of contracts being conducted on the long-term with little to none being conducted as one-time orders.

The Company manages its client portfolio by diversification – no one client makes up more than 10% from the total revenue pool. The same trend, compared to the reporting period of the previous year, remained this year as well. This is also illustrated by the table and chart below.

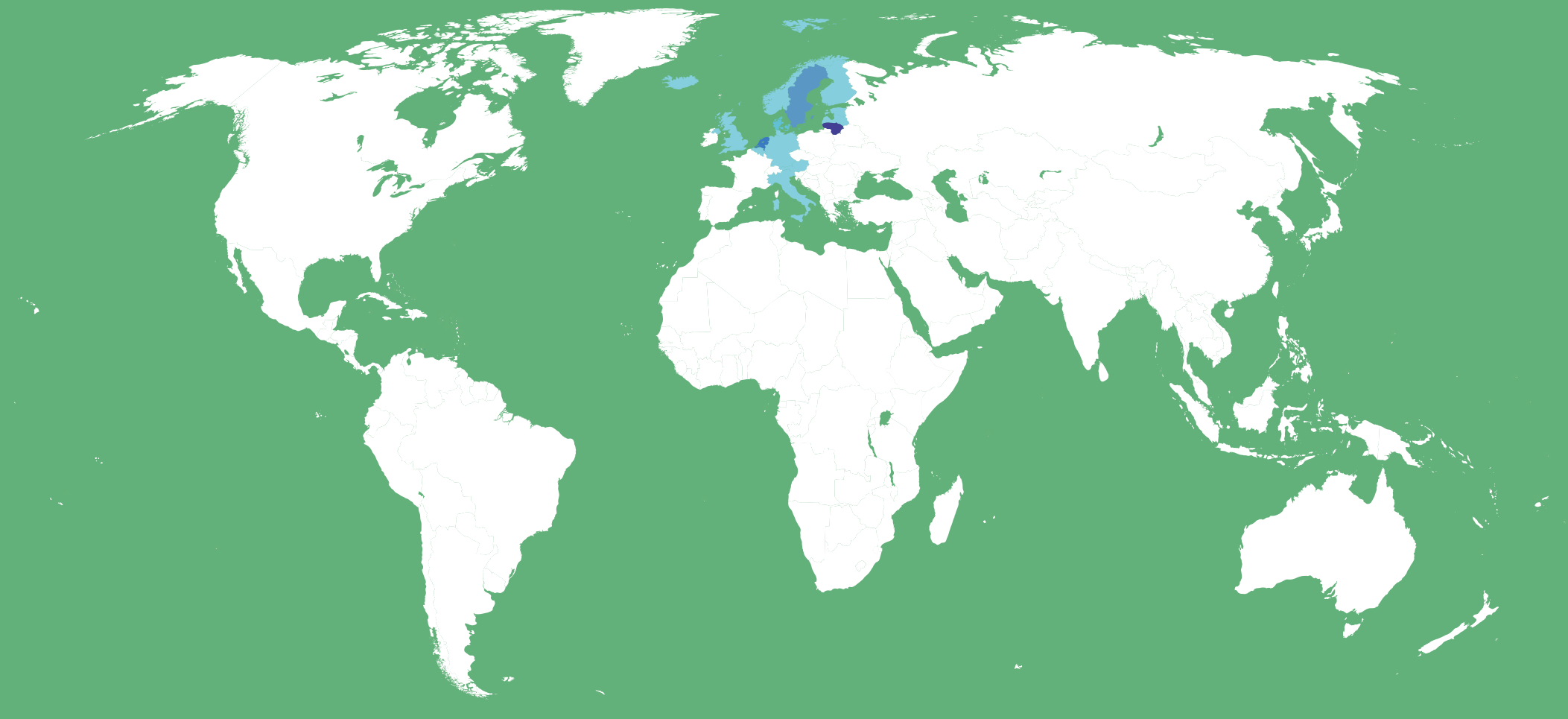
% from total sales 2022



Customers	% from total sales 2022	% from total sales 2021
1	8%	9%
2	8%	7%
3	7%	6%
4	4%	5%
5	3%	4%
6	3%	4%
7	3%	4%
8	3%	3%
9	3%	3%
10	2%	3%
Other	56%	53%
Total:	100%	100%

Global reach

Over the years, we have expanded our operations and today the majority of Vilpak's clients operating on an international basis; with 33% of sales undertaken locally. The decline in local sales during the reporting period was influenced by the geopolitical situation and high inflation rates. The main geographic areas being served is concentrated in Western Europe, Scandinavia, and the Baltic States.



Country	Total sales 2022, EUR	% of total sales	Total sales 2021, EUR	% of total sales
Lithuania	5 450 867	33%	5 733 281	44%
Netherlands	4 910 046	29%	3 180 228	24%
Sweden	2 668 254	16%	1 652 276	13%
Denmark	393 270	2%	759 250	6%
Estonia	320 634	2%	278 813	2%
Germany	292 698	2%	227 482	2%
Norway	225 781	2%	225 781	2%

Latvia	231 901	1%	176 512	1%
Iceland	274 895	2%	158 418	1%
Belgium	471 183	3%	119 835	1%
United Kingdom	348 115	2%	112 933	1%
Austria	551 804	3%	92 026	1%
Italy	185 944	1%	82 762	1%
Finland	10 834	0%	66 494	1%
Other	219 518	1%	277 263	2%
Total:	16 675 770	100%	13 143 353	100%

Governance of Vilpak

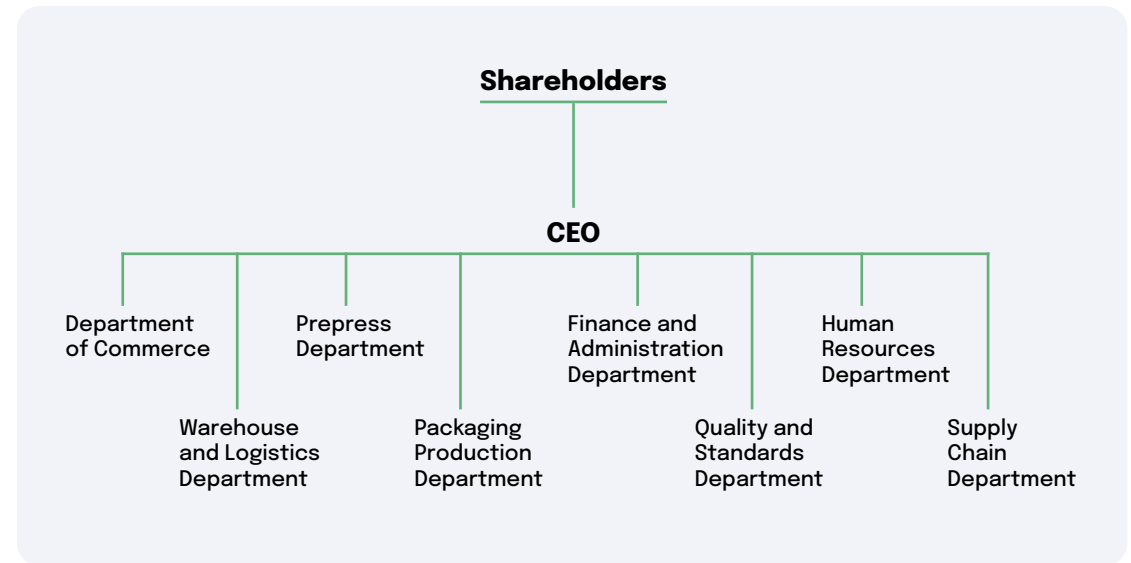
Since 2021 there are no significant changes to the organization structure and governance. The Company's main governing body, and one of its key stakeholders, is its shareholders. The ultimate strategy and sustainability goals, as well as priorities are set and approved by representatives of the shareholders. The CEO of the Company is its main operational governing body appointed by the shareholders. The CEO is also the Chair of the Company's management team, consisting of heads of all main departments: production, supply, HR, sales, prepress, finance, quality and standards, warehouse and logistics, and administration.

The management team with the help of the sustainability projects manager maintains oversight of all sustainability risks. Standard procedures help ensure that appropriate mitigations are in place and regularly reviewed by management. The Company's purpose, value statement, strategies, policies, and goals related to sustainable development are reviewed periodically, but not less than every two years. This is done mainly through strategy sessions involving the whole management team as well as representatives of the shareholders.

In order to ensure operational due diligence, the Company performs yearly internal review and audit procedures of selected processes that are in place in order to determine not only their effectiveness, but also their impact on the economy, environment, and people.

Any urgent concerns, risks, or other issues related to sustainability are to be raised for the attention of the management team - through the daily operational meetings of all management teams - where they can be either addressed and resolved on the spot or raised further for the attention of the shareholders.

The evaluation of the performance of the management team in overseeing the company's impacts on the economy, environment, and people is conducted on a yearly basis through the process of annual evaluations of individual management team members, including the CEO. This process includes not only the review and evaluation of results, but also the setting of future individual and organizational goals.



Corporate policies

Well-developed policies and procedures help us to ensure legal and regulatory compliance, whether it is directly within the company or in external interactions with other companies and customers. Also, policies guide all significant aspects of the business including corporate vision and values, safety, health, environment and energy, ethics, procurement, human resources, financial management and maintenance. Our developed policies and procedures are action oriented, timely and current, periodically reviewed for clarity and conformance, and properly enforced by management.

During the 2022 we reviewed all and updated around 20% of internal policies and procedures and developed new ones. For upcoming year we plan to update around 30% of all corporate policies.

Our culture and compliance expectations are based on the company values, and we practice these principles every day through the policies that govern our organization. Policies and procedures enable us to operate effectively and successfully, together they reduce the risk of liability. In addition, they promote consistency across the organization for both employees and customers.

Top management has developed, implements, and maintains various policies and procedures which set the framework and provide a blueprint for employees, suppliers and partners to ensure cooperation and coordination, including the following polices and frameworks that underpin our sustainable approach:

Policies and frameworks that underpin our sustainable approach:

Code of Conduct (Updated)

Sustainability policy

Data privacy policy for employment candidates

Employee data privacy management policy

Employee health and safety at work policy

Employee performance management and development policy

Employee recruitment standard

Employee remuneration system

Equality and Diversity policy (Updated)

Internal rules of procedures

New employee adaptation procedure

Policy environmental

Policy non-smoking (Updated)

Procedures for Investigation and Registration of Accidents at Work (Updated)

Workplace Anti-Harassment and Violence Prevention Procedure (New)

Health screening procedure for employees (New)

Remote work policy (Updated)

The Vilpak Code of Conduct addresses the most important corporate principles and ethical behaviour in our business practices, relationships with our stakeholders, and working environment. General provisions and principles of the business ethics are set out in compliance with international human rights standards, Respect for Human Rights. It acts as guidance for all employees of our company how to act in everyday situations. The Code of Conduct and other policy documents are reviewed regularly and approved by the top management. All new employees are educated in the Code of Conduct and relevant policies, long-term employees are furnished with constant updates; including ways to report incidents to senior management or anonymously through our whistleblowing service.

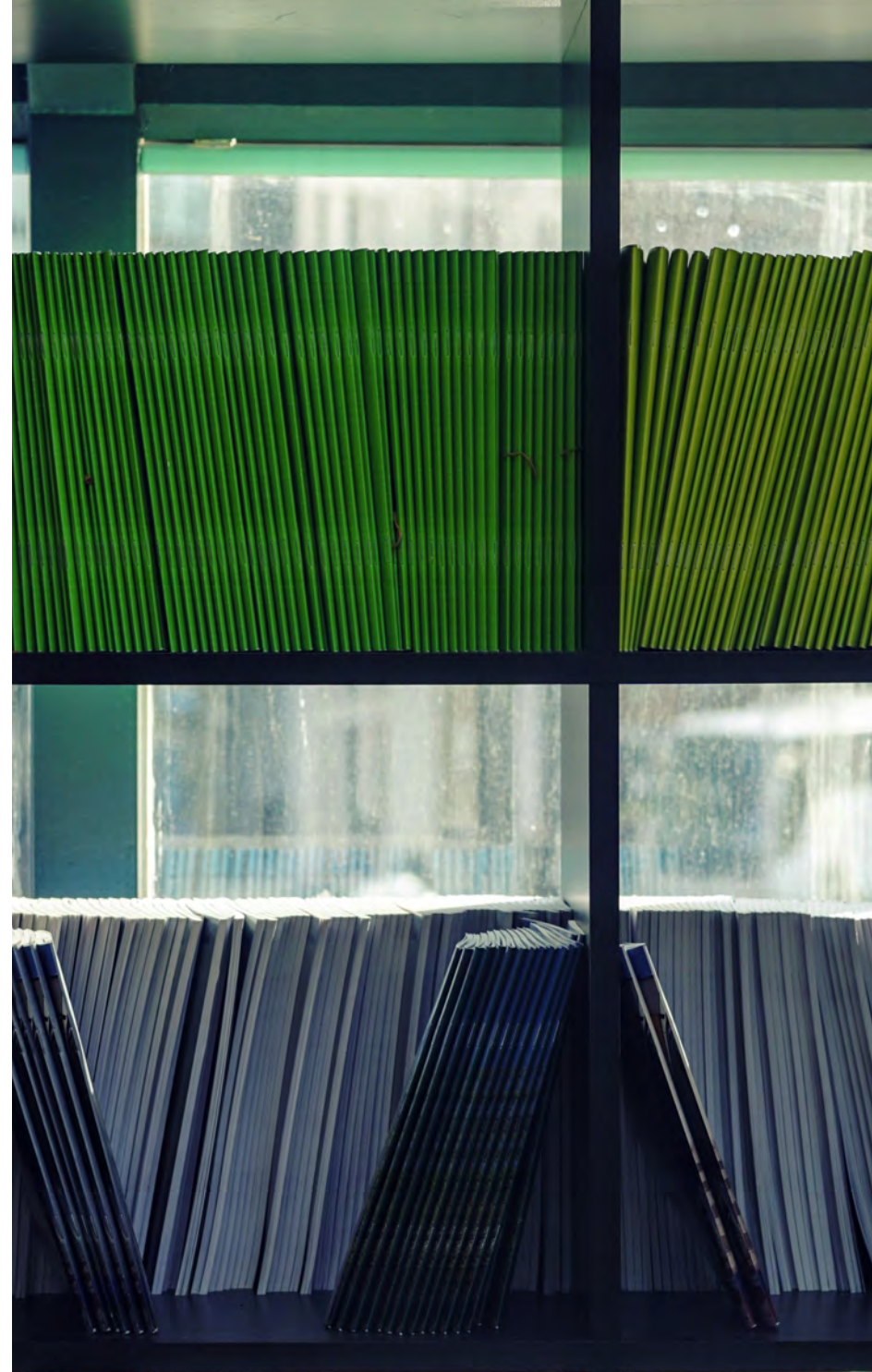
Each company policy document is distributed to the specific measurable objectives of the relevant division ensuring its implementation. The implementation of the objectives are reviewed at least once a year during the management review.

If Vilpak causes or contributes to a negative impact or misconduct due to its activities, it is established to take action under the already in-place Internal Risk Management Plan. The company's obligations to eliminate adverse effects are set out in the documents defining its policies. Additionally, a procedure has been developed for the management of non-compliant products, processes, and activities.

All employees, at all levels of the company, are responsible for complying with the governance framework in their everyday decisions and actions. The Vilpak whistleblowing procedure was established in 2018 and is an important tool fostering the highest standard of business ethics and awareness regarding misconduct. Anyone in the company can anonymously report actual or suspected breaches of our Code of Conduct, or any other unethical behavior, directly to either the senior manager, the relevant supervisor, or the head of HR without being penalized in any way. Every case of a breach of our Code of Conduct is handled individually and investigated appropriately. No cases were reported during 2022.

Vilpak is committed to combating all forms of corruption and bribery and maintains a zero-tolerance policy to such behavior: whether illegal activity or negligence by an employee, supplier, or business partner. No incidents of corruption were registered in 2022. We strive for integrity and compliance with the principles of proper business ethics throughout our entire business. Continuous training, interactive discussions, and risk assessments help us increase awareness and act responsibly.

We use the SEDEX (Supplier Ethical Data Exchange) online platform to provide up-to-date information on the status of our processes related to sustainability, and to build trust and transparency with our customers as part of our approach to responsible sourcing across the supply chain. The process may also be accessed directly by our customers.



Risk and opportunities assessment

As a responsible business we identify potential risks to our business so that we can put in place mitigating actions. Addressing potential risks early creates opportunities for us to improve what we do. We believe that it is important to be aware of the impact generated throughout the value chain and to properly respond to the opportunities and demands of our customers, suppliers, end-users and to the challenges in the market. Assessment on risk and opportunities has been conducted and updated since previous reporting period where we identify risks and opportunities to offer the best response by adapting to change. In 2022 we have defined and included new risks related to the geopolitical situation and high inflation rates in the country.

Risks and opportunities	Source	Management
Regulation	As the climate crisis continues, the regulatory response will shift towards reduction of greenhouse gas emissions and environmental regulation will significantly tighten. Environmental impact will become the key regulatory factor across all industries. This will lead to some businesses being forced to change the way they operate: processes, new sustainable products, production technologies, etc. This may result in changes to the pricing of energy and lead to the increase of costs in production.	Vilpak shifted to the use only renewable fossil-free electricity in its production processes.
	Protection of forests to secure biodiversity limits harvesting volumes. LULUCF regulation highlighting that forests - in particular primary forests - are significant natural carbon sinks.	Vilpak uses raw material resources efficiently to avoid waste in production.
Market pressure from consumers	Consumers prefer easily recyclable packaging made from renewable raw materials that do not contain fossil fuels.	Cardboard used in production is recycled and / or composted, and the fact that electricity is produced using only renewable energy sources helps to reduce the amount of carbon dioxide generated during packaging production. Good packaging design further reduces the environmental impact of cardboard packaging.
Energy risk	We consume a lot of electricity and natural gas in the company's operations. All operation of production equipment is based on the use of electricity, which poses a risk of interrupted supply of electricity. The supply of electricity influences the course of all production processes.	Electricity is supplied on contractual terms. Distribution is provided by the Energy Distribution Operator. We have installed 500 kW solar panels on site. Natural gas is used for heating and hot water. Implemented investments in heat recovery systems helped us to reduce natural gas consumption.
Occupational risk factors: physical factors	Workplace Environment; electrical safety handling and maintaining electrically powered equipment; safe behavior near/with potentially hazardous equipment; identification of potentially hazardous agents; minimum safety and health requirements for the use of work equipment; fire prevention and extinguishing; activities of other companies providing services on the site.	Occupational safety audits are performed on a regular basis. ISO 45001 standard is in place. Workplaces and work equipment are technically maintained. Deficiencies that may affect the safety and health of employees are addressed. Work equipment is clearly visible, identifiable, and marked. Employees receive the necessary training in the workplace, are instructed accordingly, and are aware of the potential hazards. Fire extinguishers and fire safety engineering systems are maintained, labeled and easily accessible.
Supply of raw materials	Significant changes in raw material supply in global markets. Significant rise in raw material prices. Competition	Diversifying the procurement of key raw materials from different suppliers in the European Union.
Social factors	Employee retention and minimization of turnover. Qualification and integration of employees into production work processes.	The company focuses on building employee engagement in participation and decision-making, maintaining good relations, turning feedback into actions, providing opportunities to improve. Social recognition and monetary rewards are on board. The company has an employee performance appraisal and training system. Vilpak strives to ensure an exceptional onboarding experience. Training is organized both internally and by third party.

Risks and opportunities	Source	Management
Product sales	Changes in the supply and prices of cardboard in the markets may have a negative impact on the company's revenue, profit, and cash flows.	Search for new markets. Cooperation with business partners.
Safety and quality of food packaging	Existing and potentially dangerous risk factors (biological, chemical, physical) have been identified along with favorable conditions for their emergence and increase have been analyzed. Risk evaluation consists of an assessment of the likelihood of the risk factor occurring and the severity of the consequences. The risk assessment covers the entire production chain of packaging, from the purchase of raw materials to delivery to the customer.	Risk management plan in place. Identified critical control points according to the Production Flowchart. Existing and potentially dangerous risk factors (biological, chemical, physical) have been identified and favorable conditions for their emergence and increase have been analyzed. Risk evaluation consists of an assessment of the likelihood of the risk factor occurring and the severity of the consequences, management measures and actions specified. The risk assessment covers the entire production chain of packaging, from the purchase of raw materials to delivery to the customer.
Product development	Constantly growing consumption around the world is depleting resources and driving higher waste levels. The environmental impact of packaging is related to the extraction of raw materials, production, and waste management. The functional properties, weight and design of the packaging, become particularly important.	Produce only packaging made from environmentally friendly raw materials that are easy to recycle, safe, and made from recycled materials. Ensure that it does not contain hazardous or toxic chemicals.
Prolonged war in Ukraine	The war in Ukraine is the third asymmetric shock, that the Union has experienced in the last two decades, after the 2008 financial and economic crisis and the following Eurozone crisis and the COVID-19 pandemic. An asymmetric shock is a sudden change in economic conditions that affects some EU countries more than others. The war in Ukraine is indeed having a much greater impact on neighbouring countries due to the influx of refugees and their heavy dependence on Russian gas. Threats related to supply chain disruptions (war in Ukraine, energy prices) can have a global spread and cause a ripple effect through numerous economies.	The impact of rising energy prices on businesses is a huge burden. The company focuses on diversification of supplies, energy efficiency and the acceleration of renewables. Managing supply chain disruptions our company focuses on these key operational strategies: be aware of supply chain disruption risk and have proactive contingency plans; gaining sub-tier visibility into our supply network; reexamining supplier locations and viability; collaboration with business partners to foster a reliable supply network; diversifying our supply chain where possible; using active monitoring of new and emerging threats for all risk categories.
The impact of inflation	As inflation goes up, so does the cost of everything else—including business essentials like materials, transportation, distribution, utilities, higher borrowing rates and even employee wages.	Review our pricing and margins strategy and product offerings or revenue streams; Review our business expenses and look for opportunities to save, especially on the fixed overheads our company pays every month. Review our profit and loss statement to identify the areas in which our company spends the most. Create working capital buffer.

Approach to sustainability

05

Based on our Mission, Vision and Values, we regard sustainability as an essential element of our activities, as important management issues and place a strong emphasis on sustainability in our corporate management. For us, sustainable entrepreneurship and profitable growth go hand in hand. In all of our packaging services our aim is to increase process efficiency, save resources, and minimize emissions.

Since 2021, Vilpak strengthened the focus on sustainability; thoroughly embedding sustainability as part of our overall business strategy and incorporated into the company's long-term business objectives and investment plans, risk assessment, action plans, and processes. The company held sustainability strategy development sessions with the participation of Vilpak top management teams. During the sustainability sessions, Materiality Assessment and other main topics have been identified and decisions on the principles and the route towards more sustainable development have been made. For the sustainable growth of both society and the company, we identified important business issues that impact the company and its stakeholders as material issues. The sustainability policy has become a key document indicating the development and implementation of the strategy. A set of goals and strategic initiatives were incorporated into the Company's daily activities and several projects have already been initiated. Vilpak's focus on sustainable development inform our commitment to the principles of good corporate governance as well as responsible business practices in our approach to environmental impacts, safety and social responsibility.

During this reporting period, we put sustainability policy into practice by formulating our business policies and strategies, including medium-term management plans and business plans, based on material topics, given that each material issue may become an important source of both risks and opportunities in the medium and long term.

Key areas of our sustainability management defined in 2021 remain unchanged during this reporting period. Our objective to integrate sustainability in all business processes and raise awareness among all employees for sustainable thinking and action was the main focus during 2022. We have set ourselves ambitious objectives in all areas of action and defined measures for achieving these objectives. We continuously measured our progress by means of suitable KPIs.

In order to ensure that identified sustainability development goals are timely and reflect the scale and complexity of the business, as well as the appropriate measures that were taken to implement them, the company plans to review sustainability development topics and goals and adapt if necessary at least every 2 years. In upcoming 2023 year we plan to review our main topics and goals defined in 2021, and if necessary adjust and expand our action area.

Engagement with stakeholders

Stakeholder analysis and engagement is crucial to ensure that identified social, environmental, economic impacts, and governance management of each organization is conducted in an appropriate manner and creates value for stakeholders. For these reasons, the Vilpak management team performed an analysis of the Company's stakeholders, the results of which allowed it to determine issues and expectations relevant to stakeholders, and accordingly helped the company to identify materiality topics and strategic targets. For Vilpak, the goal of stakeholder analysis was to develop a strategic view of the human and organizational landscape, the relationships between the different stakeholders, and the issues that they care about most. Stakeholders are hugely important, as they can have a significant influence on business decisions and performance, both directly and indirectly, through their roles as buyers, suppliers, partners, employees, investors, and so on.

The company has implemented stakeholder analysis, which involved three steps:

→ Stakeholder identification. All stakeholders with whom the company interacts are identified.

→ Identification of key stakeholders. Key stakeholders are identified and assessed by their power and interest.

→ Engagement with stakeholders. The stakeholder's engagement plan is confirmed, summarizing the information available on key stakeholder's expectations, concerns, and interests, and identified ways of engagement.

We believe that the relationships with Our Stakeholders will help us to advance towards our long-term commitments and objectives. This way, we will be able to jointly focus on responding to the challenges faced by society today, thus providing innovative and sustainable solutions and generating long-term value for all parties involved.

Stakeholder groups	Way to engage	Engagement activities	Key topics & concerns
Shareholders and other investors	Manage closely (High power, high interest)	Annual General Meeting	Profit Focus on sustainable management and all ESG related topics Economic performance
Interim financial reports	Manage closely (High power, high interest)	Internal workshops and trainings Meetings Surveys	Profit Focus on sustainable management and all ESG related topics Economic performance
Conferences and events	Manage closely (High power, high interest)	The company's internal communication channel Surveys Internal and external audits Training programs Annual employee performance review Internal workshops	Decent working conditions and safety Sustainable management Profit Equality and diversity Fair wage Career development
Customers	Manage closely (High power, high interest)	Surveys Monitoring sales of products Claims management Conferences and events Key Account Managers relationships Social media	Customer relationship and satisfaction Product quality and safety Responsible procurement Long-term partnership Traceability GHG emissions Human rights and labor standards Sustainable Solutions and innovation Products from renewable and recyclable materials
Suppliers of key raw materials	Manage closely (High power, high interest)	Audits and assessments Conferences and events Tendering processes On-site visits and meetings Questionnaire	Long-term partnership and mutual value Sustainable management Responsible procurement Traceability Human rights and labor standards
End-users	Keep informed (Low power, high interest)	Media releases Corporate website	Product quality and safety Products from renewable and recyclable materials

Corporate website	Product quality and safety	Engagement activities	Key topics & concerns
Partners	Keep informed (Low power, high interest)	Meetings Projects Partnerships Conferences and events	Sustainable management Sustainable solutions and innovation
Suppliers of other raw materials and services	Keep informed (Low power, high interest)	Audits and assessments Conferences and events On-site visits and meetings Questionnaire	Long-term partnership Sustainable management Responsible procurement
Associations	Keep informed (Low power, high interest)	Conferences and events Meetings Partnerships	Sustainable management
The media	Keep satisfied (High power, low interest)	Conferences and events	Transparency and reliability of information Accessibility
Authorities, supervisors and regulators	Keep satisfied (High power, low interest)	Meetings Responses to consultations Conferences and events	Sustainable management ESG-related topics, mostly Climate Change, Biodiversity, Human Rights, Health and Safety Transparency and access to information
Direct competitors	Monitor - minimum effort (Low power, low interest)	Conferences and events	Sustainable Solutions and Innovation Sustainable management Transparency and reporting ESG assessments
Indirect Competitors (Market Participants in Other Packaging Manufacturing)	Monitor - minimum effort (Low power, low interest)	Conferences and events	Sustainable Solutions and Innovation Sustainable management Transparency and reporting ESG assessments
Local communities and non-governmental organizations (NGOs)	Monitor - minimum effort (Low power, low interest)	Dialogue with local communities	Community engagement Buildings and infrastructure Water and climate protection Sustainable management
Society	Monitor - minimum effort (Low power, low interest)	Media releases	Transparency Socio - economic impact

By entering into dialogue with different groups, we, as a Company, can gain insight into internal and external points of view. Vilpak sees stakeholders as participants in co-creating value for the organization. We communicate regularly with a broad stakeholder base on issues that may be of significant interest or impact to them; including our performance, decisions and activities in relation to environmental, social, and economic (governance) issues.



Materiality assessment

Vilpak's materiality assessment helps the company to align its business with the expectations of its stakeholders and with society in general. A Materiality Assessment is a process to help identify the most important sustainability topics, opportunities, and risks for Vilpak's business according to two criteria:

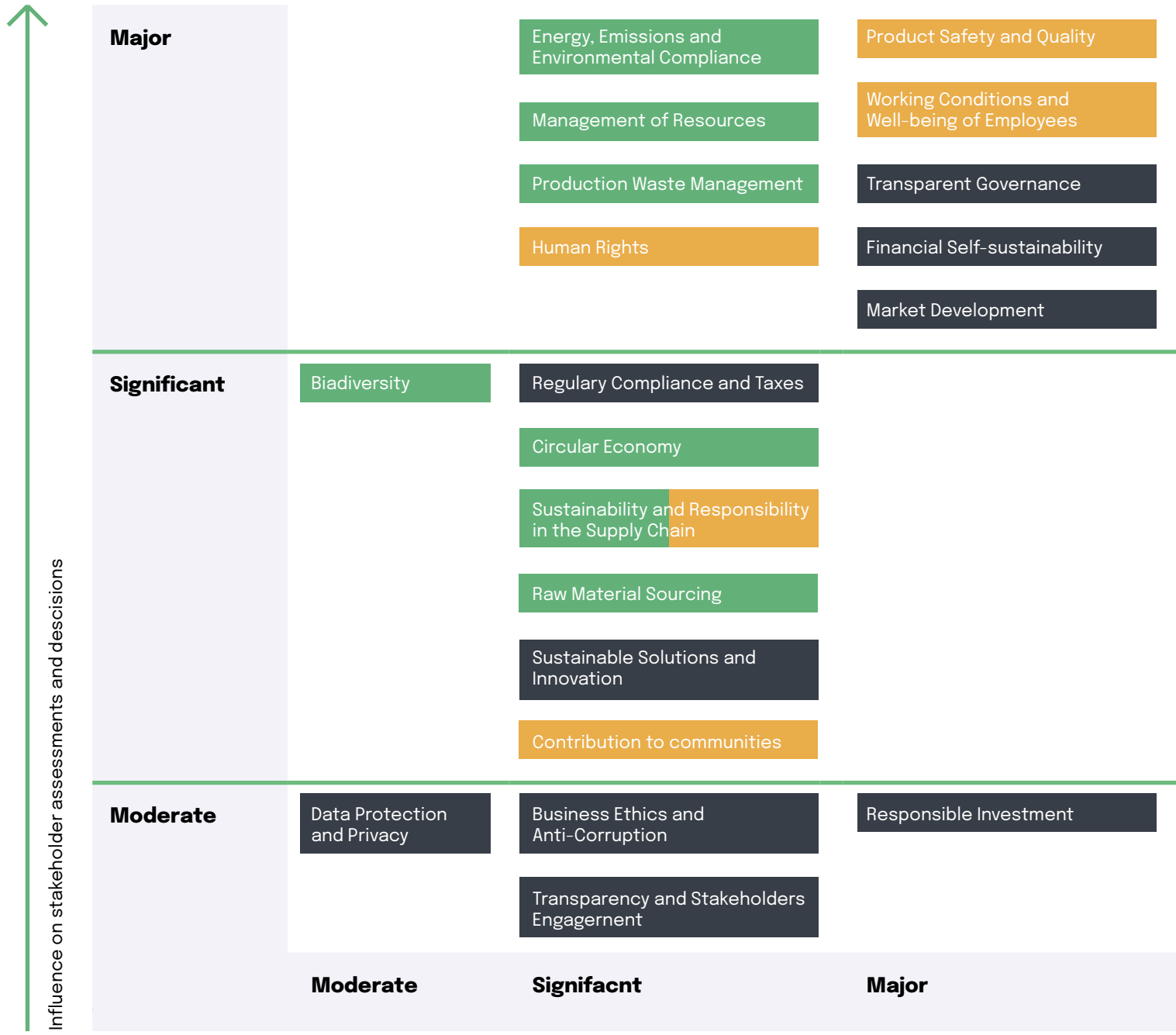
influence on stakeholder assessments and decisions - importance to stakeholders and significance of economic, environmental and social impacts - importance to Vilpak.

Vilpak's first materiality assessment was conducted in 2021 in collaboration with an external sustainability specialist. This resulted in the publication of our first Materiality Matrix, outlining the topics considered most relevant to both our stakeholders and our business. Top management members have been involved to evaluate the topics' relevance for Vilpak's core business. Materiality Assessment has been performed involving several vital stages:

- Defined the purpose of company's Materiality Assessment by delivering Risk-assessment and Sector analysis.
- Identified potentially relevant topics. According to various sources, a list of potentially relevant topics have been assessed that may have actual and potential Environmental, Social, and Governance (ESG) impacts on Vilpak business and its stakeholders. Sources used: results from stakeholder mapping and involvement, prevailing market trends, EU regulations and directives, Vilpak's strategy, organizational culture, and overall context of sustainability.
- Prioritization of material topics relevant to both Vilpak's business and key stakeholders. Key sustainability issues and realtive importance of specific ESG topics have been identified by assessing each potentially relevant material topic and evaluating its impact on the business and its stakeholders.

The outcome of the Materiality Assessment is a materiality matrix, showing all topics which are identified and prioritized to focus on the ones that matter most to Vilpak's business and its stakeholders. The insights gained through this process can support decisions about the direction of the business and guide the relevant strategy, help identify trends that could significantly impact the company's ability to create value in the long-term, and have the greatest positive impact on the company and its stakeholders.

The stakeholder and Materiality Assessment back then identified and prioritized 15 Companies' sustainability topics that matter the most for Vilpak and its stakeholders. Our vision of sustainability however is not a static one, and Vilpak conducts periodic and comprehensive materiality assessments to identify our most relevant reporting topics from an ESG perspective. The last comprehensive materiality assessment which also reflected a variety of external stakeholder feedbacks was done in 2022. As a result of the assessment, we added "Contribution to communities" to the Materiality Matrix and included "Data Protection and Privacy" topic on the voluntary reporting since 2022.



- Social impact
- Economic (governance) impact
- Environmental impact

Our updated assessment identified 17 key sustainability topics for Vilpak:

Material topic	Why the topic is material
Product safety and quality	As a manufacturer, managing product safety and quality risks is paramount for Vilpak, from the resources we use to the production, sale, and distribution of products to the end-user. If the company management structure effectively facilitates safety at each step, it bolsters a culture of sustainability. Thus, Vilpak prioritizes safety and quality of products to deliver value exceeding customer expectations to fulfill its social responsibility.
Working conditions and well-being of employees	Vilpak invests in the well-being and development of its employees, seeks to provide a healthy and safe work environment for employees by monitoring health and safety standards. All employees have performance plans and annual performance dialogues, including top management. An employee survey is conducted yearly to follow-up on employees satisfaction and well-being. Results are assessed to understand the changes, trends, and critical points of improvement identified.
Transparent Governance	Transparency is a fundamental component of good corporate governance and serves to build vital trusting relationships with key stakeholders. For Vilpak, environmental, social, and governance reporting are the company's means of communication with stakeholders as part of our accountability and stewardship obligations, and at the same time, are a tool for achieving transparency regarding the financial performance of a company.
Financial Self-sustainability	Financial self-sustainability is identified as a material topic because Vilpak is a profit-driven company that needs to make a profit to remain viable. Vilpak's good economic performance contributes to society through the payment of wages, taxes, and the purchase of products and services. This impacts economic activity, society, and contributes to economic growth in order to manage impacts related to economic performance. Financial self-sustainability and long-term profitability ensure that Vilpak remains a reliable and value-adding partner for all its stakeholders.
Market Development	Regulatory and public concerns around single-use packaging waste will force companies to improve the sustainability of their packaging and to rethink their packaging systems. There will be a significant impact on packaging converters and their value chain. However, for packaging converters with the right focus and innovation capabilities, the new landscape could offer significant growth and new partnership opportunities to support customers in revising their packaging solutions. Vilpak focuses on primary packaging solutions in the food industry and has a great opportunity to win a significant market share.
Energy, Emission and Environmental compliance	Vilpak strives for full legal and regulatory environmental compliance, which is the foundation of its business. Energy, emissions, and environmental compliance are identified as material topics in light of a global challenge to combat climate change. For Vilpak, electricity consumption is key, as the whole production process and all equipment is run on this form of energy. In our value chain, the major source of GHG emissions is from purchased raw material and transportation. To mitigate these impacts, Vilpak has transitioned to using electricity from 100% renewable energy sources in our operations.

Material topic	Why the topic is material
Management of Resources	In the production of our products, we depend on the long-term availability of key raw materials, energy, and water supplies. Our production processes are therefore aligned to protect these strategic resources whilst minimizing our environmental footprint.
Production waste management	Production waste management, strategic waste reduction, separation and management of waste streams.
Regulatory Compliance and Taxes	Vilpak regards the practice of compliance as one of our highest priorities and implements fair and highly transparent corporate activities in accordance with corporate ethics, in addition to observing laws and regulations as well as social norms. Understand our compliance obligations and other incentives; develop strategies that optimize the impacts of carbon, climate change, and resource scarcity. We are committed to tax compliance.
Circular Economy	Due to higher awareness and shifting demand towards more sustainable solutions among customers, transition to more responsible models of production that takes into account the principles of a circular economy - one of key topics in Vilpak's agenda. We seek to improve the efficiency of processes and the recovery of waste in order to benefit from it by encouraging its recycling
Sustainability and Responsibility in the Supply Chain	It is one of the main topics for Vilpak; reflected in our Responsible Sourcing Procedure. The requirements apply to all purchasing categories and compliance is monitored as part of our governance, risk, and compliance framework.
Raw material sourcing	Vilpak's business relies on the availability of key raw materials to convert them to value-added finished products and solutions.
Sustainable solutions and innovation	We have elevated sustainability in our business strategy, especially in relation to innovation, resulting in an increased focus in recyclability and environmentally sound products.
Human Rights	Vilpak promotes the protection of universally acknowledged human and labor rights. Vilpak assesses its own operations in relation to potential human rights violations and implements adequate measures to prevent any further violation.
Responsible investment	Application of environmental, social, and governance criteria to Vilpak's investments in operations.
Data privacy and protection	Vilpak seeks to guarantee the privacy of customers' and employees data, protect intellectual property and provide an effective management system for IT security and cyber security in order to protect the information assets of the company, customers and other stakeholders, to ensure business continuity and the security of transactions.
Contribution to communities	We believe that taking part in community programs allows us to establish meaningful connections and give back those in need, especially if you give back in ways that fit your business values, culture and meet employees' needs.

Targets set and our contribution to SDG'S

Our strategy is aligned with the goals set out by the 2030 Agenda for Sustainable Development, adopted by all Member States of the United Nations, which define 17 Sustainable Development Goals (SDGs) with the aim of eradicating poverty, protecting the planet, and ensuring the prosperity of humanity.

The objectives and sustainability indicators set, along with the results achieved during the last two reporting periods for each of the sustainability topics, are described in detail in the report below, dividing them into environmental, social, and economic (governance) sections.

We use the following symbols in this report to indicate our progress towards our objectives:



Target achieved/
big progress



In line/
In progress



No progress/
not achieved

Environmental



Material topics

- Energy, Emissions and Environmental Compliance
- Management of Resources
- Production Waste
- Circular Economy
- Sustainability and Responsibility in the Supply Chain
- Raw Material Sourcing

Contribution to UN SDG's



Target 2025 (Base year 2021)

Performance 2022

Performance 2021

Trend (vs 2021)

Calculation of greenhouse gases throughout the value chain, strategic reduction, energy efficiency and renewable energy use

Share of electricity from renewable energy sources in final consumption of electricity, in %

100%

100%

100%



Overall CO₂eq emission reduction (Scope 1, Scope 2 and Scope 3), in %

10%

5413 t CO₂ eq

8774 t CO₂eq



Improve resource efficiency

Reduce relative electricity consumption, consumed electricity kWh / revenue Eur

0,10 kWh/Eur

0,10 kWh/Eur

0,14 kWh/Eur



Reduce natural gas consumption, %

45%

442 687 kWh

784 579 kWh



	Target 2025 (Base year 2021)	Performance 2022	Performance 2021	Trend (vs 2021)
Increase raw material efficiency in manufacturing operations and improve waste management				
Purchased share of used wooden pallets for unloading goods of total purchased pallets for unloading goods, %	95%	97%	92%	↑
Reduce the amount of cardboard waste generated in production, cardboard waste/total cardboard production volume, %	18%	17%	21%	↑
Assess the environmental impact of used raw materials in production and put effort in supply chains traceability and certification				
Raw materials in company's products and packaging supplied from virgin wood fibre originate from certified sources (FSC®) or (PEFC™), %	>45%	39%	31%	→
Assess the length of the supply chain and make efforts to shorten it				
Increase purchase share of cardboard buying directly from a manufacturer (not retailers), %	>95%	98%	86%	↑
Increase purchase share from EU manufacturers, %	>99%	96%	98%	↓
Work with suppliers that meet Company's sustainability criteria				
The share of Strategic / Important Suppliers that calculate CO2 emissions or have ESG targets or sustainability policies, %	70%	60%	45%	→
The share of Strategic/Important Suppliers signatory to VILPAK Code of Conduct.	95%	10%	0%	↑

Social



Material topics

- Product safety and quality
- Working conditions and well-being of employees
- Human Rights

Contribution to UN SDG's



	Target 2025 (Base year 2021)	Performance 2022	Performance 2021	Trend (vs 2021)
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To ensure a safe and healthy working environment, to have a positive effect on the well-being of employees and the life / work balance

Number of accidents at work, pcs

0

2

1



Employee net promoter score (eNPS). Question for employees: from 0 to 10, what is the probability that you would recommend VILPAK as a good company to work for?, %

2%

-

0%



Total annual turnover (all reasons) of employees, %

≤23%

49%

54%



Total annual turnover (company initiated) of employees, %

≤16%

18%

28%



Responsible product packaging development in safety and quality terms

Increase non-conformance (internal and external) management effectiveness and efficiency, where losses due to non-conformance issues from turnover would not exceed, %

0,50%

0,68%

1,01%



Economic (governance)



Material topics

- Transparent Governance
- Financial Self-sustainability
- Market Development
- Regulatory Compliance and Taxes
- Sustainable solutions and innovation
- Responsible investment

Contribution to UN SDG's



	Target 2025 (Base year 2021)	Performance 2022	Performance 2021	Trend (vs 2021)
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Ensure and promote transparent governance practices in the Company

Organizational goals and results introduced, evaluated, and reviewed to employees on regular basis, frequency/year

12	12	12	↑
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Ensure profitability and operational efficiency of the Company

EBITDA profitability ratio, %

12%	10%	5%	→
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Working capital ratio, %

8%	9%	11%	→
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Efficiency ratio (Throughput/
Operational expenses), Eur

1.43 Eur	1.31 Eur	1.22 Eur	→
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Through the investment activities to make positive impact and enhance development of social-economical environment

The share of investments in renewable energy sources and / or digitization of total annual investment, %

18%	10%	12%	↓
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Implement innovations by expanding the portfolio of sustainable products and strengthen the company's vision of sustainability

New sustainable products introduced, pcs

4	1	1	→
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Social pillar

06

Product quality and safety

The safety and quality of our products remain a priority and lies at the heart of our business, thus, at Vilpak we have assembled a set of quality control standards to ensure that every order and every delivery meets customer expectations and requirements. Having long-term certified management systems in place remains a key customer requirement. As a basis for management systems, Vilpak use the ISO 9001 certification standard of Quality Management on site. We use this standard to demonstrate our ability to consistently provide products and services that meet customer and regulatory requirements and continuous improvement. Internally, as a company we profit from improved operational results, increased job satisfaction and business ethics.

As we produce food packaging, consumer safety is a non-negotiable requirement for us and we comply with all legal requirements and the highest customer demands, requirements, and expectations. That is why hygiene is a hugely important topic to us. Vilpak operates according to the highest standards on food safety and hygiene management to fulfill and exceed existing legal requirements and the demands and expectations of our customers and end-users. The demands we place on ourselves on a routine basis, along with the strict instructions that surround our operations, are the same ones we place on our suppliers and visitors. Because of this, we always ensure that the only people in our manufacturing spaces are those authorized to be there.

When it comes to product safety, we comply with the following international standards and develop them further if required:

GMP (Good Manufacturing Practice) is a key principle for safe food packaging. GMP regulations are maintained constantly concerning sanitation, cleanliness, process validation, equipment verification, employee qualifications, record keeping, complaint handling, etc.

BRC Global Standard Packaging Materials demonstrate our compliance in hazard and risk management, hygiene, product safety, and quality systems. By obtaining certification, and being regularly audited to this standard, we demonstrate our commitment to our customers to producing safe, functional, and legal products.

HACCP (Hazard Analysis and Critical Control Points) - we have implemented a systematic preventive approach to food safety from biological, chemical, and physical hazards in production processes that may cause the finished product to be unsafe. As a result we have designed and implemented measures to reduce these risks to a safe level.

FSC certification: Chain of Custody - allows us to demonstrate the responsible origin of paper products. With FSC certification, Vilpak's customers and end-users of certain packaging can be assured that we use fiber from responsibly managed forests. The FSC Chain-of-Custody certification traces the path of products from forests through the supply chain, verifying that

FSC-certified material is identified or kept separated from non-certified material throughout the chain.

With Halal certification Vilpak ensures that products and services aimed at the Muslim population meet the requirements of Islamic law and are therefore suitable for consumption in both Muslim-majority countries and in Western countries where there are significant population groups practicing the Islamic faith.

In 2022 Vilpak received A score in grading scale for BRC audits.

And internal review system is in place to ensure that all standards are adhered to and that they are effective. Vilpak maintains a suite of applications that ensure quality and consistency in our products and processes:

- Complaint Response/Corrective Action Systems
- Internal Corrective and Prevention Action Systems
- Audit Management System
- Equipment Calibration Systems
- Supplier Management Systems
- Management Review System
- Documentation Management System
- Training Management System

Vilpak has a functioning non-compliance management system in place consisting of: design, documentation, implementation, auditing, and continuous improvement combined with a clear understanding of the process and process objectives through training, communication, and a supportive culture. All employees are required to report non-conformities and potential non-conformities by recording them in the business management application. It is the migration of non-conformance management to the ERP application that has enabled greater involvement of all employees in the procedures for recording and resolving non-conformities. This solution has shortened the recording path, empowered employees, and ensured a smoother and cleaner non-conformity management process. Non-conformance management is a key Quality Management System performance indicator and can quickly identify systemic issues within the Company, therefore, it is one of our major priorities.

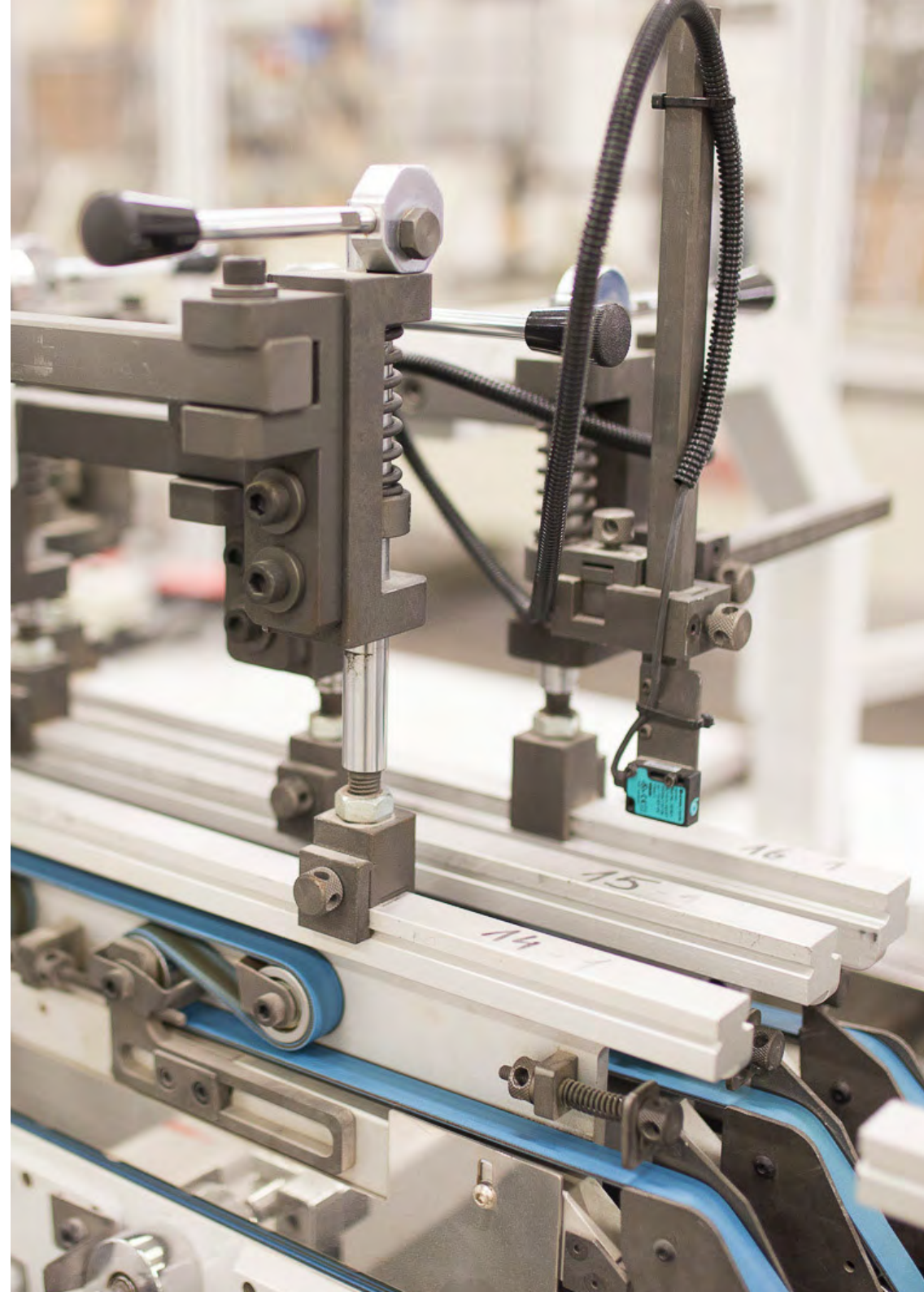
In the past year, we experienced 124 cases of product quality non-conformance, of which 37 were internal cases (recorded on site), and the rest were external (customer complaints) and supplier non-conformities representing 0.68% of annual sales. During 2022 we managed to increase non-conformance management effectiveness and efficiency, both: internal and external, as losses due to non-conformance issues from turnover shifted from 1.01% in 2021 to 0.68% in 2022.

There were no incidents of non-compliance concerning the health and safety impacts of products and services.

The quality control laboratory project started in 2021 has been delayed due to staff changes and other unforeseen reasons, but it is expected to be implemented in 2023.

The quality and condition of the packaging and the products it contains can be influenced by many factors, and the tracking and acquisition of measurement equipment and technology remain under constant review without any glitches.





Human rights

We maintain a fair environment for all people and value diversity, equality, and inclusion, which is reflected in our Code of Conduct and policies. To govern business and drive success, consistent with the principles of this Code of Conduct, the company has adopted a supporting document - "Equality and Diversity policy". We are committed to equal opportunity employment and demonstrate respect for cultural diversity values, gender equality, age, and personal choices.

We are committed to respecting human rights. In our role as an employer and as a user and provider of services, we seek to respect human rights as a key element of conducting business responsibly. We consider human rights issues in our risk management processes and in the procurement of goods and services, and we recognize our responsibilities as an employer. We support this goal and work with our partners to strengthen the protection of human rights throughout the value chain. Protection of human rights is part of our social responsibility. Equally, we also expect our business partners to recognize and uphold human rights.

Our company success is first and foremost based on honesty, meaning responsibility for people and society is a highly significant pillar of our business model.

In 2022 no incidents of discrimination or harassment were reported or occurred at Vilpak. In 2022, all employees of the company were trained on the ethics of behavior, and the company also approved and familiarized all employees with the Violence and Harassment Prevention Procedure.

Working conditions and well-being of employees

Nurturing a culture that gives employees a strong sense of belonging is a major driving force behind our business. Our workplace embeds our values, balances flexibility, and focuses on performance, trust, and empowerment. This not only increases our employees' productivity, but also creates a competitive advantage to attract potential candidates to join our company while retaining our existing talent pool.

It is important for us that employees not only become acquainted with the processes that take place in the company, but also become part of the team after understanding the company's culture and values.

Vilpak is committed to ensuring our compliance with all applicable laws, regulations, and other employment standards.

Vilpak's total number of employees as of December 31, 2022 was 93, (in December 31, 2021 that number was 103). We had 38 newcomers in 2022 and 48 employees left our company. The employment contracts of 10 employees were terminated in compliance with all legal laws, as redundant positions were reviewed and processes were optimized. The general employee retention rate was 48,4 %.

Below is provided information on the split by gender and type of employment:

Open-ended employment contract		Fixed-term employment contract	
56 Male	42 Female	0 Male	0 Female

Full-time employment		Part-time employment	
54 Male	39 Female	2 Male	3 Female

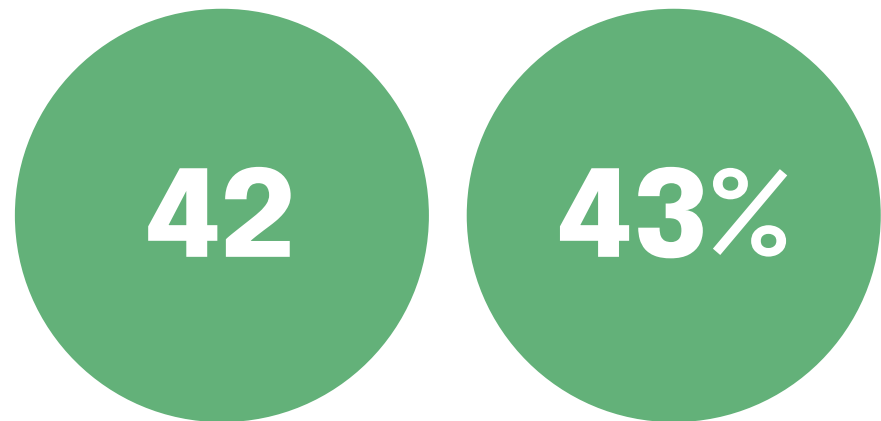
We understand the importance of balancing the demands of work and personal life to ensure a productive and motivated workforce. We focus on creating the best possible working conditions for our people. This includes physical, mental, and financial well-being. For employees we create conditions to learn and grow together with the company.

Below provided information on split by gender and type of employment:

Male



Female



All employees			Female	Male	
Total		Pcs.	98		
By Gender		Pcs.	42	56	
		%	43%	57%	
Employee category	Workers (34)	%	68%	32%	
	Skilled workers (27)		8%	92%	
	Specialists (25)		60%	40%	
	Top managers (11)		36%	64%	
	Top level manager (1)		0%	100%	
By Age Group			Under 30 years old	30-50 years old	Over 50 years old
Employee category	Workers	%	42%	26%	32%
	Skilled workers		41%	55%	4%
	Specialists		20%	76%	4%
	Top managers		27%	73%	0%
	Top level manager		0%	100%	0%
New Employee hires			Female	Male	
Total		Pcs.	38		
By Gender		Pcs.	16	22	
		%	42%	58%	
By Age Group	Under 30 years old	Pcs.	5	14	
		%	31%	69%	
	30-50 years old	Pcs.	11	4	
		%	69%	31%	
	Over 50 years old	Pcs.	3	1	
		%	75%	25%	

Employee turnover			Female	Male
Total		Pcs.		48
By Gender		Pcs.	17	31
		%	37%	63%
By Age Group	Under 30 years old	Pcs.	6	12
		%	33%	67%
	30-50 years old	Pcs.	10	18
		%	33%	67%
	Over 50 years old	Pcs.	2	0
		%	100%	0%
Annual turnover rate		%		49,00%
Average salary by employee category, Eur				
Employee category	Female	Male	2022 Female	2022 Male
Top Managers	4	7	3 636,00 €	4 050,00 €
Specialists	16	9	2 198,00 €	2 401,00 €
Skilled workers	2	25	1 604,00 €	1 870,00 €
Workers	20	14	1 336,00 €	1 535,00 €
Training participation per employee category			Women	Man
Total participation		%		79%
Employee category	Workers	%	12%	14%
	Skilled workers		8%	12%
	Specialists		12%	8%
	Top managers		6%	6%
	Top level manager (1)		0%	1%
Average learning time by gender and employee category				
Employee category	Workers (29)	Hours	3	
	Skilled workers (24)		3	
	Specialists (25)		6	
	Top managers (11)		16	
	Top level managers (1)		36	
By Gender	Female	Hours	12	
	Male		14	

In 2022 the annual total compensation ratio was 1:0,45 for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual).

In the future, our goal is to significantly reduce the employee turnover rate, especially in „workers“ positions by improving the recruitment process and conducting exit interviews with each departing employee and analyzing the data uncovered. The survey of departing employees and the revealed data will serve for identification and better understanding of the real reasons for employee departures and will facilitate any changes that need to be made. Also, we strive to reach a better balance between women and men in top management positions. Salary mapping in 2022 showed some gender wage gaps between women and men for comparable occupational groups. Compared to previous reporting period, gender wage gap decreased from 17% to 11%.

In the coming years our aim at Vilpak will be to ensure equal wage development opportunities for women and men by conducting gender pay gap analysis and evaluating the remediation options available.

Some of the workplace functions are performed by external contractors: cleaning services, reconstruction works, occupational safety and health service, etc. We strive to ensure that all persons working in the premises and territory of our company are acquainted with the applicable procedures and workplace safety requirements.



Remuneration system

To ensure a competitive compensation structure, we regularly review our compensation policy based on data analyses and benchmarks.

We regularly provide feedback to our employees. The Performance Management Process ensures that in addition to this regular feedback, a meeting is held once a year to evaluate our employees' overall performance. Our people managers and their employees agree on individual annual goals. The annual bonus depends on individual performance and achievement. Additionally, the bonus calculation also reflects the company's overall performance, which we determine using various company key indicators.

The following essential criteria are considered in determining the remuneration of our company's employees:

1. Qualifications and competencies for the relevant position.
2. Position / career level.
3. Responsibility, complexity of work, and contribution to the company's operations.
4. Personal achievements.
5. Benchmark salary level.

We apply the whole concept of remuneration, which consists of the following components: the basic salary, a variable part of the remuneration paid for the results achieved, additional benefits (these are programs that create social welfare for employees and promote loyalty, in addition to basic and variable pay).

Remuneration of employees is reviewed once a year. In 2022, after reviewing the salaries of our company's employees, they were increased by an average of 12%.

In 2022 100% of our employees received annual performance and career development review.

Health and safety

Health and safety - is a main priority for the entire company. We take responsibility for the health and safety of our employees every single day. Because we want to prevent health issues from arising in the first place, we do a great deal to safeguard our people against both accidents and work-related illnesses. ISO 45001: Occupational Health and Safety Standard is in place since 2021 issued to protect employees and visitors from work-related accidents and diseases.

We seek to promote the health and well-being of our employees and sustain their ability to perform over the long term, all of which necessitates a safe workplace. We are therefore constantly working to take our health and safety culture to the next level.

Our company is committed to follow legal occupational safety and health regulations and create a hazard-free workplace. We have processes and procedures required to meet the legal requirements. Arrangements to control health and safety risks are put in place. Employee health and safety at work policy helps us preserve the best possible work conditions for our employees and applies to all prospective and current employees of the company as well as contractors and consultants. Our health and safety at work policy sets out the company's general approach to health and safety, and covers these main areas: preventative action; emergency management; safety training; environmental control; safe place of work; fire safety and prevention; first aid procedures and accident reporting. We conduct periodical risk assessments and job hazard analysis to discover what is likely to harm employees and establish preventative measures accordingly. We provide protective gear like gloves, protective uniforms, goggles etc. Using safety equipment is obligatory at the company.

Potential threats and work-related hazards that pose a risk of high-consequence injury have been identified: performing tasks on heights, scaffolds, ladders and other unsteady structures; chemical substances (toxic, flammable etc.); operating dangerous equipment; Slippery or uneven surfaces; electrical infrastructure; excessive workload demands; tripping hazards; exposure to flammable materials. Threats have been determined based on the likelihood that the threat will take place at the company and the impact if and when it does.

Occupational safety audits are performed periodically. We review work place incidents, by consistent reporting, investigation, and identification of opportunities for improvement. Our work equipment is regularly inspected to ensure safety of operation. There are clear instructions or warning signs in a language understood by all employees on the

relevant work equipment. Employees receive the necessary information regarding the safe use of work equipment, they are trained in the workplace and instructed on proper use procedures, i.e. employees are aware of the potential hazards. Employees training sessions in health & safety standards and procedures are hold on regular basis.

During 2022, there was 2 accidents recorded throughout the company (injury type - forearm tendon sprain, avulsive finger fracture). The lost time injury (LTI) is the industry indicator used to gauge the success of our occupational safety efforts. In 2022, LTI was 67 working days with a lost time injury frequency rate of (LTIFR) 6.2.

We implemented a new process - monthly health and safety internal audit based on a standard questionnaire, checking how employees comply with the health and safety requirements at the workplace.

We also have partners outsourced to UAB Tuvlita that help ensure we meet all the necessary requirements related to employee safety and health.



Benefits for employees

We provide additional social guarantees to our employees; we want to contribute to their financial and non-financial well-being:

- ↑ On the occasion of the employee's wedding, the employee is granted 2 calendar days of paid leave.
- ↑ Upon the death of the employee's father, mother, spouse (partner), child (adopted child), brother, sister, grandmother, grandfather, the employee is granted 2 calendar days of paid leave.
- ↑ From the first day of work, all employees of the company are insured against accidents. The insurance is valid not only during working days, but at all times, both in Lithuania and abroad. Therefore, even during a holiday period our employees can feel safe.
- ↑ Each member of our team celebrating their anniversary (20, 30, 40, 50, 60, 70 years) receives a gift.
- ↑ Each member of our team receives a special gift for uninterrupted work in the company (3, 5, 10, 15, 20, 25 years).
- ↑ Employee competencies and knowledge are an important area in which we constantly invest. We regularly organize various additional trainings for improvement, development of new skills: training for newcomers, product quality assurance training, H&S, sales, personal effectiveness training.
- ↑ Each member of our team is encouraged to continually raise their competencies and gain additional knowledge. In addition to the basic and mandatory training that our employees must attend, we organize additional trainings and other personal development activities.

There is no collective bargaining agreement at Vilpak. In accordance with national law requirements, a works council was established at Vilpak in 2018 with the purpose of informing and consulting employees. It is selected by the workforce for a three-year term of office.

Contribution to communities

We strive to have a strong sense of good corporate citizen spread throughout the company. We look for and listen to expectations and demands of our society and most vulnerable groups, and have them reflected in our business operations and social contribution activities with a view to helping offering solutions to problems of the society. We also believe that community involvement increases employee satisfaction and retention rate as they know that they are working for a socially responsible enterprise.

During the reporting period our company contributed to local communities:



23K

Monetary contributions, eur



0

Time contributions, hours

We introduce our contribution to societies and local communities in these main categories:

Voluntary activities:

Our employees contributed their own time to organise and participate in volunteering activity collecting candles/paraffin and tin cans for making the „trench candles“ for the Ukrainian defenders. 3 kilograms of paraffin wax and six large sacks of tin cans have been delivered to the collection point.

Supports through donation:

The Company donated EUR 5 k to non-profit, non-government organization „Kraujas“, working in medical field which unites patients with oncohematological diseases, their relatives, medicine specialists and everyone who support the ideas of its activities, volunteering and bone marrow and blood donation.

Supporting people affected by the war in Ukraine:

The Company with its partners donated a support for Ukraine in the form of medical stock as humanitarian assistance. The total value of such stock donated is EUR 18 k.

Development of the next generation:

The Company with its partner actively supports young people who aim to develop complex and creative thinking through established scholarship and annually awards the participants of the contest “School citizenship awards”, who took the first three places.


Economic and governance pillar

07

Transparent governance

At Vilpak, the transparency principal in corporate governance refers to the openness to disclose financial performance figures and a willingness by the company to provide relevant and reliable information to all stakeholders; employees, customers, suppliers, etc.

Vilpak acts through company policies and procedures with transparency, integrity, and responsibility, ensuring relevance and timely updating of these internal documents.



All employees working on behalf of Vilpak must follow a set Code of Conduct in their daily activities and conduct their business with ethics, integrity, and transparency and in full compliance with all applicable laws (more about Code of Conduct in page 25-27).

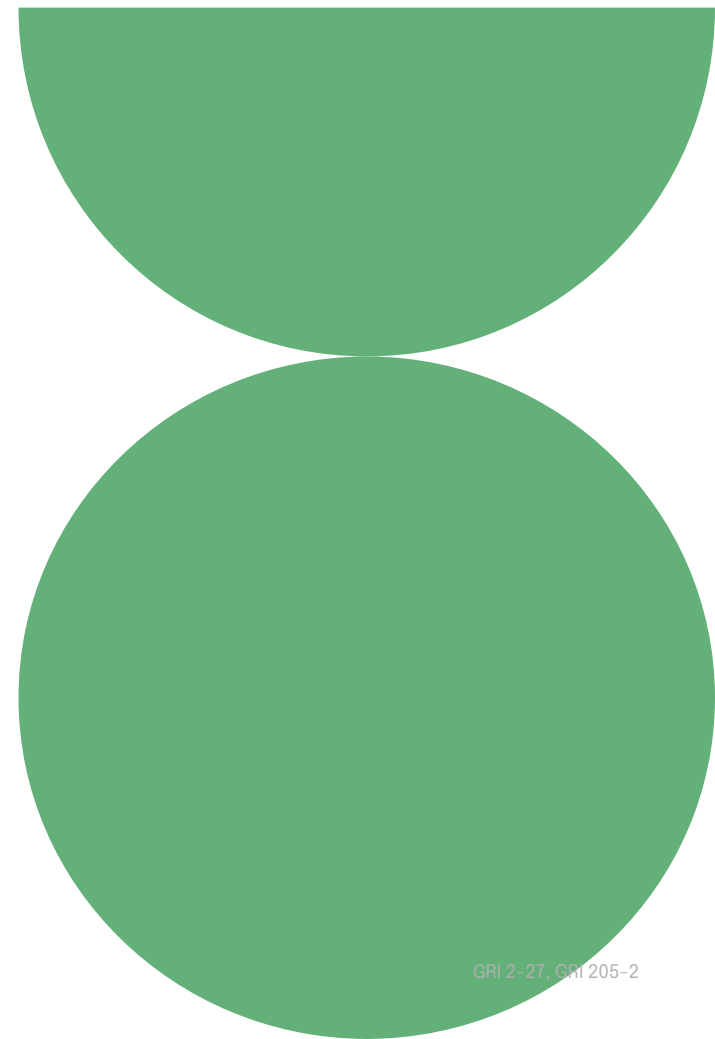
Since 2021, the company's top managers made a decision to make one further step towards more transparent governance, this was done through voluntary non-financial disclosure of the company's performance based on three pillars: environmental, social, and economic (governance). Our sustainability report is published on our website and is available for all of our stakeholders.

Annual reports, audited by a third party, provide assurance for our shareholders and other stakeholders, such as employees, customers, suppliers, etc. that the responsible company bodies have presented accurate and reliable information on the company's financial performance and position.

Compliance audits are performed on a regular basis to determine whether a company is adhering to the terms of certain certification regulations.

At Vilpak, we create open and transparent inside and outside communication with all interested parties; such communication practices have become a core part of our general company corporate governance policy. Company performance and other results are introduced and communicated on a monthly basis to one of our key stakeholder groups - our employees.

No significant instances of non-compliance with laws and regulations, and no fines were paid during the reporting period. The company constantly updates and publishes information relevant to stakeholders on its website www.vilpak.lt



Financial self-sustainability



Vilpak pays the utmost attention to its financial performance and uses a number of key metrics to monitor and evaluate this performance. The main task is to be financially self-sustainable and ensure viable supported growth.

One of the key metrics aiding the above task is EBITDA profitability, a figure which doubled and reached 10% in 2022. The profitability increased substantially from 2021 when it was very much affected by the global COVID-19 pandemic, influencing rapid growth in the price of raw materials as well as transportation costs. Financial performance in 2022 in turn was affected by the war and its damaging effect on energy prices and overall shifts in consumer markets.

Vilpak has achieved significant growth in the past 5 years, doubling its turnover (from net turnover of EUR 8 mil in 2018 to EUR 16 mil in 2022), which in any normal circumstances places pressure on working capital resources. In order to maintain sustainable growth, Vilpak pays much attention to monitoring its working capital composition, change, and ratios. The monitoring is conducted on a daily basis and is discussed among management in order to determine if any action needs to be taken. Due to such close monitoring and actions taken, Vilpak has managed to reduce its working capital ratio from 11% in 2021 to 9% in 2022, which is an evidence of healthy financial performance.

Effectiveness is also key for a sustainable business development. As a result, Vilpak monitors its efficiency levels, keeps track of any changes, and has established key performance indicators for valuation of such efficiency. Efficiency by Vilpak is calculated as throughput divided by the operating expenses ratio. The higher the ratio, the better Vilpak's performance. In 2022 the company managed to reach a ratio of 1.31. This was done via several strategies, such as investments in more effective machinery, reducing the volume of production waste, reducing unnecessary operational expenses, and attracting new clients. The ratio is measured at least once every month and communicated to management. The quarterly ratio is also communicated to all employees through the company's quarterly management report.

Additionally, Vilpak monitors its cash-flow management through selecting the main criteria for upkeeping a healthy cash flow: absence of debts that are overdue more than 30 days, timely payments to suppliers (no later than 14 days past due term), bank financing used to ensure a healthy and sustainable cash flow. In 2022 Vilpak had a goal to keep no more than EUR 1,4 mil in the form of raw materials in an attempt to reduce overstocking.

All the above indicated key metrics help Vilpak ensure the risks related to unbalanced growth are mitigated and sustainable financial performance is ensured.

Vilpak key financial indicators can be summarized as follows:

Key financial figures	2022	2021	2020
Total income	16 675 770	13 143 353	13 726 313
Operating profit before amortization and impairment (EBITDA)	1 668 985	701 067	971 277
EBITDA profitability, %	10%	5%	7%
Operating profit (EBIT)	394 039	(109 187)	495 484
Profit/(loss) before tax	333 775	(139 380)	467 315
Turnover capital ratio, %	9%	11%	15%
Efficiency ratio, Eur	1,31	1,19	1,41
Inventory turnover, days	42,9	73	73

In 2022, Vilpak paid Eur 974 k to government in the form of taxes, EUR 2,34 mil in gross employee wages and benefits and payroll taxes, EUR 1,45 mil in operating expenses, national procurement spend amounted EUR 6,1 mil (excluding VAT). In comparison with the previous reporting period, amount paid in the form of taxes to government increased 35,1%, gross employee wages and benefits and payroll taxes increased 19,4%. Amount spent to national procurement decreased very slightly approximately 3,2%.

Market development

The global folding cartons market size is expected to witness significant growth and register a CAGR of 4.65% over the forecast period (2019-2027). Folding cartons find applications in multiple industries which is fueling demand and eventually driving the market growth. This is expected to hinder the demand for folding cartons, subsequently affecting the market growth.

Vilpak's strategic markets are the Baltics, Scandinavia and Western European countries, we focus on primary packaging solutions especially for the food industry. We have a strong sales team which is focusing on new business development and onboarding new customers. In the future we will remain focused on remaining visibly active in the market.

At the same time, our customer sales service team is very much focused on providing the best customer experience and fast response times when it comes to any questions which may arise the journey, from request to order delivery. We will offer personal care and a well-developed self-service IT portal. We will commit to providing our clients with the best possible service.

Regulatory compliance and taxes

Regulatory compliance and timely payment of taxes is regarded as a non-negotiable must for every sustainable business. Vilpak has always made it clear that cooperation with governing bodies, compliance with all tax and other laws, along with being consistently transparent, is at the core of its identity. Being part of 'Clear Wave', a collective action initiative to promote business integrity and transparency, Vilpak promotes the same values in its day-to-day business activities as well as in all communication with internal and external partners.

In 2022 Vilpak has paid a total of EUR 466 k of taxes to the Tax Authority and EUR 508 k to the State Social Insurance Fund. In comparison with the previous reporting period, paid taxes to the Tax Authority increased 69,5 %, while to the State Social Insurance Fund 13,9 %. The information is publicly available and can be accessed by any user.

Data protection and privacy

Ensuring the protection of our information and systems and that of our customers and other stakeholders is of critical importance. Transparency and data privacy play a central role in Vilpak's relationships with its customers and partners, and internal stakeholders. Since the entry into force of the General Data Protection Regulation (GDPR) in 2018, the processing of personal data has become even more important, both within the company as well as externally with regard to data flows. Vilpak is therefore committed to handling personal data with the utmost care. All employees are trained in the respectful handling of personal and operational data in accordance with the applicable rules and regulations. The company considers data privacy to be more than a legal requirement; it is an integral part of our business practices. To underline this approach, the procedures were anchored in the internal rules for data privacy and therefore our Information management policy serves as a blueprint for all employees while handling information and data. Information management policy gives our employees direction for creating, capturing and managing information assets (records, information and data) to satisfy business, legal and stakeholder requirements. It also assigns responsibilities across the company.

Ensuring IT security we maintain organizational, process-related and technical information security countermeasures.

Vilpak is supported by local data protection partners (coordinators) who ensure data privacy compliance in accordance with the GDPR and all other applicable local regulations. Vilpak has standard procedures for handling data subject requests and data breaches, as well as for recording complaints. We manage and maintain following technical and organizational security measures to protect data against accidental or intentional destruction, manipulation, loss or access by unauthorized parties:

- Employment of harmonized electronic and physical security controls
- Proactive monitoring
- Protection of networks by setting up firewalls and encrypting information
- Security frameworks
- Internal risk assessments to address any potential threat scenario for privacy and incidents

We registered no sanctioned complaints or incidents concerning breaches of customer privacy, data leaks, theft or loss of customer data in 2022.



Sustainable solutions and innovation

We aim to take over the market share from plastic packaging manufacturers by offering customers sustainable cardboard packaging from recyclable, or easily recyclable materials. We are looking for ways to reduce the size of composite packaging in the marketplace using innovative materials.

Together with our customers, we are improving packaging with the end goal of increasing the amount of packaging using less, or the same amount of recyclable or environmentally friendly materials.

We help find solutions by reducing the amount of secondary or tertiary packaging, moving functionality to primary packaging, or reducing the physical burden on employees when packaging products. Thus, the path of packaging development and production is shortened, less time is spent preparing for work and approving work with the customer.

Hexagonal salad bowl:

Together with our Customer we developed a cardboard conical hexagonal bowl, which has changed the plastic bowl packaging in their product range. Packaging has a thin PE barrier and a lid with a removable see through plastic window to keep the appeal and selling point of the packed product.

This packaging is now introduced in the retail shops as more environmentally friendly salad bowl packaging solution compared to the more common plastic bowl.



Easy peel SkinPads:

In 2022 we received feedback from customers, that our Skinpad solution was good, though the separation of the recyclable plastic film was not intuitive to remove for the end user. We have responded and introduced an “Easy peel” tab solution to Our Skinpad product, which fixed the problem of separation of plastic from cardboard. This is what separates us from the market, as our competitors are still struggling with this.

Flour mix packaging:

We had a request from our customer, to help them pack a flour mix with perfect seal ability. We went into research and came up with the idea which is being developed furthermore in 2023. The idea is that we insert and glue a thin paper bag in the cardboard box, which will be sealed shut in the customers machine after the flour is poured. The idea was accepted, and we are in search of a machinery setup, to start producing the packaging.



Responsible investment

We incorporate ESG aspects including climate criteria within the investment process to better manage nonfinancial risks and consider new investment opportunities that also support sustainable development and a low-carbon future, and its return on investments. One of the means through which Vilpak managed to achieve almost double growth in size in the last 5 years is through significant investments in technologies that support renewable energy use, are energy efficient, help to reduce manual labor, and help to scale up production through the digitization processes. In 2022, Vilpak has invested a total of EUR 0,8 mil in such technologies. An important takeaway from total investments.

Main investments in 2022	EUR
Machine for forming and gleuing top seal punnets	122 000
Investments into building infrastructure, exterior	123 000
Automation of forming machine output streams	119 000
Other tools, equipment and machinery	463 000
Total:	827 000
Total:	1 488 159

The main investments plans for 2023 are:

- Investments in two units of new packing machinery, EUR 300 k;
- Investments in building infrastructure, EUR 150 k;
- Investments in tools, renovations of machinery, EUR 250 k;
- Investments in laboratory equipment, EUR 50 k;
- Investments in digitization of invoices, EUR 20 k.

In 2022, Vilpak finalized implementation of its project “Introduction of industrial digitalization technologies in Vilpak production processes”, which was started in 2019 and is partially financed by EU structural funds through subsidies received. In 2022, Vilpak received in total EUR 46 k as subsidies for this project, mainly for financing the acquisition of the ERP system, Business Central. Additionally, in 2022 Vilpak has finalized its project „Automation of Vilpak processes by implementation of client self service solution“ and received in total EUR 49 k as a subsidy for this project from EU structural funds.

Total investments in 2023 are planned to reach at least EUR 770 k.

Environmental pillar

08

Energy, emissions and environmental compliance

Climate change is one of the greatest challenges of our time, and only proactive actions towards emissions reduction are the path to a healthier environment and stronger business performance. We want to play our part to meet the requirements of the Paris Agreement, which aims to limit global warming to 1.5 degrees. Therefore, we are reducing our process-related emissions, improving our energy efficiency, and in 2020 we signed our first power purchase agreement, purchasing 100% of our electricity requirements from renewable sources. In 2022 Vilpak generated and consumed 357 359 kWh electricity from installed 500 kW solar panels on site which accounts for around 21% of overall electricity consumption.

Vilpak's emission calculations are based on the GHG Protocol and in accordance with the INTEGRAF standard ISO 14064-1 / ISO 16759 and approved by a third party. The scope of this calculation covers the activities Carton Packaging / Preprint, Printing, Finishing, Logistics and Expedition in the business category of >50 employees. GHG emissions are expressed as a carbon dioxide equivalent (CO₂e). Using CO₂e as a unit of measurement allows different GHGs to be compared on a like-for-like basis, relative to one unit of carbon dioxide. Emissions of CO₂e are based on the seven GHGs identified by the Kyoto Protocol: Carbon dioxide (CO₂); Methane (CH₄); Nitrous oxide (N₂O); Hydrofluorocarbons (HFCs); Perfluorocarbons (PFCs); Sulphur hexafluoride (SF₆); Nitrogen trifluoride (NF₃).

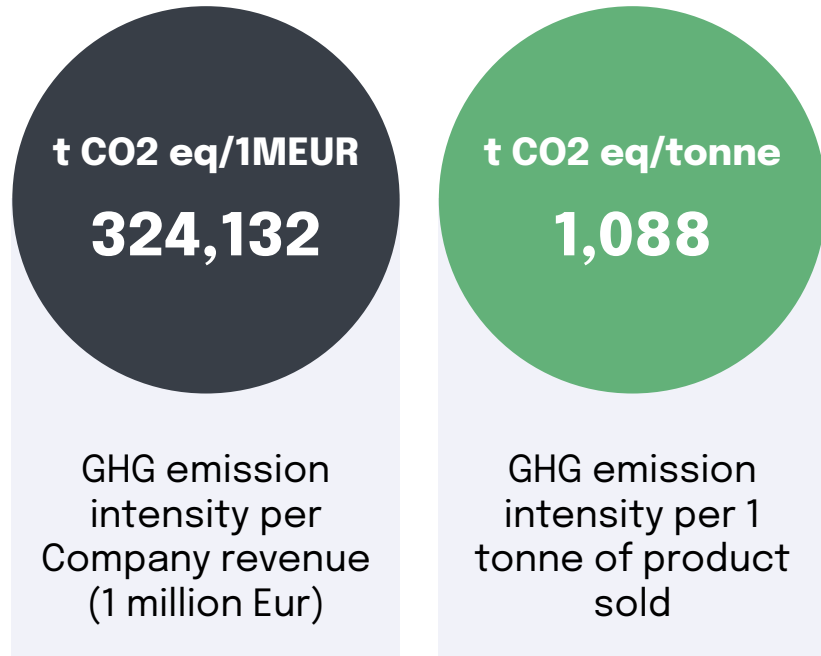
Same as in the previous reporting period, in 2022 the carbon emissions (Scope 1 and Scope 2) accounted for 2% of overall company emissions. Therefore, the value chain plays a significant role in the overall reduction of CO₂ emissions.

The emissions of our value chain (Scope 3) make up 98% of all our fossil-based carbon dioxide emissions. A significant portion of the emissions in our value chain is attributable to the purchase of key raw materials (cardboard, ink, varnish, plates and cylinders), along with the upstream and downstream transportation emissions involved. The reduction of these emissions is more challenging for us than the measures pertaining to our own operations.

In 2022, we succeeded in reducing our total greenhouse gas emissions (Scope 1, 2 and 3) almost around 38% - while at the same time achieving dynamic growth in our business. We are well on track reducing emissions not only that are directly linked to our operations, but also through our supply chain.

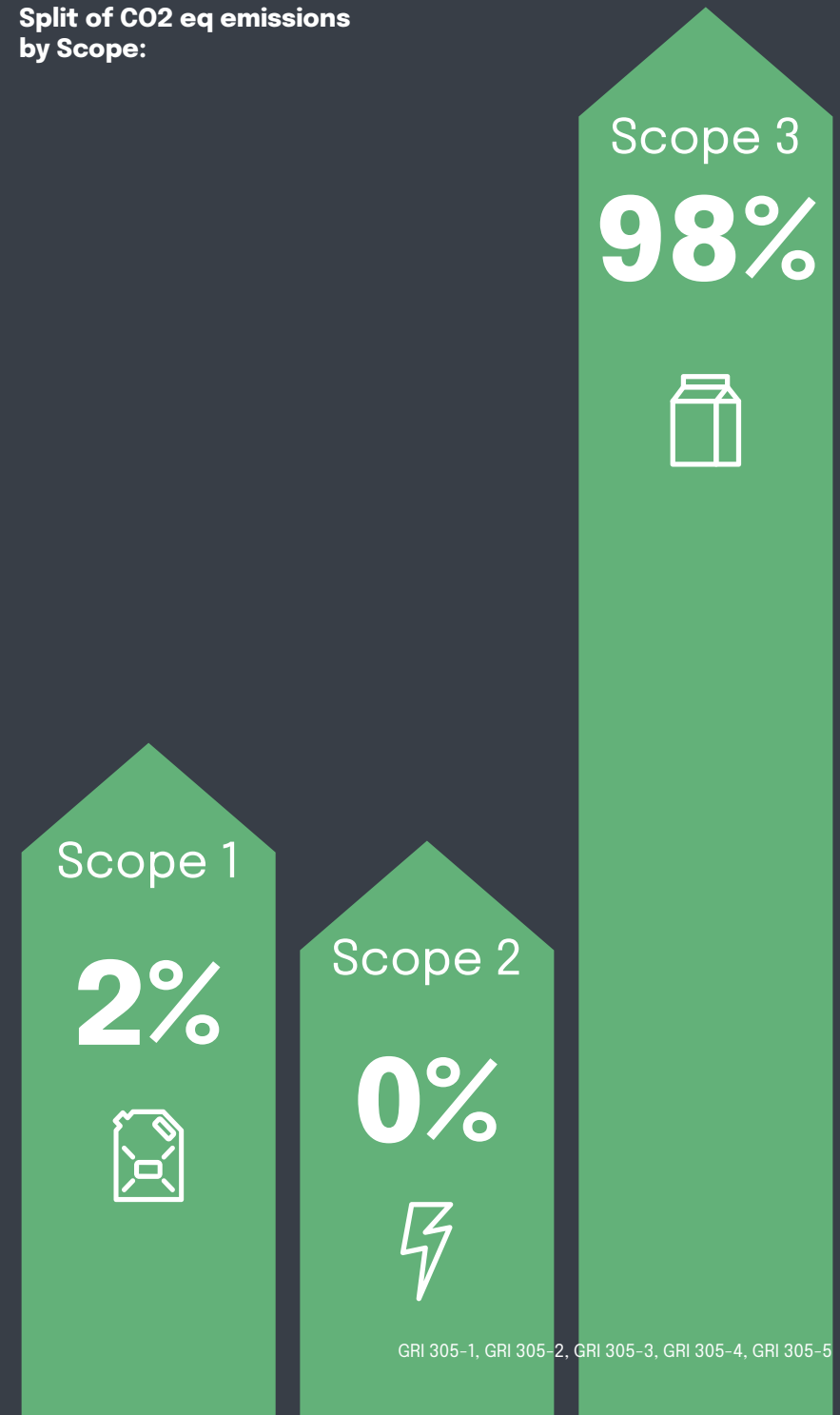
Key performance indicator	Unit	2022	2021 (base year)
TOTAL GHG emissions		5413 t CO₂ eq	8774 t CO₂ eq
Scope 1 (Direct) GHG emissions		112 t CO₂ eq	181 t CO₂ eq
Burning of fuel in stationary burning units at the company	t CO ₂ eq	88	156
Burning of fuel in own or leased vehicles	t CO ₂ eq	24	25
Emissions from air conditioning	t CO ₂ eq	0	0
Emissions from fire suppression systems	t CO ₂ eq	0	0
Scope 2 (Indirect) GHG emissions		0 t CO₂ eq	0 t CO₂ eq
Purchase of electricity (market-based method)	t CO ₂ eq	0	0
Scope 3 (Other Indirect) GHG emissions		5300 t CO₂ eq	8593 t CO₂ eq
Upstream emissions of purchased electricity	t CO ₂ eq	37	55
Emissions from transmission and distribution losses	t CO ₂ eq	4	6
Production of paper and other substrate	t CO ₂ eq	3492	6387
Transportation of paper and other substrate (incl. upstream)	t CO ₂ eq	682	947
Production of printing ink and varnish	t CO ₂ eq	173	181
Production of PE- and cardboard packing	t CO ₂ eq	243	252
Transportation of products to and from sub-supplier	t CO ₂ eq	0	0
Transportation of products to the customer	t CO ₂ eq	406	415
Production of fountain solution and cleaning agents	t CO ₂ eq	16	15
Production of plates and cylinders	t CO ₂ eq	190	266
Employee's commuting to and from work (incl. upstream)	t CO ₂ eq	31	27
Emissions from production of purchased fuel	t CO ₂ eq	26	42

GHG emissions intensity:



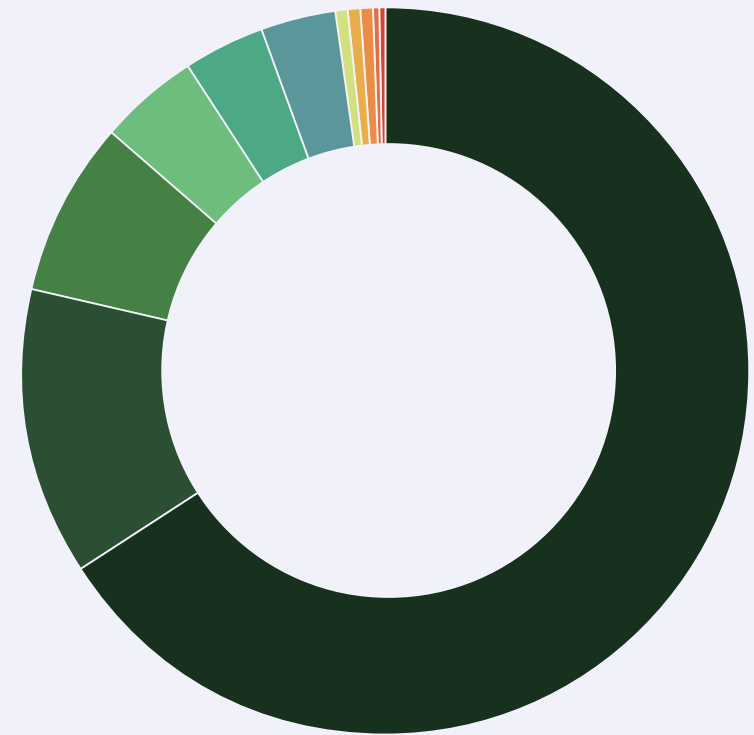
An intensity ratio defines an organization's GHG emissions in the context of an organization-specific metric. Intensity is calculated by dividing the absolute emissions (the numerator) by an organization-specific metric (the denominator). The revenues approach offers a good indication of output efficiency as revenues are a good proxy for production and indicate how operationally efficient the portfolio of a company is in terms of carbon emitted per unit of output. The product approach helps state the GHG emissions balance of product and accounts for both direct and indirect emissions. If the company will change suppliers or switch to other raw materials this will have a direct impact on its GHG emission balance and this change significantly effected our emission intensity reduction. During the reporting period we managed to reduce our GHG emission intensity per company revenue around 51% from 667,562 in 2021 to 324,132 in 2022, while GHG emission intensity per 1 tonne of product sold decreased around 26% from 1,469 in 2021 to 1,088 in 2022.

Split of CO2 eq emissions by Scope:



Split of Scope 3 emissions

Upstream emissions of purchased electricity	0,70%
Emissions from transmission and distribution losses	0,08%
Production of paper and other substrate	65,89%
Transportation of paper and other substrate (incl. upstream)	12,87%
Production of printing ink and varnish	3,26%
Production of PE- and cardboard packing	4,58%
Transportation of products to and from sub-supplier	0,00%
Transportation of products to the customer	7,66%
Production of fountain solution and cleaning agents	0,30%
Production of plates and cylinders	3,58%
Employees commuting to and from work (incl. upstream)	0,58%
Emissions from production of purchased fuel	0,49%



- Production of paper and other substrate
- Transportation of paper and other substrate (incl. upstream)
- Transportation of products to the customer
- Production of PE- and cardboard packing
- Production of plates and cylinders
- Production of printing ink and varnish
- Upstream emissions of purchased electricity
- Employee's commuting to and from work (incl. upstream)
- Emissions from production of purchased fuel
- Production of fountain solution and cleaning agents
- Emissions from transmission and distribution losses
- Transportation of products to and from sub-supplier

Environmental compliance is a material topic for Vilpak operations, ensuring it maintains an Environmental Management System and conforms to ISO 14001 certification on site. Vilpak strives for full legal and regulatory compliance, which is a prerequisite and the foundation of its business. The Corporate Management System is maintained by the Quality & Standards department and audited by external parties as part of the ongoing ISO certification efforts. Internal audits and regular reviews of environmental performance are conducted in order to support the continuous improvement of the management system and its implementation.

We understand that manufacturing processes can have a negative impact on the environment, particularly through emissions, landfill waste, etc. Our site is located in an industrial area and we are confident that our manufacturing site does not have a direct negative impact on biodiversity. Nonetheless, we are constantly monitoring our activities and working to improve our environmental performance.

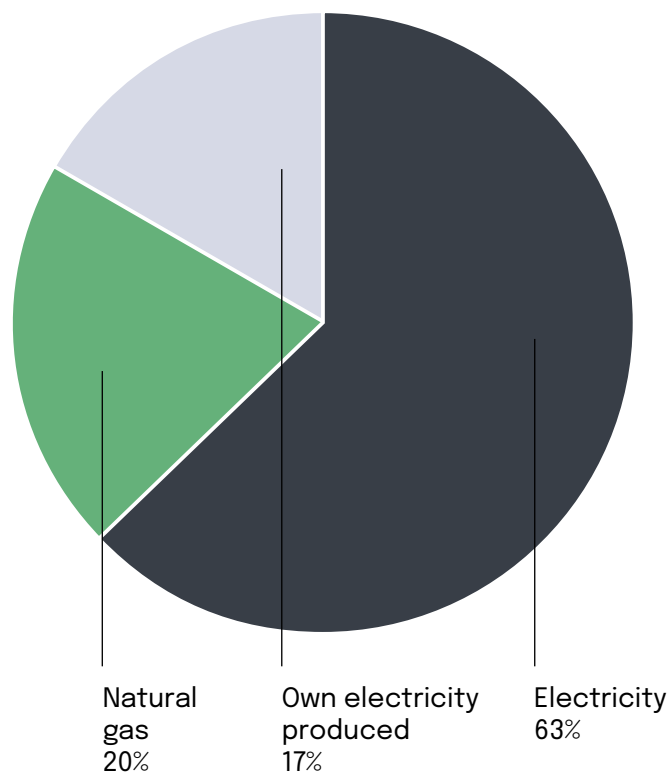
In 2022, no violations of environmental laws and regulations occurred on site.



Management of resources

As a production company the main resource used by Vilpak is electricity. Electricity, in its main use, is employed to power all of the production machinery and equipment.

Electricity	Units	Quantity in 2022	Quantity in 2021
Electricity	MWh	1355	1 417
Natural Gas	MWh	443	785
Own electricity produced	MWh	357	393
Water	m3	2598	1 895
Fuel (LPG, Petrol, Gas, Diesel)	l	9 518	9 908



To minimize the expenses on energy through long time savings, increase resilience reducing the reliance for power from the grid, and meet environmental goals, Vilpak has invested in its own solar plant, which has already been discussed in greater detail in this report. The total energy produced in 2022 in the company's solar power plant amounted to 357 MWh, while energy purchased was 1 355 MWh, this means that Vilpak currently produces around 21% of its total energy used. Almost the same ratio we had in 2022, i.e. 22%. All of the energy bought externally by Vilpak is green energy only. Vilpak also pays great attention to minimizing the use of energy in its production plant, therefore, only energy efficient equipment is selected for new investments. The company uses a metric to evaluate the efficiency of its use of electric energy with the ratio of energy used divided by sales income in EUR. This ratio in 2022 amounted to 0,10 kWh/Eur, while in 2021 ratio was 0,14 kWh/Eur, meaning that we have made a progress towards energy efficiency and during the reporting period it took 0,10 kWh of electric energy to make 1 EUR of income in 2022.

Gas is only used for heating purposes in Vilpak – heating of premises as well as heating of water. The use of gas amounted to 443 MWh in 2022. Due to installations of energy efficiency equipment that converted excess steam into heating, we were able to cut the use of gas approximately 44% and reduce our direct emissions accordingly.

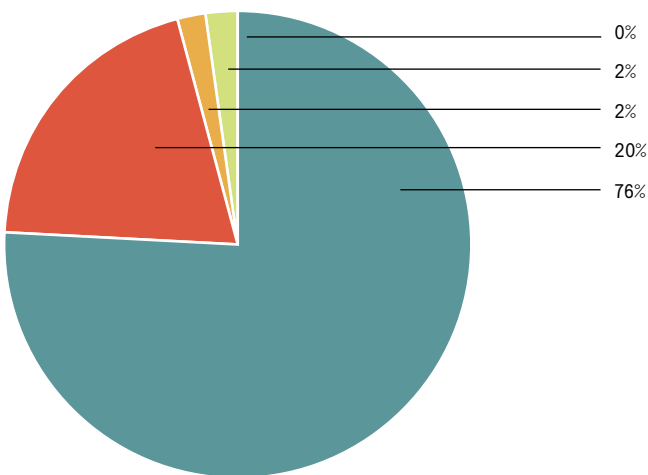
Water is used as a part of the production process, however, its use is not significant compared to the other resources used by Vilpak. The company's priority aim is to keep the use of water stable at the level of 1 895 m3 indicated in 2021. However, during this reporting period water consumption has increased significantly around 37% and amounted to 2 598 m3. We attribute the main reasons for the increased consumption to increased number of employees that switched from work remotely to office, discontinued supply of bottled water replacing it with filtered drinking water, washing and cleaning building facades before and after reconstruction, the expanded area of the premises, renewed landscape maintenance including watering and correspondingly higher water consumption associated with employees needs and maintenance of office and production facilities.

Wastewater is collected further by UAB "Vilniaus Vandenyis", i.e. the same company that is supplying water to Vilpak. The total amount of wastewater collected in 2022 is the same as the amount used – 2 598 m3.

Fuel in the form of LPG, petrol, gas, diesel, used for vehicles, is mainly used by the company's sales team as well as its vehicles to deliver products to clients. The total volume of fuel used in all mentioned forms in 2022 amounted to 9 518 liters, which shows a decrease of 4 % compared to the previous reporting period.

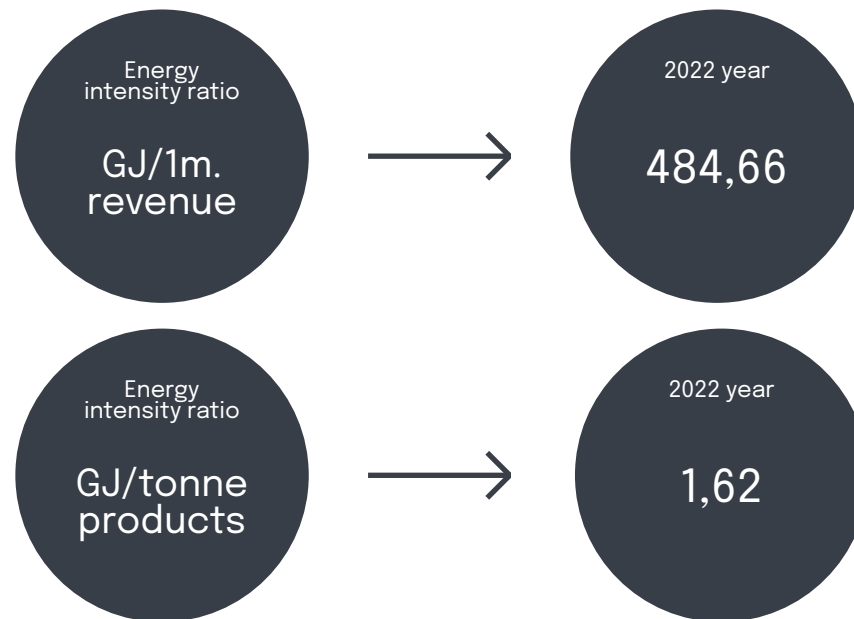
In 2022 Vilpak used 8082 GJ of energy in its operations, which shows that Vilpak has managed to reduce its energy intensity around 17% from 9684 GJ in 2021. At 76%, the use of electricity from renewable energy sources made up the bulk of consumption, natural gas ranked second in final energy consumption metrics.

Electricity Consumption (from renewable energy sources)	76,28%
Natural Gas Consumption	19,72%
Petrol Consumption	2,17%
Diesel Consumption	1,78%
Liquefied Petroleum Gas (LPG) Consumption	0,05%



- Electricity Consumption (from renewable energy sources)
- Natural Gas Consumption
- Petrol Consumption
- Diesel Consumption
- Liquefied Petroleum Gas (LPG) Consumption

Energy intensity, calculated based on the data of the last financial year, consumed fuel, electricity (both purchased and produced on site) and natural gas are included in the calculations.



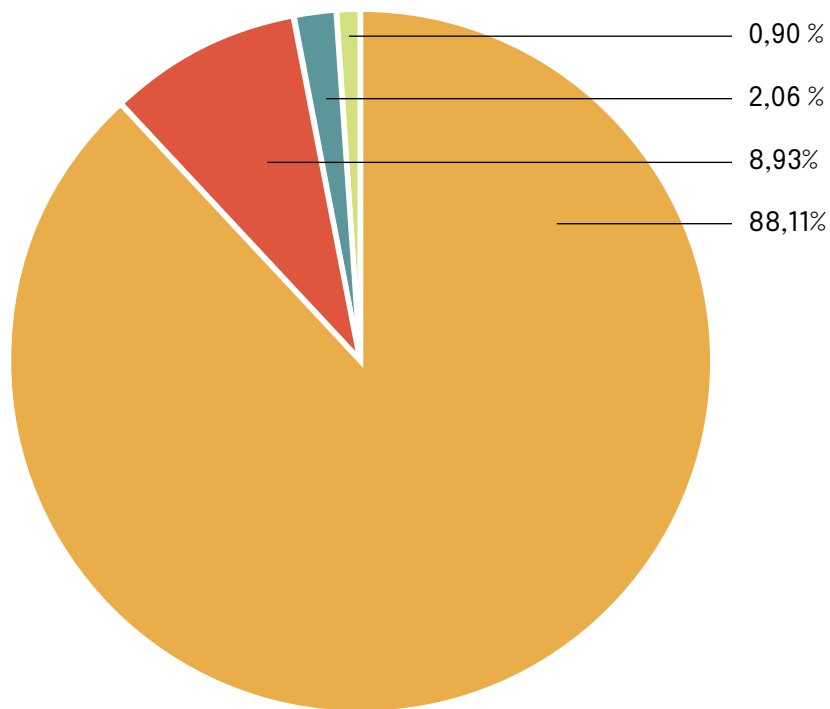
Vilpak has managed to reduce its energy intensity ratio per 1mil Revenue around 34%, while energy intensity ratio per tonne products remained the same as in the previous reporting period.

Currently, the plan to invest in renovations of machinery is the most relevant initiative by Vilpak in terms of energy savings. Further initiatives will be considered in plans for the coming year.

Production waste management

As Vilpak is involved in the industry of carton packaging this results in a certain amount of waste generated in the production process. The main types of waste generated are summarized in the table and chart below.

Waste class	Quantity in 2022, tonnes	Quantity in 2021, tonnes
Plastic	10,56	10,31
Wood	104,5	114,93
Paper and Cardboard	1031,14	1515,76
Paper and Cardboard packaging	24,1	7,29
Total	1170,30	1648,29



- Paper and Cardboard
- Wood
- Plastic
- Paper and Cardboard packaging

All of the company’s waste is collected by a waste management company and further recycled. Vilpak reports on its waste, on a quarterly basis, in line with legal requirements. Also, management place an emphasis on the main carton waste as it directly influences the volume of production output – the technology team is in constant development of means to minimize the volume of carton waste whenever and wherever possible. Since 2021 we managed to decrease the cardboard waste generated in production from 21% in 2021 to 17% in 2022.

Landfill waste is collected from the territory of Vilpak by SĮ “Vilniaus Atliekų Sistemų Administratorius”. Waste is collected once every week, same frequency as in previous reporting period, and in 2022 a total of 225,826 m³ of waste was collected. During this reporting period landfill waste has increased significantly around 26%. Since landfill waste quantity is based on billing per square meter of operational space, we attribute this increase to expended premises of Vilpak.

Shifts in customers’ demand affected aluminum plates waste decrease around 24% from 21 tonne in 2021 to 16 tonne in 2022. Aluminum plates waste were collected and handled by scrap metal waste manager “Baltic Metal” for further recycling.

All generated waste is accounted for by the state electronic system “Unified Product, Packaging and Waste Accounting Information System” (GPAIS) and annual reports are provided.

We analyze the data on the generated waste and compare it with previous periods while regularly looking for ways to improve the processes. Contracts for the collection of waste generated during production and management concluded with the waste

managers UAB Ekobazė and Všį Žaliasis Taškas. These companies collect all of the waste generated in the production process and certificates are issued at year end to prove that this collected waste was treated (recycled and stored) in line with legal requirements. Information on all waste generated and disposed of is entered into the GPAIS system which is a mandatory system for the accounting of waste generation and disposal for Lithuanian production companies.

Hazardous waste management is outsourced at Vilpak and handled with a reliable and certified partner, the Center for Physical Sciences and Technology. In 2022 Vilpak generated:

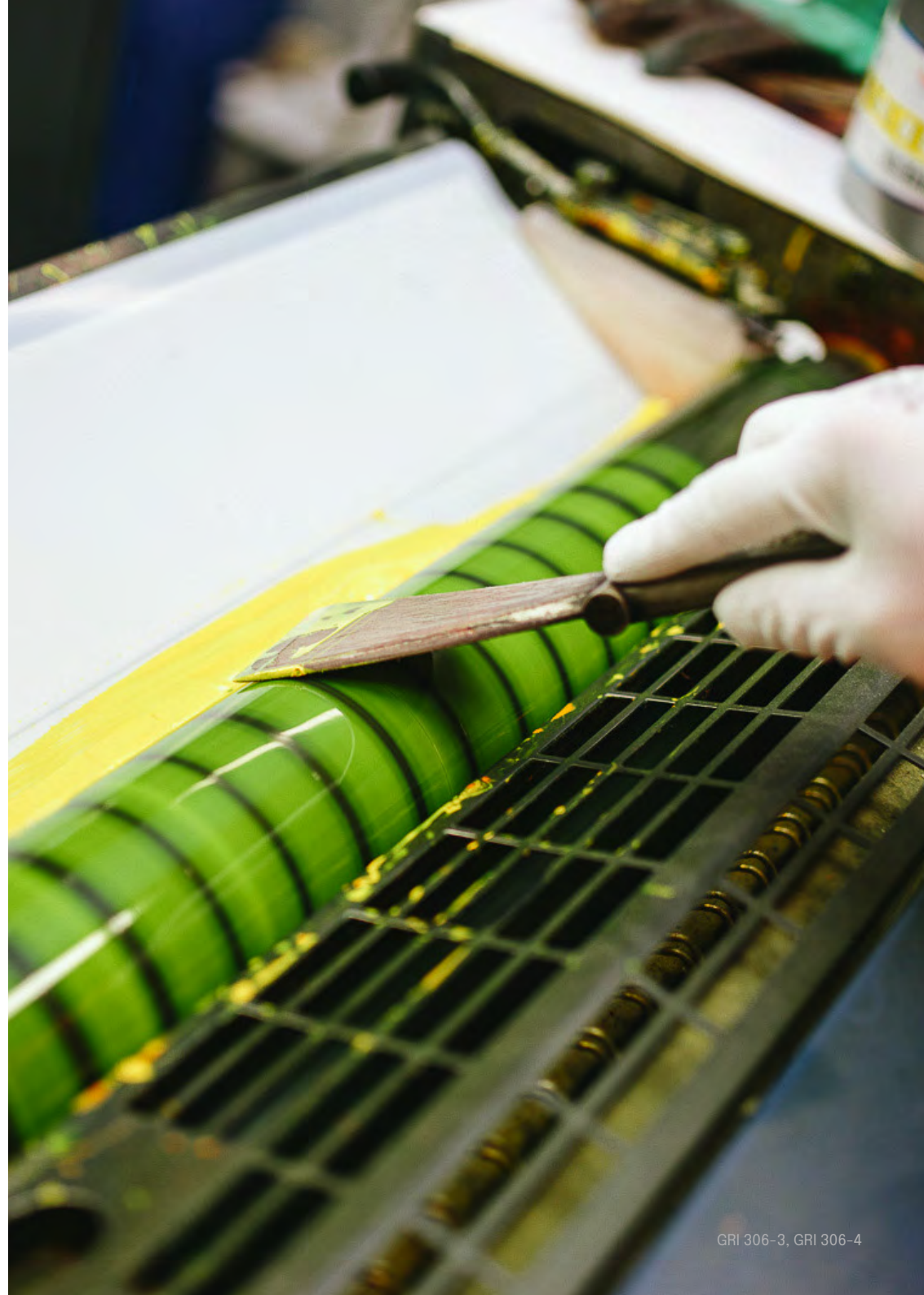
1,755 tonne water-based offset plate developer solutions waste (EWC code 09 01 02)

8 tonne solvent-based developer solutions waste (EWC code 09 01 03)

2,948 tonne packaging containing residues of or contaminated by hazardous substances (EWC code 15 01 10)

1,932 tonne absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, and protective clothing contaminated by hazardous substances (EWC code 15 02 02)

The total volume of hazardous waste in 2022 amounted to 14,635 tonnes, which shows a decrease of 12 % compared to the previous reporting period.

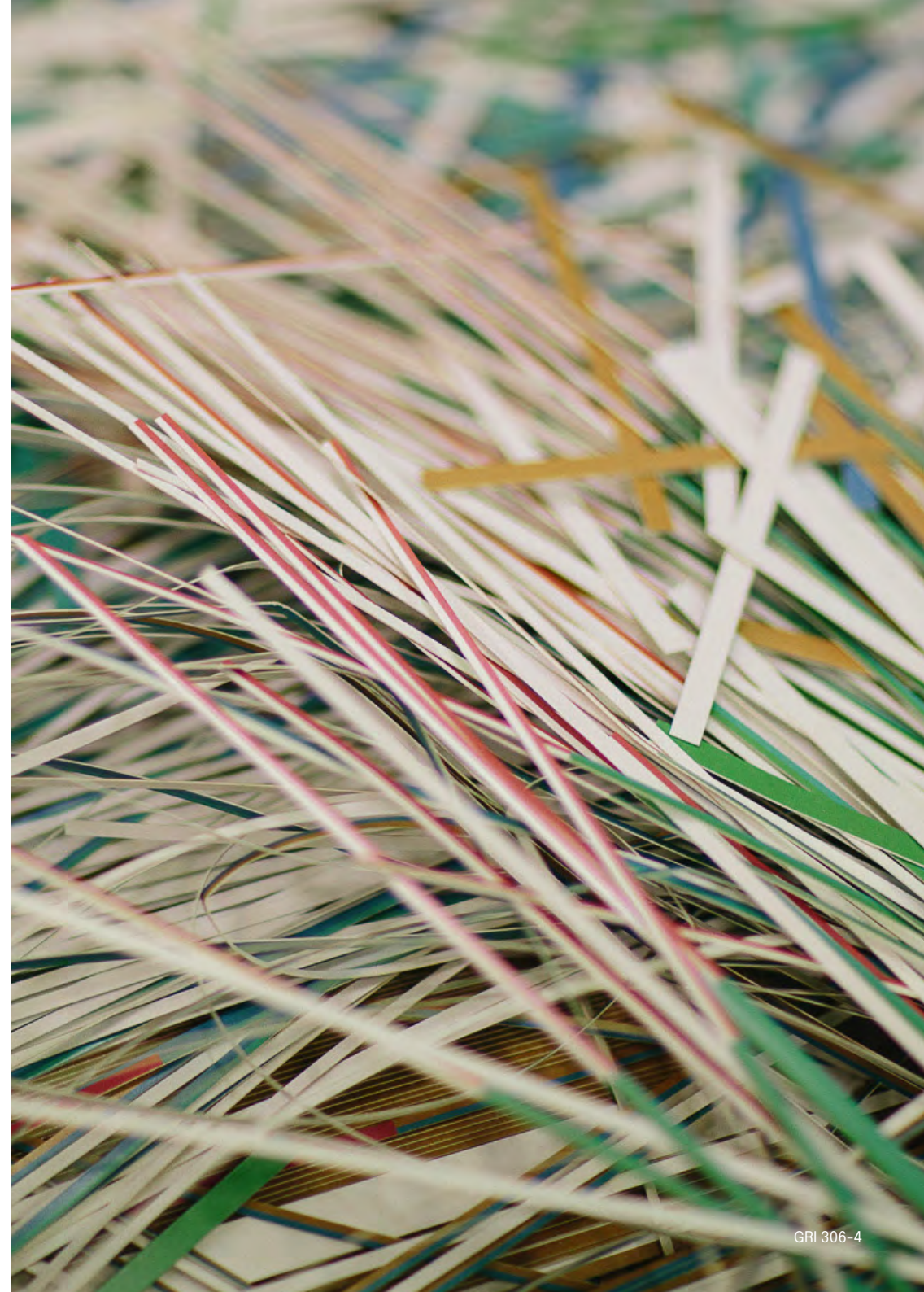


Circular economy

We offer our customers innovative and environmentally friendly packaging solutions made of cardboard, which present real added value for their own business models and serve as an excellent example of the principle of closed loop circular economy.

Cardboard as a material can be produced from new, virgin, or recycled fibers. Despite the initial origin of fibers, cardboard can be recycled and produced again multiple times, in this way participating in the circular economy.

We use recycled fiber board wherever possible, playing our part in protecting the forests. If we cannot avoid the use of virgin fiber, it is purchased from mills having FSC or PEFC certifications, or own their own forests which are re-planted after grown trees are cut for board production. Illegal logging does not occur at any point in our supply chain, and damaging chemicals are not used at any stage.



Sustainability and responsibility in the supply chain

Our procurement processes based on pre-contractual and contractual behaviours aimed at achieving transparency, and adoption of selection, assessment and monitoring criteria to measure the social and environmental performance of suppliers, in order to guarantee high level of functionality and quality for supplies and mitigate potential ESG risks.

Vilpak utilizes different types of suppliers in order to fulfill our customers' requirements. Being a production company, suppliers to Vilpak are as follows:

- Raw material suppliers:
 - Cardboard mills;
 - Cardboard wholesalers;
 - Packaging material producers;
 - Packaging material wholesalers;
 - Consumables wholesalers;
- Sub-contractors;
- Transport companies;
- Utility and service providers:
 - Gas, water and electricity providers;
 - Building and machinery maintenance providers;
 - Waste collection and handling providers;
 - Premises and work clothing cleaning providers;
 - External inspection and auditing providers.

Depending on customer' requests and end product fulfillment, the length of the supply chain and number of suppliers involved can be different. The typical plan-buy-make-move-fulfill supply chain consists of:



Tier2	Tier1	Producer	Tier1	Tier2	Tier3
	Cardboard mill	VILPAK	Transport company	Direct end customer	
	Transport company			Wholesaler customer	End customer
	Packaging material (outer cases) producer				
Packaging material producers	Packaging material (pallets, wrapfoil, protective corners, labels) wholesalers				
Printing ink, varnish, glue producers	Printing ink, varnish, glue wholesalers				
	Tool producers				

Supply chain for more complex end product may consist of:



Tier3	Tier2	Tier1	Producer	Tier1	Tier2	Tier3
Cardboardmill	Sub-contractor for functional barrier application	Sub-contractor for cardboard sheeting	VILPAK	Transport company	Direct end customer	End customer
		Subcontractor for spot UV varnishing, hot-foiling, manual assembly		Warehousing	Wholesaler customer	
		Transport company				
	Corrugated board producer	Packaging material (outercases) producer				
	Packaging material producers	Packaging material (pallets, wrapfoil, protective corners, labels) wholesalers				
	Printing ink, varnish, glueproducers	Printing ink, varnish, gluewholesalers				
		Toolproducers				

Related to Vilpak's products and services, the organization's suppliers carry mainly raw material and consumables for production activities, and when needed sub-contractors perform additional treatments for raw materials or semi-finished products. The majority of our suppliers are long-term continuous business partners who supply their products or services upon the specific demand of VILPAK, depending on each particular end product being produced. The company's main suppliers are located in Scandinavia, Central Europe, and Lithuania, all being within as close proximity as possible to the VILPAK production site, while some suppliers for specific raw materials are located in the USA, India, or China. As the sector that Vilpak operates in is very resource-intensive, the amount of payments to suppliers is relatively high, reaching up to 65% of annual turnover.

Since 2021 Vilpak developed a questionnaire assessing the overall social, environmental, and economic performance of our existing suppliers (renewed periodically every 2 years) along with all potential new suppliers. The questionnaire is divided into 14 blocks and covers nearly 80 questions related to issues such as human rights, labor conditions, environmental management systems, risk management, supplier monitoring practices, quality management, GMP, transparent governance practices, etc. Through the collection of relevant data on a supplier's performance we are constantly aware of the social, environmental, and economic dimensions of our supplier chain and procure only from suppliers seeking to develop partnership through legal, ethical, and responsible business practices.

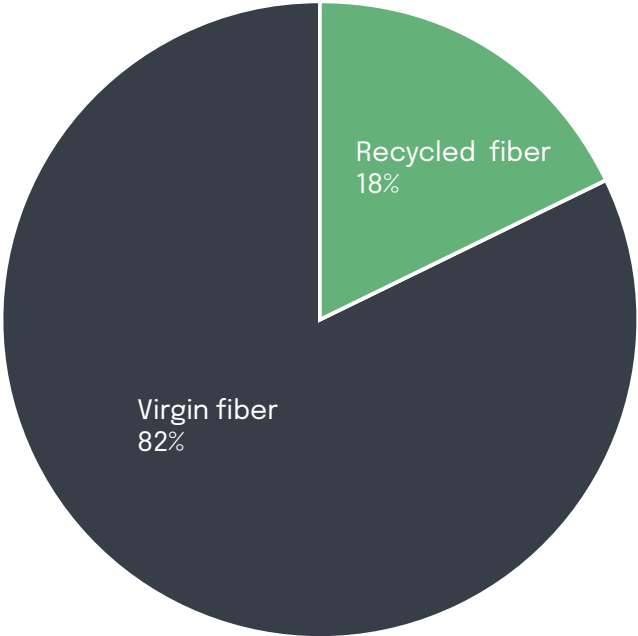
Around 60% of our strategic/important suppliers calculate their CO2 emissions or have ESG targets or sustainability policies in place.

Raw material sourcing

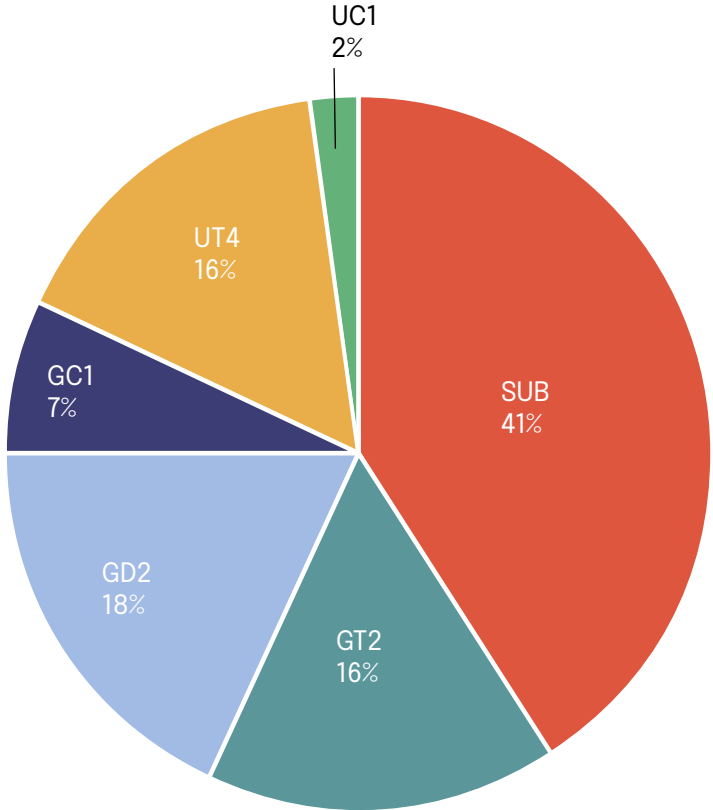
We select each supplier carefully to ensure that they share our values, while reviewing the quality and safety of their products. In our procurement conditions, we clearly state that our supply chain must meet exemplary standards.

As a production company, Vilpak’s greatest share of purchases is derived from the raw materials required for production. 69% of all inventory purchases in 2022 were made for cardboard materials, while the remaining 19% was for packaging and other materials (e.g. inks, varnishes, glue, tools, etc.) required for the production process, and 13% was for services (e.g. transportation, sheeting, etc.).

82% of procured cardboard was virgin fiber material, while the remaining 18% was recycled fiber board. The split changed significantly compared to 2021, due to very tens market situation in 2022, when raw material availability (demand was much higher than available supply capacity) and drastically rising costs were forcing in many cases choose what is available, but not what is required.

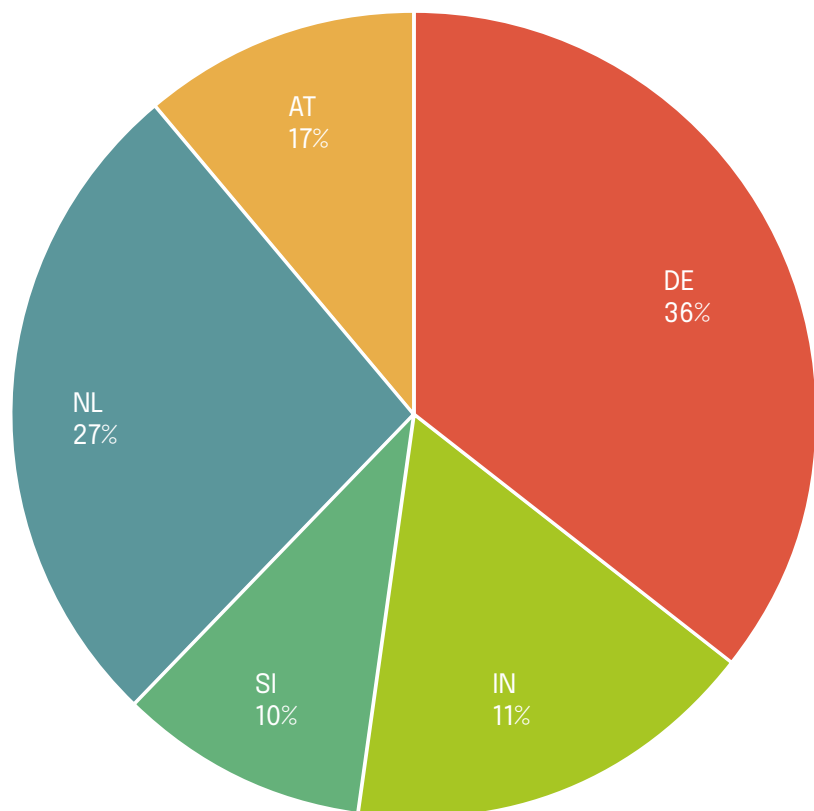


A more detailed depiction of procured cardboard grades is shown below:



The sourcing of the necessary raw materials comes from the closest available cardboard producers (some only 1% has been sourced from local merchants in Lithuania, not direct producers (compared to 14% in 2021) with the majority being within EU countries:

Country of sourcing cardboard



GRI content index

Statement of use	UAB Vilniaus pakuotė/ Vilpak has reported the information cited in this GRI content index for the period January 1st, 2022 to December 31th, 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not relevant

GRI 2: General Disclosures 2021

GRI Standard	Disclosure	Location
Organization profile		
GRI 2-1	Organizational details	p. 4
GRI 2-2	Entities included in the organization's sustainability reporting	p. 9
GRI 2-3	Reporting period, frequency and contact point	p. 9
GRI 2-4	Restatements of information	p. 9
GRI 2-5	External assurance	p. 9
Activities and Employees		
GRI 2-6	Activities, value chain and other business relationships	p. 7-13; p. 94-97

GRI 2-7	Employees	p. 54-58
GRI 2-8	Workers who are not employees	p. 54-58
Governance		
GRI 2-9	Governance structure and composition	p. 23-24
GRI 2-10	Nomination and selection of the highest governance body	p. 23-24
GRI 2-11	Chair of the highest governance body	p. 23-24
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	p. 23-24, p. 31-32
GRI 2-13	Delegation of responsibility for managing impacts	p. 23-24, p. 31-32
GRI 2-14	Role of the highest governance body in sustainability reporting	p. 23-24, p. 31-32
GRI 2-15	Conflicts of interest	p. 23-24
GRI 2-16	Communication of critical concerns	p. 23-27
GRI 2-17	Collective knowledge of the highest governance body	p. 23-24, p. 31-32
GRI 2-18	Evaluation of the performance of the highest governance body	p. 23-24
GRI 2-19	Remuneration policies	p. 59
GRI 2-20	Process to determine remuneration	p. 59
GRI 2-21	Annual total compensation ratio	p. 54-58
Strategy, Policy and Compliance		
GRI 2-22	Statement on sustainable development strategy	p. 6; p. 31-32
GRI 2-23	Policy commitments	p. 25-27
GRI 2-24	Embedding policy commitments	p. 25-27
GRI 2-25	Processes to remediate negative impacts	p. 25-27
GRI 2-26	Mechanisms for seeking advice and raising concerns	p. 25-27
GRI 2-27	Compliance with laws and regulations	p. 67-68
GRI 2-28	Membership associations	p. 23-24
Engagement with Stakeholders		
GRI 2-29	Approach to stakeholder engagement	p. 33-37
GRI 2-30	Collective bargaining agreements	p. 63
GRI 3: Material Topics 2021		
GRI 3-1	Process to determine material topics	p. 28-30
GRI 3-2	List of material topics	p. 38-47
GRI 3-3	Management of material topics	p. 38-47
Economic performance		
GRI 201: Economic Performance 2016		
GRI 201-1	Direct economic value generated and distributed	p. 69-70
GRI 201-4	Financial assistance received from government	p. 78-79
GRI 205: Anti-corruption 2016		
GRI 205-2	205-2 Communication and training about anti-corruption policies and procedures	p. 67-68

GRI 207: Tax 2019		
GRI 207-1	Approach to tax	p. 72
Environmental performance		
GRI 301: Materials 2016		
GRI 301-1	Materials used by weight or volume	p. 98-100
GRI 301-2	Recycled input materials used	p. 98-100
GRI 302: Energy 2016		
GRI 302-1	Energy consumption within the organization	p. 86-88
GRI 302-3	Energy intensity	p. 86-88
GRI 302-4	Reduction of energy consumption	p. 86-88; p. 38-47
GRI 303: Water and Effluents 2018		
GRI 303-5	Water consumption	p. 86-88
GRI 305: Emissions 2016		
GRI 305-1	Direct (Scope 1) GHG emissions	p. 81-85
GRI 305-2	Energy indirect (Scope 2) GHG emissions	p. 81-85
GRI 305-3	Other indirect (Scope 3) GHG emissions	p. 81-85
GRI 305-4	GHG emissions intensity	p. 81-85
GRI 305-5	Reduction of GHG emissions	p. 81-85, p. 38-47
GRI 306: Waste 2020		
GRI 306-3	Waste generated	p. 89-91
GRI 306-4	Waste diverted from disposal	p. 89-92
GRI 308: Supplier Environmental Assessment 2016		
GRI 308-1	New suppliers that were screened using environmental criteria	p. 94-97
Social performance		
GRI 401: Employment 2016		
GRI 401-1	New employee hires and employee turnover	p. 54-58
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 63
GRI 403: Occupational Health and Safety 2018		
GRI 403-1	Occupational health and safety management system	p. 60-61
GRI 403-2	Hazard identification, risk assessment, and incident investigation	p. 60-61
GRI 403-5	Worker training on occupational health and safety	p. 60-61
GRI 403-6	Promotion of worker health	p. 60-61
GRI 403-9	Work-related injuries	p. 60-61
GRI 404: Training and Education 2016		
GRI 404-1	Average hours of training per year per employee	p. 54-58

GRI 405: Diversity and Equal Opportunity 2016

GRI 405-1	Diversity of governance bodies and employees	p. 54-58
GRI 405-2	Ratio of basic salary and remuneration of women to men	p. 54-58

GRI 406: Non-discrimination 2016

GRI 406-1	Incidents of discrimination and corrective actions taken	p. 53
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GRI 413: Local Communities 2016

GRI 413-1	Operations with local community engagement, impact assessments, and development programs	p. 64-65
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GRI 414: Supplier Social Assessment 2016

GRI 414-1	New suppliers that were screened using social criteria	p. 94-97
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GRI 416: Customer Health and Safety 2016

GRI 416-1	Assessment of the health and safety impacts of product and service categories	p. 49-51
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 49-51

GRI 418: Customer Privacy 2016

GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 73-74
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