



# Sustainability report

2023



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# Organizational details

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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?**

In 2023, our greatest challenge was navigating the evolving landscape of sustainable practices within the cardboard packaging industry and dealing with an uncertain geopolitical situation, with still high energy prices compared to pre-pandemic levels and high interest rates, adding pressure to balance sustainability with operational efficiency.

As a company deeply committed to environmental stewardship, with increasing attention on our carbon footprint, waste management, and resource efficiency, we were challenged to innovate and implement solutions that not only meet regulatory standards but also align with our core values.

We encountered some challenges in sourcing sustainable raw materials, optimizing manufacturing processes for minimal environmental impact, and effectively communicating our sustainability initiatives to stakeholders. Additionally, the volatile market conditions and geopolitical factors further focused our efforts, requiring us to remain agile and adaptable in our strategies.


Despite these obstacles, I am proud to say that our team through collaborative efforts and a relentless pursuit of innovation were able to overcome these challenges and make significant progress towards our sustainability goals. Looking ahead, we remain committed to our sustainability goals, driving positive change within our industry and to all our stakeholders.

### **Why is sustainability important to your company?**

Sustainability is vital to our company because it aligns with our values, meets the expectations of our stakeholders, and ensures the long-term viability of our business. At Vilpak 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. It enables us to





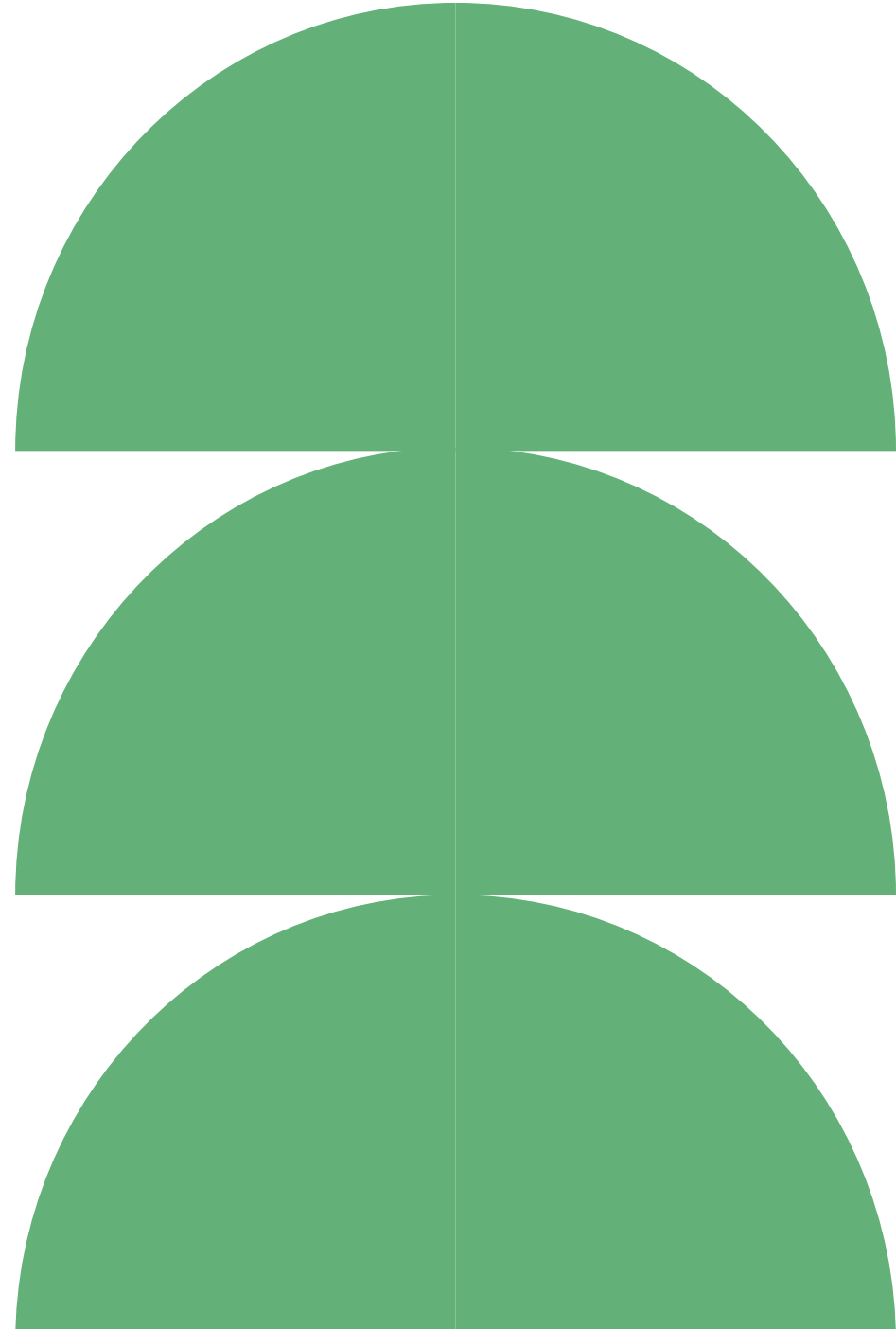



minimize our environmental footprint, reduce waste, and contribute positively to the communities we operate in. Additionally, integrating sustainability into our operations fosters innovation, enhances efficiency, and helps us maintain a competitive edge in the market. We, as a company, aim to create value for all our stakeholders with our sustainable packaging solutions, close collaboration along the value chain, and active employee engagement.

At the heart of our company lies the principle: 'The Customer Is Our Employer.' We are dedicated to fostering strong, supportive, and personal relationships to collaboratively find the best packaging solutions, ensuring mutual success. Our commitment to environmental sustainability and innovative practices sets us apart, making us the preferred choice for an expanding base of customers and partners. Ultimately, prioritizing sustainability is not just about doing what's right for the planet and society, it's also about securing a prosperous and resilient future for our company.

### **What do you do differently in terms of sustainability?**

We prioritize several key initiatives that set us apart and these efforts reflect our commitment to sustainability and our dedication to making a positive impact on the environment and society. We carefully select materials from responsibly managed sources, prioritizing renewable and recyclable resources whenever possible. Vilpak is always on the lookout for opportunities and keeps up with the latest technologies to enhance production processes. Our adoption of automation and robotization, alongside carefully designed manufacturing processes, has significantly eased the workload for our employees, eliminated quality issues, and boosted productivity. This innovative approach has also enhanced resource efficiency, thanks to continuous improvement practices and the integration of cutting-edge technologies.





We actively work to reduce our carbon footprint and contribute to environmental performance through investments to energy-efficiency projects and renewable energy usage. More and more our customers prioritize sustainability, they are seeking greater transparency regarding the emissions profile and carbon intensity of the products we provide. This emerging trend not only underscores the importance of environmental responsibility but also offers a competitive edge. By enhancing transparency in our supply chain emissions, we empower customers to make informed choices, opt for lower carbon alternatives, and minimize the carbon footprint of their packaging solutions.

In the reporting period we remain dedicated in our commitment by continuously investing in research and development to explore innovative sustainable materials, processes, and technologies, ensuring we lead the way in sustainable innovation within the packaging industry. Thus, we were able to offer a range of environmentally friendly packaging solutions for our clients, including options made from recycled materials.

In 2023, Vilpak achieved the silver medal from Ecovadis, which put us among the top 25% of suppliers known for business sustainability. Getting this silver medal shows how committed we are to sustainability. It's proof of our ongoing efforts to do good for environment, be socially responsible, and keep up with ethical and transparent business practices.

Last year, we won the title of the best ESG report in Lithuania at the ESG in action Baltics contest by Deloitte. The independent jury identified the most qualitative sustainability reports across the Baltics, and we are proud that our team's achievements were recognized. This motivates us further to contribute to more sustainable world.

In anticipation of upcoming Packaging and packaging waste regulation requirements, our focus on continuous development will be crucial. By expanding our expertise in alternative raw materials, we aim to ensure compliance with these regulations. This includes making all our products recyclable, incorporating lightweight designs while maintaining functionality, and ensuring our packaging solutions are free from any substances of concern.



Darius Murauskas  
CEO



# About sustainability report

03

Sustainability isn't just an aspect of our business strategy at Vilpak, it's fundamental to our identity. We firmly believe that innovation is the driving force behind creating enduring value for all our stakeholders.

The Vilpak Sustainability Report covers the key environmental, social and governance developments in fiscal 2023. 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 in 2022. 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, 2023 – December 31st, 2023. 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 by mail: [info@vilpak.lt](mailto:info@vilpak.lt).

**Feedback is welcome!**



# About Vilpak

04

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.

**4557t****Board  
converted****100****Total  
employees****14,0m****Revenue,  
Eur****66%****Share of export  
in revenue****0,5m****EBITDA,  
Eur****49%****Overall GHG emissions  
reduction****CUSTOMERS  
> 20 COUNTRIES****100%****Green electricity  
in production****10 INDUSTRIES  
SERVED**



# Key events 2023



## January

Vilpak purchased a machine for forming and glueing of flange trays for EUR 126 k.



## April

Vilpak completed a BRCGS audit and received the highest possible rating.



## August

Vilpak received silver medal rating with EcoVadis.



## March

Vilpak participated in the annual trade fair "Fruit logistica", which was held in Berlin.



## May

Vilpak participated in Interpack trade fair for processing & packaging, in Dusseldorf.



## October

Vilpak won the award for the best sustainability report in Lithuania "ESG in action" in the Baltic competition organized by Deloitte. Also the company participated in food and beverage trade fair "Anuga 2023," where was showcasing sustainable carton packaging solutions designed for the food 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 support our clients in identifying the most environmentally responsible solution for packaging their products, tailored to their specific needs. Our goal is to streamline their product packaging journey while promoting sustainability.



## 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. These products provide an environmentally friendly alternative as they are made from lightweight and recyclable materials.



## 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
- optimum in design and functionality
- 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

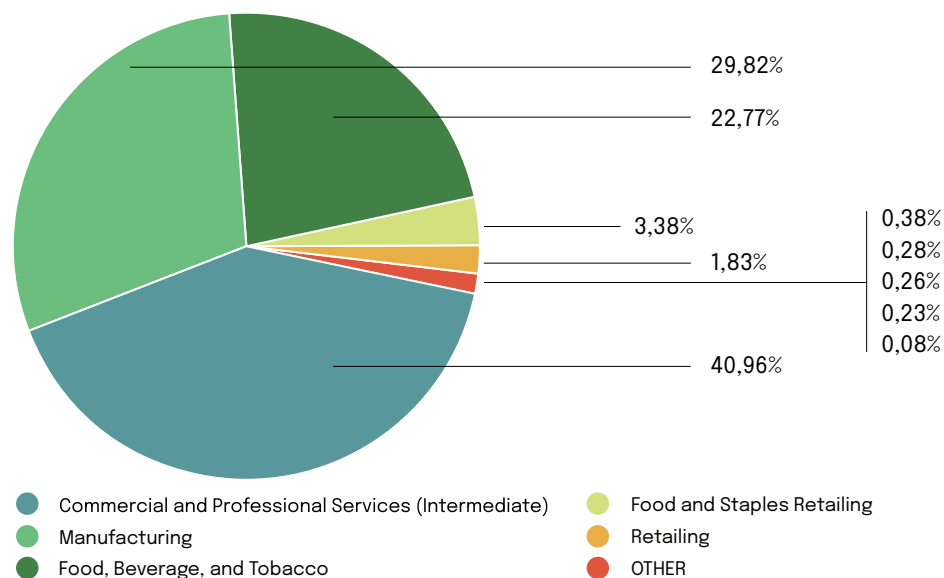
SKINPAD is made from cardboard pad with a thin layer of PE barrier which is printed on both sides. For this type of packaging, the marketing appeal is strong and does not require any additional sleeve to make it more appealing to the end-user, and thus reduces the secondary packaging waste for marketing 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

Traditionally, packaging has served the essential functions of containment, preservation, and protection for products. However, it now assumes a more sophisticated role in enhancing customer engagement. Recognizing the shifting landscape of consumer preferences, the rising demand for sustainable materials, and the integration of cutting-edge technologies into packaging, we perceive new horizons and opportunities for the industry. By maintaining close ties with our customers at all levels, we are poised to overcome implementation challenges and leverage these emerging prospects.

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 2023 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 2023, is indicated in the table and chart below.

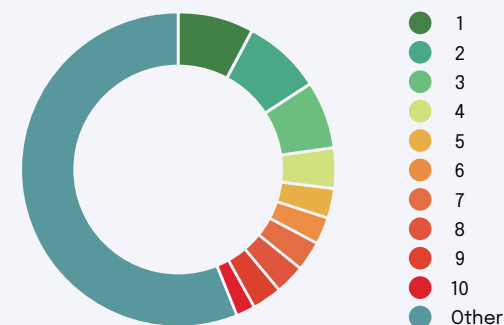


Industry served	Total sales 2023, EUR	% from total sales	Total sales 2022, EUR	% from total sales
Commercial and Professional Services (Intermediate)	5 785 682	40,96%	6 937 864	41,60%
Manufacturing	4 212 322	29,82%	4 192 294	25,14%
Food, Beverage, and Tobacco	3 215 979	22,77%	4 862 820	29,16%
Food and Staples Retailing	476 897	3,38%	305 683	1,83%
Retailing	258 700	1,83%	185 944	1,12%
Chemicals, construction materials, containers&packaging, paper products	53 446	0,38%		
Household and Personal Products	39 338	0,28%	9 407	0,06%
Consumer services, Cinemas, casino, leisure etc.	36 733	0,26%		
Pharmaceuticals, Biotechnology, and Life Sciences	33 180	0,23%	11 457	0,07%
Consumer Durables and Apparel	11 257	0,08%	4 978	0,03%
Materials			100 173	0,60%
Services			61 752	0,37%
Real estate			3 400	0,02%
<b>Total:</b>	<b>14 123 535</b>	<b>100%</b>	<b>16 675 770</b>	<b>100%</b>

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 2023

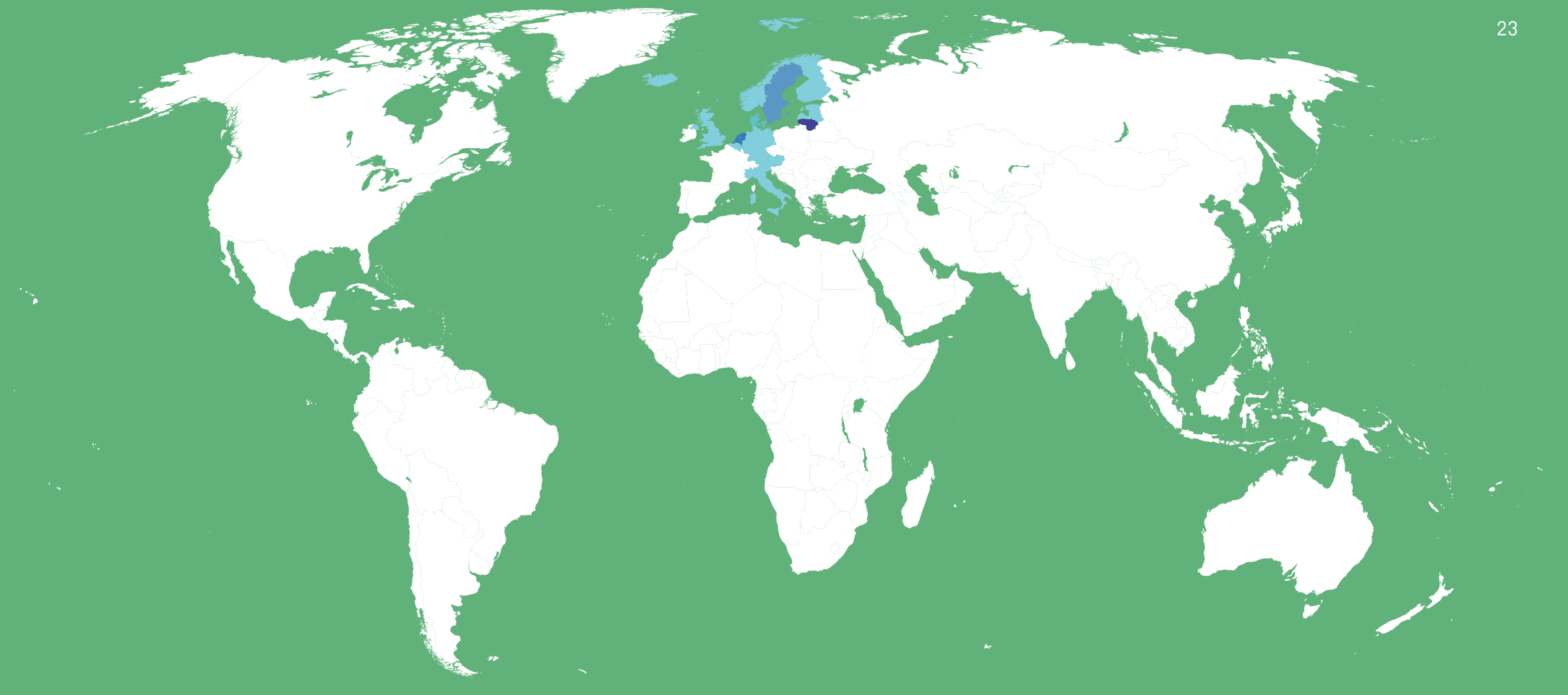


Customers	% from total sales 2023	% from total sales 2022
1	9%	8%
2	9%	8%
3	7%	4%
4	6%	4%
5	3%	3%
6	3%	3%
7	3%	3%
8	3%	3%
9	3%	3%
10	2%	2%
Other	53%	56%
<b>Total:</b>	<b>100%</b>	<b>100%</b>



# Global reach

Over time, our operations have grown significantly, with the majority of our clients now operating internationally. While 34% of our sales are conducted locally, there was a decline compared to 2021 (44%) due to the impact of the geopolitical and economic instability during the reporting period. Our primary focus remains on serving geographic areas concentrated in Western Europe, Scandinavia, and the Baltic States.



Country	Total sales 2023, EUR	% of total sales	Total sales 2022, EUR	% of total sales	Population, Mln.
Lithuania	4 848 971	34%	5 450 867	33%	3
Netherlands	4 081 897	29%	4 910 046	29%	17
Sweden	1 672 055	12%	2 668 254	16%	10
Germany	738 657	5%	292 698	2%	83
Denmark	613 469	4%	393 270	2%	6
Belgium	563 201	4%	471 183	3%	11
Austria	262 630	2%	551 804	3%	9

Latvia	223 773	2%	231 901	1%	2
Finland	184 046	1%	10 834	0%	6
Estonia	164 566	1%	320 634	2%	1
Iceland	154 146	1%	274 895	2%	0
Italy	147 921	1%	185 944	1%	60
Norway	120 581	1%	345 809	2%	5
United Kingdom	14 219	0%	348 115	2%	67
Other	333 403	2%	219 518	1%	n/a
<b>Total:</b>	<b>14 123 535</b>	<b>100%</b>	<b>16 675 770</b>	<b>100%</b>	<b>281</b>

# 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 and administration, quality and standards, and warehouse and logistics.



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.

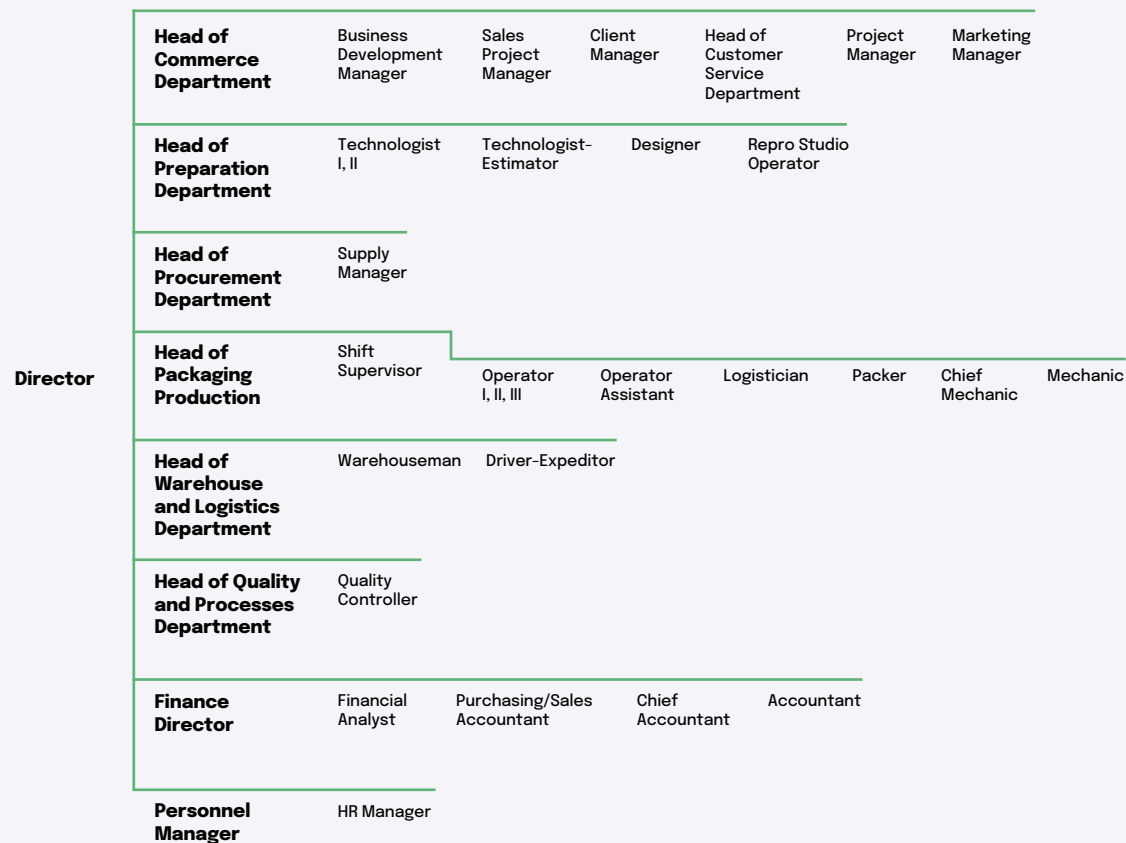
Any urgent concerns, risks, or other issues related to sustainability are to be raised for the attention of the management team - through the daily operational meetings of all management teams - where they can be either addressed and resolved on the spot or raised further for the attention of the shareholders.

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.

In our activities, we use both KPIs (Key Performance Indicators) and OKRs (Objectives and Key Results) to measure our performance and track progress toward specific goals. This allows us to establish objectives and key results, customize metrics for actionable insights, set time intervals, and focus on measuring and managing progress to drive change.

We play an active role in several associations where we serve as members: ECMA (The European Carton Makers Association), LISPA (Association of Lithuanian printing industries).

### UAB Vilniaus pakuotė organizational structure



# 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 2023, we updated approximately 12% of our internal policies and procedures and developed new ones. Since 2021, we have updated around 32% of our policies. For the upcoming year, we plan to continue this trend.

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. Throughout the reporting period, we maintained a total of 178 policies and procedures, with a primary focus on sustainability-related matters.

**The following key policies and frameworks that underpin our sustainable approach are outlined below:**

Code of Conduct

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Sustainability policy

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Human rights, non-discrimination, children and forced labour policy (New)

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Data privacy policy for employment candidates

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Employee data privacy management policy

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Employee health and safety at work policy

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Employee performance management and development policy

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Employee recruitment standard

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Employee remuneration system (Updated)

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Equality and Diversity policy (Updated)

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Internal rules of procedures

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New employee adaptation procedure

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Policy environmental

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Policy non-smoking (Updated)

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Procedures for Investigation and Registration of Accidents at Work

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Workplace Anti-Harassment and Violence Prevention Procedure

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Health screening procedure for employees



In 2023, we developed a new Human Rights, Non-Discrimination, Child Labour, and Forced Labour Policy to establish principles for monitoring, promoting, implementing, and enforcing human rights in the company. Our company's activities are based on the principle of respect for human rights, which recognises the universality and integrity of human rights, and ensures that the Vilpak's activities do not directly or indirectly violate human rights. We adhere to and implement the principles of gender equality and nondiscrimination, also comply with the prohibitions and restrictions on child labour and forced labour. This policy outlines the main measures for the implementation of these principles. We aim not to have a business relationship with partners who do not adhere to the principles set out in this Policy.

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 2023.

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 2023. 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 2023, we identified and incorporated new risks associated with increasing regulatory requirements and the geopolitical landscape. Additionally, we proactively addressed emerging challenges to ensure our risk management framework remains robust and adaptive to evolving circumstances.

Risks and opportunities	Source	Management
Regulatory risk	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.
	The upcoming Packaging and Packaging Waste Regulation places a strong emphasis on reuse over recycling.	Addressing these challenges will require proactive engagement, collaboration, and innovation from all stakeholders in the packaging industry. Knowledge and awareness of regulations.
	Deforestation Regulation requirements for raw materials traceability to plots of land.	Streamlining our supply chain processes is essential for ensuring traceability and transparency and verifying that our products are not linked to deforestation.
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.



Risks and opportunities	Source	Management
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.
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. Guidelines and policies for business continuity strategy and tactics.
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.
Geopolitical risk	In recent years, geopolitical tensions have escalated, particularly after the Russian Federation's military invasion of Ukraine in February 2022. While future developments are uncertain, the growing geopolitical tensions and the possibility of further conflict escalation could greatly influence global trade policies, production, duties, and taxation.	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.
Funding and liquidity risk	Economic recessions or downturns have the potential to diminish the demand for packaging products, resulting in decreased revenues and presenting challenges to cash flow. Moreover, the susceptibility to price shocks for essential business components such as materials, transportation, distribution, utilities, and potential increases in borrowing rates and employee wages further compounds the financial strain.	Regular reviews ensure adequate cash reserves and liquidity levels, backed by accessible credit facilities and debt capital markets. 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

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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.

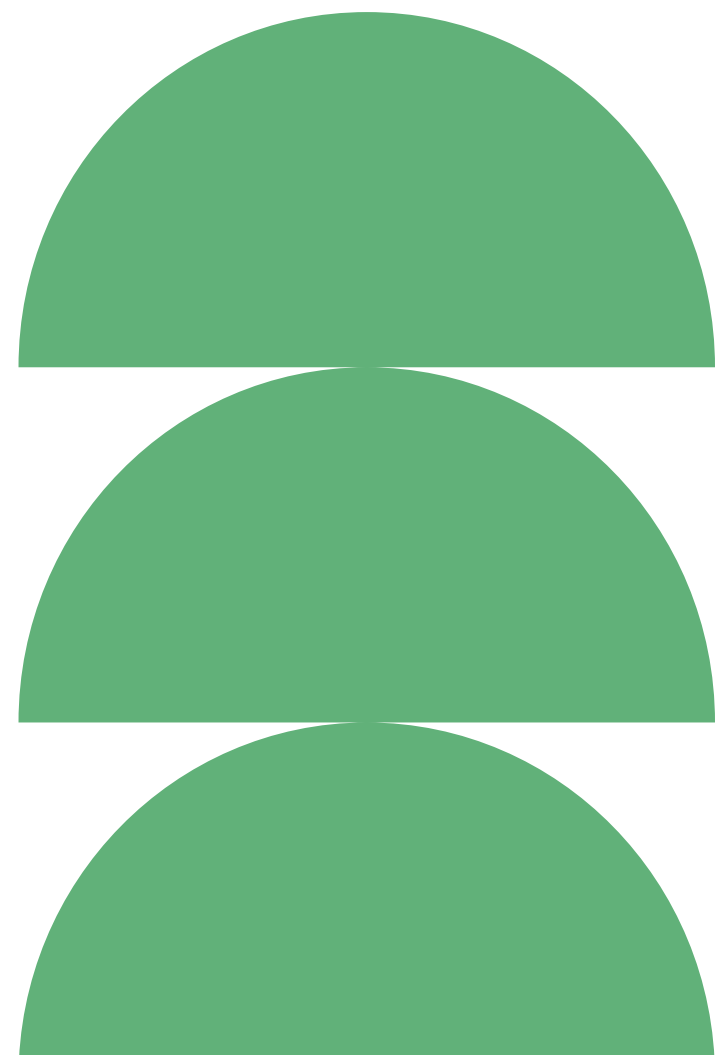
Since 2021, Vilpak strengthened the focus on sustainability; thoroughly embedding sustainability as part of our overall business strategy and incorporated into the company's long-term business objectives and investment plans, risk assessment, action plans, and processes. The company held sustainability 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 strong emphasis on aligning our medium-term management plans and business plans with material topics, recognizing that each material issue holds the potential to shape both risks and opportunities over the medium to long term.

Key areas of our sustainability management defined in 2021 and revised in 2022 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 2023. 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 2024 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



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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	Stakeholder type	Way to engage	Engagement activities	Key topics & concerns
Shareholders and other investors	Users of sustainability statements	Manage closely (High power, high interest)	Annual General Meeting Interim financial reports Conferences and events Meetings with analysts and investors Corporate website Media releases	Profit Focus on sustainable management Financial stability and economic performance Risk management Ethics and transparency
Top Management	Affected stakeholders	Manage closely (High power, high interest)	Internal workshops and trainings Annual employee performance review Intranet Meetings Surveys Company events Corporate website	Profit Focus on sustainable management Economic performance Working conditions Professional development and career opportunities
Employees	Affected stakeholders	Manage closely (High power, high interest)	Intranet Surveys Internal and external audits Training programs Annual employee performance review Internal workshops Corporate website	Decent working conditions and safety Profit Equality and diversity Fair wage Benefits Career development
Customers	Affected stakeholders Users of sustainability statements	Manage closely (High power, high interest)	Surveys Monitoring sales of products Corporate website 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 Fair payment terms GHG emissions Human rights and labor standards Sustainable Solutions and innovation Products from renewable and recyclable materials Ethics and transparency
Suppliers of key raw materials	Affected stakeholders Users of sustainability statements	Manage closely (High power, high interest)	Audits and assessments Corporate website Conferences and events Tendering processes On-site visits and meetings Questionnaire	Long-term partnership and mutual value Sustainable management Fair payment terms Responsible procurement Traceability Human rights and labor standards Ethics and transparency

Stakeholder groups	Stakeholder type	Way to engage	Engagement activities	Key topics & concerns
End-users	Affected stakeholders	Keep informed (Low power, high interest)	Media releases Corporate website	Product quality and safety Products from renewable and recyclable materials
Business partners	Affected stakeholders Users of sustainability statements	Keep informed (Low power, high interest)	Meetings Projects Partnerships Conferences and events Corporate website	Sustainable management Sustainable solutions and innovation Fair payment terms Ethics and transparency
Suppliers of other raw materials and services	Affected stakeholders	Keep informed (Low power, high interest)	Audits and assessments Conferences and events On-site visits and meetings Corporate website Questionnaire	Long-term partnership Sustainable management Responsible procurement Fair payment terms Ethics and transparency
Associations	Users of sustainability statements Affected stakeholders	Keep informed (Low power, high interest)	Conferences and events Meetings Partnerships Corporate website	Sustainable management Ethics and transparency
The media	Users of sustainability statements Affected stakeholders	Keep satisfied (High power, low interest)	Conferences and events Partnerships Corporate website Sustainability report Corporate publications	Transparency and reliability of information Accessibility Open dialogue Ethics and transparency
Authorities, supervisors and regulators	Affected stakeholders Users of sustainability statements	Keep satisfied (High power, low interest)	Meetings Responses to consultations Conferences and events Corporate website Annual and sustainability report	Sustainable management Compliance Reporting Ethics and transparency
Direct competitors	Affected stakeholders Users of sustainability statements	Monitor – minimum effort (Low power, low interest)	Conferences and events Meetings Corporate website	Sustainable Solutions and Innovation Sustainable management Ethics and transparency Reporting

Stakeholder groups	Stakeholder type	Way to engage	Engagement activities	Key topics & concerns
Indirect Competitors (Market Participants in Other Packaging Manufacturing)	Affected stakeholders Users of sustainability statements	Monitor – minimum effort (Low power, low interest)	Conferences and events Meetings Corporate website	Sustainable Solutions and Innovation Sustainable management Ethics and transparency Reporting
Local communities and nongovernmental organizations (NGOs)	Users of sustainability statements Affected stakeholders	Monitor – minimum effort (Low power, low interest)	Dialogue with local communities Partnerships Media releases Corporate website	Community engagement Buildings and infrastructure Water and climate protection Sustainable management Ethics and 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.

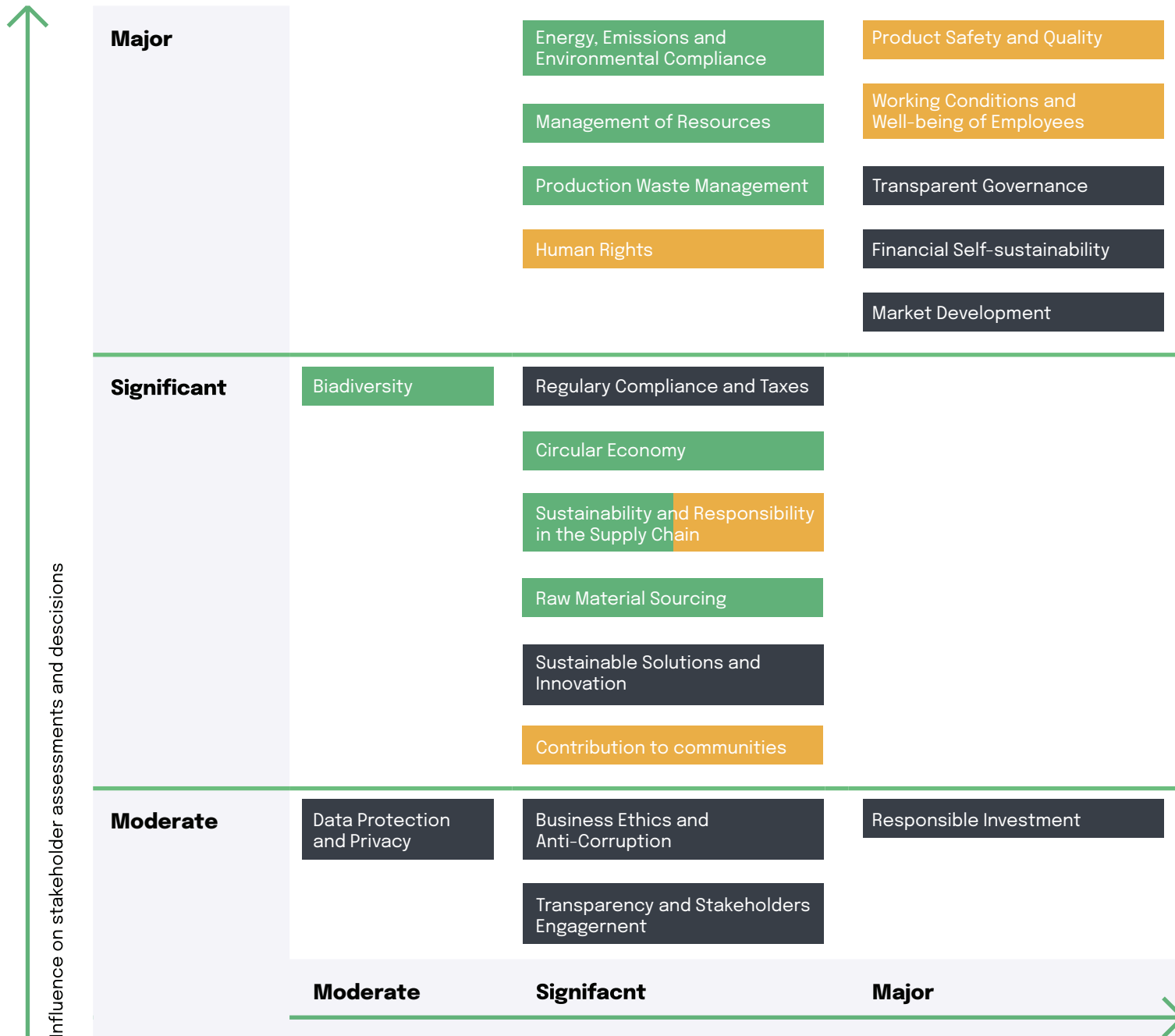


Prioritization of material topics relevant to both Vilpak's business and key stakeholders. Key sustainability issues and relative importance of specific ESG topics have been identified by assessing each potentially relevant material topic and evaluating its impact on the business and its stakeholders.



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 DevelopmentGoals (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 2023

### Performance 2022

### Performance 2021

### 2023 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%

100%



Overall CO<sub>2</sub>eq emission reduction (Scope 1, Scope 2 and Scope 3), in %

10%

4481 t CO<sub>2</sub>eq

5413 t CO<sub>2</sub>eq

8774 t CO<sub>2</sub>eq



### Improve resource efficiency

Reduce relative electricity consumption, consumed electricity kWh / revenue Eur

0,10 kWh/Eur

0,11 kWh/Eur

0,10 kWh/Eur

0,14 kWh/Eur



Reduce natural gas consumption, %

45%

522 872 kWh

442 687 kWh

784 579 kWh



	Target 2025 (Base year 2021)	Performance 2023	Performance 2022	Performance 2021	2023 vs 2021
<b>Increase raw material efficiency in manufacturing operations and improve waste management</b>					
Purchased share of used wooden pallets for unloading goods of total purchased pallets for unloading goods, %	95%	96%	97%	92%	↑
Reduce the amount of cardboard waste generated in production, cardboard waste/total cardboard production volume, %	18%	21%	17%	21%	↑
<b>Assess the environmental impact of used raw materials in production and put effort in supply chains traceability and certification</b>					
Raw materials in company's products and packaging supplied from virgin wood fibre originate from certified sources (FSC®) or (PEFC™), %	>45%	52%	39%	31%	→
<b>Assess the length of the supply chain and make efforts to shorten it</b>					
Increase purchase share of cardboard buying directly from a manufacturer (not retailers), %	>95%	98%	98%	86%	↑
Increase purchase share from EU manufacturers, %	>99%	92%	96%	98%	↓
<b>Work with suppliers that meet Company's sustainability criteria</b>					
The share of Strategic / Important Suppliers that calculate CO2 emissions or have ESG targets or sustainability policies, %	70%	62%	60%	45%	→
The share of Strategic/Important Suppliers signatory to VILPAK Code of Conduct.	95%	31%	10%	0%	↑

## Social

### Material topics

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

### Contribution to UN SDG's



### Target 2025 (Base year 2021)

### Performance 2023

### Performance 2022

### Performance 2021

### 2023 vs 2021

### 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

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%

-2%

0%



Total annual turnover (all reasons) of employees, %

≤23%

45%

49%

54%



Total annual turnover (company initiated) of employees, %

≤16%

18%

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%

0,87%

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
- Data privacy and protection

### Contribution to UN SDG's



	Target 2025 (Base year 2021)	Performance 2023	Performance 2022	Performance 2021	2023 vs 2021
<b>Ensure and promote transparent governance practices in the Company</b>					
Organizational goals and results introduced, evaluated, and reviewed to employees on regular basis, frequency/year	12	12	12	12	↑
<b>Ensure profitability and operational efficiency of the Company</b>					
EBITDA profitability ratio, %	12%	3%	10%	5%	→
Working capital ratio, %	8%	11%	9%	11%	→
Efficiency ratio (Throughput/Operational expenses), Eur	1.43 Eur	1.13 Eur	1.31 Eur	1.22 Eur	→
<b>Through the investment activities to make positive impact and enhance development of social-economical environment</b>					
The share of investments in renewable energy sources and / or digitization of total annual investment, %	18%	1%	10%	12%	↓
<b>Implement innovations by expanding the portfolio of sustainable products and strengthen the company's vision of sustainability</b>					
New sustainable products introduced, pcs	4	0	1	1	→





# Product quality and safety

Ensuring the safety and quality of our products is a core commitment for us, central to our business values. To uphold this commitment, we've established a comprehensive set of quality control standards within our company. These standards are designed to guarantee that each order and delivery not only meets but exceeds customer expectations and requirements. One of the primary requirements of our customers is the presence of long-term certified management systems. As such, we have implemented rigorous management systems, with the ISO 9001 certification standard for Quality Management serving as the foundation. This certification demonstrates our consistent ability to deliver products and services that not only meet customer and regulatory demands but also continuously improve over time. Internally, our adherence to these high-quality standards translates into tangible benefits for our company. We experience improved operational results, heightened job satisfaction among our employees, and uphold strong business ethics as a result of our commitment to excellence.

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 2023 Vilpak received highest AA score in grading scale for BRC audits.

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

At Vilpak, we've established an effective non-compliance management system that encompasses various components: design, documentation, implementation, auditing, and continuous improvement. This system is supported by a clear comprehension of processes and objectives through comprehensive training, communication, and a nurturing work environment. Every team member is expected to report any nonconformities or potential issues by documenting them in our business management application. By integrating non-conformance management into our ERP application, we've enhanced participation from all staff in the process of identifying and addressing non-conformities. This approach has streamlined the reporting process, empowered employees, and facilitated a more efficient management of nonconformities. Non-conformance management serves as a critical performance indicator for our Quality Management System, allowing us to swiftly identify systemic issues within the company. As such, it remains one of our top priorities.

In the past year, we recorded 313 cases of product quality non-conformance, with 48.53% being internal cases (on-site) and the remainder being external (customer complaints) and supplier non-conformities, representing 0.87% of annual sales. In 2023, we increased the accuracy and quantity of non-conformities captured, placing a greater emphasis on the quality of the final product. Although the overall percentage of losses increased compared to the previous year's result of 0.68%, the total number of non-conformities recorded tripled. Most importantly, a significantly higher proportion of internal non-conformities were recorded compared to the previous year, when the result was only 19.84%. This indicates an increased focus on quality issues and the reduction of defective products leaving the company.





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

We continually review and upgrade our measurement equipment and technology to uphold the quality and condition of our packaging and its contents without encountering any issues. Our ongoing efforts with staff and the increased involvement in checking and recording non-compliance have yielded results in 2023 and are planned to continue along this path.

In 2023 we received prestigious ECMA GMP 2.1 Food Seal certification from the ECMA – European Carton Makers Association. This certification is a testament to our commitment to quality and hygiene management in manufacturing. It grants us the right to use the ECMA GMP 2.1 Food Seal in our documents and communication related to cartons produced at our factory.



# Human rights

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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. In 2023, we developed a new Human Rights, Non-Discrimination, Child Labour, and Forced Labour Policy to enforce human rights throughout our value chain.

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 2023 no incidents of discrimination or harassment were reported or occurred at Vilpak.



# 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. We've carefully designed workplace where individuals not only feel a sense of belonging but also experience genuine support for their mental and emotional health. This dedication to their overall wellbeing isn't just about boosting productivity; it's about fostering resilience and unlocking untapped creativity within our team.

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, 2023 was 100, (in December 31, 2022 that number was 93). We had 54 newcomers in 2023 and 43 employees left our company. The general employee retention rate increased to 57% from 48,4 % in 2022.

#### Open-ended employment contract

56 Male

42 Female

#### Fixed-term employment contract

0 Male

0 Female

#### Full-time employment

57 Male

42 Female

#### Part-time employment

1 Male

0 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

58

58%

# Female

42

42%

All employees			Female		Male		
Total		Pcs.	98				
By Gender		Pcs.	42		58		
		%	42%		58%		
Employee category	Workers (34)	%	71%		29%		
	Skilled workers (31)		0%		100%		
	Specialists (23)		70%		30%		
	Top managers (11)		18%		82%		
	Top level manager (1)		0%		100%		
By Age Group			Under 30 years old		30-50 years old		Over 50 years old
Employee category	Workers	%	27%		46%		27%
	Skilled workers		36%		61%		3%
	Specialists		17%		83%		0%
	Top managers		0%		91%		9%
	Top level manager		0%		100%		0%
New Employee hires			Female		Male		
Total		Pcs.	54				
By Gender		Pcs.	20		34		
		%	37%		63%		
By Age Group	Under 30 years old	Pcs.	8		17		
		%	32%		68%		
	30-50 years old	Pcs.	18		8		
		%	69%		31%		
	Over 50 years old	Pcs.	2		1		
		%	67%		33%		

Employee turnover			Female	Male
Total By Gender		Pcs.	43	
		Pcs.	16	27
		%	37%	63%
By Age Group	Under 30 years old	Pcs.	7	17
		%	29%	71%
	30-50 years old	Pcs.	7	9
		%	44%	56%
	Over 50 years old	Pcs.	2	1
		%	67%	33%
Annual turnover rate		%	45,00%	

Average salary by employee category, Eur		Female	Male	2023 Female	2023 Male
Employee category	Top Managers	2	9	3 298,00 €	3 621,00 €
	Specialists	16	7	2 050,00 €	2 287,00 €
	Skilled workers	0	31	-	1 820,00 €
	Workers	24	10	1 276,00 €	1 249,00 €

Average learning time by gender and employee category		Hours
Employee category	Workers (34)	6
	Skilled workers (31)	5
	Specialists (23)	3.5
	Top managers (11)	48.5
	Top level managers (1)	32
By Gender	Female	26
	Male	12

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In 2023 the annual total compensation ratio was 1:0,86 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 reduce the employee turnover rate, especially in "blue-collar" positions, by improving the recruitment process, by conducting exit interviews with each departing staff member and analysing the data obtained. In 2023, female workers in 'blue-collar' positions were paid more than male workers in 'blue-collar' positions. The salary map for 2023 shows some gender pay gaps in similar occupational groups. Compared to the previous reporting period, the gender pay gap in total across all occupational categories has decreased from 11% to 2%. Also, we strive to reach a better gender balance between women and men in top management positions.





A survey of leavers carried out in 2023 and the data revealed that the majority of employees who decide to leave the company cite the following as the main reasons for leaving: getting a better job offer (14 employees), changing their place of residence - moving to another city or country (6 employees).

We are concerned about employees' well-being at work, so we conducted an employee engagement survey, asking employees 16 questions (4 blocks of questions: employees' basic needs at work, teamwork, getting along with their line manager and the opportunity to grow and develop in their job). The questionnaire also included an eNPS question, for which the scores have increased from -2% to 0% compared to the 2022 survey. Employees were asked: ***"Would you recommend X Company as a good place to work to your friends and acquaintances?"*** The assessment is made on a 10-point scale, where 10 is the maximum score.

- Those who score between 1 and 6 on this question are classified as **DETRACTORS**.
- Those scoring 7-8 are classified as **PASSIVES**.
- Those scoring 9-10 are classified as **PROMOTERS**.

The eNPS score is calculated as: % PROMOTERS - % DETRACTORS.

After the presentation of the results of the Employee Engagement Survey, special attention was paid to the teams with the bottom scores. Bottom scoring teams had discussion sessions with HR and identified the real reasons for low engagement. These reasons have been communicated to the company TOP management.

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. During the reporting period, we did not have non-employees in our own workforce, i.e., individuals with contracts to supply labour ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78).



# Remuneration system

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

Since January 1, 2023, we switched to working time accounting system, allowing us to flexibly manage workforce needs based on fluctuating workloads and better accommodate employees who work rostered shifts. The company has adopted a sum-of-the-working-time policy and provided training to all employees.

The Performance Management Process ensures that, in addition to regular feedback, employees participate in two 1:1 meetings annually (the annual review and mid-year review) to assess their overall performance based on both functional responsibilities and behavioral aspects. Competencies for improvement are identified through performance review forms, and an annual employee training plan is developed from this consolidated information.

Our company's top management team employs Objectives and Key Results (OKRs), a collaborative goalsetting methodology, to establish challenging and measurable objectives. Annual bonuses for top managers are contingent upon achieving these OKRs.

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 2023, after reviewing the salaries of our company's employees, they were increased by an average of 10%.

In 2023 100% of our employees received annual performance and career development review.

During the reporting period, we had one case of vertical career advancement and four cases of horizontal career movement, with staff transitioning within and between different functions. We implemented a categorization system for production staff, establishing the role of chief operator for each shift in the production department.

Additionally, we introduced a structured evaluation process for newcomers, wherein after one month of employment, colleagues working in the same area provide feedback and complete a questionnaire detailing their willingness to collaborate with the new colleague. Furthermore, all production workers undergo an annual standardized test to assess their knowledge of Health and Safety (H&S) and Good Manufacturing Practices (GMP).

# Health and safety

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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 hazardfree 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.

In 2023, 70% of employees received first aid training in the company, which included practical training on how to properly use a cardiac defibrillator. Additionally, the company has purchased a cardiac defibrillator, which is kept in a location visible and easily accessible to all employees at the main entrance to the production area.

During 2023, there were 2 accidents recorded throughout the company, involving injuries such as toxic effects of chemicals and contusions of the finger when the nail was not intact. The Lost Time Injury (LTI) is the industry indicator used to gauge the success of our occupational safety efforts. In 2023, LTI resulted in 12 working days lost, compared to 67 working days in 2022, with a Lost Time Injury Frequency Rate of (LTIFR) 10.05.

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.

In 2023, speakers on topics of interest to staff were invited every quarter. One such speaker was the head of the Vilnius branch of the State Labour Inspectorate, who gave a presentation on workplace accidents and prevention of workplace accidents.





# 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.
- ↑ Top managers are invited to study in the ISM (University of Management and Economics) Executive Master's programme, which offers a choice of modules relevant to managers, including digital transformation, applied organizational psychology, business development and sustainability, executive rhetoric and communication, financial strategy and management, and strategic management - NEW

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. The company has an active Works Council. In 2023, improvements were made regarding issues related to health and safety and the working environment for employees. Six Works Council meetings were held during the year, and the signed minutes of these meetings are communicated to all employees via the information board.

# 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.

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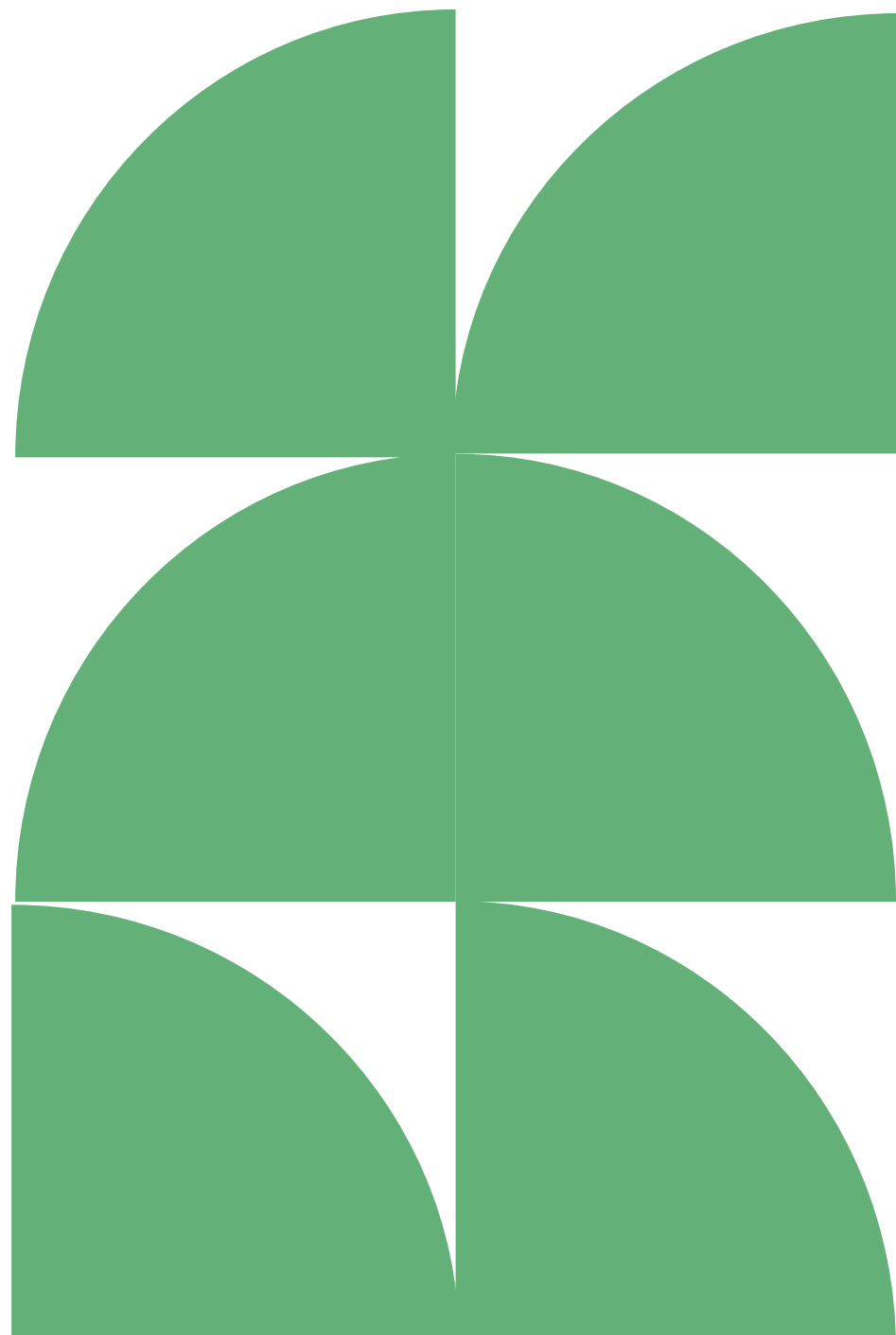
**During the reporting period, we presented our contributions to society and local communities in the following main categories:**

### **Voluntary activities:**

In 2023, Our employees contributed their own time to organize and participate in volunteering activities, totaling 62 hours. Six employees participated in planting 350 spruce saplings in Mickūnai, Vilnius district, in cooperation with the Nemenčinė Forest Enterprise. In 2023, we started a volunteering project with the organization Social Assistance and Integration Centres "Betania," where 12 of our employees delivered food to the homes of 42 people with disabilities.

### **Development of the next generation:**

The company, together with its partner, actively supports young people who aim to develop complex and creative thinking through an established scholarship. Annually, it awards the participants of the "School Citizenship Awards" contest who take 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 15-16).

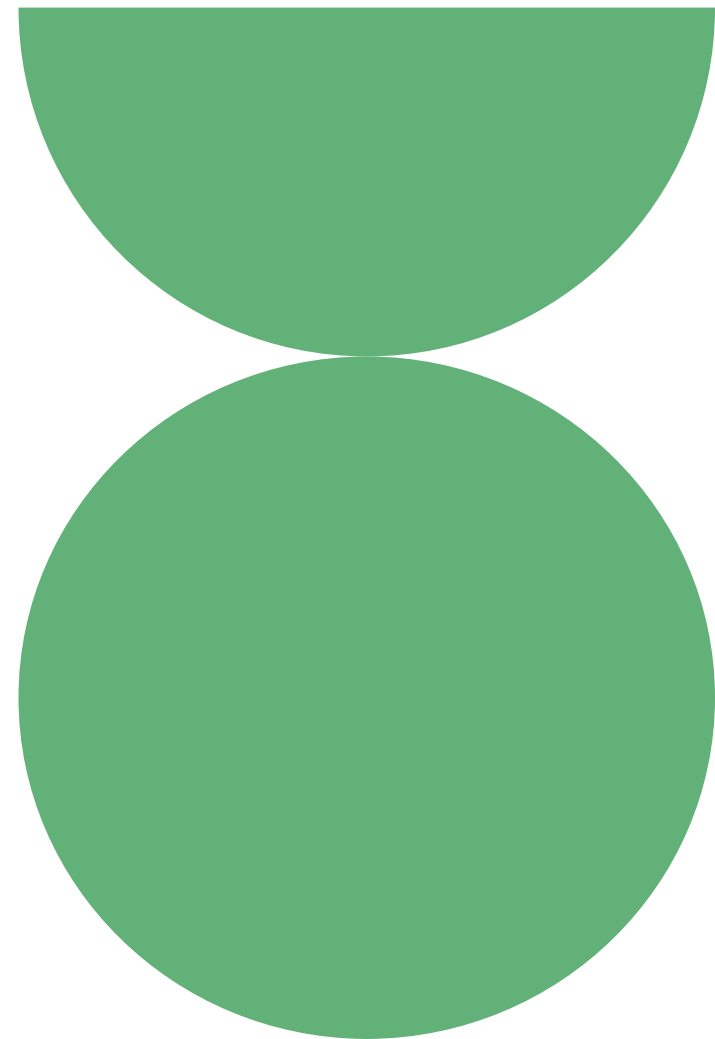
Since 2021, the company's top managers made a decision to make one further step towards more transparent governance, this was done through voluntary non-financial disclosure of the company's performance based on three pillars: environmental, social, and economic (governance). Our sustainability report 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.it](http://www.vilpak.it)**



# Financial self-sustainability

A decorative graphic on the left side of the slide. It features a solid green background. In the lower-left quadrant, there are three white geometric shapes: a semi-circle at the top, and two full circles below it, arranged in a triangular pattern where the circles touch each other and the semi-circle.

In 2023, Vilpak navigated a complex landscape characterized by a broader economic slowdown, significantly influenced by the ongoing war in Ukraine, persistent high inflation, and rising interest rates. These factors collectively impacted company's financial results, reflecting a departure from the robust growth seen in previous years.

EBITDA profitability, a key indicator of the company's financial health, decreased to 3.5% in 2023 with a total EBITDA of EUR 0.5 million. This decline is a direct result of increased operational costs and dampened market demand, conditions exacerbated by external economic pressures. Correspondingly, the company's annual turnover decreased by 15% in 2023 to EUR 14.1 million, underscoring the challenging economic environment that contracted consumer spending and affected Vilpak sales volumes.

Despite these setbacks, Vilpak remained committed to rigorous financial management, as evidenced by its working capital ratio, which adjusted to 11% in 2023. This adjustment was strategic, aimed at maintaining operational stability and liquidity in a volatile market. However, the company's throughput-to-operating expense ratio witnessed a decline to 1.13. While this represents a decrease from the previous year, it still reflects a level of operational efficiency achieved through proactive adjustments in the company's business operations amidst rising costs.

On a positive note, Vilpak's efforts to optimize inventory management bore fruit, with raw material inventory levels significantly reduced to EUR 0.9 million, well below the target of EUR 1.4 million. This reduction not only helped in improving cash flow but also in minimizing storage costs, demonstrating the company's ability to effectively manage resources in challenging times.

Looking ahead, the lessons of 2023 are clear. Vilpak is poised to continue adapting its strategies to ensure financial sustainability and operational resilience. By closely monitoring economic indicators and adjusting business practices accordingly, the company remains dedicated to upholding its commitment to sustainable growth and financial stability, reinforcing our resilience against ongoing economic challenges.

**Vilpak key financial indicators  
can be summarized as follows:**

Key financial figures	2023	2022	2021
Total income	14 123 535	16 675 770	13 143 353
Operating profit before amortization and impairment (EBITDA)	446 474	1 668 985	701 067
EBITDA profitability, %	3%	10%	5%
Operating profit (EBIT)	(764 439)	439 850	(109 187)
Profit/(loss) before tax	(825 826)	377 867	(139 380)
Turnover capital ratio, %	11%	9%	11%
Efficiency ratio, Eur	1,13	1,31	1,19
Inventory turnover, days	46	42,9	73

In 2023, Vilpak paid Eur 994 k to government in the form of taxes, EUR 2,25 mil in gross employee wages and benefits and payroll taxes, EUR 1,55 mil in operating expenses, national procurement spend EUR 4,9 mil (excluding VAT). In comparison with the previous reporting period, amount paid in the form of taxes to government remained at similar level (2,0 % increase) as did gross employee wages and benefits and payroll taxes (3,8 % decrease). Amount spent to national procurement in 2023 decreased by 19,6 %.

# Market development

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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 texas

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 2023 Vilpak has paid a total of EUR 402 k of taxes to the Tax Authority and EUR 513 k to the State Social Insurance Fund. The information is publicly available and can be accessed by any user.

# Data protection and privacy

A decorative graphic consisting of four large, light blue circles arranged in a 2x2 grid, overlapping each other. The circles are set against a solid green background.

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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 unauthorised 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 2023.



# 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 enhancing packaging to increase the use of recyclable or environmentally friendly materials while maintaining or reducing the material used. We assist in finding solutions by minimizing secondary or tertiary packaging, enhancing the functionality of primary packaging, and reducing the physical burden on employees during packaging processes. This streamlines the packaging development and production path, reducing preparation time and expediting customer approvals.

During the reporting period, we observed a growing interest among our clients in innovative packaging and more environmentally friendly solutions. Compared to the previous reporting period, sales of modified atmosphere packaging solutions increased by 5%. HALOPACK® is made from renewable wood pulp, compatible with existing machinery and tools in food production, and extends product shelf life, thereby reducing food waste. The plastic liner can be easily peeled off, and both the liner and the cardboard can be recycled in separate waste streams.

Our innovative flange trays, launched in 2022, are designed to keep food fresh and secure, whether it's fruits, vegetables, meat, fish, dairy, pastries, or sweets. These trays were evaluated by our customers during the reporting period, and sales reached more than 250 thousand units.



**The sustainable innovations introduced in 2022 remain current and up to date in 2023:**

# 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:

In 2022 we had a request from our customer, to help them pack a flour mix with perfect seal ability. We researched and came up with an idea, which we were still refining in 2023. The concept involves inserting and gluing a thin paper bag inside a cardboard box. Once the flour is poured, the customer's machine seals the bag shut.



# Responsible investment

One of the means through which Vilpak managed to achieve almost double growth in size in the last 5 years, with the exception of decrease in revenue in 2023 as influenced by global economic slowdown, 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 2023, Vilpak has invested a total of EUR 0,4 mil in such technologies. While evaluating the adequacy of the investments, Vilpak is evaluating compliance with ESG/Climate criteria and its return on investments. An important takeaway from total investments.

Main investments in 2023	EUR
Machine for forming and glueing of conical trays with flanges	126 000
Renovation of die-cutting press	57 000
Investments in tools, renovations of machinery	139 000
Other tools, equipment and machinery	88 000
<b>Total:</b>	<b>410 000</b>

#### The main investments plans for 2024 are:

- Investments in new printing press, EUR 3 mln.
- Investments in new folding glueing machinery with automated packing line, EUR 540 k;
- Investments in robotized technology of palletizing manufactured products, EUR 120 k;
- Investments in tray erecting machine, EUR 35 k;
- Investments in tools, renovations of machinery, EUR 100 k;
- Investments in automation of incoming orders using AI, EUR 50 k.
- Investments in production facilities renovation, EUR 100 k.

In 2023 Vilpak did not receive any state or EU structural funds subsidies, rather investments were partially financed using financial institutions financing. The same is planned for investments in 2024.

Total investments in 2024 are planned to reach close to 4 mln. EUR.

# 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 2023 Vilpak generated and consumed 418 992 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).

In 2023, the carbon emissions (Scope 1 and Scope 2) accounted for 3% 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 97% 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 2023, we succeeded in reducing our total greenhouse gas emissions (Scope 1, 2 and 3) by almost 49% compared to 2021 and approximately 17% compared to 2022, while simultaneously 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	2023	2022	2021 (base year)
<b>TOTAL GHG emissions, CO2 eq</b>		<b>4481 t</b>	<b>5413 t</b>	<b>8774 t</b>
<b>Scope 1 (Direct) GHG emissions, CO2 eq</b>		<b>112 t</b>	<b>112 t</b>	<b>181 t</b>
Burning of fuel in stationary burning units at the company	t CO2 eq	88	88	156
Burning of fuel in own or leased vehicles	t CO2 eq	23	24	25
Emissions from air conditioning	t CO2 eq	0	0	0
Emissions from fire suppression systems	t CO2 eq	0	0	0
<b>Scope 2 (Indirect) GHG emissions, CO2 eq</b>		<b>0 t</b>	<b>0 t</b>	<b>0 t</b>
Purchase of electricity (market-based method)	t CO2 eq	0	0	0
<b>Scope 3 (Other Indirect) GHG emissions, CO2 eq</b>		<b>4368 t</b>	<b>5300 t</b>	<b>8593 t</b>
Upstream emissions of purchased electricity	t CO2 eq	26	37	55
Emissions from transmission and distribution losses	t CO2 eq	3	4	6
Production of paper and other substrate	t CO2 eq	2799	3492	6387
Transportation of paper and other substrate (incl. up-stream)	t CO2 eq	587	682	947
Production of printing ink and varnish	t CO2 eq	139	173	181
Production of PE- and cardboard packing	t CO2 eq	220	243	252
Transportation of products to and from sub-supplier	t CO2 eq	0	0	0
Transportation of products to the customer	t CO2 eq	343	406	415
Production of fountain solution and cleaning agents	t CO2 eq	12	16	15
Production of plates and cylinders	t CO2 eq	192	190	266
Employee's commuting to and from work (incl. upstream)	t CO2 eq	29	31	27
Emissions from production of purchased fuel	t CO2 eq	19	26	42

## GHG emissions intensity:

t CO2 eq/1MEUR  
**317.272**

GHG emission  
intensity per  
Company revenue  
(1 million Eur)

t CO2 eq/tonne  
**0.983**

GHG emission  
intensity per 1  
tonne of product  
sold

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 greenhouse gas (GHG) emission intensity per company revenue by approximately 52%, from 667,562 in 2021 to 317,272 in 2023. Additionally, the GHG emission intensity per tonne of product sold decreased by around 33%, from 1,469 in 2021 to 0,983 in 2023, representing a 10% decrease compared to 2022.

## Split of CO2 eq emissions by Scope:

Scope 1

**3%**



Scope 2

**0%**



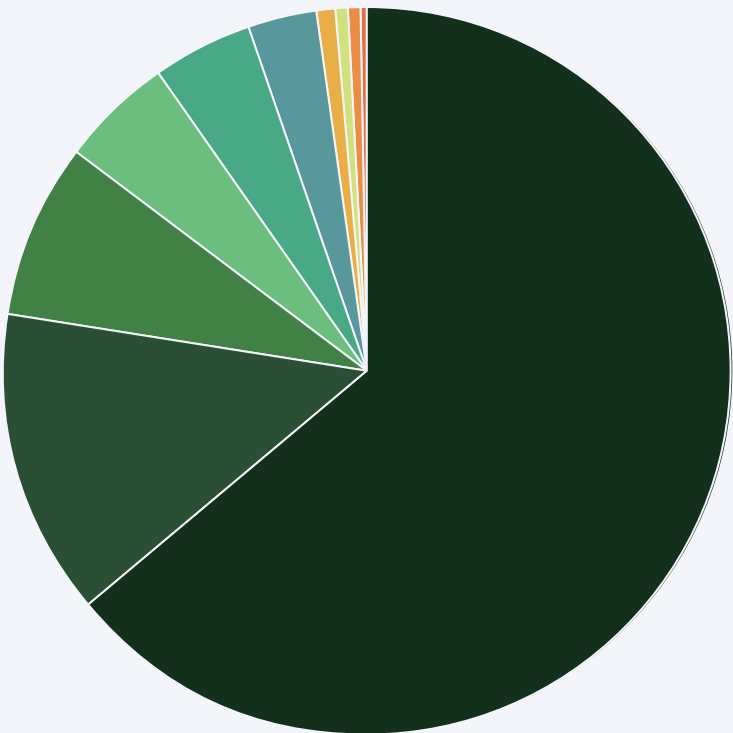
Scope 3

**97%**



Split of Scope 3 emissions

Upstream emissions of purchased electricity	0,60%
Emissions from transmission and distribution losses	0,07%
Production of paper and other substrate	64,08%
Transportation of paper and other substrate (incl. upstream)	13,44%
Production of printing ink and varnish	3,18%
Production of PE- and cardboard packing	5,04%
Transportation of products to and from sub-supplier	0,00%
Transportation of products to the customer	7,85%
Production of fountain solution and cleaning agents	0,27%
Production of plates and cylinders	4,40%
Employees commuting to and from work (incl. upstream)	0,66%
Emissions from production of purchased fuel	0,43%



- 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
- Employee's commuting to and from work (incl. upstream)
- Upstream emissions of purchased electricity
- 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 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 2023, no violations of environmental laws and regulations occurred on site



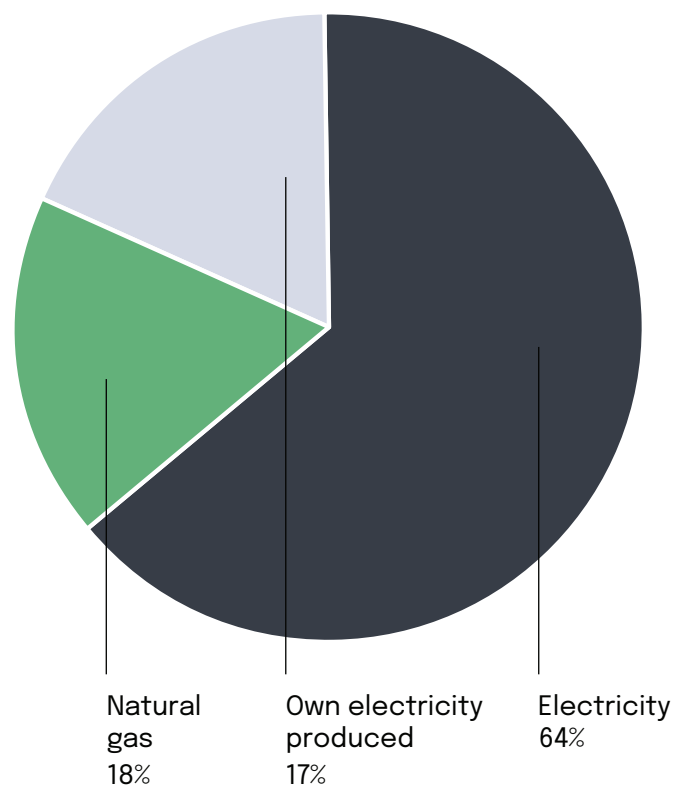


# Management of resources

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 2023	Quantity in 2022	Quantity in 2021
Electricity	MWh	1 544	1 355	1 417
Natural Gas	MWh	441	443	785
Own electricity produced	MWh	419	357	393
Water	m <sup>3</sup>	2 901	2 598	1 895
Fuel (LPG, Petrol, Gas, Diesel)	l	13 471	9 518	9 908



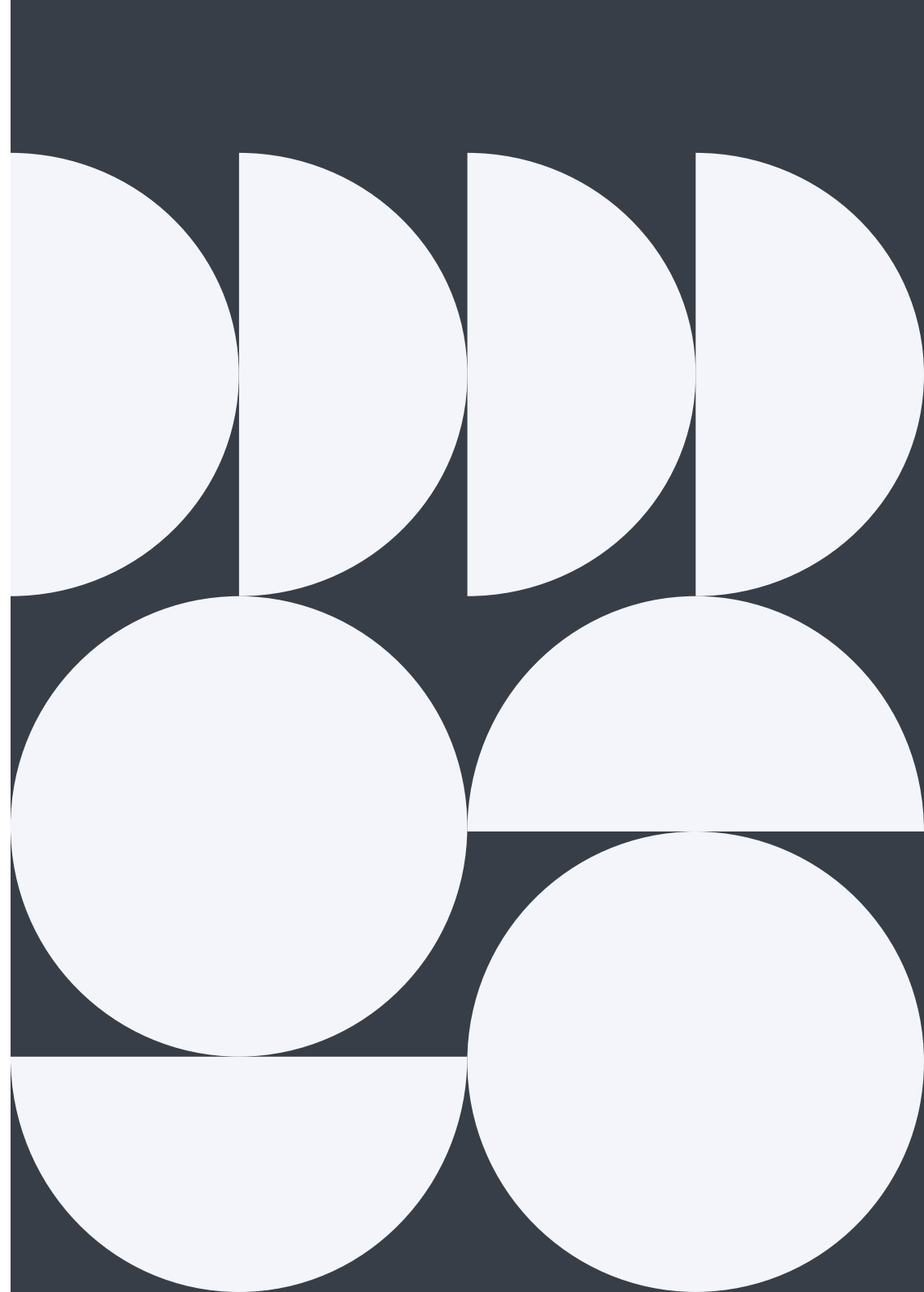
To minimize the expenses on energy through long time savings, increase resilience reducing the reliance for power from the grid, and meet environmental goals, Vilpak has invested in its own solar plant, which has already been discussed in greater detail in 2022 report. The total energy produced in the company's solar power plant in 2023 amounted to 419 MWh, representing an increase of approximately 17% compared to the previous reporting period. Meanwhile, the energy purchased was 1,544 MWh. This indicates that the Vilpak currently produces around 21% of its total energy consumption. Almost the same ratio we had in 2022, i.e. 22%. In May, we produced around 60% and in June 70% of the energy we consumed with our solar panels. 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 2023 amounted to 0,11 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 0,11 kWh of electric energy to make 1 EUR of income in 2023.

Gas is only used for heating purposes in Vilpak – heating of premises as well as heating of water. The use of gas amounted to 441 MWh in 2023. Due to installations of energy efficiency equipment that converted excess steam into heating, we were able to cut the use of gas approximately 44% since 2021 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. In our operations, we do not directly meter water consumption. We only meter water withdrawals, and we do not have separate metering for water discharges, so their amounts are assumed to be equal to the withdrawals. The company's objective is to maintain water usage at a stable level. During this reporting period, water withdrawals amounted to 2 901 m<sup>3</sup>, representing an increase of approximately 12% compared to the previous reporting period. Wastewater is collected further by UAB "Vilniaus Vandenys", i.e. the same company that is supplying water to Vilpak. The total amount of wastewater collected in 20223 is the same as the amount sourced - 2 901 m<sup>3</sup>.

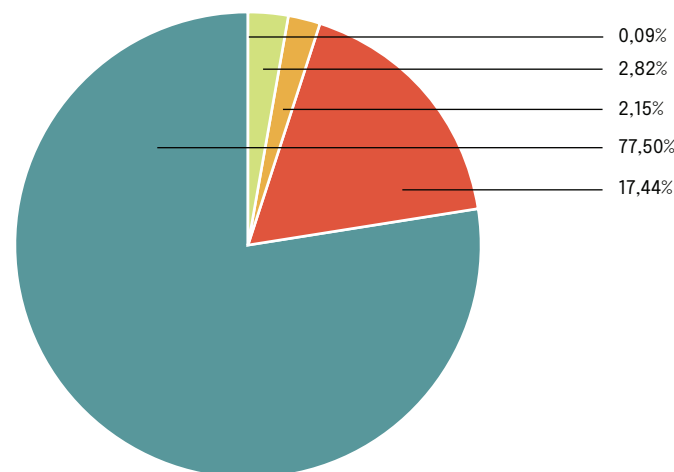
To understand the location where we operate and related water risk issues, we employed the Aqueduct Water Risk Atlas (World Resources Institute), as a resource for evaluating water-related risks. Lithuania, as a country, is not linked to high-water stress areas. In our operations, we rely on a municipal water supplier UAB "Vilniaus Vandenys for both intake and discharging water.

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 2023 amounted to 13 471 liters, which shows an increase of 42 % compared to the previous reporting period. The main reason for increased fuel consumption during the reporting period relates to increased deliveries using our own vehicle to customers, and the return of employees to work, with operations organized as they were before the pandemic.



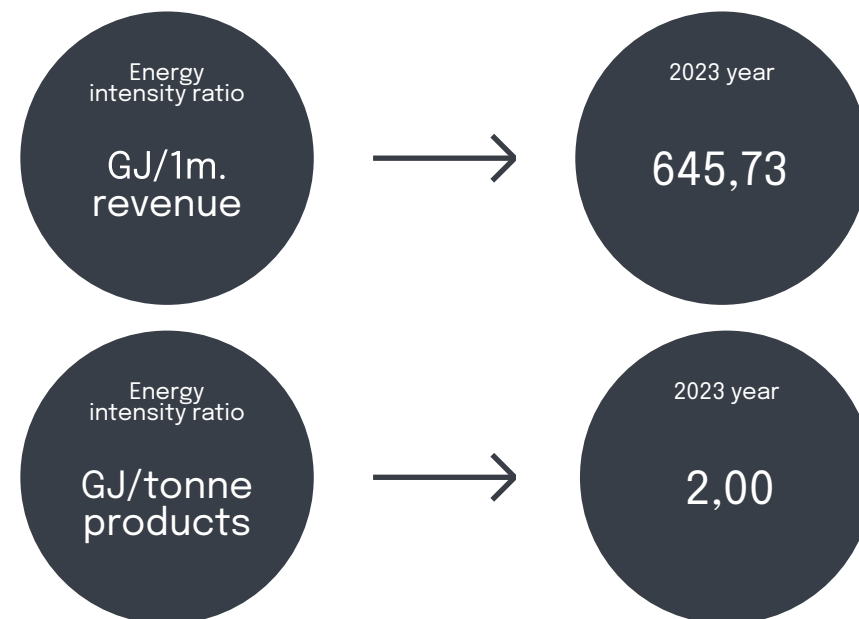
In 2023, Vilpak used 9 120 GJ of energy in our operations, indicating that the company has managed to reduce its energy intensity by around 6% from 9,684 GJ in 2021. However, in comparison to 2022, energy usage increased by around 13%, primarily due to an increase in fuel consumption. At 78%, the use 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)	77,50%
Natural Gas Consumption	17,44%
Petrol Consumption	2,15%
Diesel Consumption	2,82%
Liquefied Petroleum Gas (LPG) Consumption	0,09%



- 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.



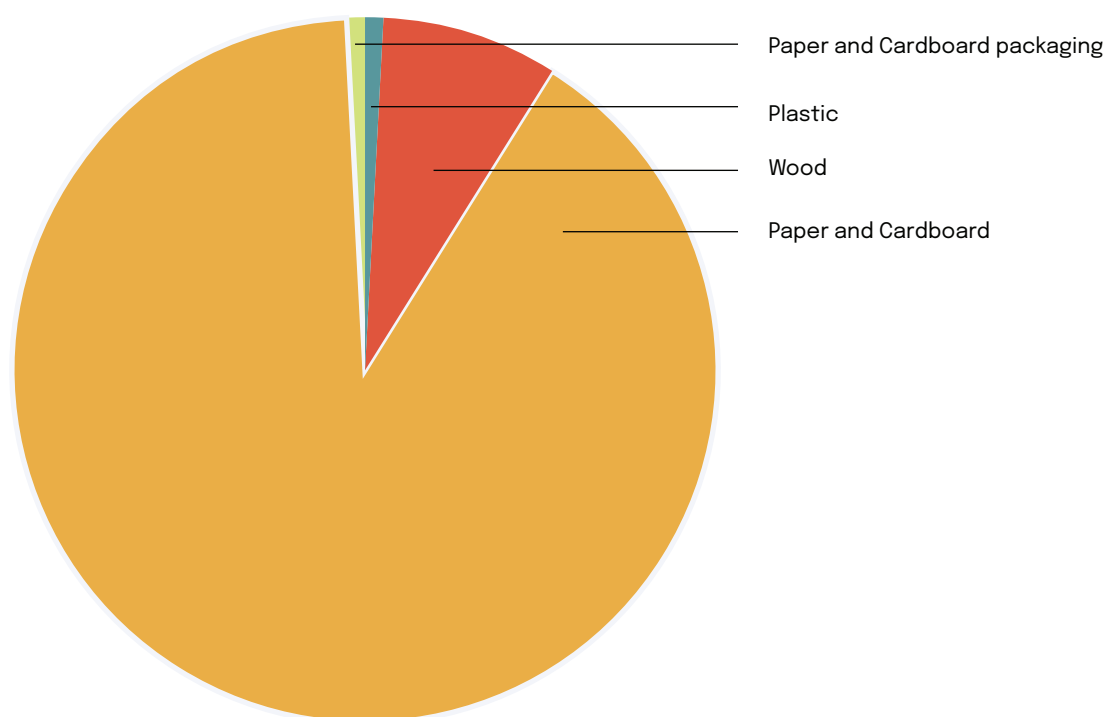
Vilpak reduced its energy intensity ratio per 1mil Revenue by approximately 12% compared to 2021. However, it increased by around 33% compared to 2022. The energy intensity ratio per tonne products increased by approximately 23% compared to both 2022 and 2021.

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. We concentrate our efforts in this area on integrating circular economy principles wherever possible.

Waste class	Quantity in 2023, tonnes	Quantity in 2022, tonnes	Quantity in 2021, tonnes
Plastic	11,81	10,56	10,31
Wood	110,92	104,5	114,93
Paper and Cardboard	1236,18	1031,14	1515,76
Paper and Cardboard packaging	9,60	24,1	7,29
<b>Total</b>	<b>1368,51</b>	<b>1170,30</b>	<b>1648,29</b>



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. In 2023, cardboard waste generated in production amounted to 22%, slightly increasing compared to the previous reporting period.

Municipal waste is collected from the territory of Vilpak by SĮ "Vilniaus Atliekų Sistemos Administratorius". Waste is collected once every week, same frequency as in previous reporting period. In 2023, a total of 199, 056 m<sup>3</sup> of waste was collected, which was reduced by around 12% compared to the previous reporting period. Since the quantity of municipal waste is based only on billing per square meter of operational space, it is challenging to accurately measure the actual amount of waste generated. In order to convert the municipal waste generated from cubic meters to tonnes, a conversion factor of 0.16 is applied for calculations. In 2023, municipal waste amounted 31, 85 tonnes. At the moment of preparation of this report, we lack precise information about the treatment methods used by waste management companies for municipal waste. Hence, we assume that all municipal waste is directed to disposal (landfill), without consideration for other disposal methods.

Shifts in customers' demand affected aluminum plates waste decrease around 53% from 16 tonne in 2022 to 7.5 tonne in 2023. 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 2023 Vilpak generated:

5,7 tonne solvent-based developer solutions waste  
(EWC code 09 01 03)

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1,736 tonne packaging containing residues of or  
contaminated by hazardous substances (EWC code 15 01 10)

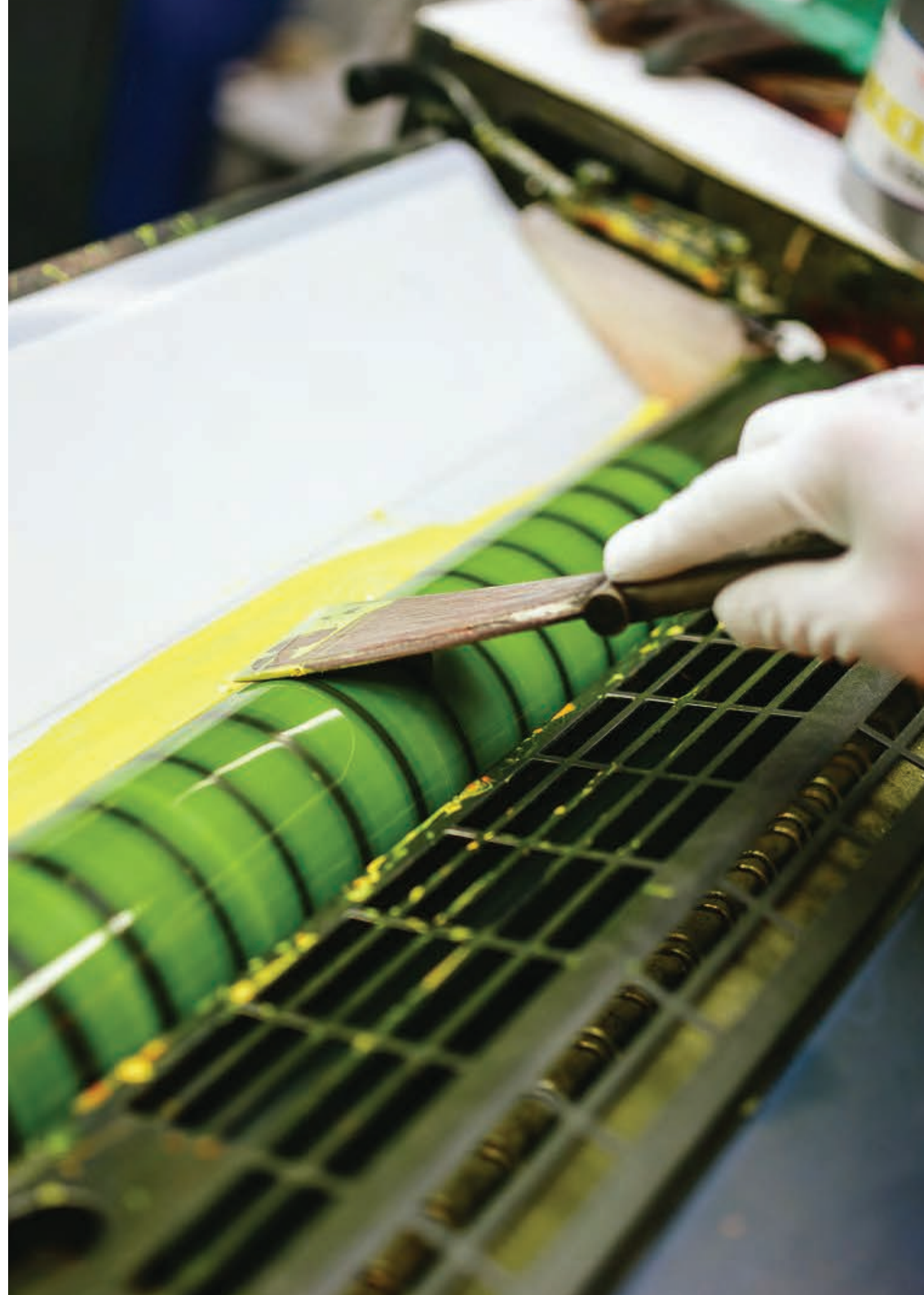
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1,395 tonne absorbents, filter materials (including oil filters  
not otherwise specified), wiping cloths, and protective  
clothing contaminated by hazardous substances (EWC code  
15 02 02)

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The total volume of hazardous waste in 2023 amounted to  
8,831 tonnes, which shows a decrease of 40 % compared to  
the previous reporting period.

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# 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



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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
Packaging material producers          Printing ink, varnish, glue producers	Cardboard mill	VILPAK	Transport company	Direct end customer	End customer
	Transport company			Wholesaler customer	
	Packaging material (outer cases) producer				
	Packaging material (pallets, wrapfoil, protective corners, labels) wholesalers				
	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 only seeking to develop partnership through legal, ethical, and responsible business practices.

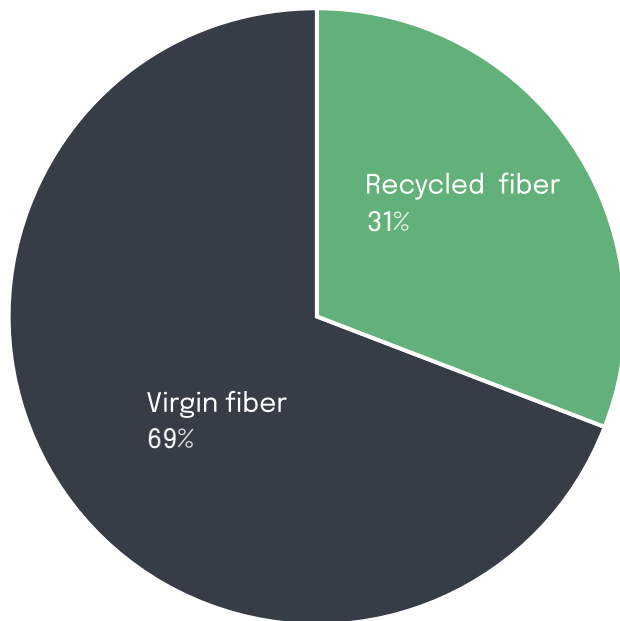
Around 62% of our strategic/important suppliers calculate their CO2 emissions or have ESG targets or sustainability policies in place. During the reporting period, we managed to achieve a 31% signatory rate to VILPAK Code of Conduct among our strategic/important suppliers, compared to 0% in 2021.

# Raw material sourcing

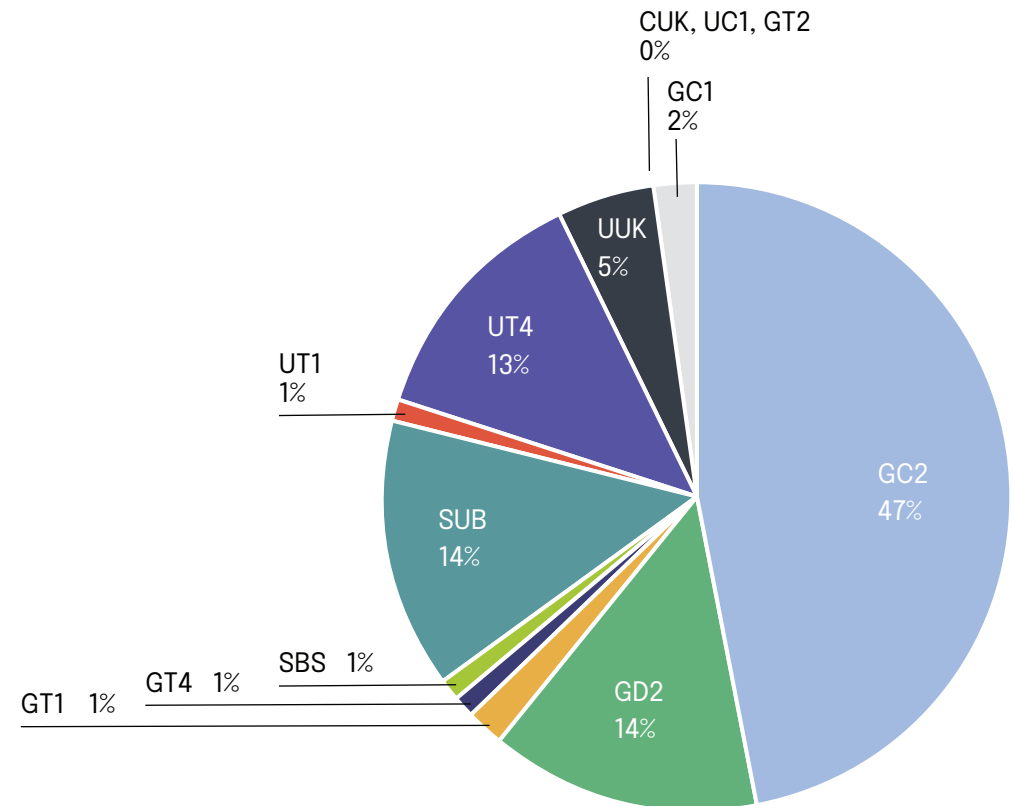
We select each supplier carefully to ensure that they share our values, while reviewing the quality and safety of their products. In our procurement conditions, we clearly state that our supply chain must meet exemplary standards.

As a production company, Vilpak's greatest share of purchases is derived from the raw materials required for production. 56% of all inventory purchases in 2023 were made for cardboard materials, while the remaining 14% was for packaging and other materials (e.g. inks, varnishes, glue, tools, etc.) required for the production process, and 19% was for services ( e.g. transportation, sheeting, etc.).

In 2023, 69% of the procured cardboard consisted of virgin fiber material, while the remaining 31% was recycled fiber board. This distribution marked a noticeable change compared to 2022, where the split was 82% and 18%, respectively. The shift in ratio was largely influenced by the tense market situation in 2022, characterized by limited raw material availability and significantly rising costs. This situation forced many to choose available materials rather than preferred ones. However, in 2023, more customers opted for recycled fiber materials.

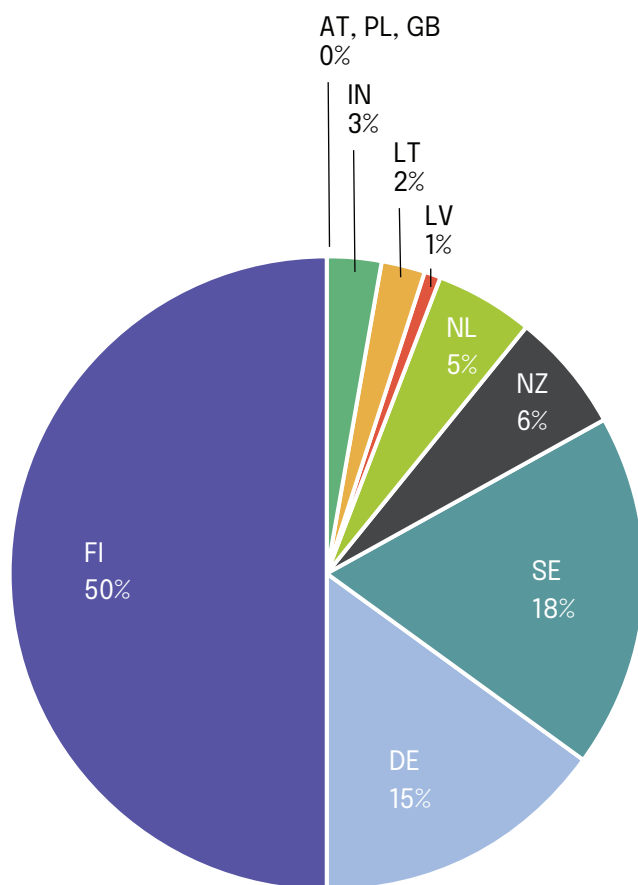


**A more detailed depiction of procured cardboard grades is shown below:**



The sourcing of the necessary raw materials comes from the closest available cardboard producers (some only 2% has been sourced from local merchants in Lithuania, not direct producers (compared to 14% in 2021 and 1% in 2022) with the majority (91.5%) being within EU countries:

### Country of sourcing cardboard



In 2023, approximately 52% of the raw materials in the company's products and packaging, sourced from virgin wood fiber, originated from certified sources (FSC® or PEFC™), compared to 31% in 2021.



# 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 31st, 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
<b>Organization profile</b>		
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
<b>Activities and Employees</b>		
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
<b>Governance</b>		
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
<b>Strategy, Policy and Compliance</b>		
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
<b>Engagement with Stakeholders</b>		
GRI 2-29	Approach to stakeholder engagement	p. 33-37
GRI 2-30	Collective bargaining agreements	p. 63
<b>GRI 3: Material Topics 2021</b>		
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
<b>Economic performance</b>		
<b>GRI 201: Economic Performance 2016</b>		
GRI 201-1	Direct economic value generated and distributed	p. 69-70
GRI 201-4	Financial assistance received from government	p. 78-79
<b>GRI 205: Anti-corruption 2016</b>		
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
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**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
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**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
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**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
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**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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