



ESG Report 2023

# Committing to sustainability



Working together for the future of plastics.

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- October 7<sup>th</sup> remembrance

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## ESG Report 2023

# Opening statements

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# A milestone in our sustainability journey

## A letter from our Chairman of the Board

For more than four years I have enjoyed the privilege of chairing Kafrit Group. Established around 50 years ago by kibbutz Kfar-Aza, Israel, which still holds the majority of shares today, our organization has become an industry-leading and multinational company in the masterbatch and compound arena.

Today, it is my pleasure to welcome you to Kafrit Group's first ESG report. After publishing company-specific ESG reports in recent years, we as Kafrit Group have decided to lead the way to sustainability with a group-wide approach. Therefore, this document is a milestone in our sustainability journey. It shall provide a transparent overview of the group's 2023 ESG performance, as well as our ambitious plans for the future.

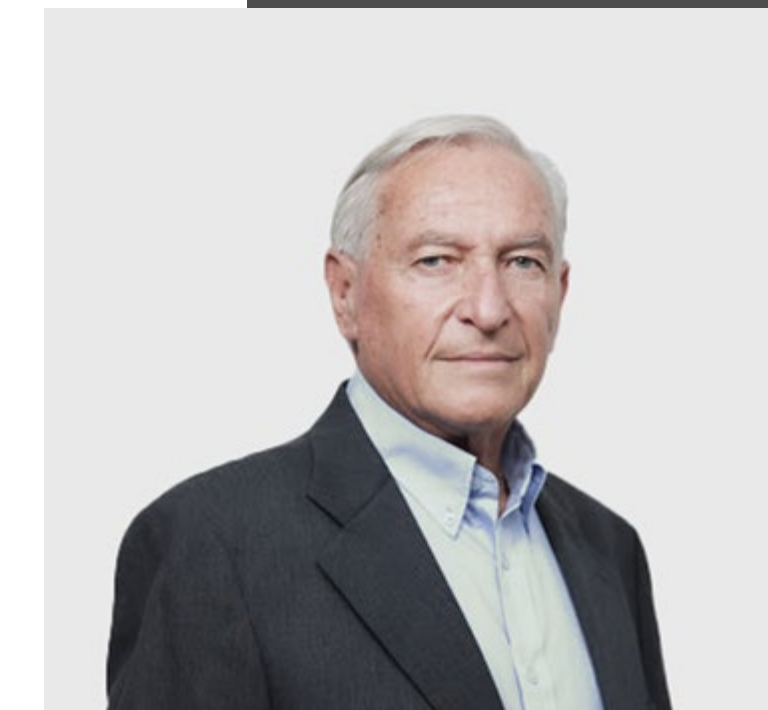
Based on the recently published European Sustainability Reporting Standards (ESRS), we are choosing to voluntarily disclose ESG information. We strongly believe it is the right move to share our experiences, achievements and challenges with our stakeholders. In addition, we actively seek to foster coalitions with our industry partners to enhance the sustainability agenda, since we consider this to be a joint task.

This is also a moment in which Kafrit Group has shown remarkable resilience after the October 7<sup>th</sup>, 2023 Hamas attack on our home, kibbutz Kfar-Aza. In early 2024, we saw two acquisitions of new companies in North America, ABSA RESINS CAN and BADGER COLOR USA. This grew the number of companies in Kafrit Group to nine, with a turnover of over \$350 million and about 800 employees.

Together, we work hard to embed sustainability into our daily operations and business practices, and I am grateful to see all our employees actively contribute to this journey.

Finally, I would like to thank our customers, suppliers and shareholders for their long-lasting trust and partnership, especially in these challenging times.

**Dr Itzick Sharir**  
Chairman of the Board



**Dr Itzick Sharir**  
Chairman of the Board



# Transcending corporate obligations

## A letter from our Chief Executive Officer



**Daniel Singer**  
Chief Executive Officer  
of Kafrit Group

It is with immense pride and a sense of purpose that I welcome you to our first Environmental, Social and Governance (ESG) report. Today, we embark on a journey of increased transparency, accountability, and shared responsibility – a journey that transcends mere corporate obligations and resonates with our core values. This journey is led by our purpose, to unite talent and technology to drive the future of plastics.

During the terror attack on the south of Israel on October 7<sup>th</sup>, 2023, we all experienced horrific loss as some of our team members, board members, family members and other civilians were killed or kidnapped – including children, women, the elderly and the sick. These horrendous events reminded us of the importance of our basic human values. Following the global ESG dialogue and common social values, the business community should condemn these unacceptable actions, regardless of political views or discrepancies.

We are committed to listening to our stakeholders and understanding their expectations. We critically assess our own performance and set up long-term goals on topics that are becoming crucial for us and many of our partners. Therefore, as you delve into this report, you should know that your voice matters. Your questions, insights, and challenges propel us. So let us engage in a dialogue as we compose a future where plastics serve modernity and humanity, without compromising our planet.

I am proud to be part of Kafrit Group. Together we challenge ourselves to raise the bar in every business area as an ongoing practice, and overcome any crisis.

**Daniel Singer**  
Chief Executive Officer

Note: This opening statement is an invitation – an open door – to all stakeholders to join us on our purpose-driven journey. Let us harmonize talent and technology, working together for the future of plastics.

# Believing in transparency

## Kafrit Group's sustainability journey

By applying the European Sustainability Reporting Standards (ESRS), this report reflects our ambitious commitment towards sustainability and signals a robust approach to corporate responsibility and ethical practices across our businesses.

**As a leader in the masterbatch and compound industry, we recognize the opportunity for positive change.** Our focus in this arena reflects a substantial shift in attitudes towards sustainability and presents a strong commitment to advance our environmental, social and governance performance. The emergence of stringent regulations offers an added challenge, but we view them as essential drivers to innovate and harness greener practices. We believe in transparent engagement with our stakeholders, as the sustainability journey cannot be mastered without relevant partners.

### Adopting the ESRS early

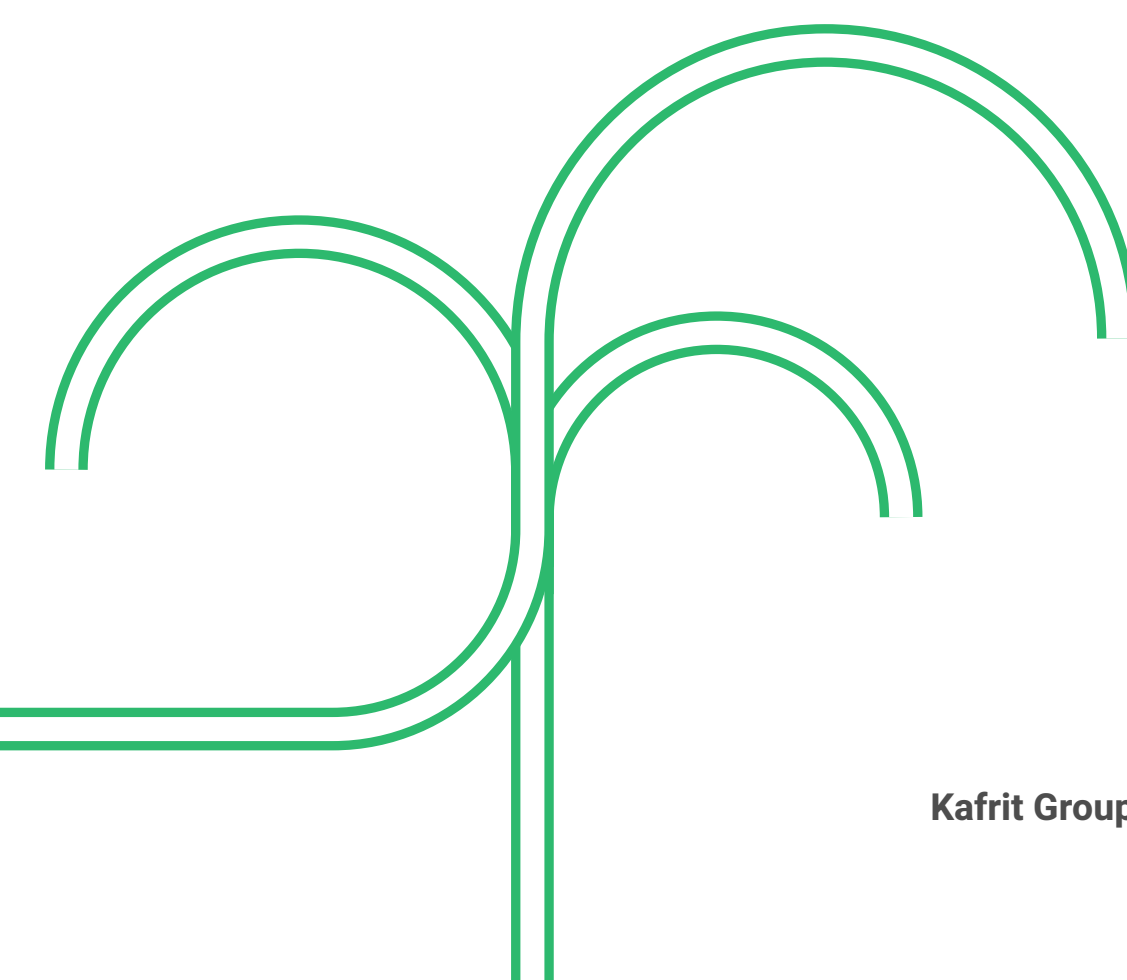
The ESRS are currently reshaping the sustainability reporting landscape. These new standards are intended to harmonize and enhance sustainability reporting throughout the European Union. This affects companies like ours with production sites in the EU but global headquarters in a non-EU country. While implementation poses challenges for every company, despite the high interoperability between Global Reporting Initiative (GRI) and ESRS, we have made a proactive decision to adopt the ESRS pathway early. This deliberate choice allows us to thoroughly prepare our organization.

Since Kafrit Group saw several acquisitions in the past years, a consolidated group report was a logical progression. We strongly believe this report reflects our ambitious commitment towards sustainability more clearly than any report we have published before.

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**Fabian Schulte**  
Kafrit Group Sustainability Leader





### Believing in transparency sustainability – Kafrit Group’s sustainability journey

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#### Our recent ESG achievements

Despite our past acquisitions and organic growth, we remain a relatively small entity compared to industry giants. Nevertheless, this does not deter us from actively engaging with the sustainability agenda. Specifically, we have utilized recent years to establish a robust foundation. For example:

- Establishing a smart ESG data collection and analysis process
- Executing Corporate Carbon Footprint (CCF) calculations in all our production sites
- Commencing efforts to enhance efficiencies in our operations
- Engaging with our numerous stakeholders
- Creating sustainable product solutions

We are probably still far from perfect, but we are on the way.

#### How we invite stakeholders to participate

Stakeholders are the most important part of the whole journey. When considering stakeholders, we must emphasize the crucial importance of our employees. Only the trusted interactions among our skilled workforce, supply chain partners, and valued customers enable the creation of new, sustainable product solutions.

As a company in the plastics processing industry, we do feel a certain reluctance in some of our home markets when it comes to plastics. Obviously, we as industry players need to better explain why plastics and sustainability are not mutually exclusive, but that plastics are an important component to a sustainable future.

We actively approach our communities, open our doors and participate in expert panels or in sustainability days at schools. We want to enrich the debate and demonstrate the material role our industry and products can and must play.

We are always open to any kind of input, sitting down with every stakeholder, trying to understand concerns and answering adequately. Not just by listening, but also by doing.

**Fabian Schulte**  
Kafrit Group Sustainability Leader

# Strength and resilience

October 7<sup>th</sup> remembrance



Everything was ready for the last week of October 2023, prepared to celebrate the 50<sup>th</sup> anniversary of Kafrit Group. Others had different plans. As it is well known, on October 7<sup>th</sup>, the South of Israel suffered from a horrendous terrorist attack by Hamas, where more than 1,200 innocent civilians were murdered and more than 250 men, women, children and elderly people were taken hostage to Gaza. We as a team experienced unprecedented loss as some of our team members, board members and family members were killed or kidnapped.

We are still devastated by the loss of our team member, Dorit Bar Ilan, our board member, Aviv Kutz, and our SVP Business Development and Innovation, Nadav Goldstein. All of them significantly contributed to Kafrit Group over many years. Other team members have lost children, partners or siblings; two team members have three children kidnapped in Gaza, among 120 hostages still held by Hamas.

Basic human values should not be empty words. Fortunately, we saw some members of the business community condemning these

unacceptable actions, regardless of political views or discrepancies, but more than that we experienced strong support and actions of solidarity by lots of customers, suppliers, investors and other members of our eco-system.

Starting on November 8<sup>th</sup>, the KAFRIT IL plant gradually resumed operations until it became fully operationally again at the end of December, 2023. Working together, we started to overcome any obstacle, advance our commitments to all our stakeholders, and emerge stronger than ever.

Kafrit Group remains a pillar of strength and resilience. Our history is a testament to our ability to overcome severe crises, and this challenge will be no different. We firmly believe that, together, we will not only endure but thrive, continuing to lead in the industry, striving for a brighter and better future.

We are praying for the fast return of all the hostages back home, as soon as possible.





**ESG Report 2023**

# Kafrit Group overview

- » **About Kafrit Group**
- » **How it all started and global presence**
- » **Our products and technologies**
- » **Our purpose**



# Who we are

## About Kafrit Group

**We are a globally-active, leading producer of masterbatches and compounds for the plastics processing industry, currently employing around 800 people (538 employees in the reporting period). In 2023, we achieved about \$300 million turnover.**

Today, a total production capacity of more than 150,000 mt underlines our ambitions as a multinational player. Moreover, we consist of nine companies operating a total of ten production sites.

The latest arrivals to Kafrit Group, ABSA RESINS CAN and BADGER COLOR USA, who were both acquired in early 2024, are not included in the 2023 ESG reporting.



# From the kibbutz to the world

How it all started and global presence

All of this began in 1973, when Kafrit was founded in kibbutz Kfar-Aza in Israel. Since then, the company has grown both organically as well as via acquisitions. Today, the group incorporates:

- KAFRIT IL in Israel
- CONSTAB GER and DELTA KUNSTSTOFFE GER in Germany
- ADDVANZE SWE in Sweden
- CONSTAB CN in China
- US-based POLYFIL USA and BADGER COLOR USA
- And the Canada-based companies KAFRIT NA and ABSA RESINS CAN

KAFRIT IL 1

CONSTAB GER 2

CONSTAB CN 3

KAFRIT NA 4

POLYFIL USA 5

ADDVANZE SWE 6

DELTA KUNSTSTOFFE GER 7

ABSA RESINS CAN 8

BADGER COLOR USA 9



# What we do

## Our products and technologies

With more than 50 years of producing masterbatches and compounds for the plastics processing industry, we draw on high levels of experience, expertise and technical know-how.

We develop and produce solutions which enhance the making of high-quality end-products in many different applications.



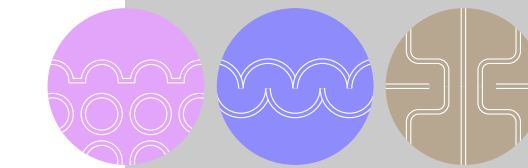
### Polyethylene and polypropylene film

Our masterbatches are designed to optimize the production process of PE and PP films as well as to provide the films with desired, specific properties such as antioxidant, antislip, antiblock and others.



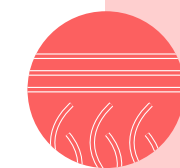
### Agricultural film

Our agricultural masterbatches and compounds impart crucial properties to films, sheets and nets in agricultural use-cases such as greenhouses, tunnels, mulch and ground covers.



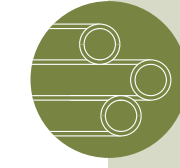
### Technical and custom-made compounds

Our technical solutions provide different properties for different applications such as foaming agents, concentrates for fibers and nonwovens and other custom-made compounds.



### Flame retardants

Our flame retardants delay ignition, slow down flame progress, enable self-extinguishing and reduce combustible ingredients in the final product, applied in sheets, films, foams and more.



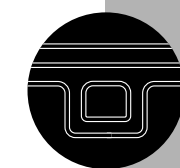
### PEX

Our cross-linked polyethylene compounds are used to produce piping for hot water, underfloor heating, oil and gases, providing resistance to very high pressures and heat.



### BOPP/BOPE film

Our BOPP/BOPE masterbatches are intended for films produced in biaxially-oriented stretching, allowing for differentiated mechanical properties and facilitating a smoother production process.



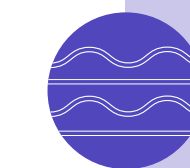
### Conductive compounds

Our conductive compounds protect sensitive electronic components from uncontrolled discharge and prevent electrostatic charge by systematically modifying plastic materials for applications such as injection molding, thermoforming and more.



### Colors

Our concentrates are designed to provide color and shade to the final product across a wide range of applications, including injection, blow molding and more.



### Polycarbonate

Our PC concentrates are made to impart properties such as UV protection, light scattering and transmission to roofing panels, glazing and other products made of polycarbonate.



# Unite talent and technology to drive the future of plastics, together.

## Our purpose

“Unite talent and technology to drive the future of plastics, together.” This purpose is the driving force of our organization.

It is the reason we do what we do, why we come to work every day. Although our group is made of many different companies around the world, our purpose unites us.



## ESG Report 2023

# Kafrit Group's approach to ESG

- » Our strategy and pillars for a sustainable future
- » Caring for the whole value chain
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# Sustainability is part of our identity

Our strategy and pillars for a sustainable future

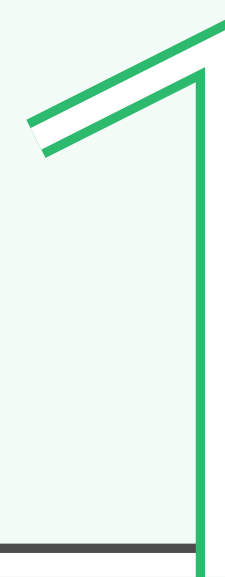
Our sustainability strategy is based on five key pillars, which together are meant to holistically integrate ESG considerations into our companies. Each of these pillars plays a crucial role in ensuring a comprehensive and effective sustainability approach.

Our sustainability aspiration is to make a better world through our people, product designs, aligned actions and collaboration with our stakeholders.

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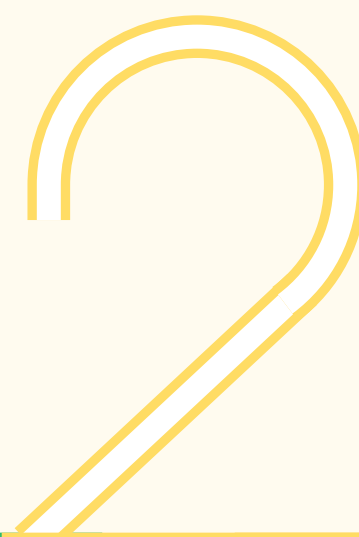
## Operating sustainably

We continuously limit the negative impact our operations have on the environment.



## Living sustainably

We work to ensure that our people are safe and act according to our values.



## Innovating sustainably

We help our customers to become more ecofriendly through product innovation.



## Developing our business sustainably

We balance our portfolio through relevant business development and strategic alliances.



## Reporting sustainably

We measure our actions, set long- and short-term goals, and work to achieve results and report on them.



## Sustainability is part of our identity – our strategy and pillars for a sustainable future

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### Operating sustainably

This pillar focuses on integrating sustainable practices into our core operations every day. This includes initiatives to reduce energy consumption, minimize waste generation, optimize water usage and enhance the overall efficiency of the production processes. Sustainable operations have a major impact on lowering our environmental footprint and contribute to the conservation of resources.



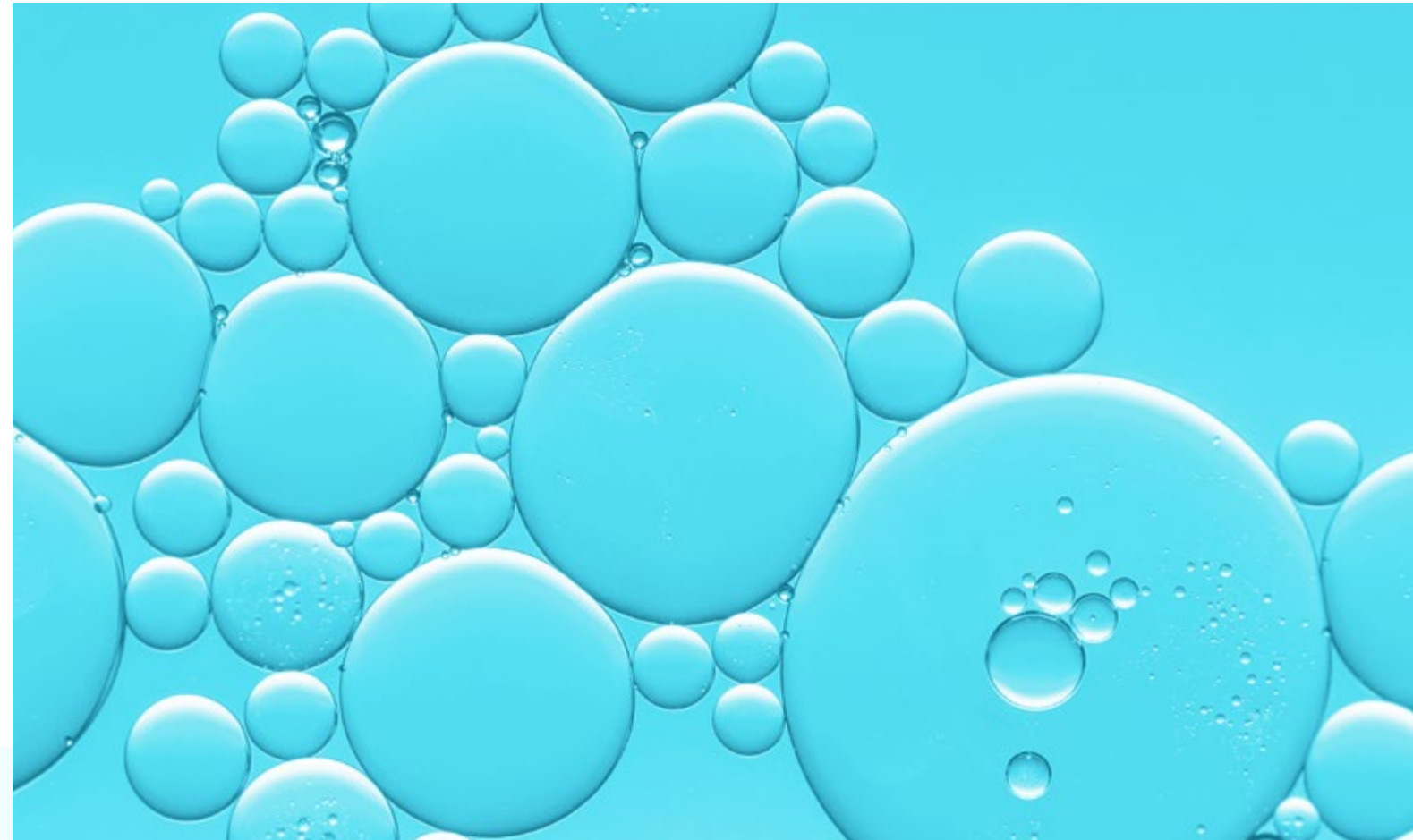
We actively promote a culture of sustainability within and beyond the organization. Our top priority is occupational health and safety (OH&S) and this does not stop when leaving the premises. In addition, we support sustainable practices among all employees, such as using public transportation, staying physically active or participating in community sustainability projects.



### Living sustainably

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# 3

## Innovating sustainably

Innovation plays a key role in sustainability. We constantly invest in research and development to create innovative products, technologies and solutions that are environmentally friendly and socially responsible, helping our customers become more sustainable at their end.

## Sustainability is part of our identity – our strategy and pillars for a sustainable future

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# 4

## Developing our business sustainably

Sustainability is an increasingly important factor driving business growth, so we frequently explore new markets and opportunities. This involves aligning our products and services with the growing demand for sustainable solutions, and partnering with relevant industry players from along the value chain.

# 5

## Reporting sustainably

At Kafrit Group, ESG reporting is about transparently communicating our sustainability performance to all our stakeholders. Therefore, we have invested in establishing a robust ESG reporting infrastructure that enables the whole group to meet emerging ESG disclosure demands. This first group-wide ESG report, following former company-specific sustainability reports, is to be considered in this sense.

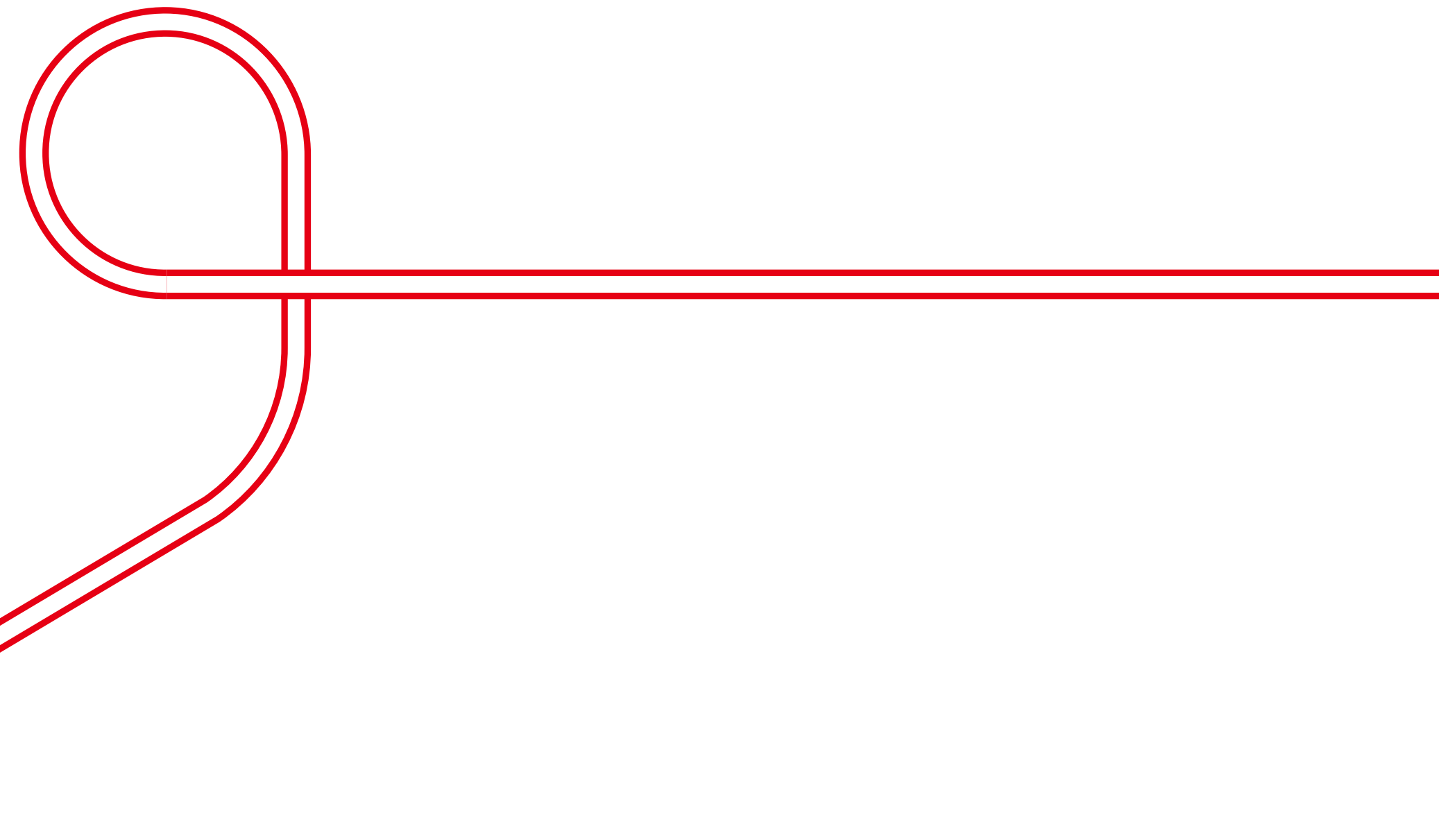


# Our place in the value creation

## Caring for the whole value chain

Operating ten production sites at the heart of a multifaceted, resource- and energy-intense, globally-dispersed value chain, we recognize the critical importance of adopting sustainable environmental, social and governance practices within our corporate operations. This forms a pivotal aspect of our business model and strategy.

Our business model relies on polymers and additives which are still mainly derived from petrochemical processes. However, we have started looking into renewable and recycled sources as well, underscoring the significance of responsible supply chain management. The masterbatches and compounds we manufacture are crucial components for our plastics processing industry customers, such as producers of flexible packaging, agricultural film and pipes and sheet, as well as injection and blow molders.

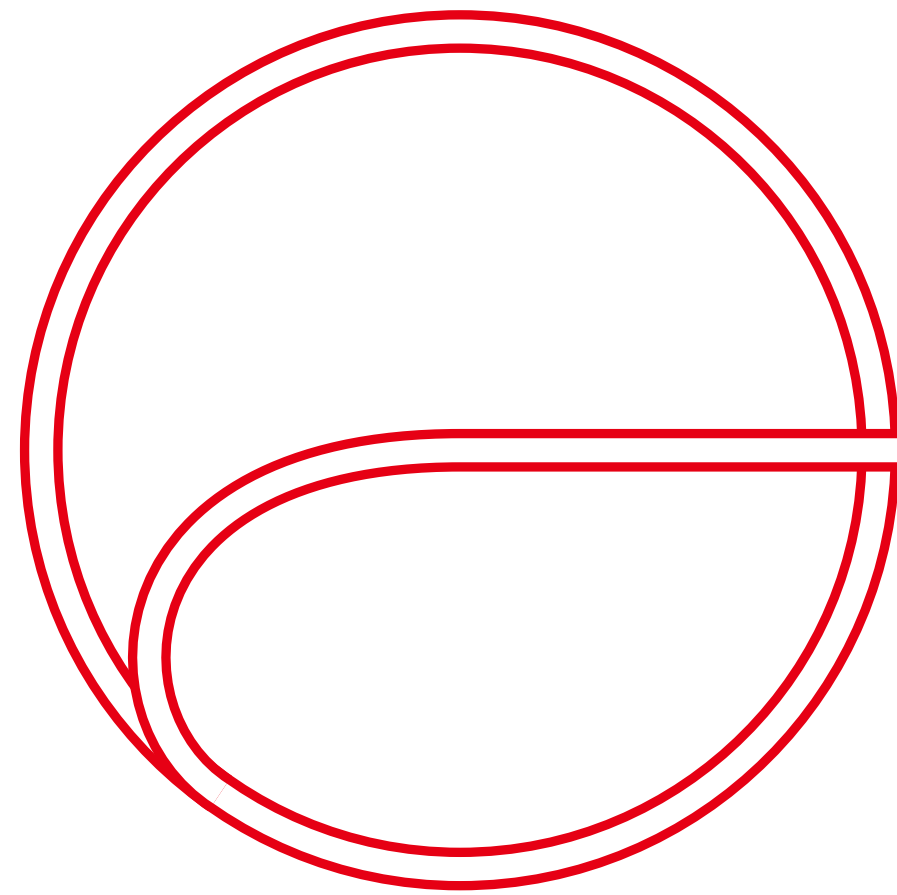
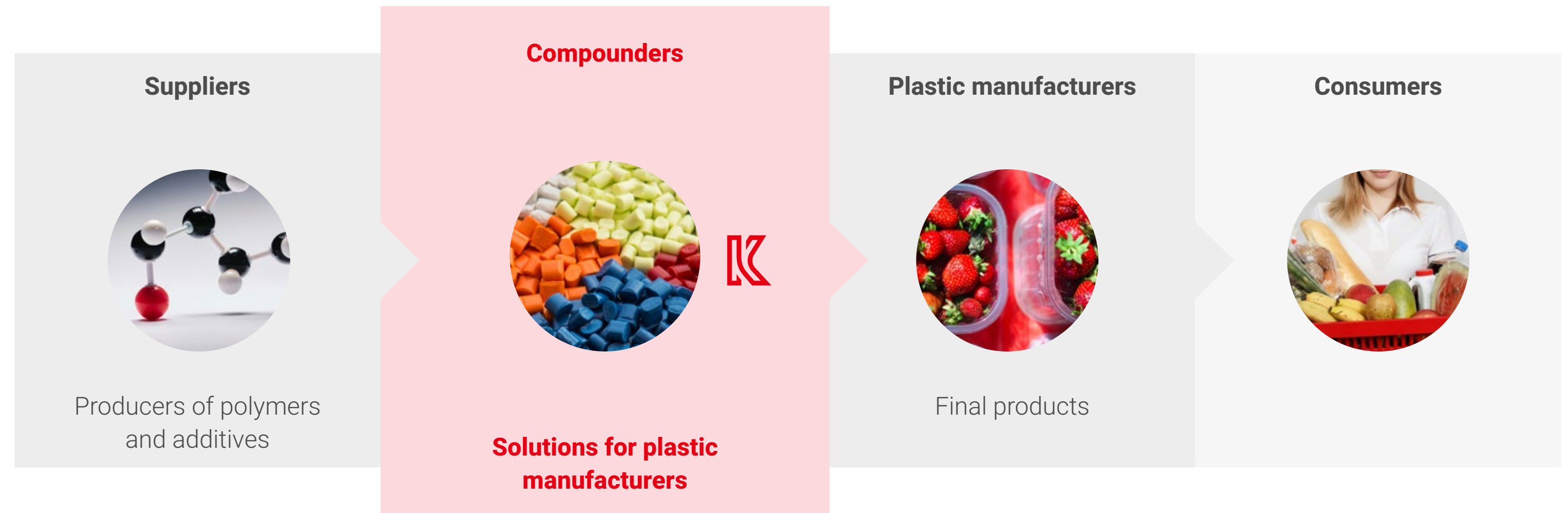




# Long-term value

## Caring for the whole value chain

As we navigate the complexities of supplying more than 70 countries, our commitment to reducing our environmental footprint, promoting social responsibility and championing ethical governance remains steadfast. We believe these ESG endeavors not only enhance our corporate reputation, but also create long-term value for all our stakeholders.





# Always striving for the best solution

## Research and Development (R&D)

With more than 50 years of experience in the production of masterbatches and compounds for the plastics processing industry, we know that research, development and innovation are cornerstones of our business activities.

Every day, we aim to develop and produce solutions that enhance the manufacture of high-quality end-products in many different applications.

Our goal is to provide a product portfolio offering sustainable solutions at the forefront of innovation. Following our purpose – to unite talent and technology to drive the future of plastics, together – we employ R&D and lab teams consisting of more than 80 employees across the globe, most of them holding advanced science degrees. Our laboratories are located at our different sites in close connection to production and quality control facilities, and are furnished with sophisticated equipment.

In addition, cooperation with external research institutes and universities continuously enriches our R&D processes. We also maintain strong connections with machine manufacturers and raw material suppliers in various places, as we strive to increase the final product’s benefits while optimizing the production process.

**Special attention has recently been paid to start-ups and young technological companies working on serving the market with breakthrough sustainable innovation.**

Of course, our customers are the most important stakeholder of our R&D efforts, as ultimately our ambition is to serve their needs best, every day.

All this work brings life to the “Innovating sustainably” and “Developing our business sustainably” pillars of our sustainability strategy, and we are proud to be a selected industry partner.





# We love to partner

## Stakeholder engagement



Stakeholder engagement is crucial to our business and sustainability efforts. We strongly believe in the power arising from the exchange of ideas, views and concerns, especially when it comes to sustainability. For this reason, Kafrit Group as a whole and our different companies on their respective local levels actively seek to engage with a variety of stakeholders. This engagement happens via multiple channels and touches upon various topics which, together with our key stakeholder groups, are summarized on the next page.

We know our stakeholders look at what we do from many different perspectives. Some have internal insights while others come from a broader external scope and enrich our exchange of views with experiences and best practices collected elsewhere. Whichever their perspective is, it is always valuable for us to understand what our stakeholders think, since this is the only way to fully embed our ESG ambitions into our group's network. With that said, and considering the role we play in the value chain, we are convinced that our sustainability journey can only be successful if all relevant stakeholders are part of it and have a say, following our purpose to unite talent and technology to drive the future of plastics, together.

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**We love to partner – stakeholder engagement**

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# Stakeholder engagement occurs at different hierarchy levels, occasions and practically every day.

The management teams on the local company level and the Kafrit Group leadership team meet regularly to discuss, analyze and solve potential findings called forth by stakeholders. Additionally, our Board of Directors is informed about views, concerns and interests of affected stakeholders in the quarterly board meetings.

### Employees

Channels of engagement: Yearly performance reviews, ongoing intranet communication, team meetings, town hall meetings, company-wide ESG approach.

Topics: Occupational Health and Safety (OH&S), well-being, DEI, sustainability strategy, economic development of the company, performance review, training, career development, compensation, collective bargaining.

### Future employees

Channels of engagement: Social media, company website, recruitment days, campus presence.

Topics: Occupational Health and Safety (OH&S), well-being, DEI, sustainability strategy, economic development of the company, training, career development, compensation, community engagement.

### Customers

Channels of engagement: Customer satisfaction survey, customer ESG survey, social media, company website, trade fairs, conferences, factory tours, sales and technical meetings, R&D projects.

Topics: Product quality, customer service, technical expertise, sustainability strategy, innovation, regulatory information.

### Suppliers

Channels of engagement: Social media, contractual negotiations, conferences, business reviews, R&D projects, technical meetings.

Topics: Performance review, product quality, sustainability strategy, innovation.

### Shareholders

Channels of engagement: Quarterly reporting, company website, shareholders' general assembly.

Topics: Business performance, HR policy, CEO salary approval, sustainability strategy, Occupational Health and Safety (OH&S), innovation.

### Local communities

Channels of engagement: Community engagement activities, meetings with community leaders, social media, company website.

Topics: Sustainability strategy, employment opportunities, local support initiatives, environmental and health protection.

### Authorities and other regulatory agencies

Channels of engagement: Regular communication and reporting as required by legislation.

Topics: Sustainability strategy, employment opportunities, environmental and health protection, regulation.

### Research institutes

Channels of engagement: Campus presence, R&D projects, technical meetings, social media, company website.

Topics: Innovation, employment opportunities, technical expertise, sustainability strategy.

### Industry associations

Channels of engagement: Collaborative initiatives, conferences, meetings.

Topics: Regulation, sustainability strategy, innovation.

### Financial partners

Channels of engagement: Regular meetings, quarterly reporting, company website.

Topics: Sustainability strategy, ESG considerations.

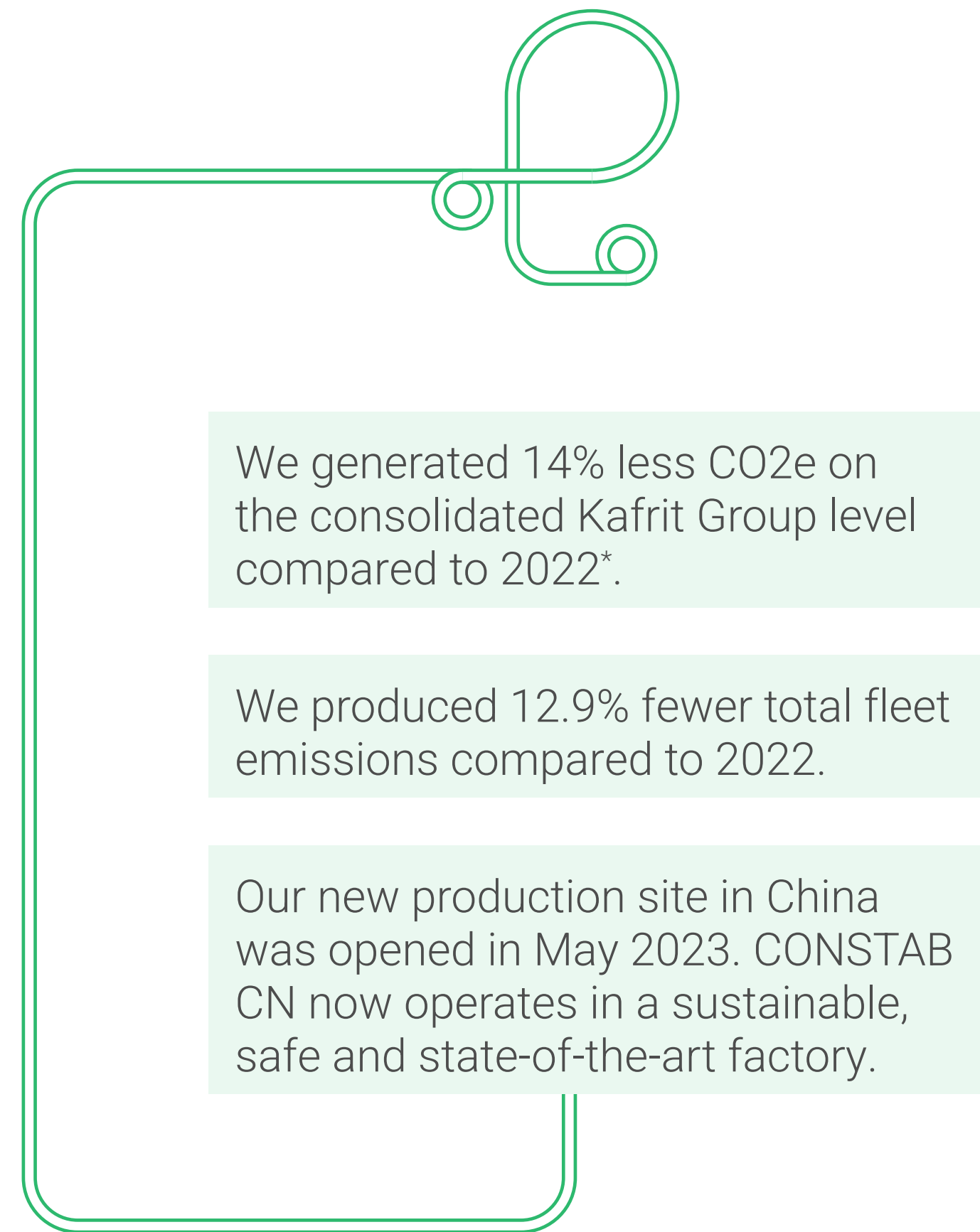
### Board of Directors

Channels of engagement: Quarterly board meetings, quarterly financial and business reporting, individual meetings.

Topics: Business performance, business strategy, HR policy, M&A approval, budget approval, sustainability strategy, Occupational Health and Safety (OH&S), innovation, compliance.

# What keeps us motivated every day

## 2023 ESG highlights and achievements



We generated 14% less CO<sub>2</sub>e on the consolidated Kafrit Group level compared to 2022\*.

We produced 12.9% fewer total fleet emissions compared to 2022.

Our new production site in China was opened in May 2023. CONSTAB CN now operates in a sustainable, safe and state-of-the-art factory.



Women make up 22% of our Board of Directors and an average of 29% of our local and global management positions.

95.2% of our employees had an annual feedback session with their managers.

Our employees received an average of 10.1 training hours.



There were no confirmed incidents of corruption or legal cases brought against us.

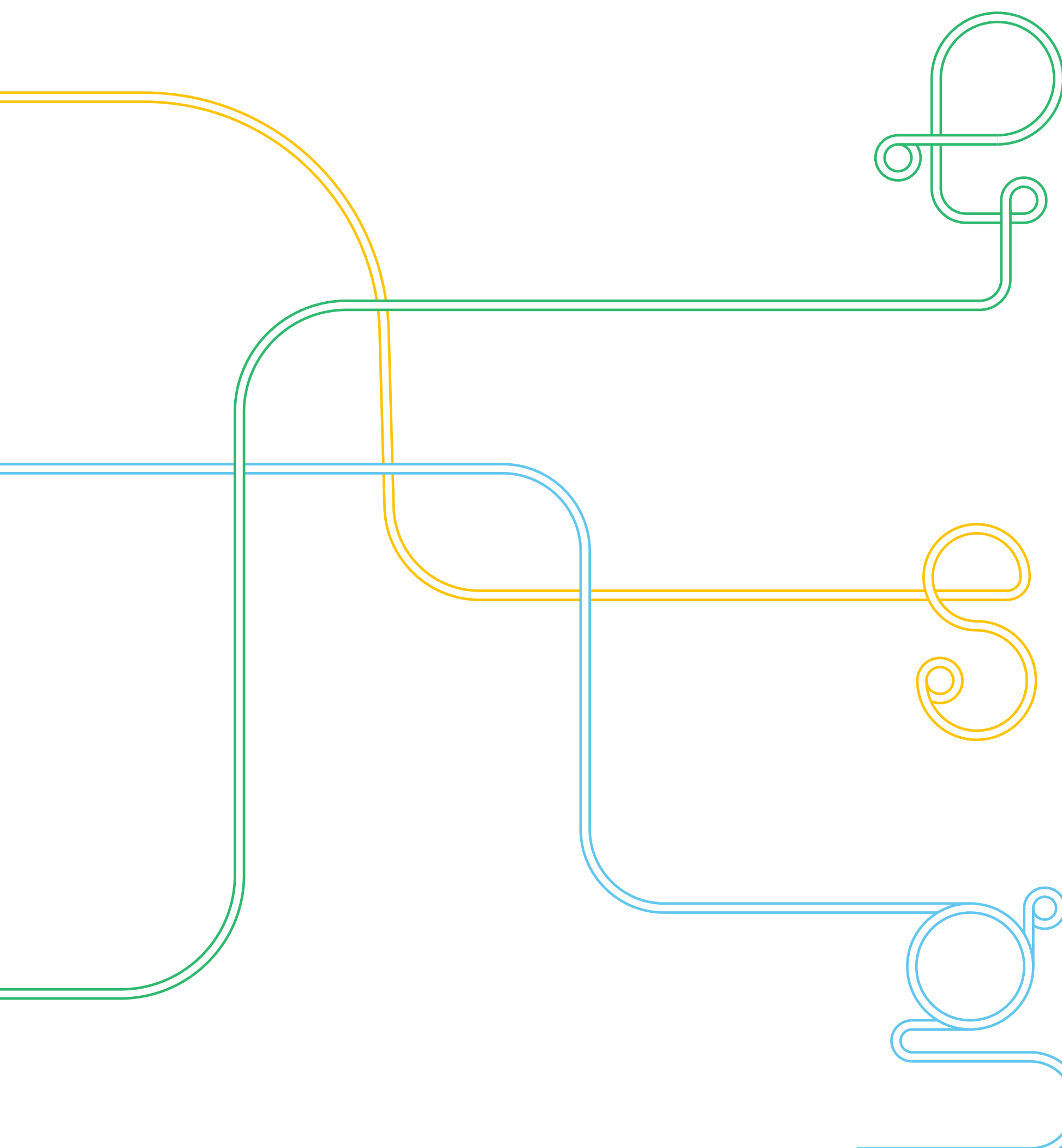
We introduced a new Code of Ethics and Conduct, which includes clear mechanisms to raise concerns.

Despite not falling under European supply chain legislation, we began a process to define and implement sustainable procurement.

\* approach to calculate emissions was adjusted, now more granular in SCOPE 3

# What we strive for

## ESG goals



Emission reduction

A 50% reduction in SCOPE 1 and SCOPE 2 market-based emissions by 2030 across all companies, compared to the base year 2022.

Renewable energy

More than 50% of the electricity consumed by all companies across our group will be renewable by 2030.

Product Carbon Footprints (PCFs)

We will be able to provide PCF data for the whole product portfolio by 2027, showing that we acknowledge the importance of transparency in our value chain.

OH&S

Everyday safe: zero incidents, accidents or injuries.

Performance reviews

Grow our talent in a transparent feedback culture, with an annual performance review for each employee by 2026.

DEI

An average of 50% women employed in management positions across the group by 2030, building on our past gender equity achievements.

Training hours

Increase individual employee training and education to 12 hours a year by the end of 2025, and then to 15 hours a year by the end of 2027.

Corruption and discrimination

Zero tolerance – every year upright: zero cases of corruption or discrimination.





# Defining what matters to us most

## Materiality analysis

**The Kafrit Group Sustainability Leader in accordance and collaboration with the Kafrit Group CEO identified material topics by following the double materiality approach** (impact materiality/ financial materiality) brought forward by the European Sustainability Reporting Standards (ESRS). This approach is based on the IRO (impact/ risk/opportunity) evaluation process which was enriched by including different geographical perspectives and experiences from across Kafrit Group. These perspectives and experiences are constantly shared and discussed in the monthly Kafrit Group Global Sustainability Team meetings. Consultation with affected external stakeholders and external experts is a development potential for our next report.

Firstly, IROs were formulated based on the ESRS' sub-topics. As this is Kafrit Group's first, voluntary ESRS-based report, we did not continuously formulate IROs at a sub-sub-topic level. However, we tried to capture Kafrit Group's business reality in as

detailed a way as possible and seen from differing potential stakeholder views. This will ensure we do not miss possible IROs, taking into account Kafrit Group's various and globally dispersed production sites, the complex and mainly petrochemically based supply chain as well as the broad customer base in the plastics processing industry. Altogether, 94 IROs were named and could be linked to either upstream, downstream or own-value creation considerations.

All these 94 IROs were afterwards evaluated in internal debates based on their respective nature (impact, risk or opportunity) by considering scale, scope, irremediability and impact probability for impact materiality as well as severity and financial probability for financial materiality. **Our evaluation was mainly based on personal as well as on group expertise, general news and specific specialist releases.** The resulting scores of this step are not published in this report, but they are provided to Kafrit Group's auditor EY.

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## Defining what matters to us most – materiality analysis

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In a next step, we defined one percentual threshold, finally resulting in two absolute threshold values, one for each type of materiality, over which scores and their respective IROs are considered material.

This gave us an overview of all material ESRS topical standards to integrate into this report. Following the ESRS approach to determine topical standards first, and to nominate relevant data disclosure points per topical standard in a second step, we finally set up this year's ESRS data point structure. The topical standards ESRS S2 and ESRS S4 have not passed the defined materiality thresholds and are therefore not considered material for this report.

As this is the first time Kafrit Group identified, assessed and managed IROs in the spirit of the ESRS, the materiality analysis process differed from our former materiality assessment. We recognize a high level of topical accordance between our former assessment and this first IRO-based materiality analysis.

**We think that both the formulation and evaluation of IROs, the threshold definition and the final derivation of data disclosure points represents Kafrit Group's business activities adequately.** Any potential shortcomings in the materiality analysis will be addressed in Kafrit Group's next report.

## What is the ESRS?

The Commission adopted the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD). This marks another step forward in the transition to a sustainable EU economy.



The standards cover the full range of environmental, social and governance issues, including climate change, biodiversity and human rights. They provide information for investors to understand the sustainability impact of the companies in which they invest. They also take account of discussions with the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI) in order to ensure a very high degree of interoperability between EU and global standards and to prevent unnecessary double reporting by companies.

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**Go to the next page to see an overview of all ESRS topics relevant to Kafrit Group, or [click here to go to the complete ESRS Index to explore all individual data points.](#)**





# The results of our materiality analysis

## ESRS index relevant to Kafrit Group

<p><b>ESRS 2</b> <b>General disclosures</b></p> <p><b>GOV-1</b> The role of the administrative, management and supervisory bodies</p> <p><b>GOV-2</b> Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies</p> <p><b>GOV-3</b> Integration of sustainability-related performance in incentive schemes</p> <p><b>SBM-1</b> Market position, strategy, business model(s) and value chain</p> <p><b>SBM-2</b> Interests and views of stakeholders</p> <p><b>SBM-3</b> Material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p><b>IRO-1</b> Description of the processes to identify and assess material impacts, risks and opportunities</p>	<p><b>ESRS E1</b> <b>Climate change</b></p> <p><b>GOV-3</b> Integration of sustainability-related performance in incentive schemes</p> <p><b>E1-3</b> Actions and resources in relation to climate change policies</p> <p><b>E1-4</b> Targets related to climate change mitigation and adaptation</p> <p><b>E1-5</b> Energy consumption and mix</p> <p><b>E1-6</b> Gross Scopes 1, 2, 3 and Total GHG emissions</p> <p><b>E1-7</b> GHG removals and GHG mitigation projects financed through carbon credits</p>	<p><b>ESRS E3</b> <b>Water and marine resources</b></p> <p><b>IRO-1</b> Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities</p> <p><b>MDR-P</b> Policies adopted to manage material sustainability matters</p> <p><b>MDR-T</b> Tracking effectiveness of policies and actions through targets</p> <p><b>E3-4</b> Water consumption</p>	<p><b>ESRS E4</b> <b>Biodiversity and ecosystems</b></p> <p><b>SBM-3</b> Material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p><b>IRO-1</b> Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities</p>	<p><b>ESRS S1</b> <b>Own workforce</b></p> <p><b>S1-1</b> Policies related to own workforce</p> <p><b>S1-3</b> Processes to remediate negative impacts and channels for own workers to raise concerns</p> <p><b>S1-6</b> Characteristics of the undertaking's employees</p> <p><b>S1-7</b> Characteristics of non-employee workers in the undertaking's own workforce</p> <p><b>S1-8</b> Collective bargaining coverage and social dialogue</p> <p><b>S1-9</b> Diversity indicators</p> <p><b>S1-10</b> Adequate wages</p> <p><b>S1-11</b> Social protection</p> <p><b>S1-13</b> Training and skills development indicators</p> <p><b>S1-14</b> Health and safety indicators</p> <p><b>S1-15</b> Work-life balance indicators</p> <p><b>S1-16</b> Compensation indicators (pay gap and total compensation)</p> <p><b>S1-17</b> Incidents, complaints and severe human rights impacts and incidents</p>	<p><b>ESRS S3</b> <b>Affected communities</b></p> <p><b>SMB-3</b> Material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p><b>S3-2</b> Processes for engaging with affected communities about impact</p>
	<p><b>ESRS E2</b> <b>Pollution</b></p> <p><b>IRO-1</b> Description of the processes to identify and assess material pollution-related impacts, risks and opportunities</p> <p><b>MDR-P</b> Policies adopted to manage material sustainability matters</p> <p><b>E2-4</b> Pollution of air, water and soil</p>		<p><b>ESRS E5</b> <b>Resource use and circular economy</b></p> <p><b>IRO-1</b> Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities</p> <p><b>E5-4</b> Resource inflows</p> <p><b>E5-5</b> Resource outflows</p> <p><b>E5-6</b> Potential financial effects from resource use and circular economy-related impacts, risks and opportunities</p>		<p><b>ESRS G1</b> <b>Business conduct</b></p> <p><b>GOV-1</b> The role of the administrative, supervisory and management bodies</p> <p><b>G1-1</b> Corporate culture and business conduct policies</p> <p><b>G1-2</b> Management of relationships with suppliers</p> <p><b>G1-3</b> Prevention and detection of corruption or bribery</p> <p><b>G1-4</b> Confirmed incidents of corruption or bribery</p> <p><b>G1-5</b> Political influence and lobbying activities</p>

**This overview is interactive.**  
Click on any section to jump to the corresponding page. Or click on any page number in the ESRS index to view its relevant information.





## ESG Report 2023

# Advancing environmental performance

- » Working with energy and water
- » Assessing GHG emissions
- » Establishing waste, materials and pollution management
- » Fostering biodiversity and ecosystems

# Valuing our resources

Working with energy and water



**Energy consumption and water withdrawal can serve as a critical benchmark in understanding an organization's commitment to intelligent and responsible resource use.**

The immense significance of energy and water use lies not only in their direct impact on the operating costs of a business, but more essentially, on the broader environmental implications. Importantly, careful and intentional management of energy and water use demonstrates the commitment to sustainable operations, finally leading to the reduction of Greenhouse Gas (GHG) emissions.

At Kafrit Group, we acknowledge the inherent energy and water use of our operations. Being a group of manufacturing companies in the plastics processing industry, we rely on both energy and water for our production processes. Electricity powers our extrusion lines and molding machines, while water is essential for cooling and serves both drinking and sanitary purposes at our factories and offices. Therefore, both energy and water have proven to be material in this report's materiality analysis.

We know about our responsibility. For this reason, all group companies continuously screen their production processes and consumption patterns to identify improvement potentials. Neither have a group-wide energy and water policy nor a specific water-related target in place for the time being. However, ISO norms such as 14001 and 50001, which are already established in some companies and which are planned to be established in all group companies over the next few years, help us understand and manage these valuable resources better. Whereas in the past our underpinning conservation ethos has guided us to optimize water use and energy consumption pragmatically, our ambition is to develop specific policies and targets in the coming years to formalize our efforts.

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Ensure sustainable consumption and production patterns

## Valuing our resources – working with energy and water

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### Energy consumption

Total energy consumption saw an increase of 7.6% in 2023 which was mainly caused by operating two plants in China for several months due to the inauguration of CONSTAB CN's new state-of-the-art production facility and its raised production capacity. After COVID-19, business travel activities are back to normal resulting in a slightly increased

fuel consumption from crude oil and petroleum (+1.1%). In addition, Kafrit Group's renewable energy consumption was about 17% of the total energy consumption, resulting in CONSTAB GER consuming 98.8% of its electricity from renewable sources (= 8,375,682 kWh).

Category	2022 in kWh	2023 in kWh	Change in %
Total energy consumption related to Kafrit Group operations	45,772,724	49,236,346	7.6%
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	8,298,575	8,375,682	0.9%
Percentage of renewable sources in total energy consumption	18.1%	17.0%	
Energy consumption from fossil sources (natural gas)	1,959,423	1,967,695	0.4%
Fuel consumption from crude oil and petroleum products (gasoline and diesel)	1,217,085	1,230,917	1.1%
Fuel consumption from natural gas (LPG)	274,931	259,957	-5.4%
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	34,022,711	37,402,095	9.9%
Percentage of fossil sources in total energy consumption	81.9%	83.0%	

### Water withdrawal

By contrast, total water withdrawal decreased by 11.2% compared to 2022, mainly driven by efficiency increases in CONSTAB GER and DELTA KUNSTSTOFFE GER. Also, for the first time we report on water reused, with the ambition to grow this figure in the coming years.

Category	2022	2023	Change in %
Total water withdrawal in m3	81,184	72,114	-11.2%
Water reused	not available	1,755,500	n/a
Net revenue in M-ILS	1,063.2	1,123.0	5.6%
Water intensity l/ILS	0.076	0.064	-15.9%

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**Valuing our resources – working with energy and water**

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**Reviewing electricity consumption and water withdrawal on company-level**

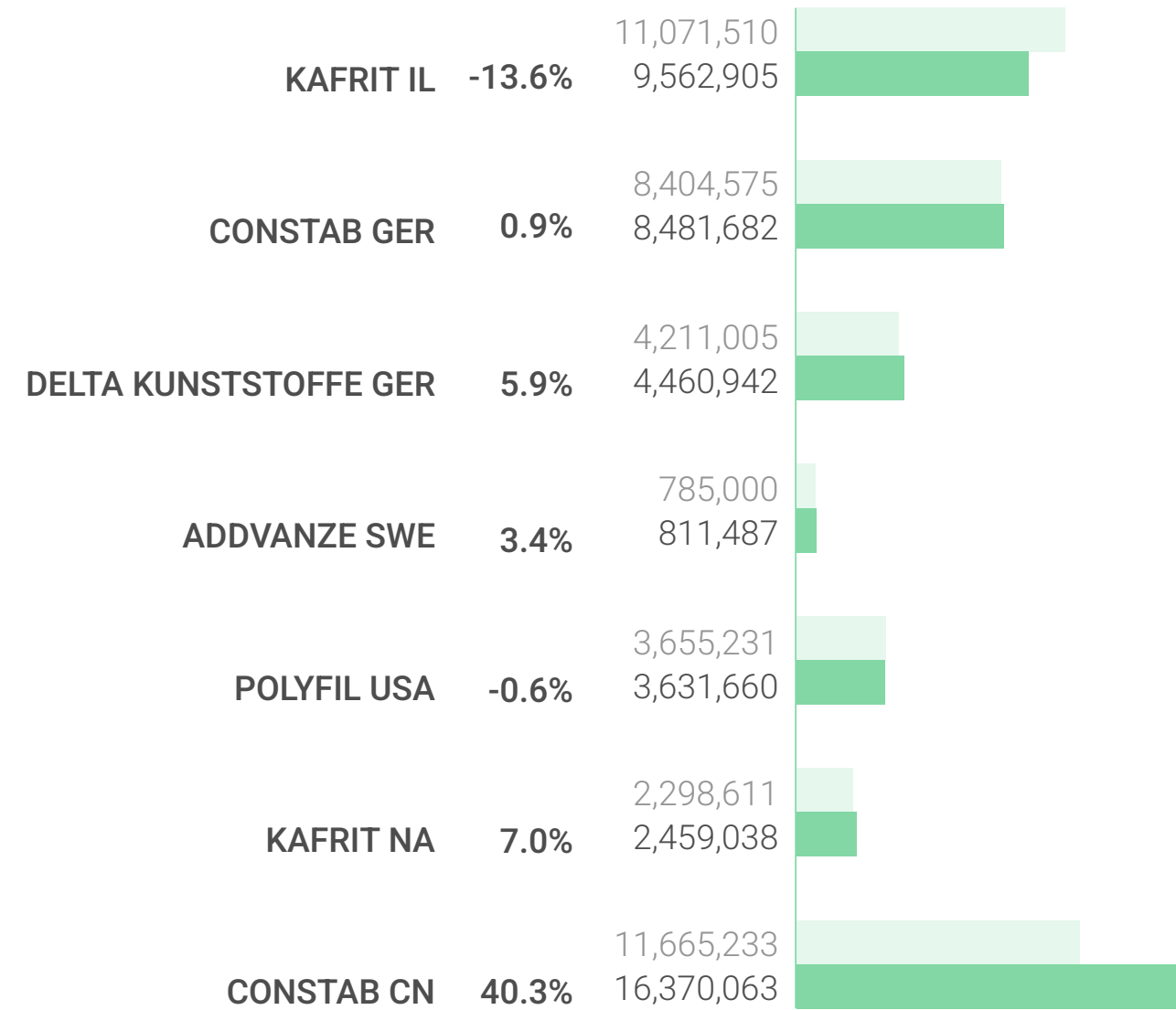
As transparency matters to us, we publish company-specific electricity consumption and water withdrawal.

We already highlighted on the previous page that electricity consumption and water withdrawal are unavoidably connected with production volume. With that said and for the sake of completeness, the temporary closure of our KAFRIT IL production site after October 7<sup>th</sup>, 2023 needs to be mentioned in order to understand the decreases both in electricity consumption and in water withdrawal.

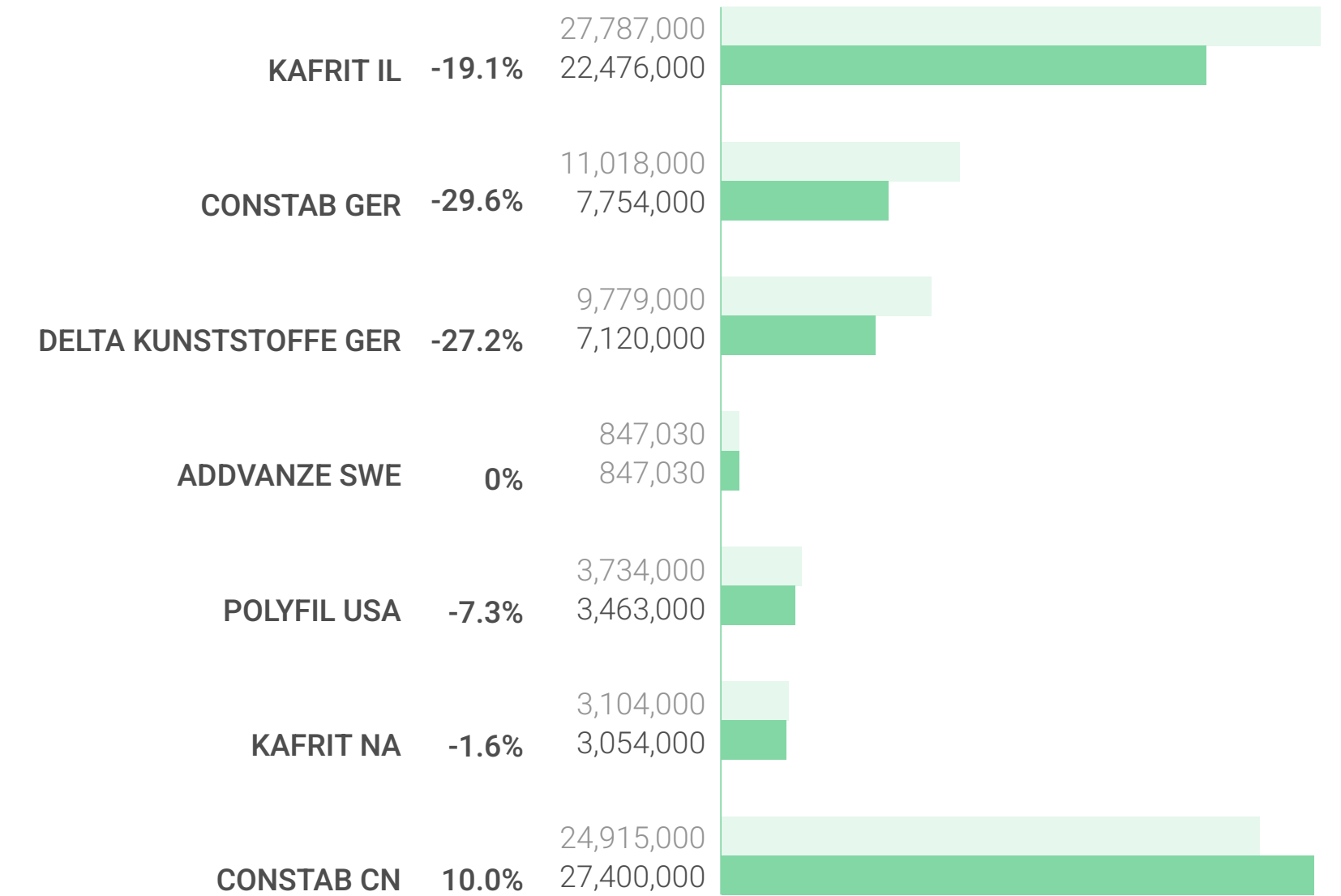
**Our goal**

In all that we do, we always factor in our size and available resources. Based on this, we need to focus on the most relevant steps first instead of working on many improvement areas in parallel. **For this reason, it is our goal that more than 50% of the energy consumed by all companies across the group will be renewable by 2030.**

Electricity consumption in kWh



Water withdrawal in liters



# Understanding our impact

## Assessing GHG emissions

### Acting as a custodian of Earth

In this report, we place special emphasis on the critical issue of GHG emissions, undeniably a significant contributor to global climate change. The mitigation of these emissions is not just a responsibility, but a defining character of global corporations in the contemporary era, especially since the 2015 Paris Agreement.

We believe that reductions in GHG emissions are not only an opportunity to demonstrate good corporate citizenship, but evidence of strategic foresight. Successful implementation of emission reduction strategies signifies the organization's readiness to adapt to the future business environment, shaped heavily by evolving climate-related norms, regulations and stakeholder expectations.

By prioritizing the reduction of GHG emissions, companies can contribute significantly towards slowing the rate of global warming, thereby playing an essential role in the preservation of our planet.

It is a task not to be underestimated, encapsulating both the preservation of the global environment and the sustainable future of the company.

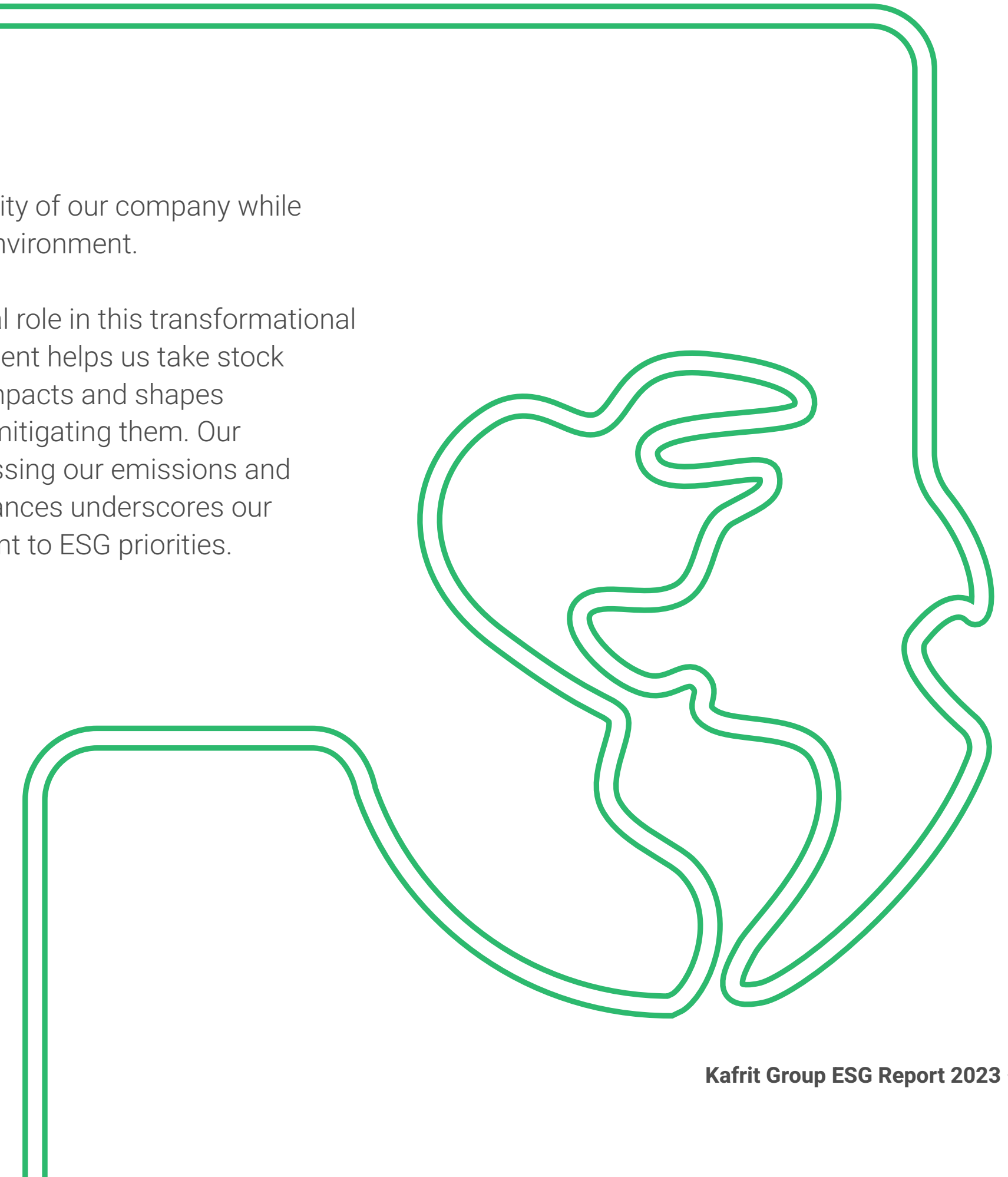
With that said, we understand that our emissions play a significant role in determining our ESG performance. **Inevitably, the energy-intensive nature of our operations embodies actual negative impacts on the environment. Responding to this, we are dedicated to enforcing specific measures and have already started doing so. Our quest to minimize our emissions reflects our commitment to the planet's welfare.**

As a company, we see ourselves as custodians of Earth, acting carefully within our ecological boundaries. By recognizing the negative impacts of our activities, we set the stage for transformation offering us a platform to shape a sustainable and ethical future. By assessing risks and stepping into opportunities, we adopt a culture of resilience

that ensures the longevity of our company while reducing harm to our environment.

Stakeholders play a vital role in this transformational journey. Their engagement helps us take stock of our environmental impacts and shapes our response towards mitigating them. Our unified efforts in addressing our emissions and understanding their nuances underscores our unwavering commitment to ESG priorities.

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## Understanding our impact – assessing GHG emissions

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### Consolidating GHG emissions at a Kafrit Group level

When calculating our corporate carbon footprint (CCF), we follow the Greenhouse Gas Protocol setting the standards for measuring and managing emissions and being the world's most widely used GHG accounting scheme.

As Kafrit Group we executed the CCF calculation for a second time, after doing it for the first time for 2022. Therefore, we consider 2022 as our GHG emission base year. While we used the services of a third-party sustainability consulting firm to calculate 2022 emissions, Kafrit Group put significant efforts into advancing an external ESG data collection and emission calculation platform which finally enabled data collection and emission calculation for 2023.

By using this platform, called ESGgo, we benefit from both a consistent methodology on how to obtain data and a new level of granularity when it comes to calculating specific emissions.

The platform primarily uses emission factors provided by DEFRA and EPA, whereas the external agency mainly used Ecoinvent, DEFRA, GEMIS and Quantis emission factors. In both cases, SCOPE 2 market-based emission factors were provided by us\*1.

Neither the 2022 nor the 2023 CCFs consider SCOPE 3 categories 8-15. Partially these categories do not apply to Kafrit Group, partially we plan to include them in our upcoming reports.

Especially, we prioritize including raw materials (= full SCOPE 3 category 1) as well as full upstream and downstream transportation to our next report (= full SCOPE 3 categories 4 and 9), provided necessary emission data is available.

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\*1 With that said, certain differences in calculation results could be expected, nevertheless, after doing in-depth cross-checks, comparability between 2022 and 2023 CCF results is given

\*2 Not including raw materials bought

\*3 Only including exchange logistics between production sites and external warehouses

## Consolidated Kafrit Group CCF

Category	2022 mt CO2e	2023 mt CO2e	Change in %
SCOPE 1	920	935	1.6%
SCOPE 2 (market-based)	13,334	15,240	14.3%
SCOPE 2 (location-based)	20,292	23,359	15.1%
SCOPE 3	13,544	7,655	-43.5%
<b>Total emissions (market-based)</b>	<b>27,798</b>	<b>23,830</b>	<b>-14.3%</b>
<b>Total emissions (location-based)</b>	<b>34,756</b>	<b>31,949</b>	<b>-8.1%</b>

## SCOPE 3 emission breakdown

Category	2022	2023	Change in %
Category 1 - Purchased goods and services*2	183	110	-40.1%
Category 2 - Capital goods	8,202	2,134	-74.0%
Category 3 - Fuel and other energy related activities	3,172	3,524	11.1%
Category 4 - Upstream transportation*3	171	22	-86.9%
Category 5 - Waste in operations	1,040	983	-5.5%
Category 6 - Business travels (incl. hotel accommodation)	260	279	7.5%
Category 7 - Employee commuting (incl. remote work)	517	604	16.9%
<b>Total</b>	<b>13,544</b>	<b>7,655</b>	<b>-43.5%</b>

**Understanding our impact – assessing GHG emissions**

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Compared to the base year 2022, Kafrit Group was able to decrease GHG emissions by 14.3% on market-based and by 8.1% on location-based levels.

The CCF data for 2023 underscores our commitment to environmental stewardship. A key highlight is the 43.5% decrease in SCOPE 3 emissions where we could improve in several categories. The major decrease in capital goods' emissions is partially linked to more granular emission factors. Considering 2023 was the first full year after the COVID-19 pandemic, both business travel and employee commuting increased compared to 2022. The higher fuel and other energy-related activities must be considered in close connection to overall SCOPE 2 emissions.

When analyzing SCOPE 2 emissions in detail, both market- and location-based emissions were primarily driven by the fact that we operated two factories in China in parallel for several months while moving from the old to the newly built production site. Also, the new production site comes with better air, waste and water treatment technology as well as significantly higher production volumes which both increase the total energy consumption in China as stated above.

This concluded in market-based emissions amounting to 15,240 mt CO2e and location-based emissions reaching 23,359 mt CO2e. The difference between market-based and location-based emissions signifies our efforts in choosing cleaner and less carbon-intensive energy sources, although we cannot yet achieve that in all geographies.

SCOPE 1 emissions saw a slight increase of 1.6% as DELTA KUNSTSTOFFE GER bought a new cooling system which had to be filled initially with refrigerants.

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**Intensity**

Category	2022	2023
Total emissions mt CO2e (market-based)	27,798	23,830
Total emissions mt CO2e (location-based)	34,756	31,949
Net revenue in M-ILS	1063.2	1123.0
GHG intensity mt CO2e/ILS (market-based)	0.026	0.021
GHG intensity mt CO2e/ILS (location-based)	0.033	0.028

**Our goal**

When exploring these GHG figures, it is crucial to note the importance of these indicators to our stakeholder engagement strategy. While these numbers signify our environmental impact, they also reflect our ongoing commitment to transparency, accountability and continuous progress in our environmental performance. To strengthen our ambitions in emission reduction, **Kafrit Group strives for a 50% reduction in SCOPE 1 and SCOPE 2 market-based emissions by 2030 across all companies compared to the base year 2022.**

This goal was set in connection with the goal to use more than 50% of renewable energy by 2030, as formulated on page 31.



## Understanding our impact – assessing GHG emissions

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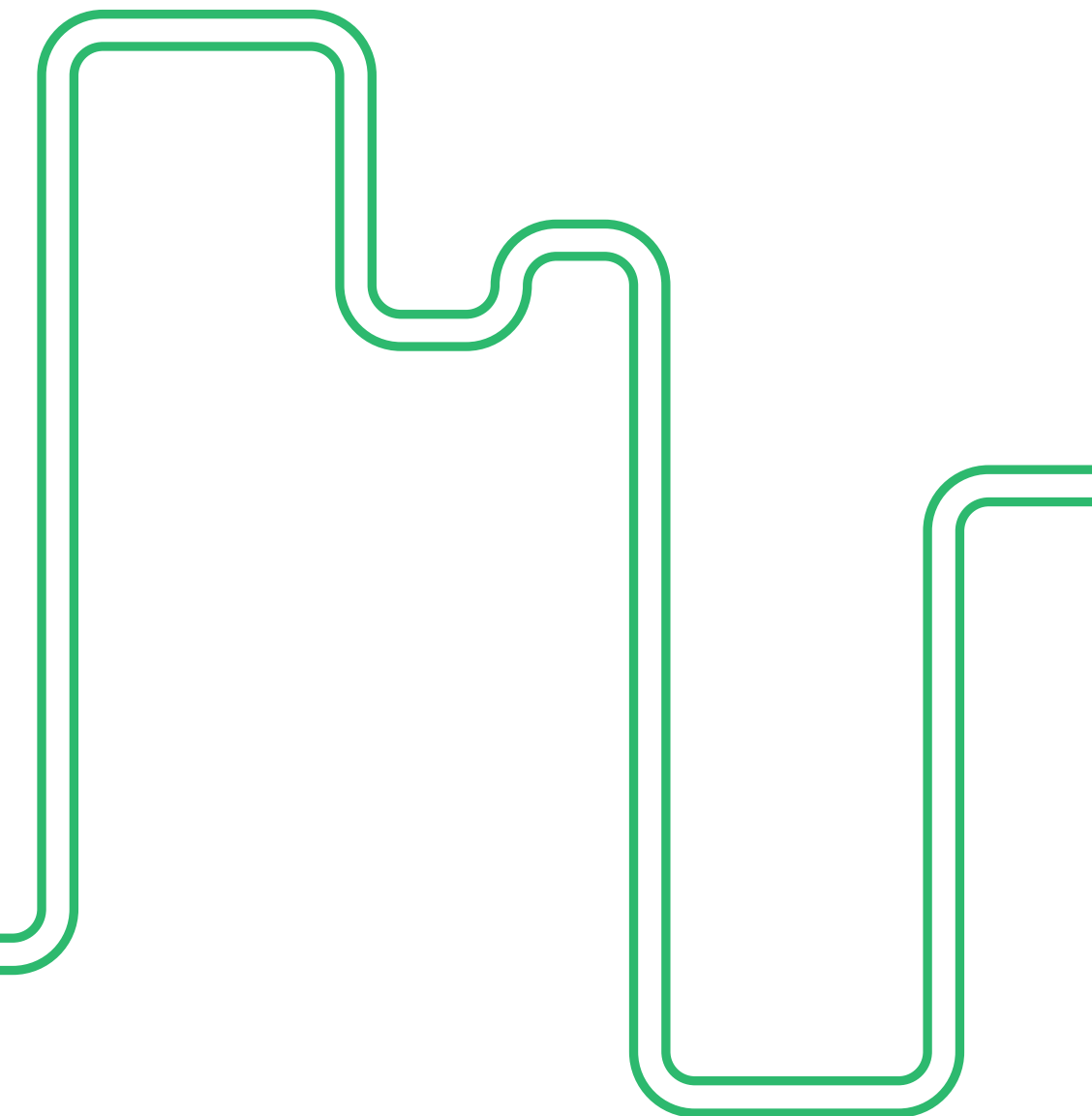
### Reviewing CCFs at a company level

Since we take transparency and accountability seriously, we also publish each assessed company's CCF individually. Without analyzing in detail, we can state that each company improved the individual CCF compared to 2022 both from market-based or location-based perspectives.

GHG emissions in an energy-intensive business such as our masterbatch and compound industry strongly interact with production volumes. That is why increased and utilized capacities in CONSTAB CN explain higher SCOPE 2 emissions there, while on the other hand, KAFRIT IL could not produce for a few weeks due to the October 7<sup>th</sup>, 2023, terrorist attacks.

It will be our task to further improve and verify the positive GHG emission development, while targeting our 2030 emission reduction goal.

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**Understanding our impact – assessing GHG emissions**

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**Reviewing CCFs at a company level**

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13 CLIMATE ACTION



Take urgent action to combat climate change and its impacts

## KAFRIT IL

Category	2022 mt CO2e	2023 mt CO2e	Change in %
SCOPE 1	239	211	-11.5%
SCOPE 2 (market-based)	3,798	3,280	-13.6%
SCOPE 2 (location-based)	5,205	4,496	-13.6%
SCOPE 3	2,834	2,527	-10.8%
Total (market-based)	6,870	6,018	-12.4%
Total (location-based)	8,278	7,234	-12.6%

## CONSTAB GER

Category	2022 mt CO2e	2023 mt CO2e	Change in %
SCOPE 1	298	273	-8.3%
SCOPE 2 (market-based)	39	39	0.0%
SCOPE 2 (location-based)	3,223	3,252	0.9%
SCOPE 3	1,792	1,203	-32.8%
Total (market-based)	2,129	1,516	-28.8%
Total (location-based)	5,313	4,729	-11.0%

## DELTA KUNSTSTOFFE GER

Category	2022 mt CO2e	2023 mt CO2e	Change in %
SCOPE 1	88	191	117.2%
SCOPE 2 (market-based)	1,183	959	-18.9%
SCOPE 2 (location-based)	1,615	1,711	5.9%
SCOPE 3	1,542	801	-48.1%
Total (market-based)	2,814	1,951	-30.7%
Total (location-based)	3,245	2,703	-16.7%

## ADDVANZE SWE

Category	2022 mt CO2e	2023 mt CO2e	Change in %
SCOPE 1	11	22	108.5%
SCOPE 2 (market-based)	79	90	12.9%
SCOPE 2 (location-based)	25	22	-12.5%
SCOPE 3	432	117	-73.0%
Total (market-based)	522	229	-56.3%
Total (location-based)	468	161	-65.6%

## POLYFIL USA

Category	2022 mt CO2e	2023 mt CO2e	Change in %
SCOPE 1	155	120	-22.7%
SCOPE 2 (market-based)	1,422	1,514	6.5%
SCOPE 2 (location-based)	1,121	1,114	-0.6%
SCOPE 3	690	610	-11.7%
Total (market-based)	2,267	2,244	-1.0%
Total (location-based)	1,966	1,843	-6.3%

## KAFRIT NA

Category	2022 mt CO2e	2023 mt CO2e	Change in %
SCOPE 1	90	79	-12.3%
SCOPE 2 (market-based)	28	27	-2.2%
SCOPE 2 (location-based)	32	34	6.8%
SCOPE 3	582	339	-41.8%
Total (market-based)	699	445	-36.4%
Total (location-based)	704	452	-35.8%

## CONSTAB CN

Category	2022 mt CO2e	2023 mt CO2e	Change in %
SCOPE 1	32	34	5.3%
SCOPE 2 (market-based)	6,778	9,331	37.7%
SCOPE 2 (location-based)	9,072	12,731	40.3%
SCOPE 3	5,625	1,909	-66.1%
Total (market-based)	12,434	11,274	-9.3%
Total (location-based)	14,729	14,674	-0.4%

## Understanding our impact – assessing GHG emissions

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### Carbon credits

In our quest for sustainable performance and responsible operations, CONSTAB GER is the pioneer in carbon credit utilization within Kafrit Group. By once more offsetting its, as of today, unavoidable company-related emissions via compensation with 4,256 climate protection certificates (based on the 2022 CCF) in December 2023, CONSTAB GER renewed its status as a climate-neutral company. It has done this by supporting climate protection projects in the Global South, specifically India and Brazil, since 2020.

In parallel, the company has been reducing the number of unavoidable emissions and thereby actively contributes to the group's overall emission reduction goal. It has always been important to Kafrit Group to choose reliable projects which all meet recognized quality standards (UN CER and Verified Carbon Standard) and are approved by well-known validators (TÜV Nord and Bureau Veritas).

This approach is poised to expand across the group with DELTA KUNSTSTOFFE GER primed to follow suit from 2024 onwards. While aligning our operational processes to the global climate agenda, we are exploring equivalent environmental initiatives for other companies within Kafrit Group, emphasizing our commitment to combating climate change.

**Want to know more?**

**[Click here to download our brochure detailing CONSTAB GER's climate neutrality efforts.](#)**



# Embedding circular business practices

## Establishing waste, materials and pollution management

We acknowledge and appreciate that the plastics industry in general takes steps to implement circular economy models into operations, since enhanced resource use optimization must be a vital part of the industry's sustainability efforts. These endeavors signal a shift from the traditional 'take-make-dispose' pattern, towards a more nuanced 'reduce-reuse-recycle' strategy. This systemic approach does not only minimize resource waste, but also elevates the value derived from existing assets.

In light of this overall development and to underline our corporate responsibility, Kafrit Group also made vigorous efforts to grow waste data transparency in 2023. We actively monitor waste recordings onsite, e.g. embedded into our ERP systems, and thereby keep track of our waste volumes and waste streams across all companies. For waste accounting, Kafrit Group relies on local legislation and definitions, especially when it comes to hazardous waste.

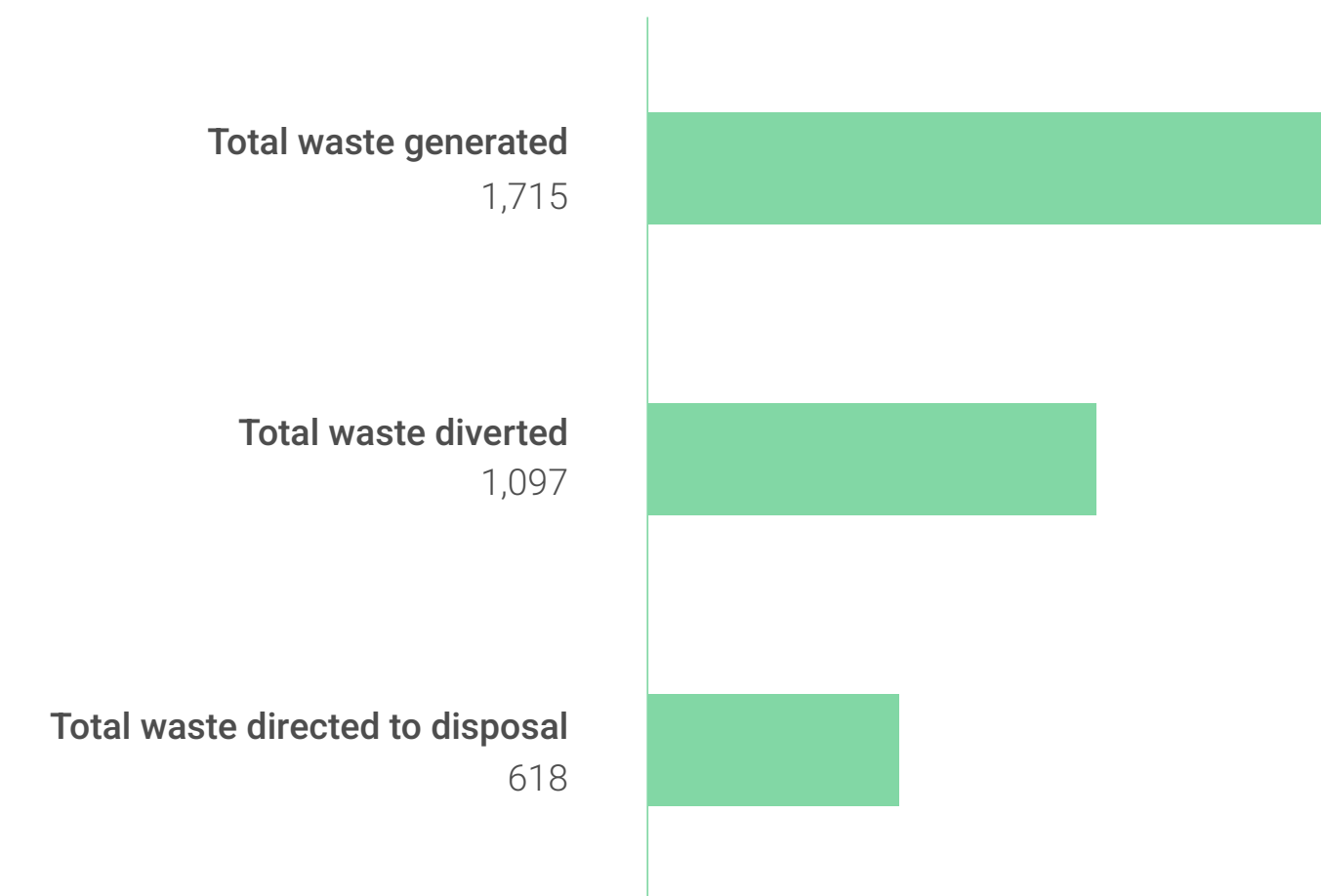
In 2023, a total of 1,715 mt of waste was generated through our masterbatch and compound manufacturing operations and all waste was treated offsite. By waste in our operations, we primarily

mean lumps and raw material loss from our extrusion lines as well as raw material packaging, wooden pallets, paper, solid municipal waste and metal waste. Reparability of raw materials is not applicable to our industry. In detail, we successfully diverted a significant volume of waste (1,097 mt) by employing a variety of methods.

We prepared 271.7 mt for reuse and recycled 732.9 mt (42.7%). Composting constituted a smaller portion of our efforts at 5.1 mt, and we additionally provided 87.3 mt to other recovery operations. These results pave the way for our ongoing impact on sustainability and stakeholder engagement because we know there is room for more improvement. Part of the improvement potential is linked to waste directed to disposal quantities (618 mt). We directed 321.1 mt of waste towards incineration and must report landfill waste volumes of 295.2 mt. Other disposal operations represented a minuscule portion of waste, at 1.7 mt. No radioactive waste was reported for 2023.

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## 2023 waste generation in mt



### Embedding circular business practices – establishing waste, materials and pollution management

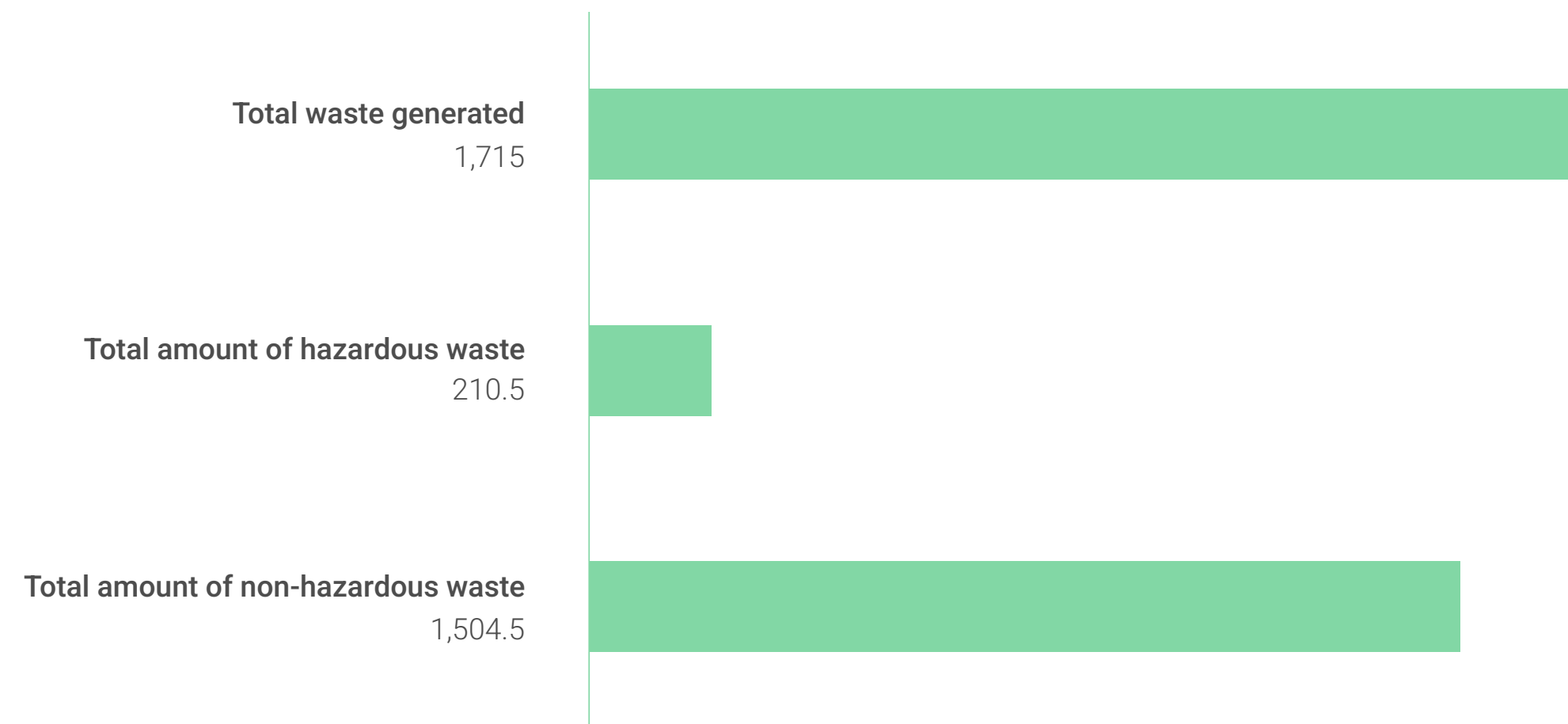
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In terms of hazardous waste, a total of 210.5 mt was generated, mainly driven by CONSTAB GER and CONSTAB CN and changing waste classification rules. Both companies serve the markets with additive masterbatches containing ingredients which are considered as hazardous waste when

not ending up in the final product. 163.7 mt were diverted and 46.8 mt were directed to disposal.

A total of 1,504.5 mt non-hazardous waste breaks up into 933.3 mt of waste diverted and 571.2 mt of waste directed to disposal.

## Hazardous and non-hazardous waste in mt



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**Embedding circular business practices – establishing waste, materials and pollution management**

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## Detailed hazardous and non-hazardous waste overviews



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Embedding circular business practices – establishing waste, materials and pollution management

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Reviewing waste at a company level

KAFRIT IL

Total: 371.2 mt

- Diverted: 97.0 mt
- Disposal: 274.2 mt
- Non-hazardous: 370.8 mt
- Hazardous: 0.4 mt



POLYFIL USA

Total: 167.0 mt

- Diverted: 145.0 mt
- Disposal: 22.0 mt
- Non-hazardous: 167.0 mt
- Hazardous: 0.0 mt



CONSTAB GER

Total: 310.8 mt

- Diverted: 277.4 mt
- Disposal: 33.3 mt
- Non-hazardous: 221.7 mt
- Hazardous: 89.0 mt



KAFRIT NA

Total: 87.5 mt

- Diverted: 77.3 mt
- Disposal: 10.2 mt
- Non-hazardous: 87.1 mt
- Hazardous: 0.4 mt



DELTA KUNSTSTOFFE GER

Total: 278.6 mt

- Diverted: 106.3 mt
- Disposal: 172.3 mt
- Non-hazardous: 278.1 mt
- Hazardous: 0.5 mt



CONSTAB CN

Total: 407.0 mt

- Diverted: 342.5 mt
- Disposal: 64.5 mt
- Non-hazardous: 287.5 mt
- Hazardous: 119.5 mt



ADDVANZE SWE

Total: 93.0 mt

- Diverted: 51.5 mt
- Disposal: 41.5 mt
- Non-hazardous: 92.3 mt
- Hazardous: 0.7 mt



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## Embedding circular business practices – establishing waste, materials and pollution management

>> continued from previous page

### Materials used

Although most of our material resource inflows result from fossil-based petrochemical processes, it is Kafrit Group's ambition to enhance the number of use cases for recycled and renewable input materials.

Pricing, quality and availability of recycled, reclaimed and renewable input materials are integral success factors, and these parameters cannot be neglected while building up more circular flows of material.

When considering recycled materials, we have been gaining first experiences at our DELTA KUNSTSTOFFE GER production site for several years already. In 2023, 978 mt of recycled input materials were processed. However, typically, none of the products in our finished products catalog are expected to be reclaimed or repaired. In a few cases, often in close collaboration with our customers, packaging of our products is partially reclaimed and reused, either between our company and our customers or between our customers and other users (companies or individuals) who can reuse the packaging.

**Our R&D teams around the globe actively explore suitable raw material sources and discuss potential applications with our customers as we strongly believe that the incorporation of circular business practices is a joint task for our stakeholders and us.**

In addition to recycled content, Kafrit Group has begun looking and investing into renewable feedstock options in experimental stages, i.e. without commercial quantities being sold at this stage. One of them is Kenaf Ventures, an Israeli-based CleanTech company focusing on developing natural fibers able to compete with mechanical properties of petroleum-based materials.

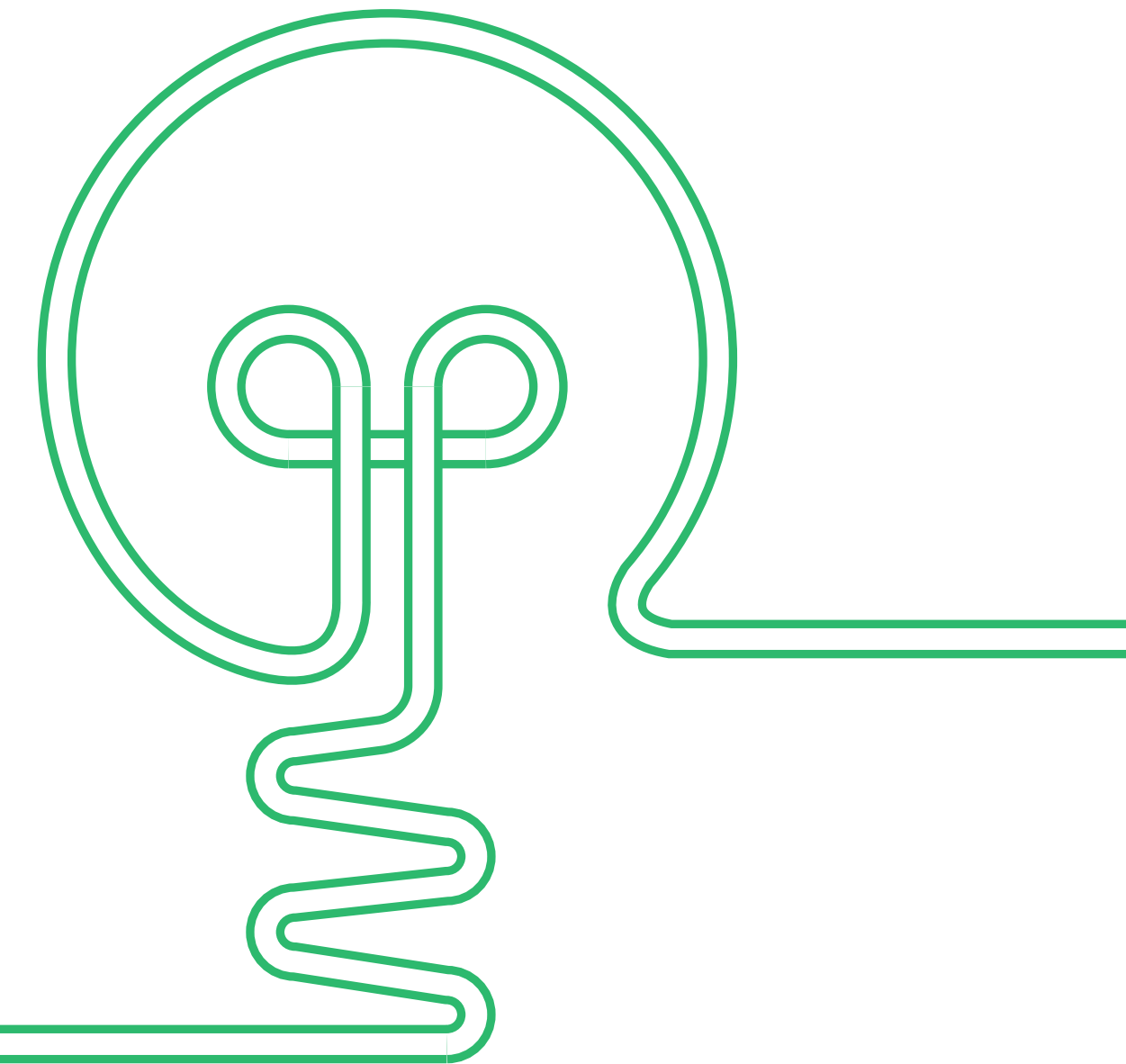
As of today, more experimental work needs to be executed to further explore alternative materials, however, we seek all such collaborations following our purpose to unite talent and technology to drive the future of plastics, together.

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**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



## Embedding circular business practices – establishing waste, materials and pollution management

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### Pollution

In addition to waste and materials management, it is inherent in the nature of our operations that pollution is a topic that ranks high in our materiality analysis. Both pollution of water, pollution of soil and pollution of air are ESRS sub-topics that need to be considered as material for a plastics processing company such as Kafrit Group.

Of course, all our production sites need to comply with local regulations regarding pollution. On top of that, since our raw materials are delivered to us either in the form of pellets, as powder or as a liquid, and as our final products are pellets as well, Kafrit Group actively recognizes the potential risks of environmental pollution and contamination by pellet loss, respectively microplastics. Each company has internal awareness creation programs and

procedures in place to minimize pellet loss as much as possible, CONSTAB GER even underwent a zero-pellet loss audit. Such an audit is an awareness creation campaign which we also plan to execute in other production sites in the upcoming years.

In general, we can state that our companies act with a high degree of responsibility to mitigate negative pollution impacts, amongst others by filtering dust from the factories' chimneys, by purifying the chimney gases and by executing building works in specific areas of the plants to avoid pollution. The latter is especially true for CONSTAB CN, now operating in a new factory meeting the highest environmental standards. To continue improving, we will consider establishing a pollution policy including specific pollution targets.

# Realizing essentials

## Fostering biodiversity and ecosystems

Biodiversity, in simplest terms, refers to the rich variety of life on Earth. It includes all species of plants, animals and microorganisms and the complex ecosystems they form. For this reason, biodiversity and healthy ecosystems are necessary to provide essentials such as the food, water, air to breathe and bearable living conditions we rely on. In recent years, an increasing number of reports talked about impacts on the state of species, biodiversity losses and water risks.

We, as a globally operating group of companies, want to prioritize these issues and have started working on improving our understanding and management of impacts to biodiversity and ecosystem services.

As outlined in the value chain section, we act in the middle of the plastics processing industry and are aware of the energy and resource intensive nature of the whole value chain. GHG emissions impact on global warming, water withdrawal may endanger species and pollution may jeopardize ecosystems.

For us, it is obvious that prospering business activities must be aligned with measures to foster biodiversity and ecosystems, since only these measures will make it possible to maintain our operations, keep and attract talent and provide

decent living and working conditions. In other words: A loss of biodiversity and healthy ecosystems constitute systemic risks not just to society and economy in general, but also to our business model in particular.

Kafrit Group is still in the early stages of adequate biodiversity and ecosystems analyses, and although the underlying topical standard ESRS E4 could have been voluntarily omitted in this report, we actively chose to talk about it.

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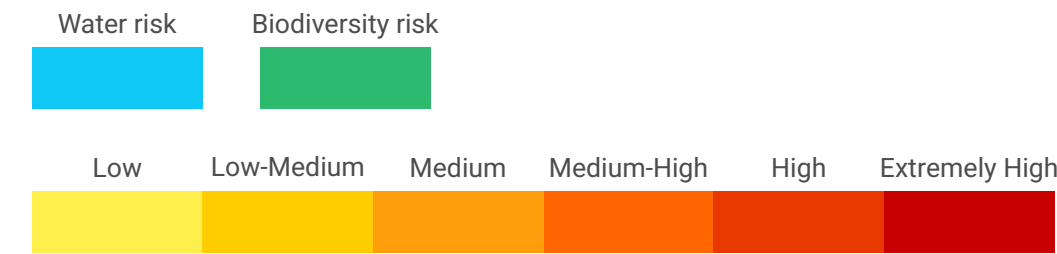
## Our goal

Furthermore, **acknowledging the importance of transparency in our value chain, by 2027, Kafrit Group wants to be able to provide Product Carbon Footprint (PCF) data for the whole product portfolio.** These PCF reports shall help increase an understanding of which products support our and our customers' sustainability efforts and where we need to improve. Be it in our own operations or upstream in the value chain. As a matter of fact, we have started calculating PCF data for selected products already.



### Realizing essentials – fostering biodiversity and ecosystems

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Water risk data source: Aqueduct™ 4.0 water risk framework © 2024 World Resources Institute  
Biodiversity risk source: WWF Biodiversity Risk Filter (2023) © 2024 WWF Germany

KAFRIT IL ①

CONSTAB GER ②

CONSTAB CN ③

KAFRIT NA ④

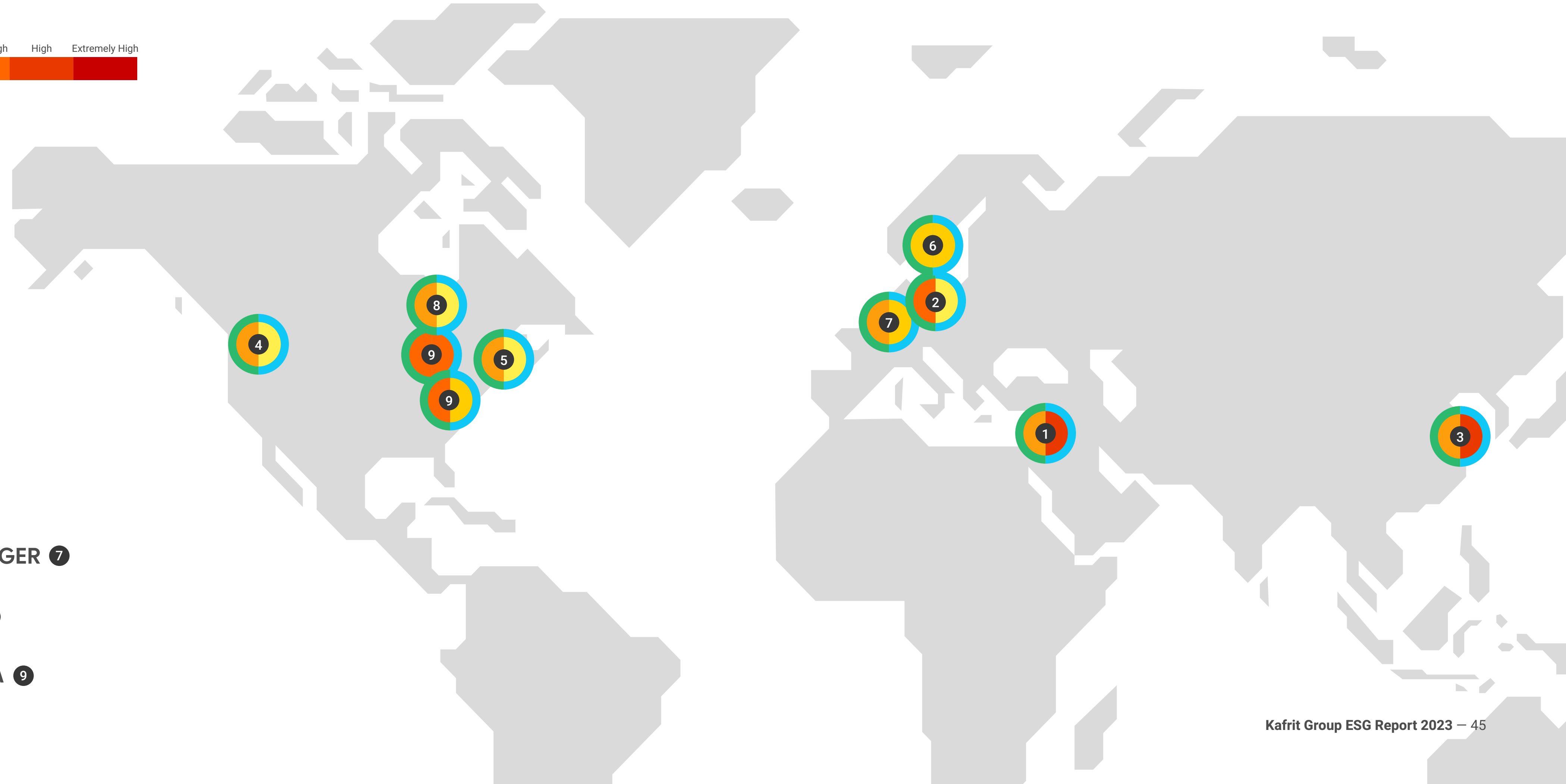
POLYFIL USA ⑤

ADDVANZE SWE ⑥

DELTA KUNSTSTOFFE GER ⑦

ABSA RESINS CAN ⑧

BADGER COLOR USA ⑨





## ESG Report 2023

# Creating valuable social impacts

- » Enhancing diversity, equity and inclusion (DEI)
- » Ensuring occupational health and safety (OH&S)
- » Promoting employment rights
- » Facilitating training and education
- » Living community engagement



# What makes us strong

Enhancing diversity, equity and inclusion (DEI)



**Workforce DEI is an essential aspect of modern business success, unifying a variety of perspectives, experiences and backgrounds under one corporate banner.** This dynamic encourages broad thought, fosters innovation and enriches problem-solving approaches by leveraging the varied knowledge and abilities of diverse talents. Not only does it serve as the key to unlocking a company's growth potential, but an inclusive workforce also underlines a commitment to social responsibility and ethical practices.

The importance of DEI extends beyond corporate walls, influencing stakeholders' perceptions, and molding relationships with clients, partners and the broader community. Therefore, monitoring and cultivating DEI with strength and intent is not just a moral imperative, but a strategic business choice that impacts on an organization's overall performance. In other words, when we state that our purpose is to unite talent and technology to drive the future of plastics, together, then the talent part necessarily symbolizes a diverse and inclusive workforce.

Within this context, we openly discuss our involvement with actual and potential negative impacts and rank our own workforce's working conditions high in the group's materiality assessment. With that said, we acknowledge that our operations hold a certain health and safety risk, especially to our operations personnel, and we know that shift systems nowadays must meet employees' living realities. By paying attention to the complexities of our operations, we ascertain that tangible actions are taken to transform them into positive socio-economic dividends, thereby aligning with our core objectives of fostering DEI as an integral part of sustainability.

In 2023, the total number of employees reached 538 by head count at the end of the reporting period, which was 1.8% less than in 2022. This stable employment level does not only signify our economic resilience in a challenging year seen from a macroeconomic perspective, but also underscores our commitment to job creation and social impact. As we continue to flourish, the importance of fostering an inclusive and diverse company culture remains paramount.

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**What makes us strong – enhancing diversity, equity and inclusion (DEI)**

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**Valuing female representation**

Historically, our business is an environment that mainly attracts men as workers. However, we recorded female representation of 22.9% among our workforce. We see similar female ratios at a company level as well. It is Kafrit Group’s ambition to employ more women since we experience the benefits of diverse teams every day.

In our management teams across the globe, we already see higher female representation than among the total workforce. 29% of all managers (executive and non-executive level) were women in 2023, and it is our belief that we as Kafrit Group must attempt to reach a gender equilibrium in the coming years.

Furthermore, we can state that no significant pay differences between women and men in similar or parallel positions were reported for any company in 2023.

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**Our goal**

We strive for an average of **50% women employed in management positions** across the group by 2030, building on our past gender equity achievements.

Employees by gender

Company	Number of employees	Male	Female	Female representation per reporting unit
KAFRIT HQ	4	4	0	0.0%
KAFRIT IL	149	111	38	25.5%
CONSTAB GER	129	92	37	28.7%
DELTA KUNSTSTOFFE GER	69	56	13	18.8%
ADDVANZE SWE	24	19	5	20.8%
POLYFIL USA	35	31	4	11.4%
KAFRIT NA	22	18	4	18.2%
CONSTAB CN	106	84	22	20.8%
<b>Total</b>	<b>538</b>	<b>415</b>	<b>123</b>	<b>22.9%</b>



**Achieve gender equality and empower all women and girls**



**What makes us strong – enhancing diversity, equity and inclusion (DEI)**

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**Benefiting from different age groups and job categories**

Like gender, different age groups help add important perspectives and valuable experiences to our operations. That is why we are pleased to employ significant numbers of young professionals as well as experienced colleagues, in addition to 54.1% of employees between 30 and 50 years.

At a job category level, Kafrit Group benefits from a manager-to-employee ratio of 13.6% which is in line with *Harvard Business Review*'s optimal suggestion (1:7). While 28.8% of all employees handle administrative functions, 57.6% of our workforce takes care of the production and shipping of our high-quality masterbatch and compound products.

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Employees by age

Age groups	2023	Representation in %
Under 30	75	13.9%
30-50	291	54.1%
50 and above	172	32.0%
<b>Total</b>	<b>538</b>	

Employees by job category

Job category	2023	Representation in %
Management (all levels)	73	13.6%
Service and sales workers	155	28.8%
Operatives	310	57.6%
<b>Total</b>	<b>538</b>	





## What makes us strong – enhancing diversity, equity and inclusion (DEI)

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### Parental leave

Our company's steadfast dedication to promoting and facilitating work-life balance is underscored by the strides made around parental leave accessibility, in accordance with the respective national legislation.

From 29 employees entitled to parental leave, 27 employees took parental leave (93.1%). Out of those entitled to and taking parental leave, 33.3% were women and 66.7% were men. More precisely, nine out of nine women took parental leave, and **from 20 men entitled to parental leave, 18 took parental leave. This signifies a positive trend in male employees availing the opportunity of parental leave, countering the former convention that child-rearing is predominantly a woman's role.** We are proud to be able to support our employees by fostering their work-life balance and acknowledging the manifold dynamics of parenthood.

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## What makes us strong – enhancing diversity, equity and inclusion (DEI)

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### Shouldering social responsibility

Moreover, Kafrit Group is pleased to employ several workers with disabilities and is always looking forward to receiving new applications from people with disabilities. We do not discriminate, but actively promote equal opportunities everywhere. This includes any necessary effort that helps an employee with a disability to feel and act as an integral part of the company. Training and education, as described in the following pages, and a clear ethical compass, stated in the *Kafrit Group Code of Ethics and Conduct*, prove fundamental in shaping inclusive operations.

Want to know more?

[Click here to download the \*Kafrit Group Code of Ethics and Conduct\*](#)

### Turnover

Employee turnover carries significant importance within the framework of sustainability as low turnover rates exhibit the company's commitment to fostering an inclusive and supportive work environment, thus resulting in enhanced employee satisfaction and loyalty. For us, 2023 was a year with a moderate turnover rate of 15.8%, representing 85 employees that left Kafrit Group during the reporting period. We are aware that the manufacturing industries recently experienced turnover rates of partially more than 30% due to the COVID-19 pandemic, challenging shift systems and hard physical work. With this in mind, we acknowledge a comparatively low turnover rate across our companies, showing that our efforts to keep our employees satisfied and motivated pay off to a certain degree. This was especially true for KAFRIT IL exceptionally supporting all its employees after the terror attacks from October 7<sup>th</sup>, 2023. Nonetheless, keeping turnover rates low is a constant challenge and we are eager to accept it and improve further.



# Our most important priority

## Ensuring occupational health and safety (OH&S)

OH&S is the number one topic in the monthly Kafrit Leadership Team (KLT) meetings as well as in the meeting culture of the individual companies. It must always be our key priority to make sure that all our employees return home safe and sound at the end of each workday. For this reason, all companies across the group provide their workforce with dedicated and regular safety training, and the easily accessible provision of personal protective equipment (PPE) such as safety shoes or hearing protection is essential.

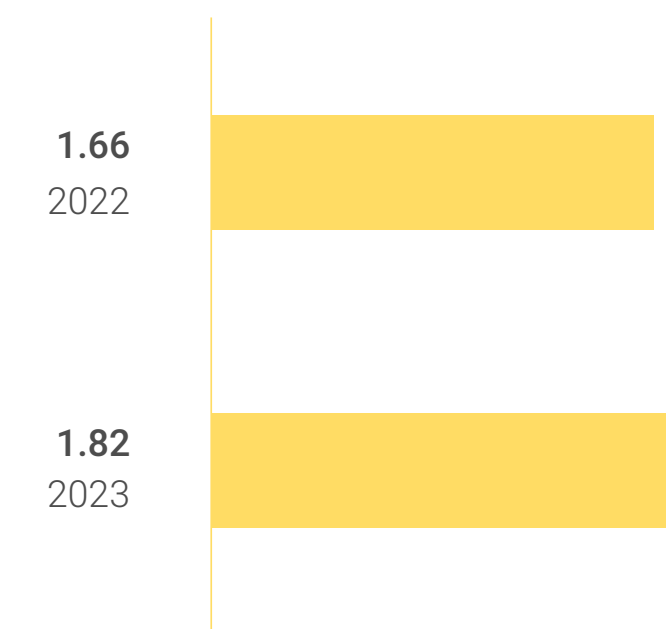
Unfortunately, despite our efforts to create a work environment that is free of any OH&S risk, we recorded 10 work-related accidents in the reporting year that could have been prevented. This accounts for an OSHA rate of 1.82 at a group level.

We are firmly committed to achieving a zero recordable accident result and our goal is to create a culture of safety that is ingrained in everything we do. For this reason, we deeply analyze each accident and share the lessons learned across the group to avoid similar incidents from happening in other places. Besides, we actively encourage each employee to speak up should one see or experience something that is unsafe or could be improved. Kafrit Group stays committed to listening and responding to such appreciated feedback.

**Fortunately, we neither had any fatality nor any case of recordable work-related ill health to report on.**

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## OSHA rate\*



\*OSHA rate = No. of LTI/200k hours



**Our most important priority – ensuring occupational health and safety (OH&S)**

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**Reviewing OH&S at a company level**

Although only two out of the seven companies could report zero recordable accidents in 2023, all companies have dedicated health and safety management systems in place that are motivated by risk management guidelines, and which comply with national legal requirements. Moreover, joint management-worker health and safety committees are active in all companies as well. In these committees, management and worker representatives regularly meet and discuss past OH&S incidents, potential risks and health and safety management improvements.

We are especially proud that KAFRIT IL as well as KAFRIT NA have already established the ISO 45001 certification as an internal OH&S benchmark in Kafrit Group. More of our companies are currently planning to undergo this certification in the near future, too. Additionally, the ISO 45001 certification in KAFRIT NA has been preceded by OSHA's 18001 since 2005.

Still, we recognize that we as a group of companies have room for improvement.

**Our goal**

Our OH&S ambition is to **strive for perfection and everyday safe: zero incidents, accidents or injuries.**

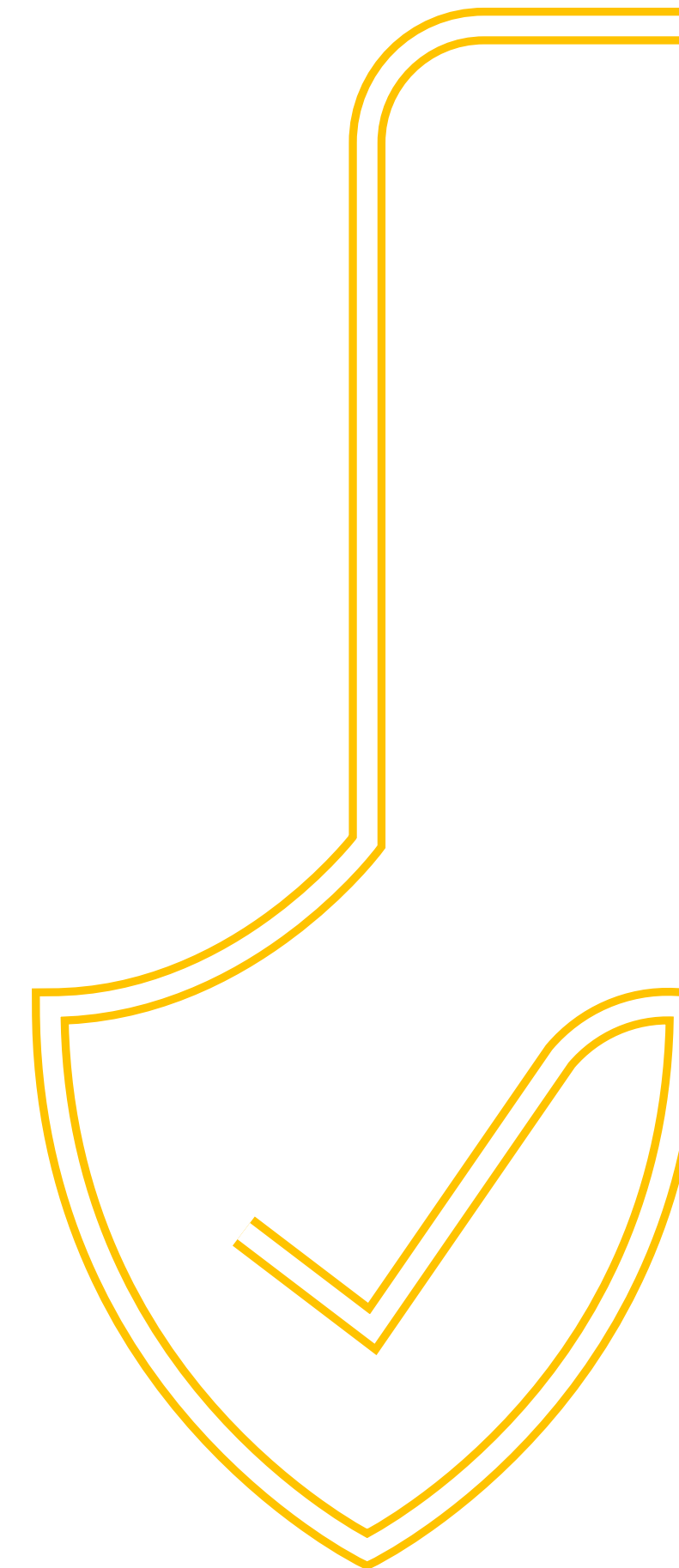


**3 GOOD HEALTH AND WELL-BEING**  
Ensure healthy lives and promote well-being for all at all ages

**OSHA rate by company**

Company	OSHA rate*
KAFRIT IL	1.45
CONSTAB GER	0.00
DELTA KUNSTSTOFFE GER	6.64
ADDVANZE SWE	5.12
POLYFIL USA	0.00
KAFRIT NA	5.38
CONSTAB CN	0.70

\*OSHA rate = No. of LTI/200k hours



# We talk and act at eye level

## Promoting employment rights

Our employees are our most important stakeholder group. They are the ones driving the operations and business activities forward and all of them are part of Kafrit Group's ESG efforts. Therefore, it is a key priority of the group and the local management teams to ensure that all employees feel good and safe when working for Kafrit Group.

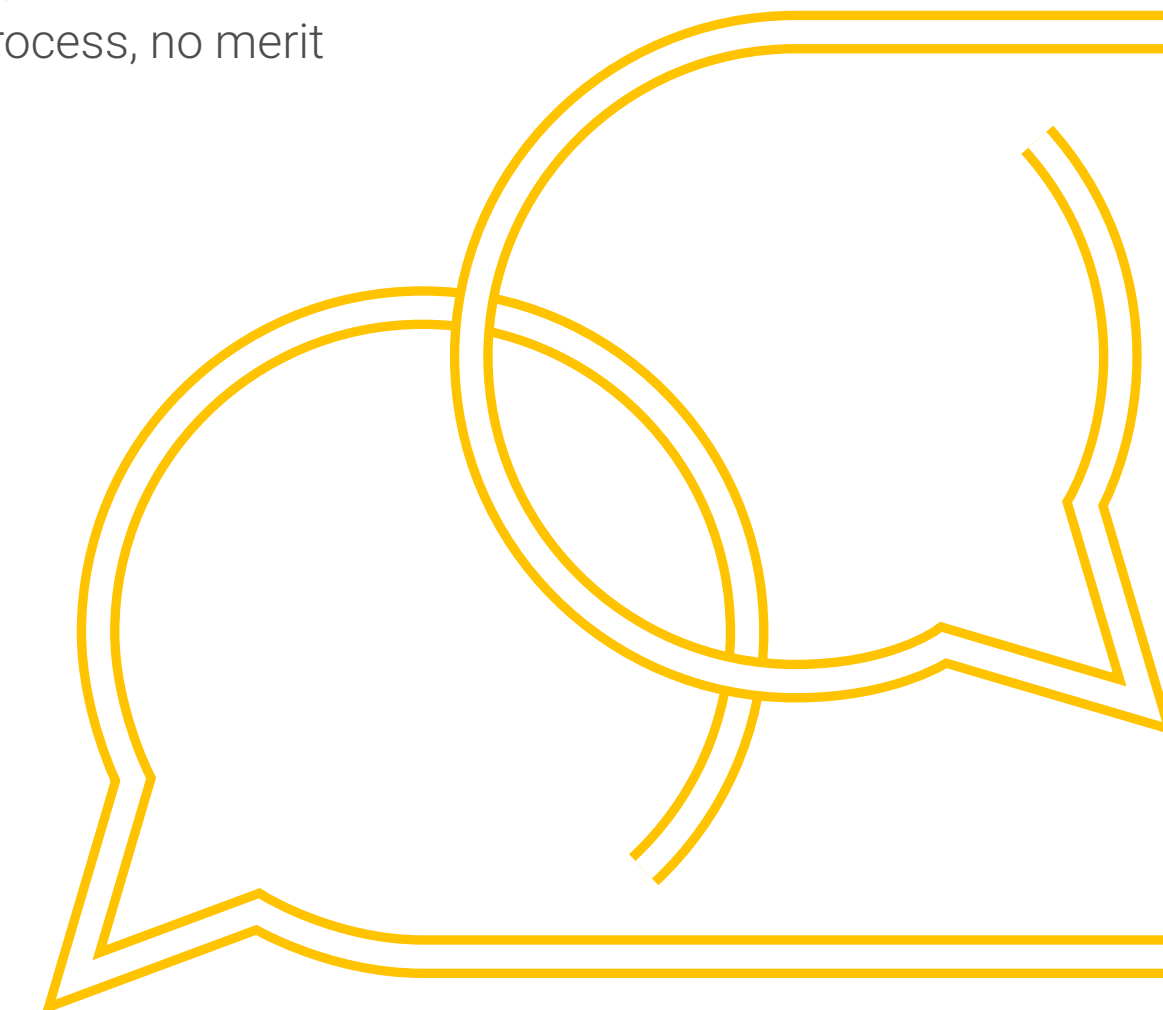
As the group's operations are based in several countries, the local employment and social protection rights always form the basis. For all production sites, we can state that social protection against loss of income due to sickness and due to employment injury or acquired disability is established. Also, in our European production sites as well as in KAFRIT IL and CONSTAB CN, there is social protection against loss of income due to unemployment, parental leave and retirement, whereas our workforce in POLYFIL USA is protected from loss of income due to parental leave and our

employees in KAFRIT NA are protected from loss of income due to unemployment. In addition, each company applies additional rules and agreements to shape and secure the employee's status.

Globally, we enforce the *Kafrit Group Code of Ethics and Conduct*, which applies to all group companies and forms the backbone for all additional employment rights. It describes a corporate culture in which various ethical business practices, OH&S considerations, a ban on forced and child labor, personal integrity, and sustainability play a vital role. Also, an embedded whistleblowing policy provides all employees with the right to report on any violation of the Code of Ethics and Conduct or other company policies.

Collective bargaining agreements are subject to local circumstances. In Kafrit Group, employees at CONSTAB GER, CONSTAB CN, ADDVANZE SWE and KAFRIT IL (partially) have such agreements in force, covering a total of 352 employees which represents a ratio of 65.4%. In all companies, adequate wages, in line with applicable industry benchmarks, are paid.

Finally, in the reporting year, no severe human rights impact potentially affecting or being connected to our workforce was reported. As a consequence, neither Kafrit Group nor the individual companies had to pay any fine. The same is true for incidents of discrimination and corresponding fines. Only for KAFRIT NA, we need to report one potential incident of discrimination to which, after review by the company during a formal process, no merit was found.



# Empowering our workforce

## Facilitating training and education

What guides us as a globally dispersed group of companies, as mentioned already, is our purpose to unite talent and technology to drive the future of plastics, together. For us, it is crucial to develop and grow our talents continuously. It is our people filling Kafrit Group with life and their expertise in various dimensions that makes us strong.

This aspiration is embedded in several opportunities for personal and career growth, amongst others internal and external training, regular coaching and performance reviews delivered by the managers. Furthermore, new employees are provided with tailor-made onboarding programs.

### Performance reviews

For 2023, we can report a performance review ratio of 95.2% across all our companies. This means that a total of 512 employees participated in formalized regular performance and career development reviews.

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## Performance reviews by company

Company	Number of employees	Employees who received a formalized review	%
KAFRIT HQ	4	4	100.00%
KAFRIT IL	149	149	100.00%
CONSTAB GER	129	129	100.00%
DELTA KUNSTSTOFFE GER	69	69	100.00%
ADDVANZE SWE	24	20	83.33%
POLYFIL USA	35	35	100.00%
KAFRIT NA	22	0	0.00%
CONSTAB CN	106	106	100.00%
<b>Total</b>	<b>538</b>	<b>512</b>	<b>95.2%</b>

## Empowering our workforce — facilitating training and education

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### Training hours

Our average training hours per employee in 2023 accounted for 10.1 hours. At a company level, we see differences resulting from varying training schedules and potential gaps in training data gathering. We have room for improvement and will invest significant efforts to realize our potential.

### Our goals

To make these ambitions more tangible, we want to continue **growing our talent in a transparent feedback culture, with an annual performance review for each employee by 2026.**

Also, on group average, **we strive to increase individual employee training and education to 12 hours a year by the end of 2025, and then to 15 hours a year by the end of 2027.**

## Training hours by company

Company	Total	Hours/employee
KAFRIT HQ	21	5.3
KAFRIT IL	2040.8	13.7
CONSTAB GER	460	3.6
DELTA KUNSTSTOFFE GER	628	9.1
ADDVANZE SWE	55.7	2.3
POLYFIL USA	51	1.5
KAFRIT NA	121	5.5
CONSTAB CN	2080	19.6
<b>Total</b>	<b>5457.5</b>	<b>10.1</b>





# In close dialogue with our neighbors

## Living community engagement

For Kafrit Group, affected communities matter greatly. We want to make sure that our business operations are integrated into a greater community and are not considered an uninvited neighbor. Indeed, our activities do not only employ hundreds of people living in proximity to our production sites, but as a result they also generate tax income for our communities and contribute to prosperity growth in the specific cities and councils.

Having described our GHG emissions and potential pollution risks being connected to manufacturing companies in the plastics processing industry, though, we are aware of environmental and health risks potentially impacting on our neighboring communities. That is why these communities are such an important stakeholder group to us which always shall and must have a say.

The local management teams are in close contact with water and environmental authorities, and they constantly deal with local regulators. However, in some cases we are also confronted with little or no interest to engage with us.

We know that our operations benefit from motivated and skilled employees living close to our production sites. Consequently, we aim to give something back to our neighboring communities. Whereas CONSTAB GER supports a local football club and a local reforestation project, KAFRIT IL has strong ties to its home community, the kibbutz Kfar-Aza, and to the regional council, Sha'ar HaNegev, where amongst others the company donates money to the Soroka University Medical Center.

Also, it was CONSTAB GER who pioneered a workshop series in 2023. The company participated in sustainability days in regional schools to discuss the impacts of plastics and the manufacturing process on the environment, and how plastics can still bring sustainable benefits.

Each local management team, as well as the group management, is open to any kind of feedback and exchange of perspectives. This is how we want to live community engagement, every day.



**11 SUSTAINABLE CITIES AND COMMUNITIES**  
Make cities and human settlements inclusive, safe, resilient and sustainable





## ESG Report 2023

# Embedding governance

- » Integrating board governance
- » Upholding ethics and integrity
- » Driving human rights and sustainable procurement practices

# Acting as a role model

## Integrating board governance

### Board composition

Kafrit Group's Board of Directors is the highest governance body, and it consists of nine board members. Emphasizing diversity in our executive boardroom, we have a non-executive representation of all nine members, amplifying diverse perspectives and fostering dynamic decision-making. Not having executive members on the board helps us maintain impartiality and balance. Also, a glimpse at our board's composition in 2023 reveals a noteworthy consideration for gender diversity. Predominantly, our nine-member board comprises seven esteemed male directors (77.8%). Nonetheless, the presence of two accomplished female board members (22.2%) enhances our resolve toward promoting gender equity. Considering age groups, our board is relatively homogenous with eight members (88.9%) over 50 years and with one member (11.1%) between 30 and 50 years.

In line with the needed qualifications for a board position, this age group representation is not a surprise. In accordance with the applicable law in Israel, there is no need for representation of employees or other workers and no need for representation from under-represented social groups in the Board of Directors.

The kibbutz Kfar-Aza, holding about 58% of the shares, appoints six board members that are all non-independent (66.7%). In addition, three board members are independent (33.3%), one of them is appointed by simple majority of all votes in the General Assembly, whereas two of them are appointed by the minority only in the General Assembly.

In total, our Board of Directors' layout signifies our stance on ethical practices, promoting responsibility and accountability at the highest level of decision-making. Such a governance structure undoubtedly reinforces our stakeholder engagement.

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## Acting as a role model – integrating board governance

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### Board expertise

Our board consists of individuals whose extensive professional experience propels the company toward sustainable and accountable corporate behavior. Every member commands vast knowledge and expertise, with many boasting an impressive managerial, financial or international track record. Some members have previously been involved in the plastics processing industry, thereby bringing valuable insights into the operational intricacies and the evolving challenges of our industry. Additionally, several have served on boards of other public companies, endowing our board with broad perspectives and novel strategies.

The board members' collective experiences influence our decisions and operations. Also, they help facilitate the group's commitment to environmentally sustainable, socially responsible and ethically sound business practices.

### Modus operandi

The Board of Directors receives a monthly report sent by the Kafrit Group CEO which includes potential critical concerns. On top of that, at every Board of Directors' meeting, Kafrit Group's CEO and CFO review the main topics of the business including general risk management. Also, biannually the Kafrit Group Sustainability Leader presents progress on the group's sustainability agenda to the board. This is how Kafrit Group makes sure that impacts, risks and opportunities in relation to sustainability are regularly addressed and discussed in the group's highest governance body. Furthermore, an external legal counselor is present in most of the Board of Directors' meetings and if potential conflicts of interest arise, they are discussed according to the legal advisor.

### Remuneration policy

Kafrit Group has a remuneration policy in place which is publicly available. Generally speaking, and as of today, the remuneration policy is not linked to sustainability matters (incl. climate-related considerations) or sustainability-related targets. For the Kafrit Group Sustainability Leader, though, yearly incentive schemes are connected to defined internal sustainability targets and progress.



# Always upright

Upholding ethics and integrity



## Code of Ethics and Conduct

Transparent governance and ethical business practices remain integral to Kafrit Group. The group and all companies uphold their commitment to high standards of ethics as a crucial part of their corporate culture by enforcing the *Kafrit Group Code of Ethics and Conduct*. Ethical decision-making is prioritized at all levels of the organization, ensuring long-term value creation for all stakeholders involved.

Each employee working for Kafrit Group needs to sign the Code of Ethics and Conduct as proof of having read and understood what is asked for.

## Anti-corruption and anti-bribery

In 2023, we effectively fortified our stance against corruption, standing firm on our commitment to uphold integrity and transparency throughout our operations. The success of our anti-corruption and anti-bribery measures is reflected in no confirmed incidents of corruption or bribery as well as by no convictions for violation of such laws, accompanied by no instances of employees being dismissed or disciplined for corrupt practices during the year. This positive result extends to our business partnerships because no contracts required termination due to unethical behavior. Even more notable was the total avoidance of financial penalties resulting from corrupt conduct, thus the monetary value of fines associated with corruption incidents was zero. We recognize that no action was necessary due to the absence of any known corruption cases. This accomplishment aligns with our broader sustainability mission and efforts toward ethical business conduct.

Annual anti-corruption training helps us reinforce these positive results. For 2023, we can report that all our board members and all executive managers have undergone stringent annual anti-corruption training, signifying our dedication to ethical business practices and transparency. We believe that by implementing such integrity-enhancing practices for our total workforce in the future, we can foster a business environment that not only thrives but also serves as a beacon of corporate responsibility.

## Our goal

In consequence, and in alignment with our efforts to counteract discrimination, **we want to continue showing zero tolerance and meet our commitments – every year upright: zero cases of corruption or discrimination.**

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## Always upright – upholding ethics and integrity

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### Raising concerns

We want to showcase a commendable commitment to high ethical standards. In this regard, the adoption of a whistleblower protection policy is a testament to this. Our whistleblower protection policy, as well as the grievance mechanism, are included in the *Kafrit Group Code of Ethics and Conduct*. This encourages all our employees to report on any violation and non-compliance of the Code of Ethics and Conduct or other company protocols or work instructions to the relevant supervisor or a member of the senior management of each company. Also, each company is required to establish a place that is accessible to all its employees at any time allowing for anonymous reporting of violations and non-compliance with the group's Code of Ethics and Conduct. Should a violation be reported, Kafrit Group will investigate the case diligently and in a timely manner.

### Political contributions and lobbying activities

As a multinational group, Kafrit Group and its companies are neither involved in political activities in the respective countries or regions, nor do they try to influence political decision-making by paying financial or in-kind political contributions to any potential beneficiary. As a result, an overseeing representative is not nominated.

The same is true for direct lobbying activities in which neither Kafrit Group nor its companies are involved. Some companies, though, are members of local industry associations such as CONSTAB GER in the German *Industrievereinigung Kunststoffverpackungen e.V.* or involve themselves in legislative feedback processes by sharing expert opinions as done by KAFRIT NA regarding the Canadian government's notice of intent to issue a section 46 notice for the *Federal Plastics Registry*.



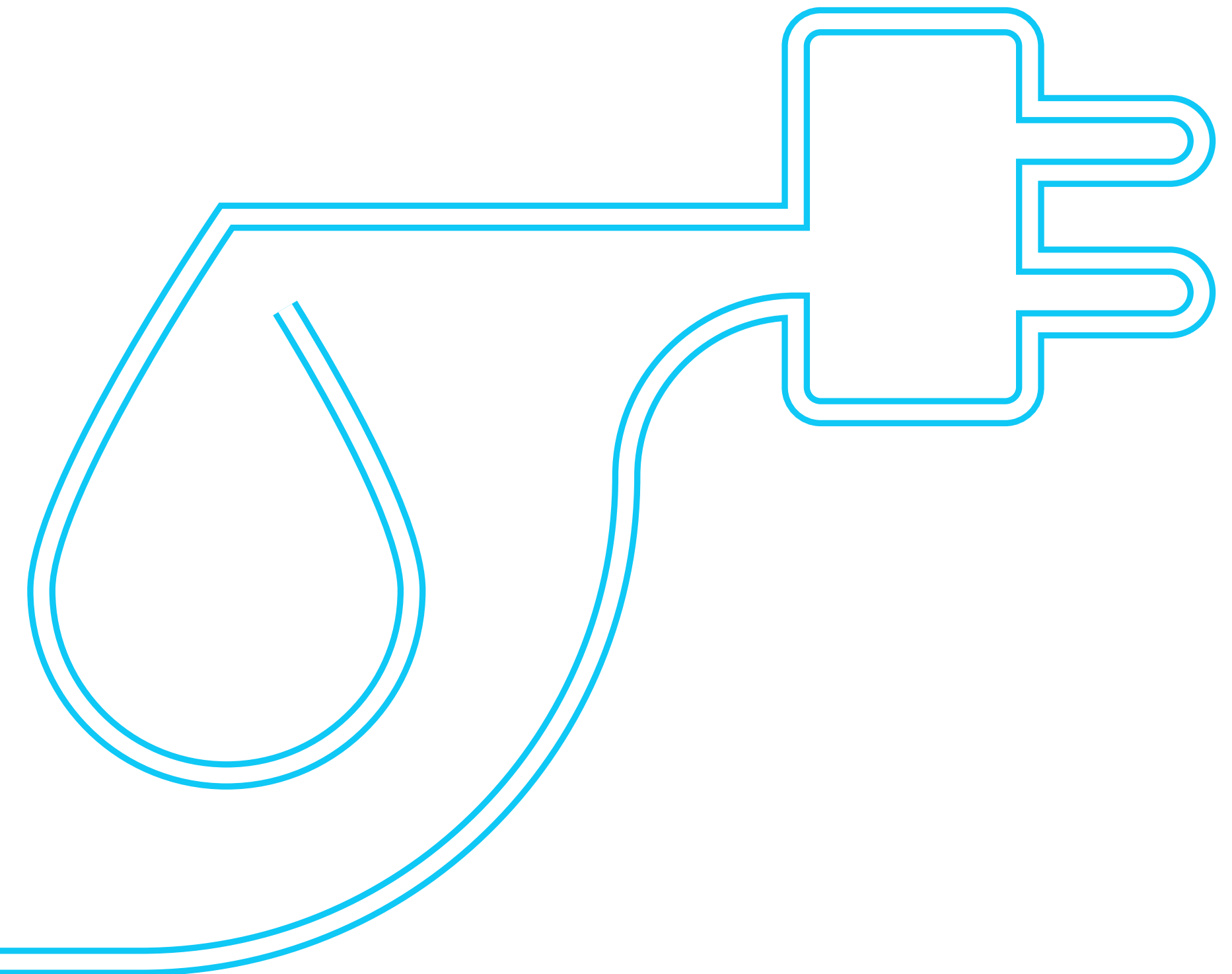
# Widening our angle

## Driving human rights and sustainable procurement practices

As described throughout this report, Kafrit Group deeply acknowledges the significance of environmental stewardship, social responsibility and ethical practices as part of how we want to conduct business. Based on this ambition, we have identified gaps in our current procurement practices, particularly in engaging with our suppliers on environmental assessments and human rights clauses. Since we know that a considerable proportion of our raw materials, as of today, trace back to petrochemical production sites located all over the world with main hubs in North America, Central Europe, the Middle East and China, we acknowledge that sustainable procurement practices need to be established.

Although we are confident that due to stringent regional regulations, our suppliers' production sites adhere to ESG standards, we recognize the need for direct action and transparency, hence, in 2024, we will initiate a process to establish sustainable procurement practices in our group. In addition, we see that supply chain legislation is currently gaining ground, especially in Europe. That is why we want to use this momentum and close a gap in our sustainability aspirations.

**The realization of these initiatives will not only contribute to our specific environmental compliance and general sustainability performance but also strengthen our stakeholder engagement.**





## ESG Report 2023

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# A new standard

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ESRS 2	IRO-1	53 b iv
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E1	E1-5	38 b
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E1	E1-5	39
No GRI equivalent available		
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No GRI equivalent available

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No GRI equivalent available

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No GRI equivalent available

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page 29 - indirectly given (not yet established)

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No GRI equivalent available

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page 29 - indirectly given (not yet established)

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No GRI equivalent available

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No GRI equivalent available

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No GRI equivalent available

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No GRI equivalent available

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No water storage in Kafrit Group

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No water storage in Kafrit Group

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**E4 SBM-3 16 a ii**

No GRI equivalent available  
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Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities

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Disclosure of whether and how systemic risks to society have been considered in assessment of biodiversity and ecosystems-related risks  
page 44

**E4 IRO-1 19 a**

GRI 304 304-1 a-iv  
Undertaking has sites located in or near biodiversity-sensitive areas  
page 45

**E4 IRO-1 19 b**

No GRI equivalent available  
It has been concluded that it is necessary to implement biodiversity mitigation measures  
page 44

## ESRS E5 – Resource use and circular economy

### ESRS E5 IRO-1

Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

**E5 IRO-1 AR 7 b**

No GRI equivalent available  
Disclosure of material resources used  
page 42

**E5 IRO-1 AR 7 d**

No GRI equivalent available  
Disclosure of material opportunities related to circular economy  
page 42

**E5 IRO-1 AR 7 e**

No GRI equivalent available  
Disclosure of material impacts and risks of transition to circular economy  
page 42

**E5 IRO-1 AR 7 f**

GRI 306 306-1 a-i, ii  
Disclosure of stages of value chain where resource use, risks and negative impacts are concentrated  
page 42

### ESRS E5 E5-4

Resource inflows

**E5 E5-4 30**

GRI 306 306-1 a-i, ii  
Disclosure of information on material resource inflows  
page 42

**E5 E5-4 31 c**

No GRI equivalent available  
The absolute weight of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)  
page 42

### ESRS E5 E5-5

Resource outflows

**E5 E5-5 35**

No GRI equivalent available  
Description of the key products and materials that come out of the undertaking's production process  
page 12

**E5 E5-5 36 b**

GRI 306 306-2 Guidance for Disclosure 306-2-a  
Disclosure of the reparability of products  
page 42

**E5 E5-5 37 a**

GRI 306 306-3 a  
Total waste generated  
page 38 & page 41

**E5 E5-5 37 b**

GRI 306 306-4 b  
Hazardous waste diverted from disposal  
page 40



E5	E5-5	37 b i
GRI 306	306-4	b-i
Hazardous waste diverted from disposal due to preparation for reuse		
page 40		

E5	E5-5	37 b ii
GRI 306	306-4	b-ii
Hazardous waste diverted from disposal due to recycling		
page 40		

E5	E5-5	37 b iii
GRI 306	306-4	b-iii
Hazardous waste diverted from disposal due to other recovery operations		
page 40		

E5	E5-5	37 b
GRI 306	306-4	c
Non-hazardous waste diverted from disposal		
page 40		

E5	E5-5	37 b i
GRI 306	306-4	c-i
Non-hazardous waste diverted from disposal due to preparation for reuse		
page 40		

E5	E5-5	37 b ii
GRI 306	306-4	c-ii
Non-hazardous waste diverted from disposal due to recycling		
page 40		

E5	E5-5	37 b iii
GRI 306	306-4	c-iii
Non-hazardous waste diverted from disposal due to other recovery operations		
page 40		

E5	E5-5	37 c
GRI 306	306-5	b
Hazardous waste directed to disposal		
page 40		

E5	E5-5	37 c i
GRI 306	306-5	b-i; b-ii
Hazardous waste directed to disposal by incineration		
page 40		

E5	E5-5	37 c ii
GRI 306	306-5	b-iii
Hazardous waste directed to disposal by landfilling		
page 40		

E5	E5-5	37 c iii
GRI 306	306-5	b-iv
Hazardous waste directed to disposal by other disposal operations		
page 40		

E5	E5-5	37 c
GRI 306	306-5	c
Non-hazardous waste directed to disposal		
page 40		

E5	E5-5	37 c i
GRI 306	306-5	c-i; c-ii
Non-hazardous waste directed to disposal by incineration		
page 40		

E5	E5-5	37 c ii
GRI 306	306-5	c-iii
Non-hazardous waste directed to disposal by landfilling		
page 40		

E5	E5-5	37 c iii
GRI 306	306-5	c-iv
Non-hazardous waste directed to disposal by other disposal operations		
page 40		

E5	E5-5	37 d
No GRI equivalent available		
Percentage of non-recycled waste		
page 38 - indirectly given (recycled waste -> 42.7%; non-recycled waste -> 57.3%)		

E5	E5-5	38
GRI 306	306-3; 306-4; 305-5	3-a; 4-a; 5-a
Disclosure of composition of waste		
pages 38 - 39		

E5	E5-5	38 a
GRI 306	306-3; 306-4; 306-5	Guidance for Disclosure 306-3-a; 306-4-a; 306-5-a
Disclosure of waste streams relevant to undertaking's sector or activities		
pages 38 - 39		

E5	E5-5	38 b
GRI 306	306-3; 306-4; 306-5	Guidance for Disclosure 306-3-a; 306-4-a; 306-5-a
Disclosure of materials that are present in waste		
pages 38 - 39		

E5	E5-5	39
GRI 306	306-3	a
Total amount of hazardous waste		
page 39		

E5	E5-5	39
GRI 306	306-3	a
Total amount of radioactive waste		
page 38		

E5	E5-5	40
GRI 306	306-2	c
GRI 306	306-3; 306-4; 306-5	3-b; 4-e; 5-e
Description of methodologies used to calculate data (waste generated)		
page 38		

## ESRS E5 E5-6

Potential financial effects from resource use and circular economy-related impacts, risks and opportunities

E5	E5-6	43 a
No GRI equivalent available		
Disclosure of quantitative information about potential financial effects of material risks and opportunities arising from resource use and circular economy-related impacts		
page 42		

E5	E5-6	43 b
No GRI equivalent available		
Description of effects considered and related impacts (resource use and circular economy)		
page 42		

## ESRS S1 – Own workforce

### ESRS S1 S1-1

Policies related to own workforce

S1	S1-1	23
GRI 403	GRI 404	a

Workplace accident prevention policy or management system is in place  
page 53

S1	S1-1	24 a
GRI 3	3-3	c

Specific policies aimed at elimination of discrimination are in place  
page 54 & page 61

### ESRS S1 S1-3

Processes to remediate negative impacts and channels for own workers to raise concerns

S1	S1-3	32 b
GRI 2	2-25	b

Disclosure of specific channels in place for its own workforce to raise concerns or needs directly with undertaking and have them addressed  
page 62

### ESRS S1 S1-6

Characteristics of the undertaking's employees

S1	S1-6	50 a
GRI 2	2-7	a

Number of employees (head count)  
page 47

S1	S1-6	50 a
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GRI 2	2-7	a
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Average number of employees (head count)  
page 47

S1	S1-6	50 b + 51
----	------	-----------

GRI 2	2-7	b-i; b-ii; b-iii
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Number of employees (head count or full-time equivalent)  
page 47

S1	S1-6	50 b + 51
----	------	-----------

GRI 2	2-7	b-i; b-ii; b-iii
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Average number of employees (head count or full-time equivalent)  
page 47

S1	S1-6	50 c
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GRI 401	401-1	b
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Number of employees who have left undertaking  
page 51

S1	S1-6	50 c
----	------	------

GRI 401	401-1	b
---------	-------	---

Percentage of employee turnover  
page 51

S1	S1-6	50 d
----	------	------

GRI 2	2-7	c-
-------	-----	----

Description of methodologies and assumptions used to compile data (employees)  
page 47

S1	S1-6	50 d i
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GRI 2	2-7	c-i
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Employees numbers are reported in head count or full-time equivalent  
page 47

S1	S1-6	50 d ii
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GRI 2	2-7	c-ii
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Employees numbers are reported at end of reporting period/average/other methodology  
page 47

S1	S1-6	50 e
----	------	------

GRI 2	2-7	d; e
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Disclosure of contextual information necessary to understand data (employees)  
page 47

### ESRS S1 S1-7

Characteristics of non-employee workers in the undertaking's own workforce

S1	S1-7	55 a
GRI 2	2-8	a

Number of non-employees in own workforce  
page 47 - indirectly given (0 non-employees)

### ESRS S1 S1-8

Collective bargaining coverage and social dialogue

S1	S1-8	60 a
GRI 2	2-30	a

Percentage of total employees covered by collective bargaining agreements  
page 54

### ESRS S1 S1-9

Diversity indicators

S1	S1-9	66 a
GRI 405	405-1	a-i; b-i

Number of employees (head count) at top management level  
page 49

S1	S1-9	66 a
GRI 405	405-1	a-i; b-i

Percentage of employees at top management level  
page 49

S1	S1-9	66 b
GRI 405	405-1	b-ii

Number of employees (head count) under 30 years old  
page 49

S1	S1-9	66 b
GRI 405	405-1	b-ii

Percentage of employees under 30 years old  
page 49



S1	S1-9	66 b
GRI 405	405-1	b-ii
Number of employees (head count) between 30 and 50 years old		
page 49		

S1	S1-9	66 b
GRI 405	405-1	b-ii
Percentage of employees between 30 and 50 years old		
page 49		

S1	S1-9	66 b
GRI 405	405-1	b-ii
Number of employees (head count) over 50 years old		
page 49		

S1	S1-9	66 b
GRI 405	405-1	b-ii
Percentage of employees over 50 years old		
page 49		

S1	S1-9	AR 71
No GRI equivalent available		
Disclosure of own definition of top management used		
page 49		

**ESRS S1 S1-10**

**Adequate wages**

S1	S1-10	69
GRI 202	202-1	a; c; d
All employees are paid adequate wage, in line with applicable benchmarks		
page 54		

**ESRS S1 S1-11**

**Social protection**

S1	S1-11	74 a
GRI 401	401-2	a-ii; b
All employees in own workforce are covered by social protection, through public programs or through benefits offered, against loss of income due to sickness		
page 54		

S1	S1-11	74 b
No GRI equivalent available		
All employees in own workforce are covered by social protection, through public programs or through benefits offered, against loss of income due to unemployment starting from when own worker is working for undertaking		
page 54		

S1	S1-11	74 c
GRI 401	401-2	a-iii; b
All employees in own workforce are covered by social protection, through public programs or through benefits offered, against loss of income due to employment injury and acquired disability		
page 54		

S1	S1-11	74 d
GRI 401	401-2	a-iv; b
All employees in own workforce are covered by social protection, through public programs or through benefits offered, against loss of income due to parental leave		
page 54		

S1	S1-11	74 e
GRI 401	401-2	a-v; b
All employees in own workforce are covered by social protection, through public programs or through benefits offered, against loss of income due to retirement		
page 54		

S1	S1-11	75
GRI 401	401-2	a-ii; b
Disclosure of types of employees who are not covered by social protection, through public programs or through benefits offered, against loss of income due to sickness		
page 54		

S1	S1-11	75
No GRI equivalent available		
Disclosure of types of employees who are not covered by social protection, through public programs or through benefits offered, against loss of income due to unemployment starting from when own worker is working for undertaking		
page 54		

S1	S1-11	75
GRI 401	401-2	a-iii; b
Disclosure of types of employees who are not covered by social protection, through public programs or through benefits offered, against loss of income due to employment injury and acquired disability		
page 54		

S1	S1-11	75
GRI 401	401-2	a-iv; b
Disclosure of types of employees who are not covered by social protection, through public programs or through benefits offered, against loss of income due to maternity leave		
page 54		

S1	S1-11	75
GRI 401	401-2	a-v; b
Disclosure of types of employees who are not covered by social protection, through public programs or through benefits offered, against loss of income due to retirement		
page 54		

**ESRS S1 S1-13**

**Training and skills development indicators**

S1	S1-13	83 a
GRI 404	404-3	a
Percentage of employees that participated in regular performance and career development reviews		
page 55		

S1	S1-13	83 b
GRI 404	404-1	a-i
Average number of training hours per person for employees		
page 56		



### ESRS S1 S1-14

Health and safety indicators

S1	S1-14	88 a
GRI 403	403-8	a-i
Percentage of people in its own workforce who are covered by health and safety management system based on legal requirements and (or) recognised standards or guidelines		
page 54 - indirectly given (all employees)		

S1	S1-14	88 b
GRI 403	403-9	a-i; b-i
GRI 403	403-10	a-i; b-i
Number of fatalities in own workforce as result of work-related injuries and work-related ill health		
page 52		

S1	S1-14	88 b
GRI 403	403-9	b-i
GRI 403	403-10	b-i
Number of fatalities as result of work-related injuries and work-related ill health of other workers working on undertaking's sites		
page 52		

S1	S1-14	88 c
GRI 403	403-9	a-iii; b-iii
Number of recordable work-related accidents for own workforce		
page 52		

S1	S1-14	88 c
GRI 403	403-9	a-iii; b-iii
Rate of recordable work-related accidents for own workforce		
page 52		

S1	S1-14	88 d
GRI 403	403-10	a-ii
Number of cases of recordable work-related ill health of employees		
page 52 - indirectly given (no case)		

### ESRS S1 S1-15

Work-life balance indicators

S1	S1-15	93 a
GRI 401	401-3	a
Percentage of employees entitled to take family-related leave		
page 50 - indirectly given (5.4%, 29 out of 538 employees)		

S1	S1-15	93 b
GRI 401	401-3	b
Percentage of entitled employees that took family-related leave		
page 50		

S1	S1-15	93 b
GRI 401	401-3	b
Percentage of entitled employees that took family-related leave by gender		
page 50		

S1	S1-15	94
No GRI equivalent available		
All employees are entitled to family-related leave through social policy and (or) collective bargaining agreements		
page 50		

### ESRS S1 S1-16

Compensation indicators (pay gap and total compensation)

S1	S1-16	97 a
GRI 405	405-2	a; b
Gender pay gap		
page 48		

### ESRS S1 S1-17

Incidents, complaints and severe human rights impacts and incidents

S1	S1-17	103 a
GRI 406	406-1	a
Number of incidents of discrimination		
page 54		

S1	S1-17	103 b
GRI 2	2-25	Guidance to 2-25-e
Number of complaints filed through channels for people in own workforce to raise concerns		
page 54		

S1	S1-17	103 c
GRI 2	2-27	b
Amount of material fines, penalties, and compensation for damages as result of violations regarding social and human rights factors		
page 54		

S1	S1-17	104 a
No GRI equivalent available		
No severe human rights issues and incidents connected to own workforce have occurred		
page 54		

S1	S1-17	104 b
GRI 2	2-27	b
Amount of material fines, penalties, and compensation for severe human rights issues and incidents connected to own workforce		
page 54		

S1	S1-17	104 b
No GRI equivalent available		
Information about reconciliation of amount of material fines, penalties, and compensation for severe human rights issues and incidents connected to own workforce with most relevant amount presented in financial statements		
page 54		



### ESRS S3 – Affected communities

#### ESRS S3 SMB-3

Material impacts, risks and opportunities and their interaction with strategy and business model(s)

S3	SBM-3	9 b
GRI 3	3-3	b
Material negative impacts occurrence (affected communities)		
page 57		

S3	SBM-3	9 c
GRI 3	3-3	Guidance to 3-3-a
Description of activities that result in positive impacts and types of affected communities that are positively affected or could be positively affected		
page 57		

S3	SBM-3	9 d
No GRI equivalent available		
Description of material risks and opportunities arising from impacts and dependencies on affected communities		
page 57		

S3	SBM-3	10
No GRI equivalent available		
Disclosure of whether and how the undertaking has developed an understanding of how affected communities with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm		
page 57		

S3	SBM-3	9
No GRI equivalent available		
All affected communities who can be materially impacted by undertaking are included in scope of disclosure under ESRS 2		
page 22 & page 57		

S3	SBM-3	9 a
No GRI equivalent available		
Description of types of affected communities subject to material impacts		
page 57		

S3	SBM-3	9 a i - iv
GRI 413	413-2	a
Type of communities subject to material impacts by own operations or through value chain		
page 14		

#### ESRS S3 S3-2

Processes for engaging with affected communities about impact

S3	S3-2	21
GRI 3	3-3	f
Disclosure of how perspectives of affected communities inform decisions or activities aimed at managing actual and potential impacts		
page 57		

### ESRS G1 – Business conduct

#### ESRS G1 GOV-1

The role of the administrative, supervisory and management bodies

G1	GOV-1	5 a
GRI 2	2-12	b
Disclosure of role of administrative, management and supervisory bodies related to business conduct		
page 59		

G1	GOV-1	5 b
GRI 2	2-9	c-vii
Disclosure of expertise of administrative, management and supervisory bodies on business conduct matters		
page 60		

#### ESRS G1 G1-1

Corporate culture and business conduct policies

G1	G1-1	9
GRI 2	2-16	
Description of how the undertaking establishes, develops, promotes and evaluates its corporate culture		
page 61		

G1	G1-1	10 a
GRI 2	2-26	a-ii
Description of the mechanisms for identifying, reporting and investigating concerns about unlawful behaviour or behaviour in contradiction of its code of conduct or similar internal rules		
page 62 & Kafrit Group Code of Ethics and Conduct		

G1	G1-1	10 c
GRI 2	2-26	Guidance to 2-26
Disclosure of safeguards for reporting irregularities including whistleblowing protection		
page 62 & Kafrit Group Code of Ethics and Conduct		

G1	G1-1	10 e
No GRI equivalent available		
Undertaking is committed to investigate business conduct incidents promptly, independently and objectively		
page 62 & Kafrit Group Code of Ethics and Conduct		

#### ESRS G1 G1-2

Management of relationships with suppliers

G1	G1-2	15 a
GRI 3	3-3	a to f
Description of approaches in regard to relationships with suppliers, taking into account risks related to supply chain and impacts on sustainability matters		
page 63		

G1	G1-2	15 b
GRI 308; GRI 414	308-1; 414-1	a
Disclosure of how social and environmental criteria are taken into account for selection of supply-side contractual partners		
page 63		



### ESRS G1 G1-3

Prevention and detection of corruption or bribery

G1	G1-3	18 a
GRI 2	2-26	a-ii

Information about procedures in place to prevent, detect, and address allegations or incidents of corruption or bribery  
page 61

G1	G1-3	21 a
GRI 205	1.2	1.2.4; 1.2.5

Information about nature, scope and depth of anti-corruption or anti-bribery training programmes offered or required  
page 61

G1	G1-3	21 c
GRI 205	205-2	d

Information about members of administrative, supervisory and management bodies relating to anti-corruption or anti-bribery training  
page 61

### ESRS G1 G1-4

Confirmed incidents of corruption or bribery

G1	G1-4	24 a
GRI 2	2-27	a

Number of convictions for violation of anti-corruption and anti-bribery laws  
page 61

G1	G1-4	24 a
GRI 2	2-27	b

Amount of fines for violation of anti-corruption and anti-bribery laws  
page 61

G1	G1-4	25 a
GRI 205	205-3	a

Number of confirmed incidents of corruption or bribery  
page 61

G1	G1-4	25 a
GRI 205	205-3	a

Information about nature of confirmed incidents of corruption or bribery  
page 61

G1	G1-4	25 b
GRI 205	205-3	b

Number of confirmed incidents in which own workers were dismissed or disciplined for corruption or bribery-related incidents  
page 61

G1	G1-4	25 c
GRI 205	205-3	c

Number of confirmed incidents relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery  
page 61

G1	G1-4	25 d
GRI 205	205-3	d

Information about details of public legal cases regarding corruption or bribery brought against undertaking and own workers and about outcomes of such cases  
page 61

### ESRS G1 G1-5

Political influence and lobbying activities

G1	G1-5	29 a
GRI 2	2-9	b

Information about representative(s) responsible in administrative, management and supervisory bodies for oversight of political influence and lobbying activities  
page 62

G1	G1-5	29 b
GRI 415	415-1	a

Information about financial or in-kind political contributions  
page 62

G1	G1-5	29 b i
GRI 415	415-1	a

Financial political contributions made  
page 62

G1	G1-5	29 b i
GRI 415	415-1	a

In-kind political contributions made  
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### Company:

Kafrit Industries (1993) Ltd.  
Kibbutz Kfar-Aza,  
M.P. Negev, 8514200, Israel

[www.kafritgroup.com](http://www.kafritgroup.com)

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